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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark
One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended September 30, 2012

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _____ to _____

Commission file number 0-51813

LIQUIDITY SERVICES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

52-2209244
(I.R.S. Employer
Identification No.)

**1920 L Street, N.W., 6th Floor, Washington,
D.C.**
(Address of Principal Executive Offices)

20036
(Zip Code)

(202) 467-6868

(Registrant's Telephone Number, Including Area Code)

Securities Registered pursuant to Section 12(b) of the Act:
None

Securities Registered pursuant to Section 12(g) of the Act:
Common Stock, par value \$.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.05 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a
smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of March 31, 2012 based upon the closing price of the common stock as reported by The NASDAQ Stock Market on such date, was approximately \$1,090,686,912.

The number of shares outstanding of the issuer's common stock, par value \$.001 per share, as of November 26, 2012 was 31,453,924.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to its 2013 Annual Stockholders' Meeting, to be filed subsequently, are incorporated by reference into Part III of this Form 10-K.

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Unless the context requires otherwise, references in this report to "we," "us," the "Company" and "our" refer to Liquidity Services, Inc. and its subsidiaries.

PART I

Item 1. Business.

Overview

We operate several leading online auction marketplaces for surplus and salvage assets. We enable buyers and sellers to transact in an efficient, online auction environment offering over 500 product categories. Our marketplaces provide professional buyers access to a global, organized supply of surplus and salvage assets presented with customer focused information including digital images and other relevant product information along with services to efficiently complete the transaction. Additionally, we enable our corporate and government sellers to enhance their financial return on excess assets by providing liquid marketplaces and value-added services that integrate sales and marketing, logistics and transaction settlement into a single offering. We organize our products into categories across major industry verticals such as consumer electronics, general merchandise, apparel, scientific equipment, aerospace parts and equipment, technology hardware, energy equipment, industrial capital assets, fleet and transportation equipment, and specialty equipment. Our online auction marketplaces are www.liquidation.com, www.govliquidation.com, www.govdeals.com, www.networkintl.com, www.truckcenter.com, www.secondipity.com, and www.go-dove.com.

We believe our ability to optimize our clients' net recovery and supply chain for surplus and salvage assets generates a continuing flow of goods from our corporate and government sellers. This valuable and reliable flow of goods in turn attracts an increasing number of professional buyers to our marketplaces. During fiscal year 2012, the number of registered buyers grew from approximately 1,604,000 to approximately 2,186,000, or 36.3%. During the past three fiscal years, we have conducted over 1,498,000 online transactions generating over \$1.9 billion in gross merchandise volume or GMV. We believe the continuing flow of goods in our marketplaces attracts a growing buyer base which creates a self-sustaining cycle for our buyers and sellers.

In the fiscal year ended September 30, 2012, we generated GMV of \$864.2 million and revenue from continuing operations of \$475.3 million through multiple sources, including transaction fees from sellers and buyers, revenue sharing arrangements, value-added service charges and online advertising fees. Our GMV has grown at a compound annual growth rate of approximately 31% since fiscal year 2006. Additionally, we have been profitable and cash flow positive each year from fiscal year 2003 through fiscal year 2012. As of September 30, 2011, we ceased operations and had substantially liquidated our operations in the United Kingdom and have accounted for the operations as discontinued operations for all periods presented.

On October 1, 2011, we completed the acquisition of the assets of Jacobs Trading, LLC (Jacobs). The acquisition price includes an upfront cash payment of \$80.0 million, a seller subordinated 5% note of \$40.0 million, which was paid in full as of November 2, 2012, stock consideration of \$24.5 million and an earn-out payment. Under the terms of the agreement, the earn-out is based on EBITDA earned by Jacobs during the trailing 12 months ending December 31, 2012 and 2013. The Company's estimate of the fair value of the earn-out as of September 30, 2012 is \$14.5 million out of a possible total earn out payment of \$30.0 million. Jacobs is a leading remarketer for the sale of surplus and returned consumer goods. Jacobs conducts its sales on a purchase model basis using its marketplace, an extensive global buyer base and product domain expertise.

Industry Overview

While a well-established forward supply chain exists for the procurement of assets, most manufacturers, retailers, corporations and government agencies have not made significant investments in their reverse supply chain process or systems. The reverse supply chain addresses the redeployment and remarketing of surplus and salvage assets. These assets generally consist of retail customer returns, overstock products and end-of-life goods or capital assets from both the corporate and government sectors. According to the National Retail Federation, a retail industry association, the total value of merchandise returned in the United States for 2012 is estimated to be \$217 billion, up approximately 14% from \$190 billion in 2010. In addition, Manfredi and Associates estimates the global market for surplus capital assets to be approximately \$100 billion annually.

The supply of surplus and salvage assets in the reverse supply chain results from a number of factors, including:

- *Supply chain inefficiencies.* Forecasting inaccuracies, manufacturer overruns, cancelled orders, evolving market preferences, discontinued product lines, merchandise packaging changes and seasonal fluctuations result in the growth of surplus assets.
- *Product innovation.* Continuous innovation in technology products, such as computer and office equipment, consumer electronics, and personal communication and entertainment devices, results in a continuous flow of surplus assets.
- *Return policies of large national and online retailers.* The flexible return practices of many large national retailers and online shopping sites result in a continuous supply of returned merchandise, a significant portion of which must be liquidated.
- *Compliance with government regulations.* An increasingly stringent regulatory environment necessitates the verifiable recycling and remarketing of surplus assets that would otherwise be disposed of as waste.
- *Increasing focus by corporate and government agencies to seek green solutions for surplus assets.* Most organizations appreciate the growing need to be environmentally friendly by improving their management of end of life or surplus goods, including creating the need to repurpose or efficiently redistribute surplus and capital assets to minimize waste and maximize value for themselves and the communities they serve.
- *Changing budgetary trends in corporate and governmental entities.* As corporate and governmental entities increasingly are being pressured to enhance efficiencies, while utilizing less resources, surplus and salvage capital assets become a source of funds once liquidated.

Organizations that manufacture, distribute, sell or use finished goods regularly need to dispose of excess inventory or returned merchandise. We believe the management and remarketing of surplus assets traditionally has been an inefficient process. While many organizations spend considerable resources developing systems and channels supporting the flow of finished goods to their core customers, we believe that many have not historically dedicated significant resources to the reverse supply chain. Factors contributing to these inefficiencies in the reverse supply chain include the lack of:

- a centralized and global marketplace to sell bulk products in the reverse supply chain;
- awareness of effective methods and mechanisms for disposal of surplus assets;
- experience in managing the reverse supply chain to seek optimal net returns and improve gross margins; and
- real time market data on surplus assets as they move through the final steps of the product life cycle.

Traditional methods of surplus and salvage asset disposition include ad-hoc, negotiated direct sales, utilization of individual brokers or sales agents and live on-site auctions. We believe these solutions are generally highly fragmented, geographically dispersed and poorly integrated with supply chain operations. The manual, negotiated and geographically dispersed nature of traditional surplus resale methods results in a lack of pricing transparency for offered goods, multiple brokers/parties ultimately involved in the final disposition and a lower number of potential buyers and bids, which we believe typically leads to lower recovery for sellers.

A significant number of professional buyers seek surplus and salvage assets to sustain their operations and end customers demand. They include online and offline retailers, convenience and discount stores, value-added resellers such as refurbishers and scrap recyclers, import and export firms and small businesses. Traditionally, these buyers have had limited access to a reliable flow of surplus goods and assets, relying instead on their own network of industry contacts and fixed-site auctioneers to locate, evaluate and purchase specific items of interest. Traditional methods are inefficient for buyers due to the lack of:

- global access to an available continuous supply of desired goods and assets;
- efficient and inexpensive sourcing processes;
- a professionally managed central marketplace with transparent, high quality services;
- detailed information and product description for the offered goods; and
- pricing transparency or ability to compare asset prices.

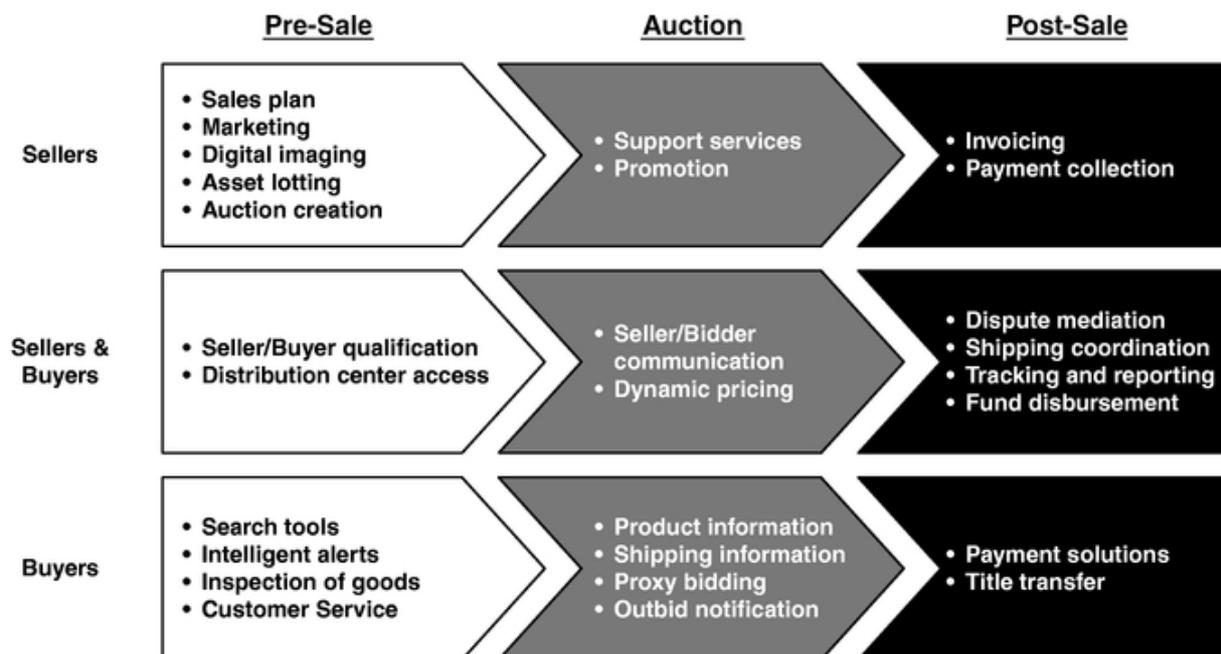
The Internet is a global medium enabling millions of people worldwide to share information, communicate and conduct business electronically. International Data Corporation (IDC), a provider of global IT research and advice, estimates 2.0 billion people used the Internet on a regular basis during 2010. This number is expected to surpass 2.7 billion by 2015 or 40% of the world's population. (Source: IDC's Digital Marketplace Model and Forecast). We believe professional buyers of surplus and salvage assets will increasingly use the Internet to identify and source goods available for immediate purchase.

Our Solution

Our solution is comprised of our online auction marketplaces and value-added services. Our marketplaces and services are designed to provide sellers a comprehensive solution to quickly bring surplus assets to market and enhance the financial value realized from the sale of their surplus assets while providing buyers with confidence in the reliable flow of goods they purchase. We provide our sellers access to several liquid marketplaces with over 2.2 million professional buyers and a suite of services and logistics capabilities to efficiently manage our clients' reverse supply chain. We seek the optimal methods to maximize our clients' net recovery using channel strategies and dedicated programs to deliver transparent, sustained value.

Through our relationships with sellers, we provide buyers convenient access to a substantial and continuous flow of surplus and salvage assets. We provide buyers with products in over 500 categories in lot sizes ranging from full truck loads to pallets, packages and individual items. Our solution combines leading online marketplaces with a full suite of integrated sales, marketing, merchandising, fulfillment, payment collection, customer support, dispute mediation and logistics services. We provide buyers a convenient method for sourcing surplus and consumer goods. For any given asset, buyers have access to a detailed product description, product manifest, digital images of a product, relevant transaction history regarding the seller, shipping weights, product dimensions and estimated shipping costs to the buyer's location. This enables our solutions to become the primary source for many of our professional buyers and end-users.

The following chart provides a summary of our online marketplace solution:



We believe our marketplaces benefit over time from greater scale and adoption by our constituents creating a virtual cycle for our buyers and sellers. As of September 30, 2012, we had aggregated over 2,186,000 registered buyers in our marketplaces and access to millions of end-users through a range of existing consumer marketplaces. Aggregating this level of buyer demand and market data enables us to generate a continuous flow of goods from corporate and government sellers, which in turn attracts an increasing number of professional buyers. During the fiscal year ended September 30, 2012 we had over 2,104,000 auction participants in our online auctions from our registered buyers. During fiscal year 2012, we grew our registered buyer base by 36.3% or approximately 582,000. As buyers continue to discover and use our online marketplaces as an effective method to source assets, we believe our solutions become an increasingly attractive sales channel for corporations and government agencies. We believe this self-reinforcing cycle results in greater transaction volume and enhances the value of our marketplaces.

Competitive Factors

We have created liquid marketplaces for virtually any type, quantity or condition of surplus or salvage assets. The strengths of our business model include:

Aggregation of supply and demand for surplus and salvage assets

Our ability to aggregate sellers and buyers through our marketplaces is a fundamental strength of our business model. Sellers benefit from a liquid, transparent market and the active participation of our large base of professional buyers, which enhances returns. Buyers benefit from our relationships with high-volume, corporate and government sellers, which provides them with continuous access to a comprehensive selection of surplus and salvage assets. Our solution eliminates the need for sellers and buyers to rely on the highly fragmented and geographically dispersed group of traditional liquidators. Instead, sellers and buyers conveniently access our online marketplaces for their entire surplus and salvage asset needs.

Integrated and comprehensive solution

Our marketplaces are designed to provide sellers and buyers with a comprehensive solution for the online sale and purchase of surplus and salvage assets. We offer a full suite of value-added services to simplify the sales and supply chain processes for sellers and improve the utility of our marketplaces for buyers. For corporate and government sellers, we provide sales, marketing, logistics and customer support services that are fully integrated with our marketplaces, creating operational and system efficiencies. For many of these sellers, asset disposition is not a core business function to which they desire to dedicate internal resources. With our solution, we manage each step of the transaction and supply chain for our sellers reducing complexity while providing the ability to optimize the client's net financial return in the sale of surplus goods and assets. Sellers simply make goods available at their facilities or deliver them to our distribution centers and we deliver the profits after the sale is completed. Our buyer services include intelligent alerts, search tools, dynamic pricing, shipping and delivery, secure settlement, live customer support and dispute resolution to enable the most effective methods to source assets for their businesses.

Flexible and aligned transaction model

We offer three primary transaction models to our sellers: consignment, profit-sharing and purchase. Under these models, our compensation is derived from either the gross or net proceeds received from the sale of the assets. Our consignment and profit-sharing arrangements are designed to maximize returns by aligning our economic interests.

Faster transaction cycle times for our seller and buyers

We believe our marketplace solutions allow sellers to complete the entire sales process more rapidly than through other liquidation methods by generally reducing the complexities in the reverse supply chain and utilizing our multi-channel strategies to optimize recovery and velocity. As a result, sellers are able to reduce surplus or less valuable inventory quickly, generate additional working capital and reduce the cost of carrying unwanted assets. We provide a one stop solution to enable professional buyers of any size throughout the world to purchase assets in an efficient manner. For these buyers, we provide a broad range of services to give them the information necessary to make an informed bid and ensure they quickly and efficiently receive the goods purchased.

Solutions that promote sustainability and green solutions for improved corporate/government stewardship

Our solutions provide a range of capabilities that enable corporate and government agencies to directly reduce the amount of waste generated by redistributing end of life products or assets, through our solutions, improving the net financial recovery generated while positively impacting the communities they serve. In aggregate, some of the world's largest forward thinking corporations and government agencies have significantly enhanced their stewardship of communities and the environment by partnering with us.

Our Strategy

Our mission is to provide commercial and government clients and buying customers the world's most transparent, innovative and effective online marketplaces and integrated services for surplus assets. The key elements of our mission are to continue to:

Grow our buyer base and increase active buyer participation on our marketplaces

We intend to increase the active buyer participation within our marketplaces, by attracting new buyers and leveraging our base of existing professional buyers. We intend to attract new buyers by using a variety of online and traditional marketing programs while improving the services and experience for

our valued professional buyers. In addition, we plan to use the comprehensive buyer profiles, preferences and transactional data we have compiled over the past several years to enable us to identify and market highly relevant assets available through our marketplaces to the most likely buyers. We believe these initiatives will help us to increase the total number of auction participants and increase loyalty among our buyer base.

Increase value and services for existing sellers

We intend to grow by increasing the number of categories and geographies that we serve to existing sellers. For many of our sellers, we currently handle only a portion of the available supply of their surplus inventory or assets. In recent years, we have developed trusted relationships with large corporations and government agencies that offer significant growth opportunities by increasing our services offered and share of supply of their surplus assets. In addition, we have partnered with our sellers to identify previously unknown (untapped) flows of surplus assets that can effectively generate greater net returns than their current processes and improve their corporate stewardship. For example, on behalf of a large multinational retailer, we instituted a sustainability program, enabling our client to realize value for products that were previously land filled, thus creating value for our client while providing an environmentally friendly solution.

Develop new seller relationships

We intend to build upon our client base of the world's largest retailers and manufacturers, our expertise with the DoD and thousands of municipal clients to attract additional corporate and government sellers to our marketplaces. We believe the vast majority of corporations and government agencies still rely on inefficient, traditional, and less transparent disposition methods for their surplus assets. We believe our demonstrated performance coupled with an expanded sales initiative will allow us to attract additional corporate and government sellers. As part of our ongoing sales initiative, we plan to continue to hire additional professionals and increase our marketing and advertising to sellers in our target markets.

Innovation and technology development

During the past year we embarked on a redesign of our technology to create more personalized and diverse user experiences and tools for our buyers and sellers. Some of these, such as our Web-site enhancements or features and multi-channel optimization have already enhanced our business. We intend to develop and introduce new tools to further automate our solution and leverage the scalability of our technology investments across all of our marketplaces. In addition to enhancing the features, experience, and service for our buyers and sellers, we seek to leverage the increasing insight we gain with each transaction to enhance the recovery value clients realize along with improving the relevancy for our buyers in the reverse supply chain.

Acquire complementary businesses

We intend to increase our share of the supply of surplus and salvage goods sold by expanding our operations geographically and across new complementary markets. To support this growth, we intend to continue our disciplined and targeted acquisition strategy. Our approach focuses on identifying target companies that will offer us new or complementary areas of expertise, technology advancements, client bases and geographic territories, such as the GovDeals acquisition, which we completed on January 1, 2008, the Network International acquisition, which we completed on June 15, 2010, the TruckCenter.com acquisition, which we completed on June 1, 2011, the Jacobs acquisition, which we completed on October 1, 2011, the GoIndustry acquisition, which we completed in July, 2012, and the National Electronics Service Association (NESA) acquisition, which we completed on November 1,

2012. In considering each acquisition scenario, we evaluate the merits of the individual opportunity and determine whether to employ a "buy" or "build" strategy.

Our Marketplaces

Our online auction marketplaces serve as an efficient and convenient method for the sale of surplus and salvage consumer goods and capital assets. We operate and enable several marketplaces, including the following:

- Our *www.liquidation.com* marketplace enables corporations located in the United States to sell surplus and salvage consumer goods and capital assets. This leading business to business marketplace and our related value-added services are designed to meet the needs of clients by selling their surplus assets to domestic and international buyers.
- Our *www.govliquidation.com* marketplace enables selected federal government agencies to sell surplus and scrap assets. In addition to goods sold on behalf of other federal agencies, the surplus and scrap assets we sell as the exclusive contractor of the Defense Logistics Agency (DLA) Disposition Services of the U.S. Department of Defense are sold in this marketplace. To satisfy the requirements of U.S. federal government agency sellers, this marketplace incorporates additional terms and conditions of sale, such as U.S. Trade Security Controls clearance for the sale of export-controlled property.
- Our *www.govdeals.com* marketplace enables local and state government entities including city, county and state agencies as well as school boards and public utilities located in the United States to sell surplus and salvage assets. This marketplace and our related services are designed to meet the unique needs of public sector clients selling to domestic and international buyers.
- Our *www.networkintl.com* marketplace enables corporations to sell idle, surplus, and scrap equipment in the oil and gas, petrochemical and power generation industries. This market place and our related services are designed to meet the unique needs of energy sector clients.
- Our *www.go-dove.com* marketplace enables corporations located in the United States, Europe, and Asia to sell manufacturing surplus and salvage capital assets. This marketplace and our related services are designed to meet the specific needs of manufacturing sector clients by selling their surplus assets to domestic and international buyers.

Our online auction marketplaces are designed to address the particular requirements and needs of buyers and sellers. Although our buyers may access and register on a single marketplace, we use numerous cross-marketing and cross-promotional methods to ensure that buyers are exposed to all of our marketplaces and to all product categories in which they have expressed an interest. For example, we display cross-search results for all our marketplaces in response to key word searches in a single marketplace.

In addition to these leading business to business marketplaces, we recognize the need to reach end users for some of the assets our clients have entrusted to us. Thus, we have developed the capability to sell products on our client's behalf directly to end-users and/or consumers using a range of existing marketplaces. Our *www.secondipity.com* marketplace provides consumers a trusted source of value products through a socially conscious online experience designed to provide "Better Value, Better Life," through donating a portion of the proceeds of every sale to charity. We also have an established global buyer base that seeks to buy in larger quantities than are offered through our standard auction platform. Thus, we have dedicated sales teams to support their needs and supply chain. These range from a single truckload to ongoing flows for export anywhere in the world, where we market, handle, and support the full disposition on behalf of our buyers. We expect to continue to meet the needs of our clients and to access a growing range of products for all our buyers by enabling our multi-channel strategy to ensure we create the greatest value for assets at the end of their initial product life cycle.

Our Value-Added Services for Buyers and Sellers

We have integrated value-added services to simplify the supply chain processes for our buyers and sellers. We believe these services create the greatest operational efficiencies within this element of the supply chain enabling the greatest value for sellers and buyers with the highest level of confidence and transparency in the services we provide. Additionally, we believe these services improve compliance with the various policies, regulations and sale restrictions of our corporate and government sellers while supporting, or greatly enhancing, many corporate or government environmental initiatives.

Seller services. We offer value-added services to sellers in three areas: (1) merchandising and channel optimization, (2) logistics and (3) settlement and customer support.

- *Merchandising and Channel Optimization* efforts encompass all of the services necessary to prepare merchandise for a successful auction and include the following:
 - Channel Optimization—we determine the marketplace and channel sales strategy that creates the greatest value for the individual asset using our real time transaction systems and proprietary data to support ongoing optimization.
 - Marketing and promotion—we use a variety of both online and traditional marketing methods to promote our sellers' merchandise and generate the greatest interest in each asset.
 - Asset lotting and merchandising—we leverage our industry experience to organize the merchandise we receive into size and product combinations that meet buyer preferences within each marketplace and channel.
 - Product information enhancement—we provide digital images of the merchandise to be sold and combine the images with relevant information. In order to increase the realized sales value, we also research, collect and use supplemental product information to enhance product descriptions.
- *Logistics.* We provide logistics services designed to support the receipt, handling, transportation and tracking of merchandise offered through our marketplaces, including the following:
 - Distribution centers—we provide sellers with the flexibility of either having us manage the sales process at their location or delivering merchandise to one of our distribution centers.
 - Inventory management—sellers benefit from our management and inventory tracking system designed so that merchandise is received, processed and delivered in a timely manner.
 - Cataloguing merchandise—we catalogue all merchandise, which enables us to provide useful product information to buyers and sellers. In certain circumstances, we will inspect the merchandise and provide condition descriptions to improve quality and the financial recovery to the client.
 - Testing, data wiping, de-labeling and refurbishment—we test products, wipe electronic data, refurbish and remove labels and product markings from merchandise prior to sale in order to add value to the asset and protect sellers' brand equity and distribution relationships.
 - Return to vendor or product disposition to non-sales channels—we will manage the end to end processes for our clients ensuring that returned merchandise is disposed through a variety of disposition requirements including the end to end management of returning products to vendors, charities, or channels outside of our leading marketplace solutions.
 - Outbound fulfillment—we can arrange for domestic or international shipping for all merchandise, whether it's a small item or container load for export located in one of our distribution centers or at a seller's facility.

- *Settlement and customer support.* Settlement and customer support services are designed for successful and reliable completion of transactions and include:
 - Buyer qualification—we qualify buyers to ensure their compliance with applicable government or seller mandated terms of sale, as well as to confirm their ability to complete a transaction.
 - Collection and settlement—we collect payments on behalf of sellers prior to delivery of any merchandise and disburse the profits to the seller after the satisfaction of all conditions of a sale.
 - Transaction tracking and reporting—we enable sellers and buyers to track and monitor the status of their transactions throughout the sales process. We support the successful completion of each transaction on behalf of the buyer and seller. We provide a range of comprehensive reporting services to sellers upon the completion of a transaction. Our invoicing and reporting tools can be integrated with the seller's information system, providing a more efficient flow of data.
 - Customer support and dispute resolution—we provide full customer support throughout the transaction process and dispute resolution for our customers if needed.

Buyer services. Many of the services we provide to sellers also benefit buyers by providing them with the information necessary to make a more informed bid and to receive the goods they purchased. Our buyer focused services include the following:

- Intelligent alerts and recommendations—we notify buyers of upcoming auctions based on their registered preferences and prior transaction history. Registered preferences can be as broad as a product category or as specific as a part number or key word. We use this information to ensure informed recommendations whenever we identify a product that fits a buyer's preference. We will alert our buyers based on their preferences when auctions are initially launched or nearing conclusion and based on various other parameters to enable our buyers to see the most relevant products.
- Search and navigation tools—buyers can search our marketplaces for products based on a variety of criteria and personalized settings, including product category, keyword, lot size, product condition, product geographic location and auction ending date.
- Dynamic pricing tools, product information, and shipping quotes—we offer multiple dynamic pricing tools including outbid notification, automated bid agent and automatic auction extension. In addition, we provide buyers the information they need to make informed decisions, including product, seller performance, and online shipping quotes to help understand their landed cost.
- Broad and flexible range of shipping/pick-up options—we can provide packaging and shipping services for each transaction, whether it is a small item or container loads for export, including buyer pick-up at our premises, for the vast majority of transactions, or support of buyer arranged transportation. We support the most efficient solution for each transaction and each buyer.
- Secure settlement and customer support—in addition to qualifying sellers, providing several electronic payment options and serving as a trusted market intermediary, we verify transaction completion, which in turn enhances buyer confidence. In addition, we provide full reliable customer support throughout the transaction process.

Sales and Marketing

We utilize a direct sales and marketing force to acquire and manage our seller and buyer accounts. As of September 30, 2012, we had 158 sales and 56 marketing personnel. Our sales activities are

focused primarily on acquiring new sellers and improving the value to existing sellers. Our marketing activities are focused primarily on acquiring new buyers and increasing existing buyer participation.

Sales

Our sales personnel develop seller relationships, establish agreements to provide our services and manage the business accounts on an on-going basis. Our sales team focuses on building long-term relationships with sellers that we believe will generate recurring transactions. They also leverage our years of experience and market data of completed transactions to identify which of our various services would be beneficial to each new or existing seller.

Our sales group is organized to serve three distinct groups of sellers: large corporate accounts, medium to small corporate accounts and government accounts. This approach is based on our experience in understanding and serving the unique needs of each type of seller:

- *Large corporate sellers.* These sellers require a customized approach, using a combination of our industry-focused sales team and our value-added services to create a comprehensive solution.
- *Medium to small corporate sellers.* These sellers are offered a turn-key solution enabling them to self-serve in our marketplaces by accessing tools and resources to optimize their internal processes and net recovery.
- *Government sellers.* These sellers require a customized approach. Sales efforts are both pro-active and re-active, including responding to already structured contract proposal requests and assisting government agencies in developing the appropriate scope of work to serve their needs.

Our sales personnel receive a salary and performance-based commissions.

Marketing

We use a variety of online and traditional marketing to attract and activate professional buyers to maximize the number of bidders participating in our online marketplaces as well as to support our sales team:

- *Buyer acquisition.* We utilize online marketing, including paid search advertising, search engine optimization, affiliate programs and cross promotion on all of our marketplaces to acquire new buyers. We supplement this online marketing with special event print media, classified advertisements and selected direct mail campaigns. Public relations campaigns, participation in trade shows and speaking engagements also complement our overall buyer acquisition efforts.
- *Buyer participation.* We use a variety of tools to increase buyer participation, including: targeted opt-in e-mail newsletters that rely on the buyer's stated categories of interest and past bidding or transaction activity; special e-mail alerts highlighting specific products of interest; personalized recommendation engines; and convenient search tools that enable a buyer or prospective buyer to find desired items on our online marketplaces.
- *Market research.* In order to better target buyers by industry segment, geographic location or other criteria, our marketing department has gathered data and information from each of the buyer segments we serve. In addition, the marketing department conducts regular surveys to better understand buyers' behavior and needs. We have a privacy policy and have implemented security measures to protect this information.
- *Sales support.* Our marketing department creates supporting documentation and research to support our sales team in presenting our company to potential sellers and buyers, including sales brochures, white papers and participation in selected trade shows.

All marketing activities are evaluated based on the level of auction participation in our marketplaces and the cost effectiveness of each action.

Technology and Infrastructure

Our marketplaces are fully web-based and can be accessed from any Internet enabled device by using a standard web browser. Our technology systems enable us to automate and streamline many of the manual processes associated with finding, evaluating, bidding on, paying for and shipping surplus and salvage assets. The technology and content behind our marketplaces and integrated value-added services were developed in-house by full-time employees, providing us with control over the marketplaces and the ability to make rapid enhancements to better fit the specific needs of our business and customers. Our marketplaces are supported by a common database architecture and a shared system application. This infrastructure provides:

- an efficient channel to sell online through a variety of pricing mechanisms (standard auction, sealed bid, Dutch auction and fixed price);
- a scalable back office that enables buyers and sellers to efficiently manage transactions among remote business users by utilizing account management tools, including payment collection, invoicing management, shipping and transaction settlement; and
- an input/output agnostic platform, including Application Programming Interface (APIs) or other conduits that enable us to integrate seamlessly with partner enterprise applications of sellers and third party service providers.

We have designed our websites and supporting infrastructure to be highly robust and to support new services and increased traffic. Our servers are fully-managed and hosted in a physically secure and network-secure environment at data centers in Ashburn, Virginia, which is managed by Equinix, Inc., in Houston, Texas, which is managed by CyrusOne, in Los Angeles, California, which is managed by Tierzero, in London, GBR, which is managed by COLT, and in Dallas, Texas, which is managed by Equinix, Inc. Every critical piece of our application is fully redundant, and we maintain off-site back-up systems as well as a disaster recovery facility. Our network connectivity offers high performance and scalability to accommodate increases in website traffic. Since January 1, 2003, we have experienced no material service interruptions on our online marketplaces.

Our applications support multiple layers of security, including password-protected log-ins, encryption technology to safeguard information transmitted in web sessions and firewalls to help prevent unauthorized access to our network and servers. We devote significant efforts to protecting our systems from intrusion.

Operations

Supporting large organizations that have a recurring need to sell surplus and salvage assets requires systematic processes to enhance the financial value and convenience received by our customers. We believe we have integrated all of the required operational processes into our solution to efficiently and to effectively support our buyers and sellers. Our operations group is comprised of three functions: (1) buyer relations, (2) shipping logistics and (3) distribution center and field service operations.

Buyer relations

Our buyer relations group supports the completion of buyer transactions by managing the buyer registration and qualification process, answering questions and requests from buyers, collecting buyer payments and resolving disputes. Our websites contain extensive information about buying through our online marketplaces, including an online tutorial regarding the use of our marketplaces, answers to

frequently-asked buyer questions and an indexed help section. Buyers are able to contact a customer service representative by live chat as well as e-mail or phone if they need additional support.

Shipping logistics

Our shipping logistics group manages and coordinates inbound and outbound shipping of merchandise for sellers and buyers. We offer, as part of our value-added services, integrated shipping services and price quotes through multiple shipping carriers. In addition, our shipping coordination group personnel monitor the performance and service level of our network of carriers to help ensure speed and quality of service.

Distribution center and field service operations

Our distribution center and field service operations group performs selected pre-sale and post-sale value-added services at our distribution centers and at seller locations globally. These activities include unloading, manifesting and reporting discrepancies for all received assets and sales preparation of offered assets, including merchandising and organizing offered assets, writing product descriptions, capturing digital images/video and providing additional optional value-added services such as product delabeling, data cleaning/wiping, testing, refurbishment and repackaging. Our distribution center and field service operations group personnel also arrange the outbound shipping or pick-up of purchased assets with our buyers.

Competition

The online services market for auctioning or liquidating surplus and salvage assets is competitive and growing rapidly. We currently compete with:

- other e-commerce providers;
- auction websites;
- government agencies that have created websites to sell surplus and salvage assets; and
- traditional liquidators and fixed-site auctioneers.

We expect our market to become even more competitive as traditional and online liquidators and auctioneers continue to develop online and offline services for disposition, redeployment and remarketing of surplus and salvage assets. In addition, manufacturers, retailers and additional government agencies may decide to create their own websites to sell their own surplus and salvage assets and those of third parties. Competitive pressures could harm our business, financial condition and operating results.

Some of our other current and potential competitors have longer operating histories, larger client bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. In addition, some of these 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 substantially more resources to website and systems development than we are able to do. Increased competition may result in reduced operating margins and loss of market share. We may not be able to compete successfully against current and future competitors.

Our Contracts with the U.S. Department of Defense

We are the exclusive contractor with the DLA Disposition Services for the sale of surplus and scrap assets of the U.S. Department of Defense in the United States. This relationship provides a significant supply of goods that we offer to our buyer base through our online marketplace

www.govliquidation.com. In support of these contracts, we provide services in over 1 million square feet of military warehouse space at over 150 military bases throughout the United States.

We have two material contracts with DoD under which we acquire, manage and sell government property. The largest contract was originally awarded in June 2001, was renewed in December 2008, and relates to usable surplus property of DoD turned in to the DLA Disposition Services and located in the United States, Puerto Rico and Guam, such as computers, electronics, office supplies, equipment, aircraft parts, clothing and textiles (the "Surplus Contract"). The second contract was awarded in June 2005 and relates to substantially all scrap property of DoD turned into the DLA Disposition Services, such as metals, alloys, and building materials. Property sold under the contracts is "demilitarized" prior to sale and does not include weapons or hazardous materials (the "Scrap Contract").

The Surplus Contract accounted for 29.9%, 30.3%, and 27.2% of our revenue and 19.9%, 18.5%, and 15.5% of our gross merchandise volume for the fiscal years ended September 30, 2010, 2011 and 2012, respectively. We began operating under the Scrap Contract in August 2005, and it accounted for 25.0%, 25.5%, and 16.1% of our revenue and for 16.7%, 15.4%, and 8.9% of our gross merchandise volume for the fiscal years 2010, 2011 and 2012, respectively. The contracts were awarded in competitive bids conducted by DoD, and we may be required to go through a new competitive bidding process when our existing contracts expire.

Under the Surplus Contract, as amended, we are obligated to purchase all DoD surplus property at 1.8% of Disposition Services' original acquisition value. The DoD has broad discretion to determine what property will be made available for sale to us under the new Surplus Contract and may retrieve or restrict property previously sold to us for national security reasons or if the property is otherwise needed to support the mission of the DoD. The Surplus Contract has a 36 month term, beginning February 2009, with two 12 month renewal options exercisable by the DoD. The DoD has exercised both renewal options.

Under the Scrap Contract, we acquire scrap property at a per pound price and disburse 77% of the profits to the DOD, which we refer to as profit-sharing distributions. As a result of these arrangements, we recognize as revenue the gross proceeds from these sales. We also have a small business performance incentive based on the number of scrap buyers that are small businesses that would allow us to receive up to an additional 2% of the profit sharing distribution. The Scrap Contract base term expired in June 2012, subject to the DoD's right to extend for three additional one-year terms. The DoD has exercised the first and the second renewal options.

These contracts require us to satisfy export control and other regulatory requirements in connection with sales. Specifically, for specified categories of property sold under the contracts that are subject to export controls, we are required to (1) obtain an end-use certificate from the prospective buyer describing the nature of the buyer's business, describing the expected disposition and specific end-use of the property, and acknowledging the applicability of pertinent export control and economic sanctions laws and (2) confirm that each buyer has been cleared to purchase export-controlled items. Applicable export controls include the Export Administration Regulations enforced by the Bureau of Industry and Security ("BIS") of the U.S. Department of Commerce, and the International Traffic In Arms Regulations enforced by the Directorate of Defense Trade Controls ("DDTC") of the U.S. Department of State. Our collection, settlement tools and procedures are designed so that transactions for these categories of property cannot be completed until we receive a completed end-use certificate and confirmation of the buyer's trade security controls clearance. In addition, we do not combine export-controlled property into auction lots with property not subject to export controls.

We are also prohibited from selling property to persons or entities that appear on lists of restricted or prohibited parties maintained by the United States or other governments, including the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of

the U.S. Department of Treasury and the Entity List maintained by BIS, the Denied Persons List maintained by BIS and the Debarred Parties List maintained by DDTC. In addition, we are prohibited from selling to countries, regimes, or nationals that are the target of applicable economic sanctions or other embargoes. As part of each sale, we collect information from potential customers that our systems cross reference against a list of restricted or prohibited parties and countries, regimes, or nationals that are the target of economic sanctions or other embargoes in order to comply with these restrictions. Failure to satisfy any of these export control and other regulatory requirements could subject us to civil and criminal penalties and administrative sanctions, including termination of the DLA Disposition Services contracts, forfeiture of profits, suspension of payments, fines and suspension or debarment from doing business with U.S. federal government agencies.

The Scrap Contract may be terminated by DoD or by us if the rate of return proceeds performance ratios do not exceed specified benchmark ratios for two consecutive quarterly periods and the preceding twelve months. We have never failed to meet the required benchmark ratios during any of the testing periods. DoD also has the right to audit our performance under the contracts. DoD may terminate the contracts and seek other contract remedies in the event of material breaches, provided that it provides us notice and a 30-day opportunity to cure such breaches. The new Surplus Contract contains a provision providing for a mutual termination of the contract for convenience.

Our Contracts with Wal-Mart

In connection with our acquisition of Jacobs Trading, LLC ("Jacobs") on October 1, 2011, we assumed the rights and obligations under a Master Merchandise Salvage Contract (the "Wal-Mart Agreement"). We have the exclusive right to purchase certain consumer products from Wal-Mart that have been removed from the sales stream of its retail operations and we believe this agreement will be the source of a significant portion of our revenue and GMV during its term, which expires on May 16, 2016 and thereafter continues on a month to month basis. In addition, we have other contracts / programs with Wal-Mart. For the year ended September 30, 2012, approximately 20% of our GMV was generated from Wal-Mart under multiple contracts / programs.

Government Regulation

We are subject to federal and state consumer protection laws, including laws protecting the privacy of customer non-public information and regulations prohibiting unfair and deceptive trade practices. Furthermore, the growth and demand for online commerce has and may continue to result in more stringent consumer protection laws that impose additional compliance burdens on online companies. Many jurisdictions also regulate "auctions" and "auctioneers" and may regulate online auction services. These consumer protection laws and regulations could result in substantial compliance costs and could interfere with the conduct of our business.

In many states, there is currently great uncertainty about whether or how existing laws governing issues such as property ownership, sales and other taxes, auctions and auctioneering, libel and personal privacy apply to the Internet and commercial online services. These issues may take years to resolve. New legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business or the application of existing laws and regulations to the Internet and commercial online services could result in significant additional taxes or regulatory restrictions on our business. These potential restrictions could have an adverse effect on our cash flows and results of operations. Furthermore, there is a possibility that we may be subject to significant fines or other payments for any past failures to comply with these requirements.

In connection with our contracts with the U.S. federal government, the U.S. federal government has the right to audit and review our performance on our government contracts, as well as our compliance with applicable laws and regulations. In addition, we sell merchandise under our

government contracts, such as scientific instruments, information technology equipment and aircraft parts, that is subject to further government regulations, some of which may require us to obtain an export license in certain circumstances or an end-use certificate from the buyer. In the United States, the sale of this type of merchandise is further regulated by, among others, the U.S. Export Administration Regulations, International Traffic in Arms and the economic sanctions and embargo laws enforced by the Office of Foreign Assets Control Regulations. If a government audit uncovers improper or illegal activities, or if we are alleged to have violated any laws or regulations governing the products we sell under our government contracts, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, denial of export privileges, forfeiture of profits, suspension of payments, fines, and suspension or debarment from doing business with U.S. federal government agencies. See "Risk Factors—Unfavorable findings resulting from a government investigation or audit could subject us to a variety of penalties and sanctions, could negatively impact our future operating results and could force us to adjust previously reported operating results."

Intellectual Property

We regard our intellectual property, particularly domain names, copyrights and trade secrets, as critical to our success. We rely on a combination of contractual restrictions and common law copyright and trade secret laws to protect our proprietary rights, know-how, information and technology. These contractual restrictions include confidentiality and non-compete provisions. We generally enter into agreements containing these provisions with our employees, contractors and third parties with whom we have strategic relationships. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our intellectual property without our authorization. We currently are the registered owners of several Internet domain names, including *www.liquidation.com*, *www.govliquidation.com*, *www.govdeals.com*, *www.networkintl.com*, *www.truckcenter.com*, *www.secondipity.com*, and *www.go-dove.com*. We pursue the registration of our trademarks in the U.S. and internationally. We are pursuing patent protection. Effective patent, copyright, trademarks, trade secret and domain name protection is expensive to maintain and may require litigation to enforce our intellectual property rights. We seek to protect our domain names in an increasing number of jurisdictions and may not be successful in certain jurisdictions.

We rely on technologies that we license from third parties. These licenses may not continue to be available to us on commercially reasonable terms in the future. As a result, we may be required to obtain substitute technology of lower quality or at greater cost, which could materially adversely affect our business, financial condition, results of operations and cash flows.

We do not believe that our business, sales policies or technologies infringe the proprietary rights of third parties. However, third parties have in the past and may in the future claim that our business, sales policies or technologies infringe their rights. We expect that participants in the e-commerce market will be increasingly subject to infringement claims as the number of services and competitors in the industry grows. Any such claim, with or without merit, could be time consuming, result in costly litigation or an injunction or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to us, or at all or may be prohibited by an injunction. As a result, any such claim of infringement against us could have a material adverse effect upon our business, financial condition, results of operations and cash flows.

Employees

As of September 30, 2012, we had 965 U.S. employees, including 147 in sales and marketing, 73 in technology, 55 in customer service, 560 in operations and 130 in finance and administration. In addition, as of that date, we had 218 international employees, including 67 in sales and marketing, 20 in technology, 85 in operations and 46 in finance and administration.

We believe that we have good relationships with our employees. We have never had a work stoppage, and none of our employees is represented under a collective bargaining agreement or by a union.

Available Information

Our annual, quarterly and current reports, proxy statements, amendments to those reports and other information are also made available free of charge on our website www.liquidityservicesinc.com, as soon as reasonably practicable after we electronically file these materials with, or furnish them to, the SEC. We use our website as a channel of distribution for material company information. Important information, including news releases, analyst presentations and financial information regarding the Company is routinely posted on and accessible at www.liquidityservices.com.

Cautionary Note Regarding Forward-Looking Statements

This document contains forward-looking statements. These statements are only predictions. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include but are not limited to those listed in Part I, Item 1A ("Risk Factors") and in our other filings with the Securities and Exchange Commission (SEC) from time to time. You can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues" or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements apply only as of the date of this Annual Report and are expressly qualified in their entirety by the cautionary statements included in this document. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances occurring after the date of this Annual Report or to reflect the occurrence of unanticipated events.

Item 1A. Risk Factors.

You should carefully consider the risks described below, together with all of the other information in this Annual Report, including the consolidated financial statements and related notes, before making an investment decision with respect to our common stock. If any of the following risks occur, our business, financial condition or operating results could suffer. As a result, the trading price of our common stock could decline and you may lose all or part of your investment in our common stock. The risks and uncertainties described below are not in any particular order and are not the only significant risks we may face. Other events that we do not currently anticipate or that we currently deem immaterial also may affect our results of operations and financial condition.

We depend on contracts with the United States Department of Defense and Wal-Mart for a significant portion of our revenue, and if our relationships with these customers are disrupted, we would experience a significant decrease in revenue and income.

We have two material contracts with the DLA Disposition Services under which we acquire, manage and sell surplus and scrap property of the DoD. If our relationship with the DoD is impaired,

we are not awarded new DoD contracts when our current contracts expire, any of our DoD contracts are terminated or the supply of assets under the contracts is significantly decreased, we would experience a significant decrease in revenue and have difficulty generating income. The Surplus Contract accounted for 29.9%, 30.3%, and 27.2% of our revenue and 19.9%, 18.5%, and 15.5% of our GMV for the fiscal years ended September 30, 2010, 2011 and 2012, respectively. The Scrap Contract accounted for 25.0%, 25.5%, and 16.1% of our revenue and 16.7%, 15.4%, and 8.9% of our GMV in fiscal year 2010, 2011 and 2012, respectively. We believe that these contracts will continue to be the source of a significant portion of our revenue and GMV during their respective terms. The Surplus Contract has a three-year base term that expired in February 2012, subject to the DoD's right to extend for two additional one-year terms. The DoD has exercised both extension options. The Scrap Contract has a seven-year base term that expired in June 2012, subject to the DoD's right to extend for three additional one-year terms. The DoD has exercised its right to extend the performance period of the Scrap Contract to August 2014. The contracts were awarded by the DoD through a competitive bidding process, and we may be required to go through a new competitive bidding process when our existing contracts expire.

Our Surplus Contract with the DoD allows either party to terminate the contract for convenience. Although our Scrap Contract does not allow the DoD to terminate for convenience, it requires us to meet specified performance benchmarks. The Scrap Contract may be terminated by the DoD if rate of return performance ratios do not exceed specified benchmark ratios for two consecutive quarterly periods and the preceding twelve months. Although, to date, we have never failed to meet the required benchmark ratios during any of the testing periods, we cannot assure you that we will meet the performance benchmarks in the future. The DoD also has the right, after giving us notice and a 30-day opportunity to cure, to terminate the contracts and seek other contract remedies in the event of material breaches.

In connection with our acquisition of Jacobs Trading, LLC ("Jacobs") on October 3, 2011, we assumed ILJ Enterprises, LLC's rights and obligations under the Master Merchandise Salvage Contract (the "Wal-Mart Agreement") dated as of May 13, 2011 between ILJ Enterprises and Wal-Mart Stores, Inc. We have the exclusive right to purchase certain consumer products from Wal-Mart that have been removed from the sales stream of its retail operations and we believe this agreement will be the source of a significant portion of our revenue and GMV during its term, which expires on May 16, 2016 and thereafter continues on a month to month basis. While we cannot assure you what our revenue will be for any future period, we believe that the Wal-Mart Agreement will account for a significant portion of our revenue and our GMV for the 2013 fiscal year. If we breach the Wal-Mart Agreement, Wal-Mart may unilaterally terminate the agreement. If our relationship with Wal-Mart is impaired or the Wal-Mart Agreement is terminated, our revenue and income would be significantly lower than currently expected. In addition, we have other contracts / programs with Wal-Mart. For the year ended September 30, 2012, approximately 20% of our GMV was generated from Wal-Mart under multiple contracts / programs.

Unfavorable findings resulting from a government audit or investigation could subject us to a variety of penalties and sanctions, could negatively impact our future operating results and could force us to adjust previously reported operating results.

The federal government has the right to audit our performance under our government contracts. Any adverse findings from audits or reviews of our performance under our contracts could result in a significant adjustment to our previously reported operating results. For example, our DoD Scrap contract provides that we share sales profits with the government. The federal government may disagree with our calculation of the profits realized from the sales of government assets and may require us to increase profit-sharing payments to the government that have been made in the past. If this occurs, our past operating margins may be reduced. The results of an audit by the government

could significantly limit the volume and type of merchandise made available to us under our contracts with the DoD, resulting in lower gross merchandise volume, revenue, and profitability for our company. If such a government audit uncovers improper or illegal activities, we could be subject to civil and criminal penalties, administrative sanctions and could suffer serious harm to our reputation. Government and law enforcement agencies may also investigate our other activities under our DoD contracts and our company. If such an investigation alleges that we engaged in improper or illegal activities, we could be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or debarment from doing business with U.S. federal government agencies. If, as the result of a government audit or investigation, or for any other reason, we are suspended or debarred from contracting with the federal government generally, or any specific agency, if our reputation or relationship with government agencies is impaired, or if the government otherwise ceases doing business with us or significantly decreases the amount of business it does with us, our revenue and profitability would substantially decrease.

The success of our business depends on our ability to successfully obtain a supply of merchandise for our buyers and to attract and retain active professional buyers to create sufficient demand for our sellers.

Our ability to increase our revenue and maintain profitability depends on whether we can successfully expand the supply of merchandise available for sale on our online marketplaces and attract and retain active professional buyers to purchase the merchandise. Our ability to attract sufficient quantities of suitable merchandise and new buyers will depend on various factors, some of which are out of our control. These factors include our ability to:

- offer sellers liquid marketplaces for their surplus and salvage assets;
- offer buyers a sufficient supply of merchandise;
- develop and implement effective sales and marketing strategies;
- comply with regulatory or corporate seller requirements affecting marketing and disposition of certain categories of merchandise;
- efficiently catalogue, handle, store, ship and track merchandise;
- achieve high levels of seller and buyer satisfaction with the trading experience.

We may not be able to compete successfully against existing or future competitors.

The online services market for auctioning or liquidating surplus and salvage assets is competitive and growing rapidly. Competitive pressures could affect our ability to attract and retain customers, which could decrease our revenue and negatively affect our operating results. We currently compete with:

- other e-commerce providers;
- auction websites;
- government agencies that have created websites to sell surplus and salvage assets; and
- traditional liquidators and fixed-site auctioneers.

We expect our market to become even more competitive as traditional and online liquidators and auctioneers continue to develop online and offline services for disposition, redeployment and remarketing of surplus and salvage assets. In addition, manufacturers, retailers and government

agencies may decide to create their own websites to sell their own surplus and salvage assets and those of third parties.

Some of our other current and potential competitors have longer operating histories, larger client bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. In addition, some of these 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 substantially more resources to website and systems development than we are able to do. Increased competition may result in reduced operating margins and loss of market share. We may not be able to compete successfully against current and future competitors.

If we fail to successfully integrate our acquired businesses and operations and/or fully realize the expected benefits of these acquisitions in the expected time frame, our future operating results may be materially adversely affected.

The success of our most recent acquisitions of Go-Industry and NESAs depends, in part, on our ability to successfully integrate the acquired businesses and operations with our other businesses and fully realize the anticipated benefits of the acquisitions. If we are not able to achieve these objectives in a cost-effective and timely manner, we may not fully realize the anticipated benefits of the acquisition or it may take us longer to realize the benefits of the acquisition than we expect. Our acquired operations outside the U.S. may present unique challenges or increase our exposure to risks associated with foreign operations, including foreign currency risks and risks associated with local regulatory regimes.

The integration process could result in the loss of key customers or key employees, increase our operating or other costs, decrease our profit margins or disrupt our other businesses, each of which could impair our ability to achieve the anticipated benefits of the acquisition. Our efforts to integrate the acquired businesses will divert management's attention and resources from our other businesses. Any failure to timely realize the anticipated benefits of the acquisition could have a material adverse effect on our revenues, expenses and operating results.

If we fail to manage our growth effectively, our operating results could be adversely affected.

We have expanded our operations rapidly since our inception in 1999. Although we currently do not have specific plans for any expansion that would require significant capital investment, in the future we plan to expand our operations further by developing new or complementary services, products, or trading formats and enhancing the breadth and depth of our value-added services. We also plan to continue to expand our sales and marketing, technology and client support organizations. In addition, we will likely need to continue to improve our financial and management controls and our reporting systems and procedures. If we are unable to effectively implement these plans and to otherwise manage our expanding operations, we may not be able to execute our business strategy and our operating results could significantly decrease.

Our quarterly operating results have fluctuated in the past and may do so in the future, which could cause volatility in our stock price.

Our prior operating results have fluctuated due to changes in our business and the e-commerce industry. Similarly, our future operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are beyond our control. You should not rely on period-to-period comparisons of our operating results as an indication of our future performance. Factors that may affect our quarterly operating results include the following:

- the addition of new buyers and sellers or the loss of existing buyers and sellers;

- the volume, size, timing and completion rate of transactions in our marketplaces;
- changes in the supply and demand for and the volume, price, mix and quality of our supply of surplus and salvage assets;
- introduction of new or enhanced websites, services or product offerings by us or our competitors, which may impact our margins;
- implementation of significant new contracts;
- changes in our pricing policies or the pricing policies of our competitors;
- changes in the conditions and economic prospects of the e-commerce industry or the economy generally, which could alter current or prospective buyers' and sellers' priorities;
- technical difficulties, including telecommunication system or Internet failures;
- changes in government regulation of the Internet and e-commerce industry;
- event-driven disruptions such as war, terrorism, disease and natural disasters;
- seasonal patterns in selling and purchasing activity; and
- costs related to acquisitions of technology or equipment.

Our operating results may fall below the expectations of market analysts and investors in some future periods. If this occurs, even temporarily, it could cause volatility in our stock price.

Our operating results depend on our websites, network infrastructure and transaction processing systems. Service interruptions or system failures could negatively affect the demand for our services and our ability to grow our revenue.

Any system interruptions that affect our websites or our transaction systems could impair the services that we provide to our sellers and buyers. In addition, our systems may be vulnerable to damage from a variety of other sources, including telecommunications failures, power outages, malicious human acts and natural disasters. Improving the reliability and redundancy of our systems may be expensive, reduce our margins and may not be successful in preventing system failures. Our services are also substantially dependent on systems provided by third parties, over whom we have little control. We have occasionally experienced interruptions to our services due to system failures unrelated to our own systems. Any interruptions or failures of our current systems or our ability to communicate with third party systems could negatively affect the demand for our services and our ability to grow our revenue.

If we do not respond to rapid technological changes or upgrade our systems, we could fail to grow our business and our revenue could decrease.

To remain competitive, we must continue to enhance and improve the functionality and features of our e-commerce business. Although we currently do not have specific plans for any upgrades that would require significant capital investment, in the future we will need to improve and upgrade our technology, transaction processing systems and network infrastructure in order to allow our operations to grow in both size and scope. Without such improvements, our operations might suffer from unanticipated system disruptions, slow transaction processing, unreliable service levels, or impaired quality or delays in reporting accurate financial information, any of which could negatively affect our reputation and ability to attract and retain sellers and buyers. We may also face material delays in introducing new services, products and enhancements. The Internet and the e-commerce industry are rapidly changing. If competitors introduce new products and services using new technologies or if new industry standards and practices emerge, our existing websites and our proprietary technology and

systems may become obsolete. In addition, the expansion and improvement of our systems and infrastructure may require us to commit substantial financial, operational and technical resources, with no assurance our business will increase. If we fail to respond to technological change or to adequately maintain, expand, upgrade and develop our systems and infrastructure in a timely fashion our ability to grow could be limited and our revenue could decrease.

Shipment of merchandise sold in our marketplaces could be delayed or disrupted by factors beyond our control and we could lose buyers and sellers as a result.

We rely upon third party carriers such as United Parcel Services, or UPS, for timely delivery of our merchandise shipments. As a result, we are subject to carrier disruptions and increased costs due to factors that are beyond our control, including labor difficulties, inclement weather, terrorist activity and increased fuel costs. In addition, we do not have a long-term agreement with UPS or any other third party carriers, and we cannot be sure that our relationship with UPS will continue on terms favorable to us, if at all. If our relationship with UPS is terminated or impaired or if UPS is unable to deliver merchandise for us, we would be required to use alternative carriers for the shipment of products to our buyers. We may be unable to engage alternative carriers on a timely basis or on terms favorable to us, if at all. Potential adverse consequences include:

- reduced visibility of order status and package tracking;
- delays in merchandise receipt and delivery;
- increased cost of shipment; and
- reduced shipment quality, which may result in damaged merchandise.

Any failure to receive merchandise at our distribution centers or deliver products to our buyers in a timely and accurate manner could lead to client dissatisfaction and cause us to lose sellers and buyers.

A significant interruption in the operations of our customer service system or our distribution centers could harm our business and operating results.

Our business depends, to a large degree, on effective customer service and distribution center operations. We currently staff DoD warehouse distribution space, for which we do not incur leasing costs, as well as leased commercial warehouse distribution space. These operations could be harmed by several factors, including any material disruption or slowdown at our distribution centers resulting from labor disputes, changes in the terms of our underlying lease agreements or occupancy arrangements in the case of government provided facilities, telecommunications failures, power or service outages, human error, terrorist attacks, natural disasters or other events. In addition, space provided to us by the DoD could be re-configured or reduced as a result of the DoD's Base Realignment and Closure initiative or other infrastructure reduction initiatives.

If we fail to accurately predict our ability to sell merchandise in which we take inventory risk and credit risk, our margins may decline as a result of lower sale prices from such merchandise.

Under our profit-sharing and purchase model, we purchase merchandise and assume the risk that the merchandise may sell for less than we paid for it. We assume general and physical inventory and credit risk. These risks are especially significant because some of the goods we sell on our websites are characterized by rapid technological change, obsolescence and price erosion, and because we sometimes make large purchases of particular types of inventory. In addition, we do not receive warranties on the goods we purchase and, as a result, we have to resell or dispose of any returned goods. Historically, the number of disposed goods (which includes returned goods that we have not resold) has been less than 2% of the goods we have purchased. To manage our inventory successfully, we need to maintain

sufficient buyer demand and sell merchandise for a reasonable financial return. We may miscalculate buyer demand and overpay for the acquired merchandise. In the event that merchandise is not attractive to our buyer base, we may be required to take significant losses resulting from lower sale prices, which could reduce our revenue and margins. For example, under the Surplus Contract, we are obligated to purchase all DoD surplus property at 1.8% of the original acquisition cost, which varies depending on the type of surplus property being purchased. Under the Scrap Contract, we acquire scrap property at a per pound price. Declines in commodity prices may also reduce the profit we are able to realize in our scrap business. For example, we may not be able to sell our inventory for amounts above its cost and we may incur a loss in products we handle for our commercial clients. As we grow our business, we may choose to increase the amount of merchandise we purchase directly from sellers, thus resulting in increased inventory levels and related risk. Any such increase would require the use of additional working capital and subject us to the additional risk of incurring losses on the sale of that inventory.

A protracted global recession could have a material adverse effect on our operating income, financial condition, cash flows and the trading price of our stock.

A long-term global recession could reduce the demand for our services while decreasing the prices paid in our auctions and increasing our costs, which could adversely affect the results of our operations. For over four years, financial markets have been experiencing volatility and disruption. International efforts to address the current global credit and banking crisis may be unsuccessful in preventing a global recession.

The current worldwide financial crisis has reduced the availability of liquidity and credit to borrowers. Many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers. If our buyers and sellers are unable to obtain financing required to fund their operations, demand for our services may be adversely affected. In addition, this market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies or defaults, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally, which may also adversely affect demand for our services.

We may be unable to adequately protect or enforce our intellectual property rights, which could harm our reputation and negatively impact the growth of our business.

We regard our intellectual property, particularly domain names, copyrights and trade secrets, as critical to our success. We rely on a combination of contractual restrictions and copyright and trade secret laws to protect our proprietary rights, know-how, information and technology. Despite these protections, it may be possible for a third party to copy or otherwise obtain and use our intellectual property without authorization or independently develop similar intellectual property.

We currently are the registered owners of several Internet domain names, including *www.liquidation.com*, *www.govliquidation.com*, *www.govdeals.com*, *www.networkintl.com*, *www.truckcenter.com*, *www.secondipity.com*, and *www.go-dove.com*. We pursue the registration of our domain names in the U.S. and internationally. We currently do not have any patents or registered copyrights, but we are pursuing patents. Effective patent, copyright, trademark, service mark, trade secret and domain name protection is expensive to maintain and may require litigation. Our competitors may adopt trade names or domain names similar to ours, thereby impeding our ability to promote our marketplaces and possibly leading to client confusion. In addition, we could face trade name or trademark or service mark infringement claims brought by owners of other registered or unregistered trademarks or service marks, including trademarks or service marks that may incorporate variations of our marketplace names. Any claims related to our intellectual property or client confusion related to our marketplaces could damage our reputation and negatively impact the growth of our business.

Our inability to use software licensed from third parties or our use of open source software under license terms that interfere with our proprietary rights could disrupt our business.

We use software licensed from third parties, including some software, known as open source software that we use without charge. We currently use the following open source software: Linux (an operating system), MySQL (database software), PERL (an interpreter), Apache (a web server), and Java and we may in the future use additional open source software. In the future, these licenses to third party software may not be available on terms that are acceptable to us, or at all. Our inability to use third-party software could result in disruptions to our business, or delays in the development of future services or enhancements of existing services, which could impair our business. In addition, the terms of certain open source software licenses may require us to provide modified versions of the open source software, which we develop, if any, or any proprietary software that incorporates all or a portion of the open source software, if any, to others on unfavorable license terms that are consistent with the open source license term. If we are required to license our proprietary software in accordance with the foregoing, our competitors and other third parties could obtain access to our intellectual property, which could harm our business.

Assertions that we infringe on intellectual property rights of others could result in significant costs and substantially harm our business and operating results.

Other parties may assert that we have infringed on their technology or other intellectual property rights. We use internally developed systems and licensed technology to operate our online auction platform and related websites. Third parties could assert intellectual property infringement claims against us based on our internally developed systems or use of licensed third party technology. Third parties also could assert intellectual property infringement claims against parties from whom we license technology. If we are forced to defend against any infringement claims, whether they are with or without merit or are determined in our favor, we may face costly litigation, diversion of technical and management personnel and/or delays in completion of sales. Furthermore, the outcome of a dispute may be that we would need to change technology, develop non-infringing technology or enter into royalty or licensing agreements. A switch to different technology could cause interruptions in our business. Internal development of a non-infringing technology may be expensive and time-consuming, if we are able to successfully develop such technology at all. Royalty or licensing agreements, if required, may be unavailable on terms acceptable to us, or at all. Incurrence of any of these costs could negatively impact our operating results.

If we do not retain our senior management, we may not be able to achieve our business objectives.

Our future success is substantially dependent on the continued service of our senior management, particularly William P. Angrick, III, our chief executive officer. We do not have key-person insurance on any of our officers or employees. The loss of any member of our existing senior management team could damage key seller relationships, result in the loss of key information, expertise or know-how, lead to unanticipated recruitment and training costs and make it more difficult to successfully operate our business and achieve our business goals.

If we are unable to attract and retain skilled employees, we might not be able to sustain our growth.

Our future success depends on our ability to continue to attract, retain and motivate highly skilled employees, particularly employees with sales, marketing, operations and technology expertise. Competition for employees in our industry is intense. We have experienced difficulty from time to time in attracting the personnel necessary to support the growth of our business, and we may experience similar difficulties in the future. If we are unable to attract, assimilate and retain employees with the necessary skills, we may not be able to grow our business and revenue.

We may need additional financing in the future, which may not be available on favorable terms, if at all.

We may need additional funds to finance our operations, as well as to enhance our services, fund our expansion, respond to competitive pressures or acquire complementary businesses or technologies. However, our business may not generate the cash needed to finance such requirements. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our existing stockholders would be reduced, and these securities may have rights, preferences or privileges senior to those of our common stock. If adequate funds are not available or are not available on acceptable terms, our ability to enhance our services, fund our expansion, respond to competitive pressures or take advantage of business opportunities would be significantly limited, and we might need to significantly restrict our operations.

We face legal uncertainties relating to the Internet in general and to the e-commerce industry in particular and may become subject to costly government regulation.

The laws and regulations related to the Internet and e-commerce are evolving. These laws and regulations relate to issues such as user privacy, freedom of expression, pricing, fraud, quality of products and services, taxation, advertising, intellectual property rights and information security. Laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel and defamation, obscenity and personal privacy could also affect our business. Laws adopted prior to the advent of the Internet may not contemplate or address the unique issues of the Internet and related technologies and it is not clear how they will apply. Current and future laws and regulations could increase our cost of doing business and/or decrease the demand for our services.

Our auction business may be subject to a variety of additional costly government regulations.

Many states and other jurisdictions have regulations governing the conduct of traditional "auctions" and the liability of traditional "auctioneers" in conducting auctions, which may apply to online auction services. In addition, certain states have laws or regulations that expressly apply to online auction services. We expect to continue to incur costs in complying with these laws and could be subject to fines or other penalties for any failure to comply with these laws. We may be required to make changes in our business to comply with these laws, which could increase our costs, reduce our revenue, cause us to prohibit the listing of certain items, or otherwise adversely affect our financial condition or operating results.

In addition, the law regarding the potential liability of an online auction service for the activities of its users is not clear. We cannot assure you that users of our websites will comply with our terms and conditions or with laws and regulations applicable to them and their transactions. It is possible that we may be subject to allegations of civil or criminal liability for any unlawful activities conducted by sellers or buyers. Any costs we incur as a result of any such allegations, or as a result of actual or alleged unlawful transactions using our marketplaces, or in our efforts to prevent any such transactions, may harm our opportunities for future revenue growth. In addition, any negative publicity we receive regarding any such transactions or allegations may damage our reputation, our ability to attract new sellers and buyers and our business.

Certain categories of merchandise sold on our marketplaces are subject to government restrictions.

We sell merchandise, such as scientific instruments, information technology equipment and aircraft parts, that is subject to export control and economic sanctions laws, among other laws, imposed by the United States and other governments. Such restrictions include the U.S. Export Administration Regulations, the International Traffic in Arms Regulations, and economic sanctions and embargo laws administered by the Office of the Foreign Assets Control Regulations. These restrictions prohibit us

from, among other things, selling property to (1) persons or entities that appear on lists of restricted or prohibited parties maintained by the United States or other governments or (2) countries, regimes, or nationals that are the target of applicable economic sanctions or other embargoes. In addition, for specified categories of property sold under our contracts with the DoD, we are required to (1) obtain an end-use certificate from the prospective buyer describing the nature of the buyer's business, describing the expected disposition and specific end-use of the property, and acknowledging the applicability of pertinent export control and economic sanctions laws and (2) confirm that each buyer has been cleared to purchase export-controlled items.

We may incur significant costs or be required to modify our business to comply with these requirements. If we are alleged to have violated any of these laws or regulations we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or debarment from doing business with U.S. federal government agencies. In addition, we could suffer serious harm to our reputation if allegations of impropriety are made against us, whether or not true.

Our business may be harmed if third parties misappropriate our clients' confidential information.

We retain highly confidential information on behalf of our clients in our systems and databases. Although we maintain security features in our systems, our operations may be susceptible to hacker interception, break-ins and other disruptions. These disruptions may jeopardize the security of information stored in and transmitted through our systems. As the Department of Defense is one of our clients, our systems may be especially targeted by such malicious attackers. We may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. These issues are likely to become more difficult as we expand our operations. If any compromise of our security were to occur, we may lose clients and our reputation, business, financial condition and operating results could be harmed by the misappropriation of confidential client information. The loss of confidential client information could also expose us to the risk of liability and costly litigation. In addition, if there is any perception that we cannot protect our clients' confidential information, we may lose the ability to retain existing clients and attract new clients and our revenue could decline.

If we fail to comply with increasing levels of regulation relating to privacy, our business could suffer harm.

We are subject to increasing regulation at the federal, state and international levels relating to privacy and the use of personal user information. In addition, several states have proposed or enacted legislation to limit uses of personal information gathered online or require online services to establish privacy policies. Data protection regulations and enforcement efforts may restrict our ability to collect demographic and personal information from users, which could be costly or harm our marketing efforts. Such regulations, along with increased government or private enforcement, may increase the cost of growing our business and require us to expend significant capital and other resources. Our failure to comply with these federal, state and international laws and regulations could subject us to lawsuits, fines, criminal penalties, statutory damages, adverse publicity and other costs could decrease our profitability.

If one or more states successfully assert that we should collect sales or other taxes on the sale of our merchandise or the merchandise of third parties that we offer for sale on our websites, our business could be harmed.

We are currently required to collect and remit sales taxes in all states for shipment of goods from our DoD contracts. We also collect and remit sales or other similar taxes in respect of shipments of other goods into states in which we have a substantial presence. In addition, as we grow our business,

any new operation in states in which we currently do not collect and remit sales taxes could subject shipments into such states to state sales taxes under current or future laws.

In October 2007, the federal government extended until November 2014 a ban on state and local governments' imposition of new taxes on Internet access or electronic commerce transactions. This ban does not prohibit federal, state or local authorities from collecting taxes on our income or from collecting taxes that are due under existing tax rules. Unless the ban is further extended, state and local governments may begin to levy additional taxes on Internet access and electronic commerce transactions upon the legislation's expiration. An increase in taxes may make electronic commerce transactions less attractive for merchants and businesses, which could result in a decrease in the level of demand for our services.

Currently, decisions of the U.S. Supreme Court restrict the imposition of obligations to collect state and local sales and use taxes with respect to sales made over the Internet. However, a number of states, as well as the U.S. Congress, have been considering various initiatives that could limit or supersede the Supreme Court's position regarding sales and use taxes on Internet sales. If any of these initiatives resulted in a reversal of the Supreme Court's current position, we could be required to collect sales and use taxes in states other than states in which we currently collect and remit such taxes. A successful assertion by one or more local, state or foreign jurisdictions that the sale of merchandise by us is subject to sales or other taxes, could subject us to material liabilities and increase our costs of doing business. To the extent that we pass such costs on to our clients, doing so could harm our business and decrease our revenue.

Fraudulent activities involving our websites and disputes relating to transactions on our websites may cause us to lose clients and adversely affect our ability to grow our business.

We are aware that other companies operating online auction or liquidation services have periodically received complaints of fraudulent activities of buyers or sellers on their websites, including disputes over the quality of goods and services, unauthorized use of credit card and bank account information and identity theft, potential breaches of system security, and infringement of third-party copyrights, trademarks and trade names or other intellectual property rights. We may receive similar complaints if sellers or buyers trading in our marketplaces are alleged to have engaged in fraudulent or unlawful activity. In addition, we may suffer losses as a result of purchases paid for with fraudulent credit card data even though the associated financial institution approved payment. In the case of disputed transactions, we may not be able to require users of our services to fulfill their obligations to make payments or to deliver goods. We also may receive complaints from buyers about the quality of purchased goods, requests for reimbursement, or communications threatening or commencing legal actions against us. Negative publicity generated as a result of fraudulent conduct by third parties or the failure to satisfactorily settle disputes related to transactions on our websites could damage our reputation, cause us to lose clients and adversely affect our ability to grow our business.

False or defamatory statements transmitted through our services could harm our reputation and affect our ability to attract clients.

The law relating to the liability of online services companies for information carried on or disseminated through their services is currently unsettled. Claims could be made against online services companies under both the U.S. and foreign law for defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through their services. Our website allows users to make comments regarding the online auction industry in general and other users and their merchandise in particular. Although all such comments are generated by users and not by us, we are aware that claims of defamation or other injury have been made against other companies operating auction services in the past and could be made in the future against us for comments made by users. If we are held liable for information

provided by our users and carried on our service, we could be directly harmed and may be forced to implement measures to reduce our liability. This may require us to expend substantial resources or discontinue certain service offerings, which could negatively affect our operating results. In addition, the increased attention focused upon liability issues as a result of these lawsuits and legislative proposals could harm our reputation and affect our ability to attract clients.

Our stock price has been volatile, and your investment in our common stock could suffer a decline in value.

The current worldwide financial crisis has led to a decline in the overall value of the stock market and increased market volatility. This market turmoil and other broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating performance. Other factors that could cause fluctuation in our stock price may include:

- actual or anticipated variations in quarterly operating results;
- changes in financial estimates by us or by a securities analyst who covers our stock;
- publication of research reports about our company or industry;
- conditions or trends in our industry;
- stock market price and volume fluctuations of other publicly traded companies and, in particular, those whose business involves the Internet and e-commerce;
- announcements by us or our competitors of significant contracts, acquisitions, commercial relationships, strategic partnerships or divestitures;
- announcements by us or our competitors of technological innovations, new services or service enhancements;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- the passage of legislation or other regulatory developments that adversely affect us, our clients or our industry;
- additions or departures of key personnel;
- sales of our common stock, including sales of our common stock by our directors and officers or specific stockholders; and
- general economic conditions and slow or negative growth of related markets.

Volatility in the market price of shares may prevent investors from being able to sell their shares of common stock at prices they view as attractive. In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Some provisions of our charter, bylaws and Delaware law inhibit potential acquisition bids that you may consider favorable.

Our corporate documents and Delaware law contain provisions that may enable our board of directors to resist a change in control of our company even if a change in control were to be considered favorable by you and other stockholders. These provisions include:

- a staggered board of directors;
- a prohibition on actions by our stockholders by written consent;

- limitations on persons authorized to call a special meeting of stockholders;
- the authorization of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- advance notice procedures required for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders; and
- the requirement that board vacancies be filled by a majority of our directors then in office.

These provisions could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions you desire.

Item 1B. Unresolved Staff Comments.

Not Applicable

Item 2. Properties.

We do not own any real property. We lease the following properties:

<u>Purpose</u>	<u>Location</u>	<u>Square Feet</u>	<u>Lease Expiration Date</u>
Corporate Headquarters	Washington, D.C., USA	27,100	September 30, 2019
Warehouse	Cranbury, New Jersey, USA	153,800	November 30, 2015
Warehouse	Dallas, Texas, USA	128,700	May 31, 2013
Warehouse	Plainfield, Indiana, USA	187,700	April 30, 2014
Warehouse	North Las Vegas, Nevada, USA	102,400	March 31, 2016
Administrative	Scottsdale, Arizona, USA	23,536	December 31, 2016
Warehouse	Columbus, Ohio, USA	340,000	January 31, 2014
Warehouse	Oklahoma City, Oklahoma, USA	325,100	February 15, 2014
Administrative	Montgomery, Alabama, USA	10,300	September 30, 2014
Administrative	Houston, Texas, USA	12,422	March 31, 2018
Storage Lot	Fontana, California, USA	130,700	May 31, 2018
Storage Lot	Blue Mound, Texas, USA	727,500	May 31, 2018
Storage Lot	Indianapolis, Indiana, USA	697,000	May 31, 2018
Storage Lot	Atlanta, Georgia, USA	479,200	May 31, 2018
Storage Lot	Wilmington, Delaware, USA	484,000	May 31, 2018
Administrative/Warehouse	Hopkins, Minnesota, USA	275,720	April 30, 2014
Warehouse	Appleton, Minnesota, USA	48,000	Month-to-Month
Warehouse	Hayward, California, USA	19,680	October 31, 2015
Warehouse	Hazelwood, Missouri, USA	21,368	November 30, 2013
Warehouse	Union New Jersey, USA	14,500	August 31, 2013
Warehouse	Hayward, California, USA	24,600	October 31, 2015
Administrative	Owings Mills, Maryland, USA	10,800	May 31, 2014
Administrative	London, UK	6,365	September 20, 2013
Administrative/Warehouse	Berlin, Germany	15,351	December 31, 2015
Administrative	Calamba City, Philippines	15,500	April 30, 2013

In addition, we lease various administrative space in the United States totaling 22,805 square feet, in Europe, 5,755 square feet, and in Asia, 11,540 square feet.

Our servers are housed in data centers in Ashburn, Virginia, which is managed by Equinix, Inc., in Houston, Texas, which is managed by CyrusOne, in Los Angeles, California, which is managed by Tierzero, in London, GRB, which is managed by COLT, and in Dallas, Texas, which is managed by Equinix, Inc.

Item 3. Legal Proceedings.

From time to time, we may become involved in litigation relating to claims arising in the ordinary course of our business. There are no claims or actions pending or threatened against us that, if adversely determined, would in our judgment have a material adverse effect on us.

Item 4. Mine Safety Disclosures—Not applicable.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Price Range of Common Stock**

Our common stock has been traded on The NASDAQ Stock Market under the symbol LQDT since February 23, 2006. The following table sets forth the intra-day high and low per share bid price of our common stock as reported by The NASDAQ Stock Market for the periods indicated.

<u>Fiscal year ended September 30, 2011</u>	<u>Low</u>	<u>High</u>
First Quarter	\$ 13.61	\$ 17.32
Second Quarter	\$ 12.58	\$ 17.87
Third Quarter	\$ 17.61	\$ 23.84
Fourth Quarter	\$ 19.89	\$ 36.12
 <u>Fiscal year ended September 30, 2012</u>		
First Quarter	\$ 26.39	\$ 39.76
Second Quarter	\$ 31.00	\$ 48.34
Third Quarter	\$ 42.68	\$ 66.57
Fourth Quarter	\$ 37.68	\$ 57.42

As of November 9, 2012, there were approximately 16,250 holders of record of our common stock.

Dividend Policy

Since becoming a public company on February 22, 2006, we have not paid cash dividends on our stock and currently anticipate that we will continue to retain any future earnings to finance the growth of our business. In addition, the credit agreement we entered into on April 30, 2010 contains restrictions on our ability to pay dividends.

Item 6. Selected Financial Data.

You should read the following selected consolidated financial data together with our consolidated financial statements and the related notes, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this Annual Report on Form 10-K. The consolidated statement of operations data for the years ended September 30, 2010, 2011 and 2012 are derived from, and are qualified by reference to, our consolidated financial statements that have been audited by Ernst & Young LLP, an independent registered public accounting firm, and that are included in this Annual Report on Form 10-K. The consolidated statement of operations data for the years ended September 30, 2008 and 2009, and the consolidated balance sheet data as of September 30, 2008, 2009 and 2010 are derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K. Certain reclassifications have been made to previously reported financial data to reflect the financial condition, results of operations and cash flows of the Company for discontinued operations. See the discussion of discontinued operations in "Note 5" in our accompanying consolidated financial statements.

	Year ended September 30,				
	2008	2009	2010	2011	2012
(dollars in thousands, except per share data)					
Consolidated Statement of Operations Data:					
Revenue	\$ 231,774	\$ 193,966	\$ 249,337	\$ 297,584	\$ 415,829
Fee revenue	20,077	25,045	23,678	29,794	59,475
Total revenue	251,851	219,011	273,015	327,378	475,304
Costs and expenses:					
Cost of goods sold (excluding amortization)	65,612	74,963	109,376	126,395	198,123
Profit-sharing distributions	89,358	43,722	41,310	49,318	43,242
Technology and operations	38,568	43,587	45,700	52,178	67,553
Sales and marketing	16,586	17,438	20,381	23,279	31,252
General and administrative	20,181	20,138	23,606	26,484	37,107
Amortization of contract intangibles	813	813	813	813	7,943
Depreciation and amortization	1,815	2,662	3,609	4,881	6,223
Acquisition costs	—	—	524	6,702	1,695
Total costs and expenses	232,933	203,323	245,319	290,050	393,138
Income from continuing operations	18,918	15,688	27,696	37,328	82,166
Interest income (expense) and other income (expense), net	1,445	506	(428)	(1,190)	(2,218)
Income from continuing operations before income taxes	20,363	16,194	27,268	36,138	79,948
Provision for income taxes	9,079	7,788	12,194	15,459	31,652
Income from continuing operations	11,284	8,406	15,074	20,679	48,296
Income (loss) from discontinued operations	269	(2,687)	(3,061)	(12,167)	—
Net income	\$ 11,553	\$ 5,719	\$ 12,013	\$ 8,512	\$ 48,296
Basic earnings(loss) per common share:					
From continuing operations	\$ 0.40	\$ 0.30	\$ 0.55	\$ 0.75	\$ 1.57
From discontinued operations	0.01	(0.09)	(0.11)	(0.44)	—
Basic earnings per common share	\$ 0.41	\$ 0.21	\$ 0.44	\$ 0.31	\$ 1.57
Diluted earnings(loss) per common share:					
From continuing operations	\$ 0.40	\$ 0.30	\$ 0.55	\$ 0.71	\$ 1.47
From discontinued operations	0.01	(0.09)	(0.11)	(0.42)	—
Diluted earnings per common share	\$ 0.41	\$ 0.21	\$ 0.44	\$ 0.29	\$ 1.47
Basic weighted average shares outstanding	27,964,748	27,699,223	27,098,016	27,736,865	30,854,796
Diluted weighted average shares outstanding	28,151,878	27,846,693	27,406,883	29,081,933	32,783,079
Non-GAAP Financial Measures:					
EBITDA from continuing operations(1)	\$ 21,545	\$ 19,163	\$ 32,117	\$ 43,022	\$ 96,332
Adjusted EBITDA from continuing operations(1)	26,220	25,628	40,532	58,860	110,144
Supplemental Operating Data:					
Gross merchandise volume from continuing operations(2)	\$ 347,583	\$ 338,721	\$ 416,314	\$ 548,552	\$ 864,226
Completed transactions(3)	372,000	469,000	522,000	475,000	501,000
Total registered buyers(4)	999,000	1,202,000	1,403,000	1,604,000	2,186,000
Total auction participants(5)	1,751,000	2,118,000	2,247,000	1,936,000	2,105,000

	As of September 30,				
	2008	2009	2010 (in thousands)	2011	2012
Consolidated Balance Sheet Data					
Cash, cash equivalents and short-term investments	\$ 63,198	\$ 64,154	\$ 75,939	\$ 128,984	\$ 104,782
Working capital(6)	51,044	59,795	60,064	111,687	53,194
Total assets	137,167	138,588	164,904	227,807	400,408
Total liabilities	40,797	34,606	52,530	66,394	150,405
Total stockholders' equity	96,370	103,982	112,374	161,413	250,003

- (1) EBITDA from continuing operations and adjusted EBITDA from continuing operations are supplemental non-GAAP financial measures. GAAP means generally accepted accounting principles in the United States. EBITDA is equal to net income plus (a) interest income (expense) and other income(expense), net; (b) provision for income taxes; (c) amortization of contract intangibles; and (d) depreciation and amortization. Our definition of adjusted EBITDA is different from EBITDA because we further adjust EBITDA for stock based compensation expense and acquisition costs such as transaction expenses and changes in earn out estimates. For a description of our use of EBITDA and adjusted EBITDA and a reconciliation of these non-GAAP financial measures to net income, see the discussion and related table below.
- (2) Gross merchandise volume is the total sales value of all merchandise sold through our marketplaces during a given period.
- (3) Completed transactions represent the number of auctions in a given period from which we have recorded revenue.
- (4) Total registered buyers as of a given date represent the aggregate number of persons or entities who have registered on one of our marketplaces.
- (5) For each auction we manage, the number of auction participants represents the total number of registered buyers who have bid one or more times on that auction, and total auction participants for a given period is the sum of the auction participants in each auction conducted during that period.
- (6) Working capital is defined as current assets minus current liabilities.

We believe non-GAAP financial measures, such as EBITDA and adjusted EBITDA, are useful to an investor in evaluating our performance for the following reasons:

- The amortization of contract intangibles relates to the amortization of the Scrap Contract beginning in June 2005 and the Wal-Mart Contract beginning in October 2011. Depreciation and amortization expense primarily relates to property and equipment. Both of these expenses are non-cash charges that have significantly fluctuated over the past five years. As a result, we believe that adding back these non-cash charges to net income is useful in evaluating the operating performance of our business on a consistent basis from year-to-year.
- As a result of varying federal and state income tax rates, we believe that presenting a financial measure that adjusts net income for provision for income taxes is useful to investors when evaluating the operating performance of our business.
- In December 2004, the Financial Accounting Standards Board (FASB) issued new authoritative guidance that requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their estimated fair values. Pro forma disclosure is no longer an alternative. We adopted the provisions of this new guidance on October 1, 2005, using the prospective method. Unvested stock based awards issued prior to October 1, 2005, the date that we adopted this new authoritative guidance, were accounted for at the date of adoption using the intrinsic value method originally applied to those awards. Accordingly, we believe adjusting net income for this non-cash stock based compensation expense is useful to investors when evaluating the operating performance of our business.

- In December 2007, the FASB issued new authoritative guidance related to business combinations. This guidance changes the accounting for acquisitions by eliminating the step acquisition model, changing the recognition of contingent consideration so that it is recognized at the time of acquisition rather than when it is probable, disallowing the capitalization of transaction costs and delaying when restructurings related to acquisitions can be recognized. We adopted this guidance for the fiscal year beginning October 1, 2009. Accordingly, we believe adjusting net income for these acquisition related transaction expenses is useful to investors when evaluating the operating performance of our business on a consistent basis from year-to-year.
- We believe EBITDA and adjusted EBITDA are important indicators of our operational strength and the performance of our business because they provide a link between profitability and operating cash flow.
- We also believe that analysts and investors use EBITDA and adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry.

Our management uses EBITDA and adjusted EBITDA:

- as measurements of operating performance because they assist us in comparing our operating performance on a consistent basis as they remove the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget;
- to allocate resources to enhance the financial performance of our business;
- to evaluate the effectiveness of our operational strategies; and
- to evaluate our capacity to fund capital expenditures and expand our business.

EBITDA and adjusted EBITDA as calculated by us are not necessarily comparable to similarly titled measures used by other companies. In addition, EBITDA and adjusted EBITDA: (a) do not represent net income or cash flows from operating activities as defined by GAAP; (b) are not necessarily indicative of cash available to fund our cash flow needs; and (c) should not be considered as alternatives to net income, income from operations, cash provided by operating activities or our other financial information as determined under GAAP.

We prepare adjusted EBITDA by adjusting EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. As an analytical tool, adjusted EBITDA is subject to all of the limitations applicable to EBITDA. Our presentation of adjusted EBITDA should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

The table below reconciles income from continuing operations to EBITDA and adjusted EBITDA from continuing operations for the periods presented.

	Year ended September 30,				
	2008	2009	2010	2011	2012
			(in thousands)		
Income from continuing operations	\$ 11,284	\$ 8,406	\$ 15,074	\$ 20,679	\$ 48,296
Interest (income) expense and other (income) expense, net	(1,445)	(506)	428	1,190	2,218
Provision for income taxes	9,079	7,788	12,194	15,459	31,652
Amortization of contract intangibles	813	813	813	813	7,943
Depreciation and amortization	1,815	2,662	3,609	4,881	6,223
EBITDA from continuing operations	21,546	19,163	32,118	43,022	96,332
Stock compensation expense	4,674	6,465	7,891	9,136	12,117
Acquisition costs	—	—	524	6,702	1,695
Adjusted EBITDA from continuing operations	\$ 26,220	\$ 25,628	\$ 40,533	\$ 58,860	\$ 110,144

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and the information contained under the caption "Selected Consolidated Financial Data" contained elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could vary materially from those indicated, implied, or suggested by these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Overview

About us. We operate several leading online auction marketplaces for surplus and salvage assets. We enable buyers and sellers to transact in an efficient, online auction environment offering over 500 product categories. Our marketplaces provide professional buyers access to a global, organized supply of surplus and salvage assets presented with customer focused information including digital images and other relevant product information along with services to efficiently complete the transaction. Additionally, we enable our corporate and government sellers to enhance their financial return on excess assets by providing liquid marketplaces and value-added services that integrate sales and marketing, logistics and transaction settlement into a single offering. We organize our products into categories across major industry verticals such as consumer electronics, general merchandise, apparel, scientific equipment, aerospace parts and equipment, technology hardware, energy equipment, industrial capital assets, fleet and transportation equipment and specialty equipment. Our online auction marketplaces are www.liquidation.com, www.govliquidation.com, www.govdeals.com, www.networkintl.com, www.truckcenter.com, www.secondipity.com, and www.godove.com.

We believe our ability to optimize our clients' net recovery and supply chain for surplus and salvage assets generates a continuous flow of goods from our corporate and government sellers. This valuable and reliable flow of goods in turn attracts an increasing number of professional buyers to our marketplaces. During fiscal year 2012, the number of registered buyers grew from approximately 1,604,000 to approximately 2,186,000, or 36.3%. During the past three fiscal years, we have conducted over 1,498,000 online transactions generating approximately \$1.9 billion in gross merchandise volume or GMV. Approximately 74% of our initial listings have resulted in a completed cash sale during the past three fiscal years. We believe the continuous flow of goods in our marketplaces attracts a growing buyer base which creates a virtual cycle for our buyers and sellers.

Our history. We were incorporated in Delaware in November 1999 as Liquidation.com, Inc. and commenced operations in early 2000. During 2000, we developed our online auction marketplace platform and began auctioning merchandise primarily for small commercial sellers and government agencies. In 2001, we changed our name to Liquidity Services, Inc. In June 2001, we were awarded our first major DoD contract, the Surplus Contract. Under this agreement, we became the exclusive contractor with the DLA Disposition Services, for the sale of usable DoD surplus assets in the United States. In June 2005, we were awarded an additional exclusive contract with the DLA Disposition Services to manage and sell substantially all DoD scrap property. During 2005, we opened our first distribution center in Dallas, Texas and began serving the reverse logistics needs of top 100 retailers.

Recent initiatives. We continue to implement the Jacobs Trading acquisition according to our original plan. The network effect of the integration is creating efficiencies for our selling and buying customers. These efficiencies continue to bring new sellers into our marketplace and have enabled us to increase our operating performance creating margin improvements as we scale our commercial business.

We completed the GoIndustry acquisition in July 2012 and have commenced the integration of this business. GoIndustry's client base, which includes over 50 leading Fortune 1000 global manufacturers across multiple industries, including aerospace, consumer packaged goods, electronics, pharmaceutical, technology and transportation, and asset-based lenders will benefit significantly from our logistics,

support and large buyer base for a range of high value capital assets such as: material handling equipment, rolling stock, heavy machinery and scrap metal. These blue chip corporate clients are already being integrated into our commercial business demonstrating our strategic focus on further growing our capital assets vertical and penetrating many existing clients with additional services.

On November 1, 2012, we acquired the assets of National Electronic Service Association (NESA) for \$18.3 million in an all cash transaction. NESA is a Canadian provider of returns management, refurbishment and reverse logistics services for high-value consumer products. NESA provides expertise and focused services to Fortune 1000 companies in the management of Consumer Electronics, Telecommunications, and Information Technology products.

Our revenue. We generate substantially all of our revenue by retaining a percentage of the proceeds from the sales we manage for our sellers. We offer our sellers three primary transaction models: a profit-sharing model, a consignment model and a purchase model.

- *Profit-sharing model.* Under our profit-sharing model, we purchase inventory from our suppliers and share with them a portion of the profits received from a completed sale in the form of a distribution. Distributions are calculated based on the value received from the sale after deducting direct costs, such as sales and marketing, technology and operations and other general and administrative costs. Because we are the primary obligor, and take general and physical inventory risks and credit risk under this transaction model, we recognize as revenue the sale price paid by the buyer upon completion of a transaction. Revenue from our profit-sharing model accounted for approximately 26.0%, 25.5%, and 16.1% of our total revenue for the fiscal years ended September 30, 2010, 2011 and 2012, respectively. The merchandise sold under our profit-sharing model accounted for approximately 17.4%, 15.4%, and 8.9% of our GMV for the fiscal years ended September 30, 2010, 2011 and 2012, respectively.
- *Consignment model.* Under our consignment model, we recognize commission revenue from sales of merchandise in our marketplaces that is owned by others. These commissions, which we refer to as seller commissions, represent a percentage of the sale price the buyer pays upon completion of a transaction. We vary the percentage amount of the seller commission depending on the various value-added services we provide to the seller to facilitate the transaction. For example, we generally increase the percentage amount of the commission if we take possession, handle, ship or provide enhanced product information for the merchandise. We collect the seller commission by deducting the appropriate amount from the sales proceeds prior to their distribution to the seller after completion of the transaction. Revenue from our consignment model accounted for approximately 8.3%, 8.8%, and 12.5% of our total revenue for the fiscal years ended September 30, 2010, 2011 and 2012, respectively, and is recorded as fee revenue in the Consolidated Statement of Operations. The merchandise sold under our consignment model accounted for approximately 39.0%, 44.7%, and 52.3% of our GMV for the fiscal years ended September 30, 2010, 2011 and 2012, respectively.
- *Purchase model.* Under our purchase model, we offer our sellers a fixed amount or the option to share a portion of the proceeds received from our completed sales in the form of a distribution. Distributions are calculated based on the value we receive from the sale after deducting a required return to us that we have negotiated with the seller. Because we are the primary obligor, and take general and physical inventory risks and credit risk under this transaction model, we recognize as revenue the sale price paid by the buyer upon completion of a transaction. Revenue from our purchase model accounted for approximately 63.9%, 65.2%, and 71.4% of our total revenue for the fiscal years ended September 30, 2010, 2011 and 2012, respectively. The merchandise sold under our purchase model accounted for approximately 42.5%, 39.6%, and 38.8% of our GMV, for the fiscal years ended September 30, 2010, 2011 and 2012, respectively.

We collect a buyer premium on substantially all of our transactions under all of our transaction models. Buyer premiums are calculated as a percentage of the sale price of the merchandise sold and are paid to us by the buyer. Buyer premiums are in addition to the price of the merchandise. Under our profit-sharing model, we typically share the proceeds of any buyer premiums with our sellers.

Industry trends. We believe there are several industry trends impacting the growth of our business including: (1) the increase in the adoption of the Internet by businesses to conduct e-commerce both in the United States and abroad; (2) product innovation in the retail supply chain that has increased the pace of product obsolescence and, therefore, the supply of surplus assets; (3) the increase in the volume of returned merchandise handled by both online and offline retailers; (4) the increase in government regulations necessitating verifiable recycling and remarketing of surplus assets; (5) the increase in outsourcing by corporate and government organizations of disposition activities for surplus and end-of-life assets; and (6) as a result of the economic downturn, an increase in buyer demand for surplus merchandise as consumers trade down by purchasing less expensive goods and seek greater value from their purchases, which results in lower per unit prices and margins in our retail goods business.

Our Seller Agreements

Our DoD agreements. We have two contracts with the DoD pursuant to which we acquire, manage and sell excess property:

- *Surplus Contract.* In June 2001, we were awarded the Surplus Contract, a competitive-bid exclusive contract under which we acquire, manage and sell all usable DoD surplus personal property turned into the DLA Disposition Services. Surplus property generally consists of items determined by the DoD to be no longer needed, and not claimed for reuse by, any federal agency, such as computers, electronics, office supplies, scientific and medical equipment, aircraft parts, clothing and textiles. Revenue from our Surplus Contract (including buyer premiums) accounted for approximately 29.9%, 30.3%, and 27.2% of our total revenue for the fiscal years ended September 30, 2010, 2011 and 2012, respectively. The property sold under our Surplus Contract accounted for approximately 19.9%, 18.5%, and 15.5% of our GMV for the fiscal years ended September 30, 2010, 2011 and 2012, respectively. On November 6, 2008, the DoD extended the original Surplus Contract through December 17, 2008, thus we received 39.5% of the net proceeds on property received up until December 17, 2008 through the Contract wind down period, which was completed during fiscal year 2010. We responded to a RFP from the DLA Disposition Services regarding a renewal of the Surplus Contract, and have been awarded the contract. We executed the new Contract on December 18, 2008. The new Surplus Contract base term expired in February 2012, subject to DoD's right to extend it for two additional one-year terms. The DoD has exercised both renewal options.
- *Scrap Contract.* In June 2005, we were awarded a competitive-bid exclusive contract under which we acquire, manage and sell substantially all scrap property of the DoD turned into the DLA Disposition Services. Scrap property generally consists of items determined by DoD to have no use beyond their base material content, such as metals, alloys, and building materials. Revenue from our Scrap Contract (including buyer premiums) accounted for approximately 25.0%, 25.5%, and 16.1% of our total revenue for the fiscal years ended September 30, 2010, 2011 and 2012, respectively. The property sold under our Scrap Contract accounted for approximately 16.7%, 15.4%, and 8.9% of our GMV for the fiscal years ended September 30, 2010, 2011 and 2012, respectively. We were required to pay \$5.7 million to the DoD in fiscal 2005 for the right to manage the operations and remarket scrap material in connection with the Scrap Contract. The Scrap Contract base term expired in August 2012, subject to DoD's right to extend it for three additional one-year terms. The DoD has exercised the first two renewal options.

Under the original Surplus Contract, as amended, we were obligated to purchase all DoD surplus property at set prices representing a percentage of the original acquisition cost, which varied depending on the type of surplus property being purchased. We were entitled to 39.5% of the profits of sale (defined as gross proceeds of sale less allowable operating expenses) under the original Surplus Contract and distributed the remaining profits to DoD. Under the Scrap Contract, we acquire scrap property at a per pound price and we are entitled to 23% of the profits of sale (defined as gross proceeds of sale less allowable operating expenses) and distribute the remaining profits to DoD. We refer to these disbursement payments to DoD as profit-sharing distributions. As a result of these arrangements, we recognize as revenue the gross proceeds from these sales. DoD also reimburses us for actual costs incurred for packing, loading and shipping property under the Scrap and original Surplus Contracts that we are obligated to pick up from non-DoD locations.

Under the new Surplus Contract, which was executed on December 18, 2008, we are not required to distribute any portion of the profits realized under the Contract, as the new Contract contains a higher fixed percentage price of 1.8% of the DLA Disposition Services' acquisition value to be paid for the property. The DoD has broad discretion to determine what property will be made available for sale to us under the new Surplus Contract and may retrieve or restrict property previously sold to us for national security reasons or if the property is otherwise needed to support the mission of the DoD.

Under the Scrap Contract, we also have a small business performance incentive based on the number of scrap buyers that are small businesses that would allow us to receive up to an additional 2% of the profit sharing distribution. On May 21, 2007, we entered into a bilateral contract modification under which the DoD agreed to increase the profit-sharing distribution for the Scrap Contract from 20% to 23% effective June 1, 2007, in exchange for our agreement to implement additional inventory assurance processes and procedures with respect to the mutilation of demilitarized scrap property sold.

Our Commercial Agreements.

In connection with our acquisition of Jacobs Trading, LLC ("Jacobs") on October 1, 2011, we assumed the rights and obligations under a Master Merchandise Salvage Contract (the "Wal-Mart Agreement"). We have the exclusive right to purchase certain consumer products from Wal-Mart that have been removed from the sales stream of its retail operations and we believe this agreement will be the source of a significant portion of our revenue and GMV during its term, which expires on May 16, 2016 and thereafter continues on a month to month basis. In addition, we have other contracts / programs with Wal-Mart. For the year ended September 30, 2012, approximately 20% of our GMV was generated from Wal-Mart under multiple contracts / programs.

During fiscal year 2012, we had over 600 corporate clients who each sold in excess of \$10,000 of surplus and salvage assets in our marketplaces. Our agreements with these clients are generally terminable at will by either party.

Key Business Metrics

Our management periodically reviews certain key business metrics for operational planning purposes and to evaluate the effectiveness of our operational strategies, allocation of resources and our capacity to fund capital expenditures and expand our business. These key business metrics include:

Gross merchandise volume. Gross merchandise volume, or GMV, is the total sales value of all merchandise sold through our marketplaces during a given period. We review GMV because it provides a measure of the volume of goods being sold in our marketplaces and thus the activity of those marketplaces. GMV also provides a means to evaluate the effectiveness of investments that we have made and continue to make, including in the areas of customer support, value-added services, product development, sales and marketing, and operations. The GMV of goods sold in our marketplace during fiscal year 2012 totaled \$864.2 million.

Completed transactions. Completed transactions represents the number of auctions in a given period from which we have recorded revenue. Similar to GMV, we believe that completed transactions is a key business metric because it provides an additional measurement of the volume of activity flowing through our marketplaces. During the fiscal year ended September 30, 2012, we completed approximately 501,000 transactions.

Total registered buyers. We grow our buyer base through a combination of marketing and promotional efforts. A person becomes a registered buyer by completing an online registration process on one of our marketplaces. As part of this process, we collect business and personal information, including name, title, company name, business address and contact information, and information on how the person intends to use our marketplaces. Each prospective buyer must also accept our terms and conditions of use. Following the completion of the online registration process, we verify each prospective buyer's e-mail address and confirm that the person is not listed on any banned persons list maintained internally or by the U.S. federal government. After the verification process, which is completed generally within 24 hours, the registration is approved and activated and the prospective buyer is added to our registered buyer list.

Total registered buyers, as of a given date, represents the aggregate number of persons or entities who have registered on one of our marketplaces. We use this metric to evaluate how well our marketing and promotional efforts are performing. Total registered buyers excludes duplicate registrations, buyers who are suspended from utilizing our marketplaces and those buyers who have voluntarily removed themselves from our registration database. In addition, if we become aware of registered buyers that are no longer in business, we remove them from our database. As of September 30, 2012, we had approximately 2,186,000 registered buyers.

Total auction participants. For each auction we manage, the number of auction participants represents the total number of registered buyers who have bid one or more times in that auction. As a result, a registered buyer who bids, or participates, in more than one auction is counted as an auction participant in each auction in which he or she participates. Thus, total auction participants for a given period is the sum of the auction participants in each auction conducted during that period. We use this metric to allow us to compare our online auction marketplaces to our competitors, including other online auction sites and traditional on-site auctioneers. In addition, we measure total auction participants on a periodic basis to evaluate the activity level of our base of registered buyers and to measure the performance of our marketing and promotional efforts. For the fiscal year ended September 30, 2012, approximately 2,105,000 total auction participants participated in auctions on our marketplaces.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. A "critical accounting estimate" is one which is both important to the portrayal of our financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We continuously evaluate our critical accounting estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue recognition. For transactions in our marketplaces, which generate substantially all of our revenue, we recognize revenue when all of the following criteria are met:

- a buyer submits the winning bid in an auction and, as a result, evidence of an arrangement exists and the sale price has been determined;
- title has passed to a buyer and the buyer has assumed risks and rewards of ownership; and
- collection is reasonably assured.

Substantially all of our sales are recorded subsequent to payment authorization being received, utilizing credit cards, wire transfers and PayPal, an Internet based payment system, as methods of payments. As a result, we are not subject to significant collection risk, as goods are generally not shipped before payment is received.

Revenue is also evaluated for reporting revenue of gross proceeds as the principal in the arrangement or net of commissions as an agent. In arrangements in which we are deemed to be the primary obligor, bear physical and general inventory risk, and credit risk, we recognize as revenue the gross proceeds from the sale, including buyer's premiums. Arrangements in which we act as an agent or broker on a consignment basis, without taking general or physical inventory risk, revenue is recognized based on the sales commissions that are paid to us by the sellers for utilizing our services; in this situation, sales commissions represent a percentage of the gross proceeds from the sale that the seller pays to us upon completion of the transaction.

We have evaluated our revenue recognition policy related to sales under our profit-sharing model and determined it is appropriate to account for these sales on a gross basis. The following factors were most heavily relied upon in our determination:

- We are the primary obligor in the arrangement, and we have general inventory risk.
- We are the seller in substance and in appearance to the buyer; the buyer contacts us if there is a problem with the purchase. Only we and the buyer are parties to the sales contract and the buyer has no recourse to the supplier. If the buyer has a problem, he or she looks to us, not the supplier.
- The buyer does not and cannot look to the supplier for fulfillment or for product acceptability concerns.
- We take title to the inventory upon paying the amount set forth in the contract with the supplier. Such amount is generally a percentage of the supplier's original acquisition cost under our Surplus and certain commercial contracts, a percentage of the supplier's last retail price under certain commercial contracts and varies depending on the type of the inventory purchased or a fixed price per pound under our Scrap Contract.
- We are at risk of loss for all amounts paid to the supplier in the event the property is damaged or otherwise becomes unsaleable. In addition, as payments made for inventory are excluded from the calculation for the profit-sharing distribution under our DoD contracts, we effectively bear inventory risk for the full amount paid to acquire the property (*i.e.*, there is no sharing of inventory risk).

Business Combinations. The Company recognizes all of the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. Acquisition-related costs are recognized separately from the acquisition and expensed as incurred. Generally, restructuring costs incurred in periods subsequent to the acquisition date are expensed when incurred. Subsequent changes to the purchase price (*i.e.*, working capital adjustments) or other fair value adjustments determined during the measurement period are recorded as an adjustment to goodwill. All subsequent changes to a valuation allowance or uncertain tax position that relate to the

acquired company and existed at the acquisition date that occur both within the measurement period and as a result of facts and circumstances that existed at the acquisition date are recognized as an adjustment to goodwill. All other changes in valuation allowances are recognized as a reduction or increase to income tax expense or as a direct adjustment to additional paid-in capital as required.

Valuation of goodwill and other intangible assets. We identify and value intangible assets that we acquire in business combinations, such as customer arrangements, customer relationships and non-compete agreements, that arise from contractual or other legal rights or that are capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged. The fair value of identified intangible assets is based upon an estimate of the future economic benefits expected to result from ownership, which represents the amount at which the assets could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

We test our goodwill and other intangible assets for impairment annually or more frequently if events or circumstances indicate impairment may exist. Examples of such events or circumstances could include a significant change in business climate or a loss of significant customers. We apply a two-step fair value-based test to assess goodwill for impairment. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is then performed. The second step compares the carrying amount of the reporting unit's goodwill to the fair value of the goodwill. If the fair value of the goodwill is less than the carrying amount, an impairment loss would be recorded in our statements of operations. Intangible assets with definite lives are amortized over their estimated useful lives and are also reviewed for impairment if events or changes in circumstances indicate that their carrying amount may not be realizable.

Our management makes certain estimates and assumptions in order to determine the fair value of net assets and liabilities, including, among other things, an assessment of market conditions, projected cash flows, cost of capital and growth rates, which could significantly impact the reported value of goodwill and other intangible assets. Estimating future cash flows requires significant judgment, and our projections may vary from cash flows eventually realized. The valuations employ a combination of present value techniques to measure fair value, corroborated by comparisons to estimated market multiples. These valuations are based on a discount rate determined by our management to be consistent with industry discount rates and the risks inherent in our current business model.

We cannot predict the occurrence of certain future events that might adversely affect the reported value of goodwill and other intangible assets, which totaled \$220.0 million at September 30, 2012. Such events may include strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on our base of buyers and sellers or material negative changes in our relationships with material customers.

Income taxes. We account for income taxes using the asset and liability approach for measuring deferred taxes based on temporary differences between the financial statement and income tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for the years in which the taxes are expected to be paid or recovered. A valuation allowance is provided to reduce the deferred tax assets to a level that we believe will more likely than not be realized. The resulting net deferred tax asset reflects management's estimate of the amount that will be realized.

We provide for income taxes based on our estimate of federal and state tax liabilities. These estimates include, among other items, effective rates for state and local income taxes, estimates related to depreciation and amortization expense allowable for tax purposes, and the tax deductibility of certain other items. Our estimates are based on the information available to us at the time we prepare the income tax provision. We generally file our annual income tax returns several months after our fiscal year-end. Income tax returns are subject to audit by federal, state and local governments, generally

years after the returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws.

We apply the authoritative guidance related to uncertainty in income taxes. We concluded that there were no uncertain tax positions identified during its analysis.

Stock-based compensation. We recognize in the statements of operations all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their estimated fair values. We use the Black-Scholes option pricing model to estimate the fair values of share-based payments.

The above list is not intended to be a comprehensive list of all of our accounting estimates. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP, with little need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. See our audited financial statements and related notes, which contain accounting policies and other disclosures required by GAAP.

Components of Revenue and Expenses

Revenue. We generate substantially all of our revenue from sales of merchandise held in inventory and by retaining a percentage of the proceeds from the sales. Our revenue recognition practices are discussed in more detail in the section above entitled "*Critical Accounting Estimates*."

Cost of goods sold (excluding amortization). Cost of goods sold includes the costs of purchasing and transporting property for auction, as well as credit card transaction fees.

Profit-sharing distributions. Our Scrap Contract with the DoD has been structured as a profit-sharing arrangements in which we purchase and take possession of all goods we receive from the DoD at a contractual price per pound. After deducting allowable operating expenses, we disburse to the DoD on a monthly basis a percentage of the profits of the aggregate monthly sales. We retain the remaining percentage of these profits after the DoD's disbursement. We refer to these disbursement payments to the DoD as profit-sharing distributions.

Technology and operations. Technology expenses consist primarily of personnel costs related to our programming staff who develop and deploy new marketplaces and continuously enhance existing marketplaces. These personnel also develop and upgrade the software systems that support our operations, such as sales processing. Because our marketplaces and support systems require frequent upgrades and enhancements to maintain viability, we have determined that the useful life for substantially all of our internally developed software is less than one year. As a result, we expense these costs as incurred.

Operations expenses consist primarily of operating costs, including buyer relations, shipping logistics and distribution center operating costs.

Sales and marketing. Sales and marketing expenses include the cost of our sales and marketing personnel as well as the cost of marketing and promotional activities. These activities include online marketing campaigns such as paid search advertising.

General and administrative. General and administrative expenses include all corporate and administrative functions that support our operations and provide an infrastructure to facilitate our future growth. Components of these expenses include executive management and staff salaries, bonuses and related taxes and employee benefits; travel; headquarters rent and related occupancy costs; and legal and accounting fees. The salaries, bonus and employee benefits costs included as general and

administrative expenses are generally more fixed in nature than our operating expenses and do not vary directly with the volume of merchandise sold through our marketplaces.

Amortization of contract intangibles. Amortization of contract intangibles expense consists of the amortization of our Scrap Contract award during June 2005 and our contract intangibles associated with the Jacobs Trading acquisition on October 1, 2011. The Scrap Contract required us to purchase the rights to operate the scrap operations of the DoD during the seven year base term of the contract. The intangible asset created from the \$5.7 million purchase was being amortized over 84 months on a straight-line basis and was fully amortized as of September 30, 2012. The amortization period is correlated to the base term of the contract, exclusive of renewal periods. The intangible asset created in conjunction with the acquisition is valued at \$33.3 million and is being amortized over 55 months on a straight-line basis. The amortization period is correlated to the base term of the Wal-Mart contract from the acquisition date, exclusive of renewal periods.

Depreciation and amortization. Depreciation and amortization expenses consist primarily of the depreciation and amortization of amounts recorded in connection with the purchase of furniture, fixtures and equipment and amortization of intangible assets from our acquisitions.

Acquisition costs. Acquisition costs consist of expenses incurred to complete a business combination and adjustments to the fair value of earn-outs.

Interest income (expense) and other income (expense), net. Interest income (expense) and other income (expense), net consists primarily of interest income on cash and short-term investments and interest expense on borrowings under our notes payable and realized gains or losses on short-term investments.

Income taxes. During fiscal years 2010, 2011 and 2012, we had an effective income tax rate for continuing operations of approximately 45%, 43% and 40%, respectively, which included federal, state and foreign income taxes. We estimate that our future effective income tax rate will be approximately 40%.

Results of Operations

The following table sets forth, for the periods indicated, selected statement of operations data expressed as a percentage of revenue. These results of operations for the year ended September 30, 2010 have been recast so that the basis of presentation is consistent with that of the results of operations for the years ended September 30, 2012 and 2011. This recast reflects the financial condition, results of operations and cash flows of Liquidity Services, Ltd., as discontinued operations.

	<u>Year ended September 30,</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of goods sold (excluding amortization)	40.1	38.6	41.7
Profit-sharing distributions	15.1	15.1	9.1
Technology and operations	16.7	15.9	14.2
Sales and marketing	7.5	7.1	6.6
General and administrative	8.7	8.1	7.8
Amortization of contract intangibles	0.3	0.3	1.7
Depreciation and amortization	1.3	1.4	1.3
Acquisition costs	0.1	2.1	0.3
Total costs and expenses	<u>89.8</u>	<u>88.6</u>	<u>82.7</u>
Income from continuing operations	10.2	11.4	17.3
Interest and other expense, net	0.2	0.4	0.5
Income from continuing operations before provision for income taxes	10.0	11.0	16.8
Provision for income taxes	4.5	4.7	6.6
Income from continuing operations	<u>5.5%</u>	<u>6.3%</u>	<u>10.2%</u>

Year Ended September 30, 2012 Compared to Year Ended September 30, 2011

Revenue. Revenue increased \$147.9 million, or 45.2%, to \$475.3 million for the year ended September 30, 2012 from \$327.4 million for the year ended September 30, 2011. This increase was primarily due to (1) a 99.7% increase, or \$128.5 million, in our commercial business as a result of the acquisitions of Jacobs Trading in October 2011 and GoIndustry in July 2012, as well as several new programs for large retailers and manufacturers; and (2) a 26.4% increase, or \$27.0 million, in our DoD surplus business, as a result of increasing property flow from the DoD and a higher mix of high value capital assets such as rolling stock, offset in part by an 11.1% decrease, or \$9.5 million, in our DoD scrap business as a result of decreasing property flow from the DoD and lower commodity prices. The amount of GMV transacted through our marketplaces increased \$315.6 million, or 57.5%, to \$864.2 million for the year ended September 30, 2012 from \$548.6 million for the year ended September 30, 2011, primarily due to (1) the growth in our commercial and DoD business discussed above; and (2) an 18.0% increase, or \$20.0 million, in our state and local government business, which utilizes the consignment model.

Cost of goods sold (excluding amortization). Cost of goods sold (excluding amortization) increased \$71.7 million, or 56.7%, to \$198.1 million for the year ended September 30, 2012 from \$126.4 million for the year ended September 30, 2011. As a percentage of revenue, these expenses increased to 41.7% in fiscal 2012 compared to 38.6% in fiscal 2011. These increases are primarily due to our commercial marketplaces as a result of the growth discussed above and the Jacobs acquisition, which primarily utilizes the purchase model.

Profit-sharing distributions. Profit-sharing distributions decreased \$6.1 million, or 12.3%, to \$43.2 million for the year ended September 30, 2012 from \$49.3 million for the year ended September 30, 2011. As a percentage of revenue, these expenses decreased to 9.1% in fiscal 2012 compared to 15.1% in fiscal 2010. These decreases were primarily due to decreasing property flow from the DoD Scrap contract and lower commodity prices.

Technology and operations expenses. Technology and operations expenses increased \$15.4 million, or 29.5%, to \$67.6 million for the year ended September 30, 2012 from \$52.2 million for the year ended September 30, 2011, primarily due to increases in staff, outsourced processing labor and temporary wages, including stock based compensation, and consultant fees associated with technology infrastructure projects. As a percentage of revenue, these expenses decreased to 14.2% in fiscal 2012 from 15.9% in fiscal 2011, primarily due to the increase in revenue, while leveraging our fixed costs, such as programming staff and distribution centers.

Sales and marketing expenses. Sales and marketing expenses increased \$8.0 million, or 34.2%, to \$31.3 million for the year ended September 30, 2012 from \$23.3 million for the year ended September 30, 2011, primarily due to (1) \$2.4 million of expenses related to increases in staff wages, including stock based compensation, to support the growth discussed above, (2) \$4.7 million of expenses associated with the acquisitions of Jacobs Trading and GoIndustry; and (3) \$0.9 million of expenses related to increases in marketing and promotion. As a percentage of revenue, these expenses decreased to 6.6% in fiscal 2012 from 7.1% in fiscal 2011, primarily due to the increase in revenue while leveraging our fixed costs, such as marketing staff.

General and administrative expenses. General and administrative expenses increased \$10.6 million, or 40.1%, to \$37.1 million for the year ended September 30, 2012 from \$26.5 million for the year ended September 30, 2011, primarily due to (1) \$6.3 million of expenses associated with increases in staff wages and stock based compensation and (2) \$4.3 million of expenses associated with increases in general corporate expenses. As a percentage of revenue, these expenses decreased to 7.8% in fiscal 2012 from 8.1% in fiscal 2011, primarily due to the increase in revenue while leveraging our fixed costs, such as corporate staff.

Amortization of contract intangibles. Amortization of contract intangibles increased \$7.1 million, or 877.0%, to \$7.9 million for the year ended September 30, 2012 from \$0.8 million for the year ended September 30, 2011, as a result of our acquisition of Jacobs Trading on October 1, 2011. The contract intangible asset created in conjunction with the acquisition was valued at \$33.3 million and is being amortized over 55 months on a straight-line basis.

Depreciation and amortization expenses. Depreciation and amortization expenses increased \$1.3 million, or 27.4%, to \$6.2 million for the year ended September 30, 2012 from \$4.9 million for the year ended September 30, 2011, primarily due to additional depreciation expense resulting from the purchase of \$6.8 million of property and equipment during fiscal year ended September 30, 2012.

Acquisition costs. Acquisition costs decreased \$5.0 million to \$1.7 million for the year ended September 30, 2012 from \$6.7 million for the year ended September 30, 2011, primarily due to (1) the \$7.0 million decrease in fair value of the TruckCenter.com earn out liability, (2) the increase of \$6.3 million for the fair value of the Jacobs Trading earn out liability, and (3) approximately \$2.4 million in acquisition costs related to the GoIndustry acquisition.

Interest expense and other expense, net. Interest expense and other expense, net, increased \$1.0 million, or 86.5%, to \$2.2 million for the year ended September 30, 2012 from \$1.2 million for the year ended September 30, 2011, primarily due to the \$40 million Jacobs Trading acquisition seller subordinated note which bears interest at 5%.

Provision for income tax expense. Income tax expense increased \$16.2 million, or 104.7%, to \$31.7 million for the year ended September 30, 2012 from \$15.5 million for the year ended September 30, 2011, primarily due to the increase in income before provision for income taxes from continuing operations.

Income from continuing operations. Income from continuing operations increased \$27.6 million, or 133.6%, to \$48.3 million for the year ended September 30, 2012 from \$20.7 million for the year ended September 30, 2011, for the reasons noted above.

Net income. Net income increased \$39.8 million, or 467.4%, to \$48.3 million for the year ended September 30, 2012 from \$8.5 million for the year ended September 30, 2011 for the reasons noted above.

Year Ended September 30, 2011 Compared to Year Ended September 30, 2010

Revenue. Revenue increased \$54.4 million, or 19.9%, to \$327.4 million for the year ended September 30, 2011 from \$273.0 million for the year ended September 30, 2010. This increase was primarily due to (1) a 20.0% increase, or \$14.4 million, in our scrap business, which utilizes the profit sharing model, as a result of increasing commodity prices and a higher mix of high value metals; (2) a 20.1% increase, or \$18.3 million, in our U.S. commercial business as a result of several new purchase model programs for large retailers; (3) a 19.1% increase, or \$16.4 million, in our surplus business, as a result of increasing property flow from the DoD and a higher mix of high value capital assets such as rolling stock, and (4) an increase of 24.4% or \$5.8 million in our consignment business due in part to the acquisitions of Network International, completed on June 15, 2010, and TruckCenter.com, completed on June 1, 2011. The amount of GMV transacted through our marketplaces increased \$132.2 million, or 31.8%, to \$548.6 million for the year ended September 30, 2011 from \$416.3 million for the year ended September 30, 2010, primarily due to (1) the growth in our U.S. commercial and DoD businesses discussed above; (2) a 30.4% increase, or \$26.0 million, in our state and local government business, which utilizes the consignment model; and (3) the acquisitions of Network International and TruckCenter.com, which both utilize the consignment model.

Cost of goods sold (excluding amortization). Cost of goods sold (excluding amortization) increased \$17.0 million, or 15.5%, to \$126.4 million for the year ended September 30, 2011 from \$109.4 million for the year ended September 30, 2010, primarily due to the expenses associated with our U.S. commercial marketplaces as a result of the growth discussed above, which primarily utilizes the purchase model. As a percentage of revenue, cost of goods sold (excluding amortization) decreased to 38.6% in fiscal 2011 compared to 40.1% in fiscal 2010, primarily due to the acquisitions of Network International and TruckCenter.com which utilize the consignment model.

Profit-sharing distributions. Profit-sharing distributions increased \$8.0 million, or 19.4%, to \$49.3 million for the year ended September 30, 2011 from \$41.3 million for the year ended September 30, 2010. These increases were primarily due to the growth in our DoD scrap business discussed above. As a percentage of revenue, profit-sharing distributions remained constant at 15.1% in fiscal 2011 and fiscal 2010.

Technology and operations expenses. Technology and operations expenses increased \$6.5 million, or 14.2%, to \$52.2 million for the year ended September 30, 2011 from \$45.7 million for the year ended September 30, 2010, primarily due to increases in staff, outsourced processing labor and temporary wages, including stock based compensation, and consultant fees associated with technology infrastructure projects. As a percentage of revenue, these expenses decreased to 15.9% in fiscal 2011 from 16.7% in fiscal 2010, primarily due to the increase in revenue, while leveraging our fixed costs, such as programming staff and distribution centers.

Sales and marketing expenses. Sales and marketing expenses increased \$2.9 million, or 14.2%, to \$23.3 million for the year ended September 30, 2011 from \$20.4 million for the year ended September 30, 2010, primarily due to increases in staff wages, including stock based compensation, to support the growth discussed above, as well as the acquisitions of Network International and TruckCenter.com. As a percentage of revenue, these expenses decreased to 7.1% in fiscal 2011 from 7.5% in fiscal 2010, primarily due to the increase in revenue while leveraging our fixed costs, such as marketing staff.

General and administrative expenses. General and administrative expenses increased \$2.9 million, or 12.1%, to \$26.5 million for the year ended September 30, 2011 from \$23.6 million for the year ended September 30, 2010, primarily due to expenses of \$1.4 million associated with increases in staff wages and stock based compensation and expenses of \$1.5 million associated with increases in general corporate expenses. As a percentage of revenue, these expenses decreased to 8.1% in fiscal 2011 from 8.7% in fiscal 2010, primarily due to the increase in revenue while leveraging our fixed costs, such as corporate staff.

Amortization of contract intangibles. Amortization of contract intangibles was consistent at \$0.8 million for the year ended September 30, 2011 and 2010, as a result of our Scrap Contract award during June 2005. This contract required us to purchase the rights to operate the scrap operations of the DoD during the seven year base term of the contract. The intangible asset created from the \$5.7 million purchase is being amortized over 84 months on a straight line basis, which began in August 2005.

Depreciation and amortization expenses. Depreciation and amortization expenses increased \$1.3 million, or 35.3%, to \$4.9 million for the year ended September 30, 2011 from \$3.6 million for the year ended September 30, 2010, primarily due to additional depreciation expense resulting from the purchase of \$4.8 million of property and equipment during fiscal year ended September 30, 2011.

Acquisition costs. Acquisition costs increased \$6.2 million, or 1,179.9%, to \$6.7 million for the year ended September 30, 2011 from \$0.5 million for the year ended September 30, 2010, primarily due to the \$4.7 million increase in the fair value of the earn out for Network International, \$1.7 million for the acquisition of Jacobs Trading, and \$0.2 million for the acquisition of TruckCenter.com.

Interest income and other income (expense), net. Interest income and other income (expense), net, increased \$0.8 million, or 177.6%, to \$1.2 million for the year ended September 30, 2011 from \$0.4 million for the year ended September 30, 2010, primarily due to an increase in other expense.

Provision for income tax expense. Income tax expense increased \$3.3 million, or 27.0%, to \$15.5 million for the year ended September 30, 2011 from \$12.2 million for the year ended September 30, 2010, primarily due to the increase in income before provision for income taxes from continuing operations.

Income from continuing operations. Income from continuing operations increased \$5.6 million, or 37.1%, to \$20.7 million for the year ended September 30, 2011 from \$15.1 million for the year ended September 30, 2010, for the reasons noted above.

Discontinued operations. The Company substantially liquidated its UK subsidiary in fiscal year 2011, recording a \$17.5 million goodwill impairment (inclusive of currency translation adjustments previously recorded in other comprehensive income), a \$9.2 million worthless stock deduction tax benefit, and a \$1.8 million foreign currency translation tax benefit. See Note 5 to our consolidated financial statements.

Net income. Net income decreased \$3.5 million, or 29.1%, to \$8.5 million for the year ended September 30, 2011 from \$12.0 million for the year ended September 30, 2010 for the reasons noted above.

Liquidity and Capital Resources

Historically, our primary cash needs have been working capital (including capital used for inventory purchases), which we have funded primarily through cash generated from operations. As of September 30, 2012, we had approximately \$104.8 million in cash and cash equivalents and \$70.5 million available under our \$75.0 million senior credit facility, due to issued letters of credit for \$4.5 million; \$1.0 million of our availability under this facility is set aside as a contractual obligation under our DoD Scrap Contract. Subsequent to September 30, 2012, we utilized \$41.0 million to repay the seller subordinated 5.0% note, including accrued interest, associated with the Jacobs Trading acquisition and \$18.3 million to close the NESA acquisition.

On December 2, 2008, our Board of Directors approved a \$10.0 million share repurchase program. Under the program, we are authorized to repurchase the issued and outstanding shares of common stock. Share repurchases may be made through open market purchases, privately negotiated transactions or otherwise, at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions. The repurchase program may be discontinued or suspended at any time, and will be funded using our available cash. On each of February 2, 2010, November 30, 2010, and May 3, 2011, our Board of Directors approved the repurchase of up to an additional \$10.0 million in shares, and on May 17, 2012, an additional \$30.0 million in shares were approved to be repurchased by our Board of Directors under the share repurchase program. Our Company's Board of Directors reviews the share repurchase program periodically, the last such review having occurred in May 2012. During the year ended September 30, 2009, 707,462 shares were purchased under the program for approximately \$3,874,000. During the year ended September 30, 2010, 1,225,019 shares were purchased under the program for approximately \$14,471,000. During the year ended September 30, 2011, 229,575 shares were purchased under the program for approximately \$3,541,000. During the year ended September 30, 2012, 505,067 shares were purchased and retired under the program for approximately \$30,000,000. As of September 30, 2012, approximately \$18,114,000 may yet be expended under the program. During the year ended September 30, 2012, all shares repurchased under the program were retired.

Senior credit facility. We maintain a \$75.0 million senior credit facility due May 31, 2014. The senior credit facility bears an annual interest rate of 30 day LIBOR plus 1.25%. As of September 30, 2012, we had no outstanding indebtedness under our senior credit facility and our borrowing availability was \$70.5 million due to issued letters of credit for \$4.5 million; \$1.0 million of our availability under this facility is set aside as a contractual obligation under our DoD Scrap Contract. The obligations under our senior credit facility are unconditionally guaranteed by us and each of our existing and subsequently acquired or organized subsidiaries (other than our subsidiary organized to service our DoD Scrap contract) and secured on a first priority basis by security interests (subject to permitted liens) in substantially all assets owned by us, and each of our other domestic subsidiaries, subject to limited exceptions. The Agreement contains certain financial and non-financial restrictive covenants including, among others, the requirements to maintain a minimum level of earnings before interest, income taxes, depreciation and amortization (EBITDA) and a minimum debt coverage ratio. Our credit agreement contains a number of affirmative and restrictive covenants including limitations on mergers, consolidations and dissolutions, sales of assets, investments and acquisitions, indebtedness and liens, and dividends and other restricted payments. As of September 30, 2012, we were in full compliance with the terms and conditions of our credit agreement.

Subordinated note. In conjunction with the Jacobs Trading acquisition, we issued a \$40,000,000 seller subordinated 5% unsecured note. We repaid this note subsequent to September 30, 2012.

Substantially all of our sales are recorded subsequent to receipt of payment authorization, utilizing credit cards, wire transfers and PayPal, an Internet based payment system, as methods of payments. As a result, we are not subject to significant collection risk, as goods are generally not shipped before payment is received.

Changes in Cash Flows: 2012 Compared to 2011

Net cash provided by operating activities from continuing operations increased \$12.0 million to \$52.6 million for the year ended September 30, 2012 from \$40.6 million for the year ended September 30, 2011. For the year ended September 30, 2012, net cash provided by operating activities from continuing operations primarily consisted of income from continuing operations of \$48.3 million, depreciation and amortization expense of \$14.1 million, stock compensation expense of \$12.1 million, a net increase in accounts receivable, inventory and prepaid expense of \$16.2 million, offset in part by a net decrease in accounts payable, accrued expenses and other liabilities of \$20.4 million, and a net increase in the provision for doubtful accounts, inventory allowance, deferred tax benefit, and incremental tax from exercise of common stock options of \$17.7 million. For the year ended September 30, 2011, net cash provided by operating activities from continuing operations primarily consisted of income from continuing operations of \$20.7 million, depreciation and amortization expense of \$5.7 million, stock compensation expense of \$9.1 million, a net increase in accounts payable, accrued expenses and other liabilities of \$5.8 million, a net increase in accounts receivable, inventory and prepaid assets of \$5.6 million, offset in part by a net decrease in provision for doubtful accounts, inventory allowance, deferred tax benefit, and incremental tax from exercise of common stock options of \$6.3 million.

Net cash (used in) provided by investing activities was (\$78.6) million for the year ended September 30, 2012 and \$19.6 million for the year ended September 30, 2011. Net cash used in investing activities in fiscal 2012 consisted primarily of net cash paid for acquisitions net of cash acquired and an increase of goodwill and intangibles of \$71.8 million, and capital expenditures of \$6.8 million for purchases of equipment and leasehold improvements.

Net cash provided by investing activities in fiscal 2011 consisted primarily of net proceeds from the sale and purchase of short-term investments of \$33.5 million, capital expenditures of \$4.8 million for

purchases of equipment and leasehold improvements, and cash paid for acquisitions net of cash acquired and an increase of goodwill and intangibles of \$9.1 million.

Net cash provided by financing activities was \$2.4 million for the year ended September 30, 2012 and \$26.7 million for the year ended September 30, 2011. Net cash provided by financing activities in fiscal 2012 consisted primarily of \$15.5 million from exercises of common stock options and the tax benefit of \$16.9 million, offset in part by \$30.0 million for stock repurchases. Net cash provided by financing activities in fiscal 2011 consisted primarily of \$23.6 million from exercises of common stock options and the tax benefit of \$6.6 million, offset in part by \$3.5 million for stock repurchases.

Changes in Cash Flows: 2011 Compared to 2010

Net cash provided by operating activities from continuing operations increased \$6.8 million to \$40.6 million for the year ended September 30, 2011 from \$33.8 million for the year ended September 30, 2010. For the year ended September 30, 2011, net cash provided by operating activities from continuing operations primarily consisted of income from continuing operations of \$20.7 million, depreciation and amortization expense of \$5.7 million, stock compensation expense of \$9.1 million, a net increase in accounts payable, accrued expenses and other liabilities of \$5.8 million, a net increase in accounts receivable, inventory and prepaid assets of \$5.6 million, offset in part by a net decrease in provision for doubtful accounts, inventory allowance, deferred tax benefit, and incremental tax from exercise of common stock options of \$6.3 million. For the year ended September 30, 2010, net cash provided by operating activities from continuing operations primarily consisted of income from continuing operations of \$15.1 million, depreciation and amortization expense of \$4.4 million, stock compensation expense of \$7.9 million, and a net increase in accounts payable, accrued expenses and other liabilities of \$9.8 million, offset in part by a net decrease accounts receivable, inventory and prepaid assets of \$2.2 million and a net decrease in provision for doubtful accounts, inventory allowance, deferred tax benefit, and incremental tax from exercise of common stock options of \$1.2 million.

Net cash provided by (used in) investing activities was \$19.6 million for the year ended September 30, 2011 and (\$10.7) million for the year ended September 30, 2010. Net cash provided by investing activities in fiscal 2011 consisted primarily of net proceeds from the sale and purchase of short-term investments of \$33.5 million, offset in part by capital expenditures of \$4.8 million for purchases of equipment and leasehold improvements, and cash paid for acquisitions net of cash acquired and an increase in goodwill and intangibles of \$9.1 million. Net cash used in investing activities in fiscal 2010 consisted primarily of capital expenditures of \$3.6 million, \$4.1 million for the purchase of the assets of a company, \$0.1 million for investment activities of discontinued operations, and net purchases of short-term investments of \$2.9 million.

Net cash provided by (used in) financing activities was \$26.7 million for the year ended September 30, 2011 and (\$10.6) million for the year ended September 30, 2010. Net cash provided by financing activities in fiscal 2011 consisted primarily of \$30.2 million from exercises of common stock options and the tax benefit of \$6.6 million, offset in part by \$3.5 million for stock repurchases. Net cash used in financing activities in fiscal 2010 consisted primarily of \$14.5 million for stock repurchases and \$0.1 million for principal repayments of capital lease obligations, offset by \$4.0 million from exercises of common stock options including the tax benefit.

Capital Expenditures. Our capital expenditures consist primarily of computers and purchased software, office equipment, furniture and fixtures, and leasehold improvements. The timing and volume of such capital expenditures in the future will be affected by the addition of new customers or expansion of existing customer relationships. We expect capital expenditures to range from \$6.0 million to \$7.0 million in the fiscal year ending September 30, 2013. We intend to fund those expenditures primarily from operating cash flows. Our capital expenditures for the year ended September 30, 2012

were \$6.8 million. As of September 30, 2012, we had no outstanding commitments for capital expenditures.

We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our future capital requirements will depend on many factors including our rate of revenue growth, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the development and deployment of new marketplaces, the introduction of new value added services and the costs to establish additional distribution centers. Although we are currently not a party to any definitive agreement with respect to potential investments in, or acquisitions of, complementary businesses, products or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity or debt financing. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders. Additional debt would result in increased interest expense and could result in covenants that would restrict our operations. There is no assurance that such financing, if required, will be available in amounts or on terms acceptable to us, if at all.

Contractual and Commercial Commitments

The table below represents our significant commercial commitments as of September 30, 2012. Operating leases, which represent commitments to rent office and warehouse space in the United States, are not reflected on our balance sheets.

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 Years</u>	<u>5+ years</u>
	(in thousands)				
Operating leases	\$ 28,440	\$ 8,667	\$ 10,398	\$ 6,376	\$ 2,999
Total contractual cash obligations	<u>\$ 28,440</u>	<u>\$ 8,667</u>	<u>\$ 10,398</u>	<u>\$ 6,376</u>	<u>\$ 2,999</u>

Off-Balance Sheet Arrangements

We do not have any transactions, obligations or relationships that could be considered material off-balance sheet arrangements.

Inflation

Inflation generally affects us by increasing our cost of labor and equipment. We do not believe that inflation had any material effect on our results of operations during the fiscal years ended September 30, 2010, 2011 and 2012.

New Accounting Pronouncements

In September 2011, the FASB amended its guidance for testing goodwill for impairment by allowing an entity to use a qualitative approach to test goodwill for impairment. The amended guidance, included in ASU 2011-08, "Testing Goodwill for Impairment" is effective for our annual reporting period beginning on October 1, 2012. The amended guidance is intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. We do not expect the adoption to have a material impact on the financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220)—Presentation of Comprehensive Income*, to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for our first quarter of fiscal 2013 (quarter ending December 31, 2012) and should be applied retrospectively. We believe there will be no significant impact on the consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Interest rate sensitivity. We had \$40.0 million of fixed 5% unsecured subordinated debt as of September 20, 2012, which we repaid subsequent to September 30, 2012, and thus do not have any related interest rate exposure. Our investment policy requires us to invest funds in excess of current operating requirements. The principal objectives of our investment activities are to preserve principal, provide liquidity and maximize income consistent with minimizing risk of material loss.

Exchange rate sensitivity. We consider our exposure to foreign currency exchange rate fluctuations to be minimal, as less than four percent of our sales are denominated in foreign currencies. We have not engaged in any hedging or other derivative transactions to date.

Item 8. Financial Statements and Supplemental Data.

Annual Financial Statements and Selected Financial Data: The consolidated financial statements and accompanying notes listed in Part IV, Item 15(a)(1) of this Annual Report on Form 10-K are included elsewhere in this Annual Report.

Item 9. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Attached as exhibits to this Form 10-K are certifications of our Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended. This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications. The report of Ernst & Young LLP, our independent registered public accounting firm, regarding management's assessment of internal control over financial reporting, and its audit of our internal control over financial reporting is set forth below in this section. This section should be read in conjunction with the certifications and the Ernst & Young LLP report for a more complete understanding of the topics presented.

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" as of the end of the period covered by this Form 10-K. The controls evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Disclosure controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to reasonably assure that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our quarterly evaluation of disclosure controls includes an evaluation of some components of our internal control over financial reporting, and internal control over financial reporting is also separately evaluated on an annual basis for purposes of providing the management report which is set forth below.

The evaluation of our disclosure controls included a review of the controls' objectives and design, our implementation of the controls and their effect on the information generated for use in this Form 10-K. In the course of the controls evaluation, we reviewed identified data errors, control problems or indications of potential fraud and, where appropriate, sought to confirm that appropriate corrective actions, including process improvements, were being undertaken. This type of evaluation is

performed on a quarterly basis so that the conclusions of management, including the Chief Executive Officer and Chief Financial Officer, concerning the effectiveness of the disclosure controls can be reported in our periodic reports on Form 10-Q and Form 10-K. Many of the components of our disclosure controls are also evaluated on an ongoing basis by our finance organization. The overall goals of these various evaluation activities are to monitor our disclosure controls, and to modify them as necessary. Our intent is to maintain the disclosure controls as dynamic systems that change as conditions warrant.

Based upon the controls evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Form 10-K, our disclosure controls were effective to provide reasonable assurance that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that material information related to Liquidity Services and our consolidated subsidiaries is made known to management, including the Chief Executive Officer and Chief Financial Officer, particularly during the period when our periodic reports are being prepared. We reviewed the results of management's evaluation with the Audit Committee of our Board of Directors.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles; and (iii) provide reasonable assurance regarding authorization to effect the acquisition, use or disposition of company assets, as well as the prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management assessed our internal control over financial reporting as of September 30, 2012, the end of our fiscal year. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed by our finance organization.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the company's internal control over financial reporting. Ernst & Young LLP has issued an attestation report, which is included at the end of this section.

Inherent Limitations on Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Other inherent limitations include the realities that judgments in

decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control over Financial Reporting

On a quarterly basis we evaluate any changes to our internal control over financial reporting to determine if material changes occurred. There were no changes in our internal controls over financial reporting during the quarterly period ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Stockholders of
Liquidity Services, Inc. and Subsidiaries

We have audited Liquidity Services, Inc. and subsidiaries' internal control over financial reporting as of September 30, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Liquidity Services, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Liquidity Services, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Liquidity Services, Inc. and subsidiaries as of September 30, 2012 and 2011, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2012 of Liquidity Services, Inc. and subsidiaries and our report dated November 29, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
November 29, 2012

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporated by reference from the Company's Proxy Statement relating to its 2013 Annual Meeting of Stockholders to be filed with the SEC within 120 days after September 30, 2012.

Code of Ethics, Governance Guidelines and Committee Charters

We have adopted a *Code of Business Conduct and Ethics* that applies to all Liquidity Services employees. The *Code of Business Conduct and Ethics* is available on our website.

Item 11. Executive Compensation.

Incorporated by reference from the Company's Proxy Statement relating to its 2013 Annual Meeting of Stockholders to be filed with the SEC within 120 days after September 30, 2012.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters.

Incorporated by reference from the Company's Proxy Statement relating to its 2013 Annual Meeting of Stockholders to be filed with the SEC within 120 days after September 30, 2012.

Item 13. Certain Relationship and Related Transactions, and Director Independence.

Incorporated by reference from the Company's Proxy Statement relating to its 2013 Annual Meeting of Stockholders to be filed with the SEC within 120 days after September 30, 2012.

Item 14. Principal Accounting Fees and Services.

Incorporated by reference from the Company's Proxy Statement relating to its 2013 Annual Meeting of Stockholders to be filed with the SEC within 120 days after September 30, 2012.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

	<u>Page</u>
(a)(1) The following financial statements are filed as part of this report:	
Report of Independent Registered Public Accounting Firm	57
Financial Statements covered by the Report of Independent Registered Public Accounting Firm:	
Consolidated Balance Sheets as of September 30, 2011 and 2012	58
Consolidated Statements of Operations for the years ended September 30, 2010, 2011 and 2012	59
Consolidated Statements of Changes in Stockholders' Equity for the years ended September 30, 2010, 2011 and 2012	60
Consolidated Statements of Cash Flows for the years ended September 30, 2010, 2011 and 2012	61
Notes to the Consolidated Financial Statements	62
(a)(2) The following financial statement schedule is filed as part of this report:	
Schedule for the three years ended September 30, 2010, 2011 and 2012:	
II—Valuation and Qualifying Accounts	91

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required or are inapplicable and therefore have been omitted.

(a)(3) The documents required to be filed as exhibits to this report under Item 601 of Regulation S-K are listed in the Exhibit Index included elsewhere in this report, which list is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Liquidity Services, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Liquidity Services, Inc. and subsidiaries as of September 30, 2012 and 2011, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Liquidity Services, Inc. and subsidiaries at September 30, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Liquidity Services, Inc. and subsidiaries' internal control over financial reporting as of September 30, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 29, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
November 29, 2012

Liquidity Services, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in Thousands)

	September 30,	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 104,782	\$ 128,984
Accounts receivable, net of allowance for doubtful accounts of \$1,248 and \$514 in 2012 and 2011, respectively	16,226	6,049
Inventory	20,669	15,065
Prepaid and deferred taxes	16,927	16,073
Prepaid expenses and other current assets	3,973	4,805
Current assets of discontinued operations	—	277
Total current assets	<u>162,577</u>	<u>171,253</u>
Property and equipment, net	10,382	7,042
Intangible assets, net	34,204	2,993
Goodwill	185,771	40,549
Other assets	7,474	5,970
Total assets	<u>\$ 400,408</u>	<u>\$ 227,807</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 9,997	\$ 8,590
Accrued expenses and other current liabilities	36,425	23,411
Profit-sharing distributions payable	4,041	7,267
Current portion of acquisition earn out payable	14,511	5,410
Customer payables	34,255	12,728
Current portion of note payable	10,000	—
Current liabilities of discontinued operations	154	2,160
Total current liabilities	<u>109,383</u>	<u>59,566</u>
Acquisition earn out payable	—	4,741
Note payable, net of current portion	32,000	—
Deferred taxes and other long-term liabilities	9,022	2,087
Total liabilities	<u>150,405</u>	<u>66,394</u>
Stockholders' equity:		
Common stock, \$0.001 par value; 120,000,000 shares authorized; 31,138,111 shares issued and outstanding at September 30, 2012; 31,192,608 shares issued and 29,030,552 shares outstanding at September 30, 2011	31	29
Additional paid-in capital	182,361	124,886
Treasury stock, at cost	—	(21,884)
Accumulated other comprehensive income	1,246	52
Retained earnings	66,365	58,330
Total stockholders' equity	<u>250,003</u>	<u>161,413</u>
Total liabilities and stockholders' equity	<u>\$ 400,408</u>	<u>\$ 227,807</u>

See accompanying notes to the consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Consolidated Statements of Operations
(Dollars in Thousands Except Share and Per Share Data)

	Year ended September 30,		
	2012	2011	2010
Revenue	\$ 415,829	\$ 297,584	\$ 249,337
Fee revenue	59,475	29,794	23,678
Total revenue from continuing operations	475,304	327,378	273,015
Costs and expenses from continuing operations:			
Cost of goods sold (excluding amortization)	198,123	126,395	109,376
Profit-sharing distributions	43,242	49,318	41,310
Technology and operations	67,553	52,178	45,700
Sales and marketing	31,252	23,279	20,381
General and administrative	37,107	26,484	23,606
Amortization of contract intangibles	7,943	813	813
Depreciation and amortization	6,223	4,881	3,609
Acquisition costs	1,695	6,702	524
Total costs and expenses	393,138	290,050	245,319
Income from continuing operations	82,166	37,328	27,696
Interest and other expense, net	2,218	1,190	428
Income before provision for income taxes from continuing operations	79,948	36,138	27,268
Provision for income taxes	31,652	15,459	12,194
Income from continuing operations	48,296	20,679	15,074
Loss from discontinued operations, net of tax	—	12,167	3,061
Net income	\$ 48,296	\$ 8,512	\$ 12,013
Basic earnings (loss) per common share:			
From continuing operations	\$ 1.57	\$ 0.75	\$ 0.55
From discontinued operations	—	(0.44)	(0.11)
Basic earnings per common share	\$ 1.57	\$ 0.31	\$ 0.44
Diluted earnings (loss) per common share:			
From continuing operations	\$ 1.47	\$ 0.71	\$ 0.55
From discontinued operations	—	(0.42)	(0.11)
Diluted earnings per common share	\$ 1.47	\$ 0.29	\$ 0.44
Basic weighted average shares outstanding	30,854,796	27,736,865	27,098,016
Diluted weighted average shares outstanding	32,783,079	29,081,933	27,406,883

See accompanying notes to the consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(In Thousands Except Share Data)

	Treasury Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance at September 30, 2009	(707,462)	\$ (3,874)	28,271,983	\$ 28	\$ 73,641	\$ (3,618)	\$ 37,805	\$ 103,982
Common stock repurchase	(1,225,019)	(14,469)	—	(1)	—	—	—	(14,470)
Exercise of common stock options	—	—	555,089	—	3,238	—	—	3,238
Compensation expense and incremental tax benefit from grant of common stock options and restricted stock	—	—	—	—	8,638	—	—	8,638
Comprehensive income:								
Net income	—	—	—	—	—	—	12,013	12,013
Foreign currency translation and other	—	—	—	—	—	(1,027)	—	(1,027)
Balance at September 30, 2010	(1,932,481)	(18,343)	28,827,072	27	85,517	(4,645)	49,818	112,374
Common stock repurchase	(229,575)	(3,541)	—	—	—	—	—	(3,541)
Exercise of common stock options and restricted stock	—	—	2,365,536	2	23,637	—	—	23,639
Compensation expense and incremental tax benefit from grant of common stock options and restricted stock	—	—	—	—	15,732	—	—	15,732
Comprehensive income:								
Net income	—	—	—	—	—	—	8,512	8,512
Foreign currency translation and other	—	—	—	—	—	4,697	—	4,697
Balance at September 30, 2011	(2,162,056)	(21,884)	31,192,608	29	124,886	52	58,330	161,413
Common stock repurchase	(505,067)	(29,999)	—	—	—	—	—	(29,999)
Common stock retired	2,667,123	51,883	(2,667,123)	—	(11,622)	—	(40,261)	—
Exercise of common stock options and restricted stock	—	—	1,712,455	1	15,490	—	—	15,491
Stock consideration paid for acquisition	—	—	900,171	1	24,537	—	—	24,538
Compensation expense and incremental tax benefit from grant of common stock options and restricted stock	—	—	—	—	29,070	—	—	29,070
Comprehensive income:								
Net income	—	—	—	—	—	—	48,296	48,296
Defined benefit pension plan—unrecognized amounts, net of taxes	—	—	—	—	—	584	—	584
Foreign currency translation and other	—	—	—	—	—	610	—	610
Balance at September 30, 2012	—	\$ —	31,138,111	\$ 31	\$ 182,361	\$ 1,246	\$ 66,365	\$ 250,003

See accompanying notes to the consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In Thousands)

	2012	2011	2010
Operating activities			
Net income	\$ 48,296	\$ 8,512	\$ 12,013
Less: Discontinued operations, net of tax	—	(12,167)	(3,061)
Income from continuing operations	48,296	20,679	15,074
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations:			
Depreciation and amortization	14,166	5,694	4,422
Stock compensation expense	12,117	9,136	7,891
Provision for inventory allowance	884	(22)	512
Provision (benefit) for doubtful accounts	117	221	(62)
Deferred tax (benefit) expense	(1,719)	66	(893)
Incremental tax benefit from exercise of common stock options	(16,953)	(6,597)	(747)
Changes in operating assets and liabilities:			
Accounts receivable	(1,596)	(1,809)	162
Inventory	(132)	(392)	(2,624)
Prepaid expenses and other assets	17,890	7,815	234
Accounts payable	(7,570)	1,552	1,816
Accrued expenses and other	(8,534)	(691)	6,137
Profit-sharing distributions payable	(3,226)	1,671	1,058
Customer payables	2,510	2,945	(124)
Acquisition earn out payable	(3,826)	358	2,805
Other liabilities	205	(1)	(1,895)
Net cash provided by operating activities from continuing operations	52,629	40,625	33,766
Net cash used by operating activities from discontinued operations	(483)	(739)	(1,833)
Net cash provided by operating activities	52,146	39,886	31,933
Investing activities			
Purchases of short-term investments	—	(10,292)	(61,024)
Proceeds from the sale of short-term investments	—	43,812	58,123
Cash paid for acquisitions and increase in goodwill and intangibles	(71,796)	(9,092)	(4,102)
Purchases of property and equipment	(6,793)	(4,822)	(3,624)
Investment activities from discontinued operations	—	—	(92)
Net cash provided (used) in investing activities	(78,589)	19,606	(10,719)
Financing activities			
Principal repayments of capital lease obligations and debt	—	—	(138)
Repurchases of common stock	(29,999)	(3,541)	(14,470)
Proceeds from exercise of common stock options (net of tax)	15,491	23,639	3,238
Incremental tax benefit from exercise of common stock options	16,953	6,597	747
Net cash provided (used) by financing activities	2,445	26,695	(10,623)
Effect of exchange rate differences on cash and cash equivalents	(309)	(476)	(751)
Net increase (decrease) in cash and cash equivalents	(24,307)	85,711	9,840
Cash and cash equivalents at beginning of year	129,089	43,378	33,538
Cash and cash equivalents at end of year	104,782	129,089	43,378
Less: Cash and cash equivalents of discontinued operations at end of year	—	105	844
Cash and cash equivalents of continuing operations at end of year	<u>\$ 104,782</u>	<u>\$ 128,984</u>	<u>\$ 42,534</u>
Supplemental disclosure of cash flow information			
Cash paid for income taxes	\$ 14,482	\$ 6,245	\$ 12,486
Cash paid for interest	117	62	64
Note payable issued in connection with acquisition	40,000	—	—
Contingent purchase price accrued	7,438	6,989	2,805

See accompanying notes to the consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Organization

Liquidity Services, Inc. and subsidiaries (LSI or the Company) is a leading online auction marketplace for surplus and salvage assets. LSI enables buyers and sellers to transact in an efficient, automated online auction environment offering over 500 product categories. The Company's marketplaces provide professional buyers access to a global, organized supply of surplus and salvage assets presented with digital images and other relevant product information. Additionally, LSI enables its corporate and government sellers to enhance their financial return on excess assets by providing a liquid marketplace and value-added services that integrate sales and marketing, logistics and transaction settlement into a single offering. LSI organizes its products into categories across major industry verticals such as consumer electronics, general merchandise, apparel, scientific equipment, aerospace parts and equipment, technology hardware, energy equipment, industrial capital assets, fleet and transportation equipment and specialty equipment. The Company's online auction marketplaces are www.liquidation.com, www.govliquidation.com, www.govdeals.com, www.networkintl.com, www.truckcenter.com, www.secondipity.com, and www.go-dove.com. LSI has one reportable segment consisting of operating online auction marketplaces for sellers and buyers of surplus, salvage and scrap assets.

The Company's operations are subject to certain risks and uncertainties associated with technology-oriented companies including, but not limited to, the Company's dependence on use of the Internet, the effect of general business and economic trends, its susceptibility to rapid technological change, actual and potential competition by entities with greater financial resources, and the potential for the U.S. Government agencies from which the Company has derived a significant portion of its inventory to change the way they conduct their surplus disposition or to otherwise not renew their contracts with the Company.

The Company has evaluated subsequent events through the date that these financial statements were issued and filed with the Securities and Exchange Commission.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. In addition, in the opinion of management, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation of the results for the periods presented have been included.

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****2. Summary of Significant Accounting Policies (Continued)****Discontinued Operations**

In determining whether a group of assets disposed (or to be disposed) of should be presented as discontinued operations, the Company makes a determination of whether the group of assets being disposed of comprises a component of the entity; that is, whether it has historical operations and cash flows that can be clearly distinguished (both operationally and for financial reporting purposes). The Company also determines whether the cash flows associated with the group of assets have been significantly (or will be significantly) eliminated from the ongoing operations of the Company as a result of the disposal transaction and whether the Company has no significant continuing involvement in the operations of the group of assets after the disposal transaction. If these determinations can be made affirmatively, the results of operations of the group of assets being disposed of (as well as any gain or loss on the disposal transaction) are aggregated for separate presentation apart from continuing operating results of the Company in the consolidated financial statements. See "Note 5" for additional information.

Business Combinations

The Company recognizes all of the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. Acquisition-related costs are recognized separately from the acquisition and expensed as incurred. Generally, restructuring costs incurred in periods subsequent to the acquisition date are expensed when incurred. Subsequent changes to the purchase price (i.e., working capital adjustments) or other fair value adjustments determined during the measurement period are recorded as an adjustment to goodwill, with the exception of contingent consideration, which is expensed in the period it is modified. All subsequent changes to a valuation allowance or uncertain tax position that relate to the acquired company and existed at the acquisition date that occur both within the measurement period and as a result of facts and circumstances that existed at the acquisition date are recognized as an adjustment to goodwill. All other changes in valuation allowances are recognized as a reduction or increase to income tax expense or as a direct adjustment to additional paid-in capital as required.

Cash and Cash Equivalents

The Company considers all highly liquid securities purchased with an initial maturity of three months or less to be cash equivalents.

Short-Term Investments

Available-for-sale securities, which approximate par value, were stated at fair value, with the unrealized gains and losses reported in accumulated other comprehensive income. For the years ended September 30, 2012, 2011 and 2010, the amount of unrealized losses reported in accumulated other comprehensive income was \$0, \$0, and \$116,000, respectively. Realized gains and losses and declines in fair value that are determined to be other-than-temporary on available-for-sale securities are included in interest income and other income, net. The cost of securities sold was based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in Interest and other income (expense), net. Realized losses for sales of investments for the years ended September 30, 2012, 2011 and 2010 were \$0, \$15,000, and \$111,000, respectively.

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****2. Summary of Significant Accounting Policies (Continued)****Accounts Receivable**

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivables. Allowances are based on management's judgment, which considers historical experience and specific knowledge of accounts where collectability may not be probable. The Company makes provisions based on historical bad debt experience, a specific review of all significant outstanding invoices and an assessment of general economic conditions.

Inventory

Inventory consists of property obtained for resale, generally through the online auction process, and is stated at the lower of cost or market. Cost is determined using the specific identification method. Charges for unsellable inventory are included in cost of goods sold in the period in which they have been determined to occur.

Property and Equipment

Property and equipment is recorded at cost, and depreciated and amortized on a straight-line basis over the following estimated useful lives:

Computers and purchased software	One to five years
Office equipment	Three years
Furniture and fixtures	Five to seven years
Leasehold improvements	Shorter of lease term or useful life

Intangible Assets

Intangible assets primarily consist of contract acquisition costs, covenants not to compete, and other intangible assets associated with acquisitions (see Note 4). Intangible assets are amortized using the straight-line method over their estimated useful lives, ranging from three to seven years.

Impairment of Long-Lived Assets

Long-lived assets, including amortizable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, the Company evaluates recoverability by comparing the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the estimated fair value of the assets.

Goodwill

Goodwill and other non amortizable intangible assets are reviewed for impairment annually or more frequently if events or circumstances indicate impairment may exist. Examples of such events or circumstances could include a significant change in business climate or the loss of a significant customer. The Company applies a two-step fair value-based test to assess goodwill for impairment. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the

Liquidity Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

carrying amount of the reporting unit exceeds its fair value, the second step is then performed. The second step compares the carrying amount of the reporting unit's goodwill to the fair value of the goodwill. If the fair value of the goodwill is less than the carrying amount, an impairment loss would be recorded in the statements of operations.

Revenue Recognition

The Company recognizes revenue when all of the following criteria are met:

- a buyer submits the winning bid in an auction and, as a result, evidence of an arrangement exists and the sale price has been determined;
- title has passed to the buyer and the buyer has assumed the risks and rewards of ownership; and
- collection is reasonably assured.

Revenue is also evaluated for reporting revenue of gross proceeds as the principal in the arrangement or net of commissions as an agent. In arrangements in which the Company is deemed to be the primary obligor, bears physical and general inventory risk, and credit risk, LSI recognizes as revenue the gross proceeds from the sale, including buyer's premiums. The Company has evaluated its revenue recognition policy related to sales under LSI's profit-sharing model and determined it is appropriate to account for these sales on a gross basis. In the Company's evaluation, the Company relied most heavily upon its status as primary obligor in the sales relationship and the fact that the Company has general inventory risk.

In arrangements in which the Company acts as an agent or broker on a consignment basis, without taking physical or general inventory risk, revenue is recognized based on the sales commissions that are paid to the Company by the sellers for utilizing LSI's services; in this situation, sales commissions represent a percentage of the gross proceeds from the sale that the seller pays to the Company upon completion of the transaction. Such revenue is presented as Fee Revenue in the Consolidated Statements of Operations.

The Company collects and remits sales taxes on merchandise that it purchases and sells, and reports such amounts under the net method in its consolidated statements of operations.

Cost of Goods Sold

Cost of goods sold includes the costs of purchasing and transporting property for auction as well as credit card transaction fees. The Company purchases the majority of its inventory at a percentage of the supplier's original acquisition cost under the Surplus and certain commercial contracts, a percentage of the supplier's last retail price under certain commercial contracts and varies depending on the type of the inventory purchased or a fixed price per pound under the Scrap Contract. Title for the inventory passes to the Company at the time of purchase and the Company bears the risks and rewards of ownership. The Company does not have title to assets sold on behalf of its commercial or government customers when it receives only sales commission revenue and, as such, recognizes no cost of goods sold associated with those sales. Cost of goods sold also includes shipping and handling costs and amounts paid by customers for shipping and handling.

Liquidity Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Risk Associated with Certain Concentrations

The Company does not perform credit evaluations for the majority of its buyers. However, substantially all sales are recorded subsequent to payment authorization being received. As a result, the Company is not subject to significant collection risk, as most goods are not shipped before payment is received.

For consignment sales transactions, funds are collected from buyers and are held by the Company on the sellers' behalf. The funds are included in cash and cash equivalents in the consolidated financial statements. The Company releases the funds to the seller, less the Company's commission and other fees due, after the buyer has accepted the goods or within 30 days, depending on the state where the buyer and seller conduct business. The amount of cash held on behalf of the sellers is recorded as customer payables in the accompanying consolidated balance sheets.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents in banks over FDIC limits, short-term investments and accounts receivable. The Company deposits its cash with financial institutions that the Company considers to be of high credit quality.

For the years ended September 30, 2012, 2011, and 2010, approximately 20%, 11%, and 11% of the Company's Gross Merchandise Volume (GMV) was generated from Wal-Mart under multiple contracts / programs.

Income Taxes

The Company accounts for income taxes using an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statement and income tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for the years in which the taxes are expected to be paid or recovered. A valuation allowance is provided to reduce the deferred tax assets to a level that the Company believes will more likely than not be realized. The resulting net deferred tax asset reflects management's estimate of the amount that will be realized.

The Company applies the authoritative guidance related to uncertainty in income taxes. The Company has concluded that there were no uncertain tax positions identified during its analysis.

Stock-Based Compensation

The Company estimates the fair value of share-based awards on the date of grant. The fair value of stock options is determined using the Black-Scholes option-pricing model. The fair value of restricted stock awards is based on the closing price of the Company's common stock on the date of grant. The determination of the fair value of the Company's stock option awards and restricted stock awards is based on a variety of factors including, but not limited to, the Company's common stock price, expected stock price volatility over the expected life of awards, and actual and projected exercise behavior. Additionally, the Company has estimated forfeitures for share-based awards at the dates of grant based on historical experience, adjusted for future expectation. The forfeiture estimate is revised as necessary if actual forfeitures differ from these estimates.

The Company issues restricted stock awards where restrictions lapse upon either the passage of time (service vesting), achieving performance targets, or some combination of these restrictions. For

Liquidity Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

those restricted stock awards with only service conditions, the Company recognizes compensation cost on a straight-line basis over the explicit service period. For awards with both performance and service conditions, the Company starts recognizing compensation cost over the remaining service period, when it is probable the performance condition will be met. For stock awards that contain performance vesting conditions, the Company excludes these awards from diluted earnings per share computations until the contingency is met as of the end of that reporting period.

The Company presents the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) as a financing activity with a corresponding operating cash outflow in the Consolidated Statements of Cash Flows.

Advertising Costs

Advertising expenditures are expensed as incurred. Advertising costs charged to expense were \$4,939,000, \$4,768,000, and \$4,012,000 for the years ended September 30, 2012, 2011 and 2010, respectively.

Fair Value of Financial Instruments

Cash and cash equivalents, short-term investments, accounts receivable, accounts payable, profit-sharing distributions payable, and consignment payables reported in the consolidated balance sheets approximate their fair values.

Foreign Currency Translation

The functional currency of the Company's foreign subsidiaries is the local currency. The translation of the subsidiary's financial statements into U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate during the period. The resulting translation adjustments are recognized in accumulated other comprehensive income, a separate component of stockholders' equity. Realized foreign currency transaction gains and losses for 2011 and 2010 are included in losses from discontinued operations and for 2012 are included in interest income and other income, net in the consolidated statements of operations.

Comprehensive Income

Comprehensive income includes net income adjusted for foreign currency translation; unrealized gains and losses on available-for-sale securities, and pension benefit adjustments, and is reflected as a separate component of stockholders' equity. For the years ended September 30, 2012, 2011 and 2010, respectively, comprehensive income was \$49,490,000, \$13,209,000, and \$10,986,000.

Earnings per Share

Basic net income attributable to common stockholders per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income attributable to common stockholders per share includes the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The Company had 973,167 unvested restricted shares, which

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****2. Summary of Significant Accounting Policies (Continued)**

were issued at prices ranging from \$7.48 – \$13.96, during the years ended September 30, 2010 and 2009, of which only 308,867 shares have been included in the calculation of diluted income per share for the year ended September 30, 2010. The Company had 1,294,082 unvested restricted shares, which were issued at prices ranging from \$7.48 – \$25.52, during the years ended September 30, 2011, 2010, and 2009, of which all have been included in the calculation of diluted income per share for the year ended September 30, 2011, due to the significant difference between the issuance price and the average market price for the period in which they have been outstanding. The Company had 1,399,609 unvested restricted shares, which were issued at prices ranging from \$7.48 – \$52.55, during the years ended September 30, 2012, 2011, 2010, and 2009, of which all have been included in the calculation of diluted income per share for the year ended September 30, 2012. The Company has also not included the following stock options in the calculation of diluted income per share because the option exercise prices were greater than the average market prices for the applicable periods:

- (a) for the fiscal year ended September 30, 2012 – 0 options;
- (b) for the fiscal year ended September 30, 2011 – 0 options; and
- (c) for the fiscal year ended September 30, 2010 – 296,335 options.

The following summarizes the potential outstanding common stock of the Company as of the dates set forth below:

	September 30,		
	2012	2011	2010
	(dollars in thousands except per share and share data)		
Weighted average shares calculation:			
Basic weighted average shares outstanding	30,854,796	27,736,865	27,098,016
Treasury stock effect of options and restricted stock	1,928,283	1,345,068	308,867
Diluted weighted average common shares outstanding	<u>32,783,079</u>	<u>29,081,933</u>	<u>27,406,883</u>
Income from continuing operations	\$ 48,296	\$ 20,679	\$ 15,074
Income from discontinued operations	—	(12,167)	(3,061)
Net income	<u>\$ 48,296</u>	<u>\$ 8,512</u>	<u>\$ 12,013</u>
Basic income (loss) per common share:			
From continuing operations	\$ 1.57	\$ 0.75	\$ 0.55
From discontinued operations	—	(0.44)	(0.11)
Basic income per common share	<u>\$ 1.57</u>	<u>\$ 0.31</u>	<u>\$ 0.44</u>
Diluted income (loss) per common share:			
From continuing operations	\$ 1.47	\$ 0.71	\$ 0.55
From discontinued operations	—	(0.42)	(0.11)
Diluted income per common share	<u>\$ 1.47</u>	<u>\$ 0.29</u>	<u>\$ 0.44</u>

Basic net income attributable to common stockholders per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income attributable to common stockholders per share includes

Liquidity Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock only if an entity records earnings from continuing operations as such adjustments would otherwise be anti-dilutive to earnings per share from continuing operations.

Recent Accounting Pronouncements

In September 2011, the FASB amended its guidance for testing goodwill for impairment by allowing an entity to use a qualitative approach to test goodwill for impairment. The amended guidance, included in ASU 2011-08, "Testing Goodwill for Impairment" is effective for the Company for its annual reporting period beginning on October 1, 2012. The amended guidance is intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. The Company currently believes there will be no significant impact on its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220)—Presentation of Comprehensive Income*, to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for the Company in its first quarter of fiscal 2013 (quarter ended December 31, 2012) and should be applied retrospectively. The Company currently believes there will be no significant impact on its consolidated financial statements.

3. Significant Contracts

DLA Disposition Services

The Company has a Surplus Contract with the DLA Disposition Services in which the base term expired in February 2012 with two one year renewal options. The DoD has exercised both renewal options. Under the Surplus Contract, the Company is required to purchase all usable surplus property offered to the Company by the Department of Defense at a fixed percentage equal to 1.8% of the DoD's original acquisition value. The Company retains 100% of the profits from the resale of the property and bears all of the costs for the merchandising and sale of the property. The Surplus Contract contains a provision providing for a mutual termination of the contract for convenience.

As a result of the Surplus Contract, the Company is the sole remarketer of all DoD surplus turned into the DLA Disposition Services available for sale within the United States, Puerto Rico, and Guam.

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****3. Significant Contracts (Continued)**

The Company has a Scrap Contract with the DLA Disposition Services in which the base term expired in June 2012 with three one year renewal options. The DoD has exercised the first two renewal options. Under the terms of the Scrap Contract, the Company is required to purchase all scrap government property referred to it by the DLA Disposition Services. The Company distributes to the DLA Disposition Services 77% of the profits realized from the ultimate sale of the inventory, after deduction for allowable expenses, as provided for under the terms of the contract. The Contract also has a performance incentive that allows it to receive up to an additional 2% of the profit sharing distribution. This incentive is measured annually on June 30th, and is applied to the prior 12 months. The Company earned a performance incentive for the years ended September 30, 2012, 2011 and 2010 of approximately \$1,651,000, \$1,601,000, and \$1,286,000, respectively. For the years ended September 30, 2012, 2011 and 2010, profit-sharing distributions to the DLA Disposition Services under the Scrap Contract were \$43,242,000 \$49,318,000, and \$40,926,000, including accrued amounts, as of September 30, 2012, 2011, and 2010, of \$4,041,000 \$7,203,000, and \$5,349,000, respectively. The Scrap Contract may be terminated by either the Company or the DLA Disposition Services if the rate of return performance ratio does not exceed specified benchmark ratios for two consecutive quarterly periods and the preceding twelve months. The Company has performed in excess of the benchmark ratios throughout the contract period through September 30, 2012.

As a result of the Scrap Contract, the Company is the sole remarketer of all U.S. Department of Defense scrap turned into the DLA Disposition Services available for sale within the United States, Puerto Rico, and Guam.

4. Acquisitions***Network International Acquisition***

On June 15, 2010, the Company acquired the stock of Network International, Inc. for approximately \$10,305,000. The acquisition price included an upfront cash payment of \$7,500,000 and an earn-out payment. Under the terms of the agreement, the earn-out was based on EBITDA earned by Network International, Inc. during each of the three six month periods after the closing date of the acquisition through December 31, 2011. The Company estimated the fair value of the earn-out as of September 30, 2010 to be \$2,805,000 out of a possible total earn out payment of \$7,500,000. During 2011, the Company accrued the remaining \$4,695,000 earn-out and made payments for the first two six month measurement periods for a total of approximately \$4,338,000. During 2012, the remaining balance of \$3,162,000 was paid. Network International is a leading online marketplace for the sale of idle, surplus and used equipment in the oil and gas, petrochemical and power generation industries. Network International conducts sales of client assets on a consignment basis.

Goodwill, which is not deductible for tax purposes due to the stock purchase structure, was created as part of the acquisition as the Company acquired an experienced and knowledgeable workforce. The

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****4. Acquisitions (Continued)**

purchase consideration was allocated to acquired tangible assets, identifiable intangible assets, liabilities assumed and goodwill as follows:

	Consideration Amount
	(in thousands)
Cash	\$ 3,913
Goodwill	5,991
Receivables and other assets	648
Deferred tax assets	3,753
Covenants not to compete	500
Property and equipment	133
Deferred tax liability	(196)
Other liabilities	(4,437)
Total consideration	\$ 10,305

Truck Center Acquisition

On June 1, 2011, the Company acquired the assets of Truckcenter.com, LLC. (TC) for approximately \$15,989,000. The acquisition price included an upfront cash payment of \$9,000,000 and an earn-out payment. Under the terms of the agreement, the earn-out is based on EBITDA earned by TC during the trailing 12 months ending August 31, 2012, and the revenue earned by TC during each of the two 12 month periods after the closing date of the acquisition through May 31, 2013. The Company estimated the fair value of the earn-out as of September 30, 2011 to be \$6,989,000 out of a possible total earn out payment of \$9,000,000. During 2012, based upon revised projections, the Company determined that the fair value of the earn-out was zero and reversed the liability of \$6,989,000 with a corresponding reduction (credit) in the Acquisition costs line in the Consolidated Statement of Operations.

Goodwill, which is deductible for tax purposes due to the asset purchase structure, was created as part of the acquisition as the Company acquired an experienced and knowledgeable workforce. The purchase consideration was allocated to acquired tangible assets, identifiable intangible assets, and liabilities assumed at fair value and goodwill as follows:

	Consideration Amount
	(in thousands)
Current assets	\$ 239
Goodwill	14,167
Brand assets	623
Intangible technology assets	250
Covenants not to compete	700
Property and equipment	48
Current liabilities	(38)
Total consideration	\$ 15,989

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****4. Acquisitions (Continued)*****Jacobs Trading Acquisition***

On October 1, 2011, LSI completed its acquisition of the assets of Jacobs Trading, LLC. The acquisition price included an upfront cash payment of \$80.0 million, a seller subordinated 5% unsecured note of \$40.0 million, the issuance of 900,171 shares of restricted stock (valued at \$24.5 million by applying a 15% discount to the Company's closing share price on September 30, 2011) and an earn-out payment. The stock consideration contained a restriction that it is not freely tradable for six months following the acquisition date and the Company used the put option analysis method to fair value the stock. Under the terms of the agreement, the earn-out is based on EBITDA earned by Jacobs during the trailing 12 months ending December 31, 2012 and 2013. The Company's estimate of the fair value of the earn-out as of October 1, 2011 was \$8.3 million out of a possible total earn out payment of \$30.0 million. During 2012, based on the performance of the business and revised projections, the Company accrued an additional \$6.2 million for the earn-out. As of September 30, 2012, the fair value of the earn-out was \$14.5 million. Jacobs is a leading remarketer for the sale of surplus and returned consumer goods. Jacobs conducts its sales on a purchase model basis using its marketplace, an extensive global buyer base and product domain expertise.

The total estimated purchase price is allocated to Jacobs' net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of October 1, 2011, the effective date of the acquisition of Jacobs. The purchase price was allocated as follows:

	Consideration Amount
	(in thousands)
Accounts receivable	\$ 4,710
Inventory	6,059
Prepaid expenses	120
Goodwill	110,226
Vendor contract intangible asset	33,300
Covenants not to compete	2,400
Property and equipment	847
Accounts payable	(1,837)
Accrued liabilities	(3,101)
Total consideration	<u>\$ 152,724</u>

Goodwill, which is deductible for tax purposes due to the asset purchase structure, was created as part of the acquisition as the Company acquired an experienced and knowledgeable workforce. The amount of revenue related to the acquired business included in the 2012 consolidated statement of operation since the date of acquisition is \$94.8 million. For the year ended September 30, 2011, the pro forma revenue and EBITDA for the Company inclusive of Jacobs Trading was \$403.0 million and \$57.6 million, respectively.

GoIndustry Acquisition

In July 2012, the Company completed its purchase of GoIndustry, for 73 pence per share (\$11.6 million). GoIndustry is a global provider of surplus asset management, auction and valuation services operating in over 25 countries in North America, Europe and Asia. The acquisition expands

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****4. Acquisitions (Continued)**

the Company's client roster with leading global manufacturers across the aerospace, consumer packaged goods, electronics, pharmaceutical, technology and transportation industry verticals.

The total estimated purchase price is allocated to Go-Industry's net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of July 1, 2012, the effective date of the acquisition of Go-Industry. Based on management's preliminary estimate, as the Company is waiting for additional information and analysis relating to accrued expenses, of the fair value of tangible and intangible assets acquired and liabilities assumed, the purchase price was allocated as follows:

	<u>Consideration</u> <u>Amount</u> <u>(in thousands)</u>
Cash	\$ 10,091
Accounts receivable	3,987
Inventory	297
Prepaid expenses and deposits	1,075
Goodwill	34,152
Brand and technology intangible assets	4,877
Property and equipment	354
Accounts payable	(5,788)
Accrued liabilities	(11,087)
Pension liability	(6,468)
Due to customers	(19,017)
Other liabilities	(846)
Total consideration	<u>\$ 11,627</u>

Goodwill was created as part of the acquisition as the Company acquired an experienced and knowledgeable workforce, of which approximately \$5.5 million of the goodwill and all of the intangible assets are expected to be tax deductible, as a result of the structure of the transaction. The amount of revenue included in the 2012 consolidated statement of operations related to GoIndustry was not material.

5. Summary of Discontinued Operations

During 2011, the Company ceased operating its United Kingdom business which had conducted sales of surplus assets and retail merchandise. The economic downturn and a low buyer adoption rate of online inventory sourcing created ongoing losses that were not sustainable.

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****5. Summary of Discontinued Operations (Continued)**

The components discontinued operations are as follows:

	Years ended September 30,		
	2012	2011	2010
	(in thousands)		
Revenue	\$ —	\$ 9,976	\$ 13,776
Expense	—	(16,159)	(16,818)
Depreciation and amortization	—	(637)	(516)
Interest income	—	1,078	497
Income tax benefit	—	11,039	—
Goodwill impairment and currency translation	—	(17,464)	—
Loss from discontinued operations	<u>\$ —</u>	<u>\$ (12,167)</u>	<u>\$ (3,061)</u>

The impairment charge of \$17.5 million includes the reversal of currency translation adjustments of \$3.9 million previously recorded in Accumulated other comprehensive income since the time of acquisition and is included in the calculation of loss from discontinued operations. The remaining liabilities at September 30, 2012 consist primarily of accrued severance costs.

6. Property and Equipment

Property and equipment, including equipment under capital lease obligations, consists of the following:

	September 30,	
	2012	2011
	(in thousands)	
Computers and purchased software	\$ 15,125	\$ 9,229
Office/Operational equipment	4,475	3,398
Furniture and fixtures	1,253	504
Vehicles	1,110	559
Leasehold improvements	4,035	2,298
	<u>25,998</u>	<u>15,988</u>
Less: accumulated depreciation and amortization	(15,616)	(8,946)
	<u>\$ 10,382</u>	<u>\$ 7,042</u>

Depreciation and amortization expense related to property and equipment for the years ended September 30, 2012, 2011 and 2010 was \$4,714,000, \$4,180,000, and \$3,087,000, respectively.

Liquidity Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7. Goodwill

The goodwill of acquired companies is primarily related to the acquisition of an experienced and knowledgeable workforce. The following summarizes our goodwill activity for the periods indicated:

	<u>Goodwill</u> (in thousands)
Balance at September 30, 2010	\$ 39,831
New acquisitions	14,167
Impairment losses(1)	(13,449)
Balance at September 30, 2011	40,549
New acquisitions	144,378
Translation adjustments	844
Balance at September 30, 2012	<u>\$ 185,771</u>

(1) Goodwill impairment charge related to discontinued UK Operations.

Accumulated impairment losses as of the beginning and end of the period were \$13.4 million.

8. Intangible Assets

Intangible assets at September 30, 2012 and September 30, 2011 consisted of the following:

	Useful Life (in years)	September 30, 2012			September 30, 2011		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(dollars in thousands)							
Contract intangibles	5 - 7	\$ 33,300	\$ (7,266)	\$ 26,034	\$ 5,694	\$ (5,016)	\$ 678
Brand and technology	3 - 5	6,325	(1,023)	5,302	1,447	(490)	957
Covenants not to compete	3 - 5	4,400	(1,770)	2,630	2,500	(1,336)	1,164
Patent and trademarks	3 - 10	374	(136)	238	289	(95)	194
Total intangible assets, net				<u>\$ 34,204</u>			<u>\$ 2,993</u>

Future expected amortization of intangible assets at September 30, 2012 was as follows:

<u>Years ending September 30,</u>	<u>Amortization</u> (in thousands)
2013	\$ 9,202
2014	9,031
2015	9,026
2016	6,115
2017 and after	830
Total	<u>\$ 34,204</u>

Amortization expense related to intangible assets for the years ended September 30, 2012, 2011 and 2010 was \$9,451,000, \$1,514,000, and \$1,335,000, respectively.

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****9. Debt****Senior Credit Facility**

On April 30, 2010, the Company entered into a senior credit facility (the Agreement) with a bank, which provides for borrowings up to \$30.0 million and expires on April 30, 2013. Borrowings under the Agreement bear interest at an annual rate equal to the 30 day LIBOR rate plus 1.25% (1.471% at September 30, 2012) due monthly. On March 13, 2012, the Company amended this credit facility extending the term to May 31, 2014 and increasing the borrowing capacity up to \$75.0 million. As of September 30, 2012, the Company had no outstanding borrowings under the Agreement, and our borrowing availability was \$70.5 million, due to issued letters of credit for \$4.5 million.

Borrowings under the Agreement are secured by substantially all of the assets of the Company. The Agreement contains certain financial and non-financial restrictive covenants including, among others, the requirements to maintain a minimum level of earnings before interest, income taxes, depreciation and amortization (EBITDA) and a minimum debt coverage ratio. As of September 30, 2012, the Company was in compliance with these covenants.

Subordinated Note

In conjunction with the Jacobs Trading acquisition during 2011, the Company issued a \$40,000,000 seller subordinated 5% unsecured note. The note was repaid subsequent to September 30, 2012.

10. Commitments**Leases**

The Company leases certain office space and equipment under non-cancelable operating lease agreements, which expire at various dates through 2019. Certain of the leases contain escalation clauses and provide for the pass-through of increases in operating expenses and real estate taxes. Rent related to leases that have escalation clauses is recognized on a straight-line basis. Resulting deferred rent charges are included in other long-term liabilities and were \$592,000 and \$513,000, at September 30, 2012 and 2011, respectively. Future minimum payments under the leases as of September 30, 2012 are as follows:

<u>Years ending September 30,</u>	<u>Operating Lease Payments (in thousands)</u>
2013	\$ 8,667
2014	6,168
2015	4,230
2016	3,598
2017	2,778
2018 and after	2,999
Total future minimum lease payments	\$ 28,440

Rent expense for the years ended September 30, 2012, 2011 and 2010 was \$8,639,000, \$6,800,000, and \$6,684,000, respectively.

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****11. 401(k) Benefit Plan**

The Company has a retirement plan (the Plan), which is intended to be a qualified plan under Section 401(k) of the Internal Revenue Code. The Plan is a defined contribution plan available to all eligible employees and allows participants to contribute up to the legal maximum of their eligible compensation, not to exceed the maximum tax-deferred amount allowed by the Internal Revenue Service. The Plan also allows the Company to make discretionary matching contributions. For the years ended September 30, 2012, 2011 and 2010, the Company contributed and recorded expense of approximately \$1,113,000, \$703,000, and \$554,000, respectively, to the Plan.

12. Income Taxes

The components of the provision for income taxes of continuing operations are as follows:

	Years ended September 30,		
	2012	2011	2010
	(in thousands)		
Current tax provision:			
U.S. Federal	\$ 28,124	\$ 13,019	\$ 9,833
State	5,129	2,374	3,254
Foreign	118	—	—
	<u>33,371</u>	<u>15,393</u>	<u>13,087</u>
Deferred tax (benefit) expense:			
U.S. Federal	(1,454)	(194)	(958)
State	(265)	260	65
Foreign	—	—	—
	<u>(1,719)</u>	<u>66</u>	<u>(893)</u>
Total provision	<u>\$ 31,652</u>	<u>\$ 15,459</u>	<u>\$ 12,194</u>

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****12. Income Taxes (Continued)**

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	<u>September 30,</u>	
	<u>2012</u>	<u>2011</u>
	(in thousands)	
Deferred tax assets:		
Net operating losses—Foreign	\$ 3,170	\$ 3,341
Net operating losses—US	2,541	3,408
Accrued vacation and bonus	1,360	952
Inventory capitalization	2,815	1,810
Allowance for doubtful accounts	336	200
Stock compensation expense	5,134	4,672
Pension liability	1,389	—
Other	3,842	1,441
Total deferred tax assets before valuation allowance	<u>20,587</u>	<u>15,824</u>
Less: valuation allowance	(4,558)	(3,341)
Net deferred tax assets	<u>16,029</u>	<u>12,483</u>
Deferred tax liabilities:		
Amortization of goodwill and intangibles	2,644	1,556
Depreciation	1,936	1,781
Other	—	110
Total deferred tax liabilities	<u>4,580</u>	<u>3,447</u>
Net deferred taxes	<u>\$ 11,449</u>	<u>\$ 9,036</u>

The reconciliation of the U.S. federal statutory rate to the effective rate for continuing operations is as follows:

	<u>Years ended</u>		
	<u>September 30,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
U.S. statutory rate	35.0%	35.0%	35.0%
Permanent items	—%	3.5%	2.2%
State taxes	3.9%	4.3%	7.6%
Changes in valuation allowance and other	—	—	(0.1%)
Net foreign rate differential	.7%	—	—
Provision for income taxes	<u>39.6%</u>	<u>42.8%</u>	<u>44.7%</u>

At September 30, 2012 and 2011, the Company had deferred tax assets related to available foreign net operating loss (NOL) carryforwards of approximately \$3,170,000 and \$3,341,000, which do not expire. Due to historic losses of those foreign entities, the Company does not believe that it is more likely than not that the related deferred tax assets will be realized and a full valuation allowance has been recorded. In addition, the Company also recorded a deferred tax asset of \$3,753,000 related to

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****12. Income Taxes (Continued)**

NOL carryforwards related to its acquisition of Network International, Inc. in 2010. These NOL carryforwards expire in 2023. The Company will adjust these NOL carryforwards and the related valuation allowance as the related tax returns are filed.

The Company applies the authoritative guidance related to uncertainty in income taxes. The Company has concluded that there were no uncertain tax positions identified during its analysis. The Company's policy is to recognize interest and penalties in the period in which they occur in the income tax provision. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions and in foreign jurisdictions, primarily the U.K. Currently, the Company is not subject to any income tax examinations. The statute of limitations for years prior to fiscal 2009 is now closed. However, certain tax attribute carryforwards that were generated prior to fiscal 2009 may be adjusted upon examination by tax authorities if they are utilized.

13. Stockholders' Equity**2006 Omnibus Long-Term Incentive Plan**

In conjunction with the Company's initial public offering, the board of directors and the Company's shareholders approved the 2006 Omnibus Long-Term Incentive Plan, or the 2006 Plan, on December 2, 2005. The 2005 Stock Option and Incentive Plan was terminated when the 2006 Plan became effective, immediately after the closing of the initial public offering.

A portion of the options and restricted shares granted to employees vest based on certain performance conditions being satisfied by the Company. Performance-based stock options are tied to the Company's annual performance against pre-established internal targets and the actual payout under these awards may vary from zero to 100% of an employee's target payout, based upon the Company's actual performance during the previous twelve months. The performance-based stock options are also subject to vesting requirements and generally vest when the performance condition has been satisfied. The fair value for stock options granted during the period was estimated at the grant date using the Black-Scholes option pricing model, as described in Note 2, and the fair value of restricted shares granted is based on the closing price of the shares on the grant date. Compensation cost is recognized when the performance condition has been satisfied or when it becomes probable that the performance condition will be satisfied.

Under the 2006 Plan, as amended, 10,000,000 shares were available for issuance. At September 30, 2009, there were 5,189,996 shares remaining reserved for issuance in connection with awards under the 2006 Plan. During fiscal year 2010, the Company granted options to purchase 624,566 shares to employees and directors with exercise prices between \$9.05 and \$13.96, and options to purchase 75,467 shares were forfeited. During fiscal year 2010, the Company granted 699,410 restricted shares to employees and directors at prices ranging from \$9.05 to \$13.96, and 45,026 restricted shares were forfeited. At September 30, 2010, there were 3,986,513 shares remaining reserved for issuance in connection with awards under the 2006 Plan. During fiscal year 2011, the Company granted options to purchase 321,072 shares to employees and directors with exercise prices between \$14.30 and \$17.02, and options to purchase 73,591 shares were forfeited. During fiscal year 2011, the Company granted 736,340 restricted shares to employees and directors at prices ranging from \$12.88 to \$25.52, and 150,112 restricted shares were forfeited. During fiscal year 2012, the Company granted options to purchase 181,783 shares to employees and directors with exercise prices between \$31.37 and \$42.31, and options to purchase 78,148 shares were forfeited. During fiscal year 2012, the Company granted

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****13. Stockholders' Equity (Continued)**

633,647 restricted shares to employees and directors at prices ranging from \$31.37 to \$52.55, and 138,052 restricted shares were forfeited. During the twelve months ended September 30, 2012, the Company issued 100,000 restricted shares to a non-employee that vest based on performance conditions. At September 30, 2012, there were 2,553,574 shares remaining reserved for issuance in connection with awards under the 2006 Plan. The maximum number of shares subject to options or stock appreciation rights that can be awarded under the 2006 Plan to any person is 1,000,000 per year. The maximum number of shares that can be awarded under the 2006 Plan to any person, other than pursuant to an option or stock appreciation right, is 700,000 per year. These shares and options generally vest over a period of one to four years conditioned on continued employment for the incentive period. During the year ended September 30, 2012, all shares repurchased under the program were retired.

The 2006 Plan permits the granting of options to purchase shares of common stock intended to qualify as incentive stock options under the Internal Revenue Code and stock options that do not qualify as incentive stock options ("non-qualified stock options"). The exercise price of each stock option may not be less than 100% of the fair market value of the common stock on the date of grant. However, if a grant recipient, who holds at least 10% of the common stock of the Company, receives an incentive stock option, the exercise price of such incentive stock option may not be less than 110% of the fair market value of the common stock on the date of grant. The term of each stock option is fixed by the compensation committee and may not exceed 10 years from the date of grant.

The compensation committee may also award under the 2006 Plan:

- restricted stock, which are shares of common stock subject to restrictions;
- stock units, which are common stock units subject to restrictions;
- dividend equivalent rights, which are rights entitling the recipient to receive credits for dividends that would be paid if the recipient had held a specified number of shares of common stock;
- stock appreciation rights, which are rights to receive a number of shares or, in the discretion of the compensation committee and subject to applicable law, an amount in cash or a combination of shares and cash, based on the increase in the fair market value of the shares underlying the right during a stated period specified by the compensation committee;
- unrestricted stock, which are shares of common stock granted without restrictions as a bonus; and
- performance and annual incentive awards, ultimately payable in common stock or cash, as determined by the compensation committee (the compensation committee may grant multi-year and annual incentive awards subject to achievement of specified goals tied to business criteria set forth in the 2006 Plan).

Share Repurchase Program

On December 2, 2008, the Company's Board of Directors approved a \$10.0 million share repurchase program. Under the program, the Company is authorized to repurchase the issued and outstanding shares of common stock. Share repurchases may be made through open market purchases, privately negotiated transactions or otherwise, at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****13. Stockholders' Equity (Continued)**

including price, corporate and regulatory requirements and other market conditions. The repurchase program may be discontinued or suspended at any time, and will be funded using our available cash. On each of February 2, 2010, November 30, 2010, and May 3, 2011, the Board of Directors approved the repurchase of up to an additional \$10.0 million in shares, and on May 17, 2012, an additional \$30.0 million in shares were approved to be repurchased by the Board of Directors under the share repurchase program. The Company's Board of Directors reviews the share repurchase program periodically, the last such review having occurred in May 2012. During the year ended September 30, 2009, 707,462 shares were purchased under the program for approximately \$3,874,000. During the year ended September 30, 2010, 1,225,019 shares were purchased under the program for approximately \$14,471,000. During the year ended September 30, 2011, 229,575 shares were purchased under the program for approximately \$3,541,000. During the year ended September 30, 2012, 505,067 shares were purchased and retired under the program for approximately \$30,000,000. As of September 30, 2012, approximately \$18,114,000 may yet be expended under the program.

Stock Option Activity

A summary of the Company's stock option activity for the years ended September 30, 2012 and 2011 is as follows:

	Options	Weighted-Average Exercise Price
Options outstanding at September 30, 2010	4,747,289	11.20
Options granted	321,072	15.21
Options exercised	(2,100,223)	11.26
Options canceled	(73,591)	13.18
Options outstanding at September 30, 2011	2,894,547	11.55
Options granted	181,783	34.42
Options exercised	(1,322,387)	11.72
Options canceled	(78,148)	12.72
Options outstanding at September 30, 2012	1,675,795	13.84
Options exercisable at September 30, 2012	922,156	11.77

The following table summarizes information about options outstanding at September 30, 2012:

<u>Range of Exercise Price</u>	<u>Options Outstanding</u>		
	<u>Number Outstanding</u>	<u>Weighted-Average Remaining Contractual Life</u>	<u>Weighted-Average Exercise Price</u>
\$2.00 - 8.00	242,781	5.84	\$ 7.31
\$8.23 - \$42.31	1,433,014	6.64	14.95
	1,675,795	6.52	13.84

Liquidity Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

13. Stockholders' Equity (Continued)

The following table summarizes information about options exercisable at September 30, 2012:

Range of Exercise Price	Options Exercisable		
	Number Exercisable	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
\$3.00 – \$19.30	922,156	5.89	\$ 11.77

The following table summarizes information about assumptions used in valuing options granted:

	Year ended September 30		
	2012	2011	2010
Dividend yield	—	—	—
Expected volatility	60.4%	63.9% – 64.8%	66.5% – 69.4%
Risk-free interest rate	0.6%	0.3% – 1.7%	0.3% – 1.8%
Expected forfeiture rate	19.0%	18.4%	19.6%

The intrinsic value of outstanding and exercisable options at September 30, 2012 is approximately \$60,946,000 and \$35,448,000, respectively, based on a stock price of \$50.21 on September 30, 2012.

The weighted average grant date fair value of options granted during 2012, 2011 and 2010 was \$34.42, \$15.21, and \$4.02, respectively.

The intrinsic value of options exercised at September 30, 2012, 2011, and 2010 was \$26,911,000, \$43,706,000, and \$3,342,000, respectively.

Restricted Share Activity

A summary of the Company's restricted share activity for the years ended September 30, 2012 and 2011 is as follows:

	Restricted Shares	Weighted-Average Fair Value
Unvested restricted shares at September 30, 2010	973,167	9.73
Restricted shares granted	736,340	16.20
Restricted shares vested	(265,313)	9.77
Restricted shares canceled	(150,112)	12.06
Unvested restricted shares at September 30, 2011	1,294,082	13.13
Restricted shares granted	633,647	34.05
Restricted shares vested	(390,068)	12.53
Restricted shares canceled	(138,052)	15.70
Unvested restricted shares at September 30, 2012	1,399,609	22.51

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****13. Stockholders' Equity (Continued)**

For the years ended September 30, 2012, 2011 and 2010, the Company recorded stock-based compensation of \$12,117,000, \$9,136,000, and \$7,891,000, respectively. The total costs related to unvested awards, not yet recognized, as of September 30, 2012 was \$27,136,000, which will be recognized over the weighted average vesting period of 27.5 months.

14. Fair Value Measurement

The Company measures and records in the accompanying consolidated financial statements certain liabilities at fair value on a recurring basis. Authoritative guidance issued by the FASB establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). On January 1, 2012, the Company adopted Accounting Standards Update 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IRFS*, which amended FASB ASC Topic 820, Fair Value Measurement. Adoption of the disclosure requirements did not have a material impact on our financial position or results of operations. The hierarchy consists of three levels:

- Level 1 Quoted market prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than Level 1 inputs that are either directly or indirectly observable; and
- Level 3 Unobservable inputs developed using estimates and assumptions developed by the Company, which reflect those that a market participant would use.

As of September 30, 2012 and 2011, the Company had no Level 1 assets or liabilities measured at fair value. As of September 30, 2012 and 2011, the Company's liability for earn-outs related to the Network International, Truckcenter.com and Jacobs Trading Company acquisitions of \$14,511,000 and \$10,151,000, respectively, is the only liability measured at fair value on a recurring basis and is classified as Level 3 within the fair value hierarchy. The changes in liabilities measured at fair value for which the Company has used Level 3 inputs to determine fair value for the year ended September 30, 2012 are as follows (\$ in thousands):

	Level 3 Liabilities
Balance at September 30, 2010	\$ 2,805
Acquisition contingent consideration	11,684
Settlements	(4,338)
Balance at September 30, 2011	10,151
Acquisition contingent consideration	8,185
Settlements	(3,162)
Increase (decrease) of contingent consideration	(663)
Balance at September 30, 2012	<u>\$ 14,511</u>

The Company did not have any Level 3 assets or liabilities prior to fiscal year 2010.

When valuing its Level 3 liability, the Company gives consideration to operating results, financial condition, economic and/or market events, and other pertinent information that would impact its

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****14. Fair Value Measurement (Continued)**

estimate of the expected earn-out payment. The valuation procedures are primarily based on management's projection of EBITDA for the acquired businesses and applying a discount to the expected earn out payments to estimate fair value. Discount rates range from 2.0% to 9.7% and are based on the Company's cost of borrowing. Given the short-term nature of the earn-out periods, changes in the discount rate are not expected to have a material impact on the fair value of these liabilities. Because of the inherent uncertainty, this estimated value may differ significantly from the value that would have been used had a ready market for the liability existed, and it is reasonably possible that the difference could be material. Changes in fair value of the Company's Level 3 liabilities are recorded in Acquisition costs in the Consolidated Statements of Operations. As it relates to financial liabilities still held as of September 30, 2012, the Company reversed \$6,989,000 of accrued contingent consideration into earnings for TruckCenter.com and recorded into earnings an additional \$6,326,000 of contingent consideration for Jacobs Trading.

The Company's financial assets and liabilities not measured at fair value are cash and cash equivalents and the note payable that was issued as partial consideration for the Jacobs Trading acquisition. With respect to cash and cash equivalents (which includes cash and commercial paper with original maturities of less than 90 days), the Company believes the carrying value approximates fair value due to the short term maturity of these instruments. With respect to the note payable, the Company believes that the carrying value approximates fair value as the contractual interest rate approximates the current market rate. If such rate were to materially differ, the Company would calculate the fair value of the note payable by discounting the contractual cash flows at the then current market rate. This fair value measurement is Level 3 as the Company uses significant unobservable inputs and management judgment due to the absence of quoted market rates.

15. Defined Benefit Pension Plan

Certain employees of GoIndustry, which the Company acquired in July 2012, are covered by a qualified defined benefit pension plan.

The Company recognizes on a plan-by-plan basis the funded status of our postretirement benefit plans, with a corresponding noncash adjustment to accumulated other comprehensive income (loss), net of tax, in stockholders' equity. The funded status is measured as the difference between the fair value of the plan's assets and the benefit obligation of the plan.

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****15. Defined Benefit Pension Plan (Continued)**

The net periodic benefit cost recognized for the year ended September 30, 2012, included the following components:

Qualified Defined Benefit Pension Plan

	<u>2012</u> (in thousands)
Service cost	—
Interest cost	\$ 269
Expected return on plan assets	(248)
Amortization of prior service cost	—
Amortization of actuarial (gain)/loss	—
Amortization of transitional obligation/(asset)	—
Total net periodic benefit cost	<u>\$ 21</u>

The following table provides a reconciliation of benefit obligations, plan assets, and unfunded status related to the Company's qualified defined benefit pension plan, net periodic benefit cost recognized for the year ended September 30, 2012, included the following components:

Qualified Defined Benefit Pension Plan

	<u>2012</u> (in thousands)
Change in benefit obligation	
Beginning balance	—
Acquisitions/divestitures	\$ 24,263
Service cost	—
Interest cost	269
Benefits paid	(264)
Actuarial (gain)/loss	—
Plan amendments	—
Foreign currency exchange rate changes	838
Participants' contributions	—
Ending balance	<u>\$ 25,106</u>

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****15. Defined Benefit Pension Plan (Continued)****Qualified Defined Benefit Pension Plan**

	<u>2012</u>
	<u>(in thousands)</u>
Change in plan assets	
Beginning balance at fair value	—
Acquisitions/divestitures	\$ 17,795
Actual return on plan assets	820
Benefits paid	(264)
Employer's contributions	322
Participants' contributions	—
Foreign currency exchange rate changes	647
Ending balance at fair value	<u>\$ 19,320</u>
Underfunded status of the plan	<u>\$ (5,786)</u>

The accrued pension liability of \$5.8 million is recorded in Deferred taxes and other long-term liabilities in the Consolidated Balance Sheet. Because the plan is closed to new participants, the accumulated benefit obligation (ABO) is equal to the projected benefit obligation (PBO), and totals \$25,106.

The amount recognized in other comprehensive loss related to the Company's qualified defined benefit pension plan, net of tax, for the year ended September 30, 2012, is shown in the following table:

Qualified Defined Benefit Pension Plan

	<u>2012</u>
	<u>(in thousands)</u>
Accumulated OCI	
Accumulated OCI at beginning of year	—
New actuarial (gains)/losses	\$ (584)
Amortization of prior service cost	—
Amortization of actuarial (gain)/loss	—
Amortization of transitional obligation/(asset)	—
Amount recognized in earnings for settlement	—
Accumulated OCI at end of year	<u>\$ (584)</u>

Estimated amounts to be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during 2013 based on September 30, 2012, plan measurements are \$0.

The plan complies with the funding provisions of the UK Pensions Act 2004 and the Occupational Pension Schemes Regulations Act 2005. In 2013, the Company expects to contribute \$1.7 million to the

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****15. Defined Benefit Pension Plan (Continued)**

plan. In addition, the Company expects to make the following benefit payments to participants over the next 10 years:

	<u>Pension Benefits</u> <u>(in thousands)</u>
Year ending September 30,	
2013	\$ 1,684
2014	1,684
2015	1,684
2016	1,684
2017	561
2018 through 2022	—
Total	<u>\$ 7,297</u>

Actuarial Assumptions

The actuarial assumptions used to determine the benefit obligations at September 30, 2012, and to determine the net periodic benefit cost for the year were as follows:

Qualified Defined Benefit Pension Plan

	<u>2012</u>
Discount rate	4.40%
Expected return on plan assets	5.50%
Increases to non-GMP pensions in payment accrued pre 4/6/97	0.00%
Increases to non-GMP pensions in payment accrued post 4/6/97	2.30%
Rate of increases to deferred CPI linked benefits	2.30%
Rate of increases to deferred RPI linked benefits	3.00%

Mortality—95% of S1NxA tables, projected in line with 2009 CMI projection model and 1.0% pa long-term rate of improvement.

Fair Value Measurements

The investment policy and strategy of the plan assets, as established by the Trustees of the plan, strive to maximize the likelihood of achieving primary objectives of the investment policy established for the plan. The primary objectives are:

- 1) Funding—to ensure that the Plan is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer;
- 2) Stability—to have due regard to the likely level and volatility of required contributions when setting the Plan's investment strategy; and

Liquidity Services, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****15. Defined Benefit Pension Plan (Continued)**

- 3) Security—to ensure that the solvency position of the Plan is expected to improve. The Trustees will take into account the strength of employer's covenant when determining the expected improvement in the solvency position of the Plan.

Assets were initially invested based on the target allocations stated below. The assets are allocated among equity investments and fixed income securities. The Trustees review the investment policy on an ongoing basis, to determine whether a change in the policy or asset allocation targets is necessary. The assets are not rebalanced and consisted of the following as of September 30, 2012:

	Target Allocation	Actual 2012
Equity securities:	70%	47%
Fixed-income securities	30%	52%
Cash equivalents	0%	1%
Total	<u>100.0%</u>	<u>100.0%</u>

The class of equity securities consists of one pooled fund whose strategy is to invest in approximately 70% UK company shares (domestic) and 30% international equity securities. The class of fixed-income securities consists of one pooled fund whose strategy is to invest in a limited number of government and corporate bonds.

The expected long-term rate of return for the plan's total assets is based on the expected returns of each of the above categories, weighted based on the current target allocation for each class. The Trustees evaluate whether adjustments are needed based on historical returns to more accurately reflect expectations of future returns.

The Company is required to present certain fair value disclosures related to its postretirement benefit plan assets, even though those assets are not included on the Company's Consolidated Balance Sheets. The following table presents the fair value of the assets of the Company's qualified defined benefit pension plan by asset category and their level within the fair value hierarchy, which has three levels based on reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets, Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant unobservable inputs.

<u>Balance as of September 30, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(in thousands)			
International equity	—	\$ 9,115	—	\$ 9,115
Fixed-income securities	—	10,055	—	10,055
Cash equivalents	\$ 150	—	—	150
Total	<u>\$ 150</u>	<u>\$ 19,170</u>	<u>—</u>	<u>\$ 19,320</u>

Valuation Techniques

The Company relies on pricing inputs from investment fund managers to value investments. The fund manager prices the underlying securities using independent external pricing sources, or determined according to approved pricing policies in circumstances where independent sources are not available.

Liquidity Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
16. Quarterly Results (Unaudited)

The following table sets forth for the eight most recent quarters the selected unaudited quarterly consolidated statement of operations data. The unaudited quarterly consolidated statement of operations data has been prepared on the same basis as the Company's audited consolidated financial statements and, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of this data.

	Three months ended							
	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011(1)	Sept. 30, 2011(2)	Dec. 31, 2011	Mar. 31, 2012	June 30, 2012	Sept. 30, 2012
	(in thousands, except share and per share data)							
Revenue from continuing operations	\$ 75,450	\$ 89,413	\$ 83,310	\$ 79,205	\$ 106,031	\$ 125,724	\$ 121,273	\$ 122,275
Income before provision for income taxes from continuing operations	\$ 3,773	\$ 11,488	\$ 12,454	\$ 9,613	\$ 16,260	\$ 31,853	\$ 25,289	\$ 8,765
Income from continuing operations	\$ 2,147	\$ 6,158	\$ 5,691	\$ 6,683	\$ 9,126	\$ 18,762	\$ 14,863	\$ 5,545
Loss from discontinued operations(1)(2)	(764)	(1,099)	(6,747)	(3,557)	—	—	—	—
Net income (loss)	\$ 1,383	\$ 5,059	\$ (1,056)	\$ 3,126	\$ 9,126	\$ 18,762	\$ 14,863	\$ 5,545
Basic earnings (loss) per common share:								
From continuing operations	\$ 0.08	\$ 0.22	\$ 0.20	\$ 0.23	\$ 0.30	\$ 0.61	\$ 0.48	\$ 0.18
From discontinued operations	(0.03)	(0.04)	(0.24)	(0.12)	—	—	—	—
Basic earnings (loss) per common share	\$ 0.05	\$ 0.18	\$ (0.04)	\$ 0.11	\$ 0.30	\$ 0.61	\$ 0.48	\$ 0.18
Diluted earnings (loss) per common share:								
From continuing operations	\$ 0.08	\$ 0.22	\$ 0.19	\$ 0.22	\$ 0.28	\$ 0.57	\$ 0.45	\$ 0.17
From discontinued operations:	(0.03)	(0.04)	(0.23)	(0.12)	—	—	—	—
Diluted earnings (loss) per common share	\$ 0.05	\$ 0.18	\$ (0.04)	\$ 0.10	\$ 0.28	\$ 0.57	\$ 0.45	\$ 0.17
Basic weighted average shares outstanding	27,207,288	27,798,989	27,928,750	28,512,433	30,393,309	30,840,322	31,140,261	31,045,293
Diluted weighted average shares outstanding	28,291,022	28,068,461	29,440,811	30,527,438	32,382,518	32,778,428	33,183,165	32,788,205

- (1) The Company recorded in discontinued operations an impairment charge of \$16.6 million related to goodwill from the Company's UK operations and a worthless stock deduction benefit of \$9.2 million.
- (2) The Company recorded in income from discontinued operations currency translation adjustment losses of \$0.8 million related to its investment in its UK subsidiary.

Liquidity Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

17. Subsequent Event

Acquisitions—National Electronic Service Association (NESA)

On November 1, 2012, the Company acquired the assets of National Electronic Service Association (NESA) in an all cash transaction. The acquisition price included an upfront cash payment of approximately \$18,300,000 and an earn-out payment. Under the terms of the agreement, the earn-out is based on EBITDA earned by NESA during the 36-48 months after closing. The Company's estimate of the fair value of the earn-out as of the date of acquisition was \$17.8 million. NESA is a Canadian provider of returns management, refurbishment and reverse logistics services for high-value consumer products. NESA provides expertise and focused services to Fortune 1000 companies in the management of Consumer Electronics, Telecommunications, and Information Technology products. The Company has not yet prepared the preliminary purchase price allocation given the proximity of the transaction to the date of this filing.

Subordinated Note

In conjunction with the Jacobs Trading acquisition during 2011, the Company issued a \$40,000,000 seller subordinated 5% unsecured note. The note was repaid subsequent to September 30, 2012.

LIQUIDITY SERVICES, INC.
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(dollars in thousands)

	Balance at beginning of period	Charged to expense	Reductions	Balance at end of period
Deferred tax valuation allowance (deducted from net deferred tax assets)				
Year ended September 30, 2010	\$ 1,495	\$ 857	\$ 619	\$ 1,733
Year ended September 30, 2011	1,733	1,608	—	3,341
Year ended September 30, 2012	3,341	1,217	—	4,558
Allowance for doubtful accounts (deducted from accounts receivable)				
Year ended September 30, 2010	\$ 613	\$ 34	\$ 319	\$ 328
Year ended September 30, 2011	328	290	104	514
Year ended September 30, 2012	514	962	228	1,248
Inventory allowance (deducted from inventory)				
Year ended September 30, 2010	\$ 500	\$ 512	—	\$ 1,012
Year ended September 30, 2011	1,012	194	216	990
Year ended September 30, 2012	990	1,584	—	2,574

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
2.1	Share Purchase Agreements, dated as of April 5, 2008 and April 6, 2008, by and between Liquidity Services, Inc., and its wholly-owned subsidiary, Liquidity Services, Ltd., on the one hand, and David Mark Jacobs, Simon Jacobs, Darren Lee Innocent and Darren Malcolm Dorrington, on the other, incorporated herein by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 8, 2008.
2.2	Agreement and Plan of Merger, dated June 8, 2010, by and among Liquidity Services, Inc., Leon Kennedy Acquisition Corp., Network International, Inc. and Eton Venture Services, Ltd. Co. incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 21, 2010.
2.3	Asset Purchase Agreement, dated May 24, 2011, among Youk Acquisition Partners, LLC, TruckCenter.com, LLC, Corey P. Schlossmann, Samantha Schlossmann, Jessica Schlossmann and Katie Schlossmann, incorporated herein by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 9, 2011.
2.4	Asset Purchase Agreement dated as of September 1, 2011, among Liquidity Services, Inc., Profar Acquisition Partners, LLC and Jacobs Trading, LLC, incorporated herein by reference to the Company's Current Report on Form 8-K, filed with the SEC on September 1, 2011.
2.5	Scheme of Arrangement dated May 23, 2012 relating to a cash acquisition by Liquidity Services Limited of GoIndustry-DoveBid plc effected under Part 26 of the United Kingdom Companies Act of 2006.
2.6	Asset Purchase Agreement, dated as of November 1, 2012, among Liquidity Services Canada Ltd., 683949 Ontario Limited, Dominic Renda Holdings Incorporated, Chiku Holdings Ltd., Dominic Renda and Pankaj Dave.
3.1	Fourth Amended and Restated Certificate of Incorporation, incorporated herein by reference to Exhibit 3.1 to Amendment No. 2 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on January 17, 2006.
3.2	Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.2 to Amendment No. 2 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on January 17, 2006.
4.1	Form of Certificate of Common Stock of the Company, incorporated herein by reference to Exhibit 4.1 to Amendment No. 5 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 21, 2006.
4.2	Registration Rights Agreement, dated September 3, 2004, by and between the Company and ABS Capital Partners IV, L.P., ABS Capital Partners IV-A, L.P., ABS Capital Partners IV Offshore L.P. and ABS Capital Partners IV Special Offshore L.P., incorporated herein by reference to Exhibit 4.2 to Amendment No. 2 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on January 17, 2006.
10.1	Defense Logistics Agency, Surplus Commercial Property, Defense Reutilization and Marketing Service, Invitation for Bids, No. 99-0001, December 2000, incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on November 14, 2005.

<u>Exhibit No.</u>	<u>Description</u>
10.2	Defense Logistics Agency, Multi-Year Sale of Surplus Scrap Material at Locations Nationwide, Defense Reutilization and Marketing Service, Invitation for Bids, No. 99-4001, December 7, 2004, incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on November 14, 2005.
10.3.1	Executive Employment Agreement, dated September 2, 2004, between the Company and William P. Angrick, III, incorporated herein by reference to Exhibit 10.3.1 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.3.2	Amendment to Executive Employment Agreement between the Company and William P. Angrick, III, dated January 26, 2006, incorporated herein by reference to Exhibit 10.3.2 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.3.3	Amendment to Executive Employment Agreement between the Company and William P. Angrick, III, dated January 9, 2007, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 16, 2007.#
10.4.1	Executive Employment Agreement, dated September 2, 2004, between the Company and Jaime Mateus-Tique, incorporated herein by reference to Exhibit 10.4.1 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.4.2	Amendment to Executive Employment Agreement between the Company and Jaime Mateus-Tique, dated January 25, 2006, incorporated herein by reference to Exhibit 10.4.2 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.5.1	Executive Employment Agreement, dated January 27, 2005, between the Company and James M. Rallo, incorporated herein by reference to Exhibit 10.6.1 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.5.2	Amendment to Executive Employment Agreement between the Company and James M. Rallo, dated January 25, 2006, incorporated herein by reference to Exhibit 10.6.2 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.5.3	Amendment to Executive Employment Agreement between the Company and James M. Rallo, dated February 23, 2012, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 29, 2012.#
10.6.1	Executive Employment Agreement, dated June 13, 2001, between Government Liquidation.com, LLC and Thomas Burton, incorporated herein by reference to Exhibit 10.7.1 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.6.2	Amendment to Executive Employment Agreement between Government Liquidation.com, LLC and Thomas Burton, dated January 25, 2006, incorporated herein by reference to Exhibit 10.7.2 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#

<u>Exhibit No.</u>	<u>Description</u>
10.7.1	Executive Employment Agreement, dated November 11, 2005, between the Company and James E. Williams, incorporated herein by reference to Exhibit 10.8.1 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.7.2	Amendment to Executive Employment Agreement between the Company and James E. Williams, dated January 26, 2006, incorporated herein by reference to Exhibit 10.8.2 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.8	Executive Employment Agreement, dated October 15, 2007, between the Company and Eric C. Dean, incorporated herein by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed with the SEC on December 7, 2007.#
10.9	Executive Employment Agreement, dated August 25, 2008, between the Company and G. Charles Roy, incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 8, 2008.#
10.10	2005 Stock Option and Incentive Plan, incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on November 14, 2005.#
10.11	2006 Omnibus Long-Term Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 6, 2009.#
10.12	Form of Indemnification Agreement for directors and officers, incorporated herein by reference to Exhibit 10.11 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (Registration No. 333-129656), filed with the SEC on February 1, 2006.#
10.13.1	Amendment to Commercial Venture II (CV-II) (Sales Contract Number 99-0001-0002), dated as of September 12, 2006, between Surplus Acquisition Venture, LLC (a wholly-owned subsidiary of Liquidity Services, Inc.) and Defense Reutilization and Marketing Service of the U.S. Department of Defense, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 13, 2006.
10.13.2	Supplemental Agreement, dated as of May 13, 2008, relating to Commercial Venture II (CV-II) (Sales Contract Number 99-0001-0002) between Surplus Acquisition Venture, LLC (a wholly-owned subsidiary of Liquidity Services, Inc.) and the Defense Reutilization and Marketing Service of the U.S. Department of Defense, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 8, 2008.
10.13.3	Notice of Termination of Commercial Venture II (CV-II) (Sales Contract Number 99-0001-0002), incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 5, 2008.
10.13.4	Supplemental Agreement 18 (Sales Contract Number 99-0001-0002), incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 12, 2008.
10.14	LSI Non-Employee Director Compensation Plan, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 9, 2006.
10.15	Form of Notice of Stock Option Grant, incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 4, 2006.#

<u>Exhibit No.</u>	<u>Description</u>
10.16	Amendment No. 1 to Sales Contract Number 99-4001-0004, dated as of May 21, 2007, between DOD Surplus, LLC (a wholly-owned subsidiary of Liquidity Services, Inc.) and the Defense Reutilization and Marketing Service of the U.S. Department of Defense, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 29, 2007.
10.17	Amendment No. 2 to Sales Contract Number 99-4001-0004, dated as of May 21, 2007, between DOD Surplus, LLC (a wholly-owned subsidiary of Liquidity Services, Inc.) and the Defense Reutilization and Marketing Service of the U.S. Department of Defense, incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 29, 2007.
10.18	Surplus Usable Property Sales Contract (Sales Contract Number 08-0001-0001) between Liquidity Services, Inc. and the Defense Reutilization and Marketing Service of the U.S. Department of Defense, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 6, 2008.
10.19	Supplemental Agreement 1 (Sales Contract Number 08-0001-0001), incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 5, 2009.
10.20	Supplemental Agreement No. 6 relating to Surplus Usable Property Sales Contract (Sales Contract Number 08-0001-0001) between Liquidity Services, Inc. and the Defense Reutilization and Marketing Service of the U.S. Department of Defense, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 17, 2012.
10.21	Form of Notice of Restricted Stock Grant, incorporated herein by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K filed with the SEC on December 8, 2008.#
10.22	Financing and Security Agreement, dated April 30, 2010, by and between Liquidity Services, Inc. and Bank of America, N.A., incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2010.
10.23	First Amendment to Financing and Security Agreement dated as of September 1, 2011 between Liquidity Services, Inc. and Bank of America, N.A., incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on September 1, 2011.
10.24	Second Amendment to Financing and Security Agreement dated as of March 13, 2012 between Liquidity Services, Inc. and Bank of America, N.A., incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 16, 2012.
10.25	Revolving Credit Note, dated April 30, 2010, issued by Liquidity Services, Inc. to Bank of America, N.A., incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2010.
10.26	Amended and Restated Revolving Credit Note, dated March 13, 2012, issued by Liquidity Services, Inc. to Bank of America, N.A., incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on March 16, 2012.
10.27	Guaranty of Payment Agreement, dated April 30, 2010, by GovDeals, Inc. for the benefit of Bank of America, N.A., incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2010.

<u>Exhibit No.</u>	<u>Description</u>
10.28	Security Agreement, dated April 30, 2010, by GovDeals, Inc. for the benefit of Bank of America, N.A., incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2010.
10.29	Pledge, Assignment and Security Agreement (GovDeals), dated April 30, 2010, by Liquidity Services, Inc. for the benefit of Bank of America, N.A., incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2010.
10.30	Guaranty of Payment Agreement, dated April 30, 2010, by Surplus Acquisition Venture, LLC for the benefit of Bank of America, N.A., incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2010.
10.31	Security Agreement, dated April 30, 2010, by Surplus Acquisition Venture, LLC for the benefit of Bank of America, N.A., incorporated herein by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2010.
10.32	Pledge, Assignment and Security Agreement (Surplus Acquisition Venture), dated April 30, 2010, by Liquidity Services, Inc. for the benefit of Bank of America, N.A., incorporated herein by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K, filed with the SEC on May 6, 2010.
10.33	Shareholders' Agreement dated as of September 1, 2011 among Liquidity Services, Inc., Jacobs Trading, LLC, WGD, Inc., Irwin L. Jacobs and Howard Grodnick, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 1, 2011
10.34	Supplemental Agreement to Contract for Multi-Year Sale of Surplus Scrap Material at Locations Nationwide (Contract Number 99-4001-0004), dated as of September 22, 2011, between Liquidity Services, Inc. and the Defense Logistics Agency Disposition Services, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 26, 2011.
10.35	Master Merchandise Salvage Contract between Profar Partners, LLC and Wal-Mart Stores, Inc., incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K filed with the SEC on December 9, 2011.
10.36	Letter from DLA Disposition Services, dated November 5, 2012, relating to Contract for Multi-Year Sale of Surplus Scrap Material at Locations Nationwide (Contract Number 99-4001-0004), effective as of June 9, 2005 between the Company and DLA Disposition Services, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 7, 2012.
21	List of Subsidiaries
23.1	Consent of Ernst & Young LLP
24.1	Power of Attorney (included on signature page)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

<u>Exhibit No.</u>	<u>Description</u>
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Registrant's Annual Report on Form 10-K for the year ended September 30, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Changes in Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.

Designates management or compensation plans.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 29, 2012.

LIQUIDITY SERVICES, INC.

By: /s/ WILLIAM P. ANGRICK, III

William P. Angrick, III
*Chairman of the Board of Directors
and Chief Executive Officer*

We, the undersigned directors and officers of Liquidity Services, Inc., hereby severally constitute William P. Angrick, III and James E. Williams, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on November 29, 2012.

Signature

Title

/s/ WILLIAM P. ANGRICK, III

Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)

William P. Angrick, III

/s/ JAMES M. RALLO

Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

James M. Rallo

/s/ JAIME MATEUS-TIQUE

Director

Jaime Mateus-Tique

/s/ PHILLIP A. CLOUGH

Director

Phillip A. Clough

/s/ PATRICK W. GROSS

Director

Patrick W. Gross

/s/ FRANKLIN D. KRAMER

Director

Franklin D. Kramer

/s/ DAVID A. PERDUE, JR.

Director

David A. Perdue, Jr.

/s/ GEORGE H. ELLIS

Director

George H. Ellis

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. Part 2 of this document comprises an explanatory statement in compliance with section 897 of the Companies Act 2006. The document relates to an acquisition which, if implemented, will result in the cancellation of the admission of GoIndustry Shares to trading on AIM, the market of that name operated by the London Stock Exchange. If you are in any doubt about the action you should take, you are recommended to consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if you are in a territory outside the United Kingdom, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your GoIndustry Shares, please send this document together with the accompanying Forms of Proxy to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, such documents must not be forwarded, distributed or transmitted in, into or from any jurisdiction where to do so would constitute a violation of the relevant laws of that jurisdiction. If you have sold or transferred only part of your GoIndustry Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document and/or the accompanying Forms of Proxy (in whole or in part) in, into or from jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither this document nor the accompanying Forms of Proxy constitute an offer to sell or issue, nor the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful.

RECOMMENDED CASH ACQUISITION

by

Liquidity Services Limited
(a wholly-owned subsidiary of Liquidity Services, Inc.)

of

GoIndustry-DoveBid plc

to be effected by means of a
Scheme of Arrangement under Part 26 of the Companies Act 2006

GoIndustry Shareholders should carefully read the whole of this document (including any documents incorporated by reference) and the accompanying Forms of Proxy. In particular, your attention is drawn to the letter from the Chairman of GoIndustry, which is set out in Part 1 of this document, containing a unanimous recommendation of the GoIndustry Directors that you vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution and Ordinary Resolution to be proposed at the General Meeting.

Notices of the Court Meeting and the General Meeting, both of which are to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 13 June 2012, are set out in Parts 7 and 8 of this document. The Court Meeting will start at 10.00 a.m. and the General Meeting will start at 10.15 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned).

Whether or not you intend to attend the Shareholder Meetings in person, please complete and sign the Forms of Proxy in accordance with the instructions printed on them and return them to GoIndustry's registrar, Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU, so as to be received as soon as possible and, in any event, by no later than 48 hours before the Court Meeting and the General Meeting, as the case may be (or, in the case of an adjournment, the time fixed for the holding of the adjourned meeting). A reply-paid envelope has been provided for this purpose for use in the United Kingdom only. Forms of Proxy returned by fax will not be accepted.

If the WHITE Form of Proxy for the Court Meeting is not returned by the required time, it may be handed to the Chairman of the Court Meeting before the taking of the poll at the Court Meeting. However, in the case of the General Meeting, unless the BLUE Form of Proxy is returned by 10.15 a.m. on 11 June 2012, it will be invalid.

GoIndustry Shareholders who hold their shares through CREST and who wish to appoint a proxy or proxies for the Shareholder Meetings or any adjournment(s) of them by using the CREST electronic proxy appointment service may do so by using the CREST proxy voting services in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting services provider, should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.

Completing and returning the Forms of Proxy or completing and transmitting a CREST Proxy Instruction will not prevent you from attending and voting at either of the Shareholder Meetings, or any adjournment of any Shareholder Meeting, in person if you wish to do so.

Further details on the action to be taken are set out in paragraph 16 of Part 2 of this document.

If the Scheme is approved at the Shareholder Meetings then, prior to the Scheme becoming effective, a request will be made to the London Stock Exchange to cancel the admission of the GoIndustry Shares to trading on AIM.

WH Ireland, which is authorised and regulated in the UK by the FSA, is acting exclusively for GoIndustry and no one else in connection with the Acquisition and will not be responsible to anyone other than GoIndustry for providing the protections afforded to clients of WH Ireland Limited or for providing advice in connection with the Acquisition, the Forms of Proxy or any matter referred to herein.

RBC Capital Markets, which is authorised and regulated in the UK by the FSA, is acting exclusively for Liquidity Services UK and no one else in connection with the Acquisition and will not be responsible to anyone other than Liquidity Services UK for providing the protections afforded to clients of RBC Capital Markets or for providing advice in connection with the Acquisition, the Forms of Proxy or any matter referred to herein.

You may request a hard copy of this document (and any information incorporated by reference in this document) by contacting Capita Registrars during business hours on the telephone numbers listed below or by submitting a request in writing to Capita Registrars at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. It is important that you note that unless you make such a request, a hard copy of this document and any such information incorporated by reference in it will not be sent to you. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.

The contents of this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the contents of this document you should consult your own legal adviser, financial adviser or tax adviser for legal, business, financial or tax advice.

If you have any questions relating to this document, either of the Shareholder Meetings or the completion and return of the Forms of Proxy, please telephone Capita Registrars on 0871 664 0321 from within the UK or on +44 (0) 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

The statements contained herein are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of the GoIndustry Group or the Liquidity Services Group.

No person has been authorised to make any representations on behalf of GoIndustry or Liquidity Services concerning the Acquisition or the Scheme which are inconsistent with the statements contained in this document and any such representations, if made, may not be relied upon as having been so authorised.

Capitalised words and phrases used in this document shall have the meanings given to them in the 'Definitions' section of this document at pages 11 to 17.

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INFORMATION FOR OVERSEAS SHAREHOLDERS

The release, publication or distribution of this document in certain jurisdictions may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements.

Information for US Shareholders

The financial information included or referred to in this document has been prepared in accordance with accounting standards applicable in the United Kingdom that may not be comparable to the financial statements of US companies. US generally accepted accounting principles differ in certain respects from International Financial Reporting Standards. None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Accounting Oversight Board (United States).

The Acquisition relates to shares in a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to the proxy solicitation or tender offer rules under the US Securities Exchange Act of 1934, as amended. Accordingly, the Acquisition is subject to the disclosure requirements, rules and practices applicable in England and

Wales to schemes of arrangement, which differ from the requirements of the US proxy solicitation and tender offer rules. However, if Liquidity Services UK were to elect to implement the Acquisition by means of a Takeover Offer (which it reserves the right to do), such Takeover Offer will be made in compliance with all applicable laws and regulations, including the US tender offer rules, to the extent applicable.

Information for other Overseas Shareholders

Neither this document nor the accompanying Forms of Proxy are intended to, and do not, constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Scheme or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful. This document and the accompanying Forms of Proxy have been prepared in connection with a proposal in relation to a scheme of arrangement pursuant to, and for the purpose of complying with, the laws of England and Wales and the Code and the information disclosed may not be the same as that which would have been disclosed if this document and the accompanying Forms of Proxy had been prepared in accordance with the laws of jurisdictions outside the United Kingdom. Nothing in this document or the accompanying Forms of Proxy should be relied upon for any other purpose.

The availability of the Acquisition and implications of the Scheme for Overseas Shareholders may be affected by the laws of the relevant jurisdiction. Such Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If any Overseas Shareholder remains in any doubt, he should consult an appropriate independent professional adviser in his relevant jurisdiction without delay.

Unless otherwise determined by Liquidity Services or required by the Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document and all other documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this document and all other documents relating to the Acquisition (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

It is the responsibility of each Overseas Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection with the Acquisition, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains statements that are, or may be, forward-looking statements. All statements other than statements of historical facts included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by or that include words such as ‘target’, ‘plan’, ‘believe’, ‘expect’, ‘aim’, ‘intend’, ‘will’, ‘should’, ‘could’, ‘would’, ‘may’, ‘consider’, ‘anticipate’, ‘estimate’, ‘synergy’, ‘cost saving’, ‘project’, ‘goal’ or ‘strategy’ or words or terms of similar substance or the negative of such words are forward-looking statements. Forward-looking statements include statements relating to the following: (i) the expected timetable for implementing the Scheme, future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects of GoIndustry or Liquidity Services; and (ii) business and management strategies and the expansion and growth of GoIndustry’s or Liquidity Services’ operations and potential synergies resulting from the Acquisition for GoIndustry by Liquidity Services UK.

These forward-looking statements are not guarantees of future financial performance. They have not been reviewed by the auditors of Liquidity Services, Liquidity Services UK or GoIndustry. Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. All subsequent oral or written forward-looking statements attributable to Liquidity Services, Liquidity Services UK or GoIndustry or any of their respective members, directors, officers or employees or any persons acting on their behalf, or the GoIndustry Directors, are expressly qualified in their entirety by the cautionary statement above. Liquidity Services, Liquidity Services UK and GoIndustry and the GoIndustry Directors disclaim any obligation to update any forward looking or other statements contained herein, except as required by applicable law. All forward-looking statements included in this document are based on information available to Liquidity Services, Liquidity Services UK and GoIndustry and the GoIndustry Directors on the date of this document and are made only as of the date of this document. Undue reliance should not be placed on such forward-looking statements.

Subject to compliance with the Takeover Code, GoIndustry, the GoIndustry Directors, Liquidity Services, Liquidity Services UK, the Liquidity Services Directors and the Liquidity Services UK Directors do not intend, or undertake any obligation, to update any information contained in this document, except as required by applicable law.

DISCLOSURE REQUIREMENTS OF THE TAKEOVER CODE

Under Rule 8.3(a) of the Takeover Code, any person who is interested in one per cent., or more of any class of “**relevant securities**” of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any paper offeror is first identified. An Opening Position Disclosure must contain details of the person’s interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offerors. An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th Business Day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th Business Day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in one per cent., or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person’s interests and short positions in, and rights to subscribe for, any

Takeover Code. A Dealing Disclosure by a person to whom Rule 8.3(b) of the Takeover Code applies must be made by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of the offeree company or of a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Takeover Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0) 20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Terms in quotation marks are defined in the Takeover Code, which can also be found on the Panel's website.

In accordance with normal UK market practice, Liquidity Services UK or its nominees or brokers (acting as agents) may, from time to time, make certain purchases of, or arrangements to purchase, GoIndustry Shares outside the United States, other than pursuant to the Scheme, prior to the Scheme Effective Date. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK.

PUBLICATION ON WEBSITE

This document, together with all information incorporated into this document by reference to another source but **NOT** any Forms of Proxy, will be available free of charge, subject to any applicable restrictions relating to GoIndustry Shareholders resident in Restricted Jurisdictions, on the website of GoIndustry at <http://www.go-dove.com/company/InvestorRelations.asp> under the heading 'Recommended Cash Acquisition by Liquidity Services' during the course of the Acquisition.

ROUNDING

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

DATE

This document is published on 23 May 2012.

ACTION TO BE TAKEN

You will find enclosed with this document:

- (i) a WHITE Form of Proxy for use at the Court Meeting;
- (ii) a BLUE Form of Proxy for use at the General Meeting; and
- (iii) a reply-paid envelope for use in the United Kingdom only.

If you have not received all of these documents, please contact Capita Registrars on the helpline referred to below.

1. The action to be taken in respect of the Shareholder Meetings is set out in paragraph 16 of part 2 of this document. Whether or not you plan to attend the Court Meeting and/or the general Meeting, please complete the accompanying Forms of Proxy in accordance with the instructions printed on them and return them either to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU, so as to be received as soon as possible and, in any event, by no later than:

- (a) 10.00 a.m. on 11 June 2012 in the case of the WHITE Form of Proxy for the Court Meeting; and**
- (b) 10.15 a.m. on 11 June 2012 in the case of the BLUE Form of Proxy for the General Meeting;**

(or in the case of any adjournment, not later than 48 hours before the time fixed for the adjourned meeting). A reply-paid envelope is provided for use in the United Kingdom only. Forms of Proxy returned by fax will not be accepted. The Scheme requires approval at both the Court Meeting and the General Meeting.

If the WHITE Form of Proxy for use at the Court Meeting is not lodged by 10.00 a.m. on 11 June 2012, it may be handed to the Chairman of the Court Meeting at the Court Meeting before the taking of the poll. However, if the BLUE Form of Proxy for the General Meeting is not lodged by 10.15 a.m. on 11 June 2012, it will be invalid.

2. If you hold your GoIndustry Shares in CREST, you may vote using the CREST voting service in accordance with the procedures set out in the CREST Manual via CREST (please also refer to the accompanying notes for the notices of the Shareholder Meetings set out in Parts 7 and 8 of this document).

Proxies submitted electronically through CREST must be sent as soon as possible, and in any event, so as to be received by no later than 10.00 a.m. on 11 June 2012 in the case of the Court Meeting and by 10.15 a.m. on 11 June 2012 in the case of the General Meeting (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

Completing and returning the Forms of Proxy, completing and transmitting a CREST Proxy Instruction will not prevent you from attending and voting at either of the Shareholder Meetings, or any adjournment of any Shareholder Meeting, in person if you wish to do so.

Multiple proxy voting instructions

Shareholders are entitled to appoint a proxy in respect of some or all of their Go Industry Shares. Shareholders are also entitled to appoint more than one proxy. A space has been included in the Forms of Proxy to allow Shareholders entitled to attend and vote at the relevant meeting to specify the number of GoIndustry Shares in respect of which that proxy is appointed. Shareholders who return a Form of Proxy duly executed but leave this space blank will be deemed to have appointed the proxy in respect of all of their GoIndustry Shares. Shareholders who wish to appoint more than one proxy in respect of their shareholding should contact Capita Registrars for further Forms of Proxy or photocopy the Forms of Proxy as required. Such Shareholders should also read the sections headed 'Notes' included in the notices of the Shareholder Meetings set out in Parts 7 and 8 of this document and the Forms of Proxy and note the principles that will be applied in relation to the appointment of multiple proxies.

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IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO ATTEND THE COURT MEETING OR TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY OR TRANSMIT A PROXY INSTRUCTION (EITHER ELECTRONICALLY OR THROUGH CREST) AS SOON AS POSSIBLE.

HELPLINE FOR FURTHER INFORMATION

If you have any questions relating to this document, either of the Shareholder Meetings or the completion and return of the Forms of Proxy, please telephone Capita Registrars on 0871 664 0321 from within the UK or on +44 (0) 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time and date
Latest time for lodging Forms of Proxy for the:	
Court Meeting (WHITE Form of Proxy)	10.00 a.m. on 11 June 2012(1)
General Meeting (BLUE Form of Proxy)	10.15 a.m. on 11 June 2012(2)
Voting Record Time	6.00 p.m. on 11 June 2012(3)
Court Meeting	10.00 a.m. on 13 June 2012
General Meeting	10.15 a.m. on 13 June 2012(4)
<i>Certain of the following dates are subject to change (please see note 5 below)</i>	
Scheme Court Hearing	29 June 2012
Completion of UK Share Sale Agreement and US Assets Sale Agreement	1 July 2012
Last day of dealings in, and for registration of transfer of, and disablement of CREST of, GoIndustry Shares	2 July 2012(5)
Scheme Record Time	5.00 p.m. on 2 July 2012(5)
Suspension of trading in GoIndustry Shares on AIM	7.30 a.m. on 3 July 2012
Capital Reduction Court Hearing	3 July 2012(5)
Scheme Effective Date	4 July 2012(5)

All times shown are London times (unless otherwise stated). All dates and times are based on GoIndustry's current expectations and are subject to change. If any of the dates and/or times in this expected timetable change, the revised dates and/or times will be notified to GoIndustry Shareholders by announcement through the Regulatory Information Service of the London Stock Exchange.

The Court Meeting and the General Meeting will each be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU.

Notes:

- (1) It is requested that the WHITE Form of Proxy for the Court Meeting be lodged before 10.00 a.m. on 11 June 2012, or, if the Court Meeting is adjourned, not later than 48 hours before the time fixed for the holding of the adjourned meeting. WHITE Forms of Proxy not so lodged may be handed to the Chairman of the Court Meeting before the taking of the poll at the Court Meeting. Please see 'Action to be taken' at paragraph 15 of Part 2 of this document.
- (2) The BLUE Form of Proxy for the General Meeting must be lodged before 10.15 a.m. on 11 June 2012 in order for it to be valid, or, if the General Meeting is adjourned, not later than 48 hours before the time fixed for the holding of the adjourned meeting. The BLUE Form of Proxy cannot be handed to the Chairman of the General Meeting at that meeting.
- (3) If either the Court Meeting or the General Meeting is adjourned, the Voting Record Time for the adjourned meeting will be 6.00 p.m. on the day which is two days before the adjourned meeting.
- (4) To commence at 10.15 a.m. or, if later, as soon thereafter as the Court Meeting shall have been concluded or adjourned.
- (5) These times and dates are indicative only and will depend, among other things, on the date on which the Conditions are either satisfied, or (if capable of waiver) waived, and the dates upon which the Court sanctions the Scheme and confirms the associated Capital Reduction. It will also depend on whether the Court Order(s) sanctioning the Scheme and confirming the Capital Reduction and, in relation to the Capital Reduction, the statement of capital are delivered to the Registrar of Companies, and if required by the Court, when the Capital Reduction Court Order is registered. GoIndustry will give notice of the change(s) by issuing an announcement through a Regulatory Information Service and, if required by the Panel, post notice of the change(s) to GoIndustry Shareholders and, for information only, to participants in the GoIndustry Share Schemes.

DEFINITIONS

The following definitions have the meanings in this document, other than in Part 6 of this document and the notices of the Shareholder Meetings, unless the context requires otherwise:

- "Acquisition"** the proposed acquisition by Liquidity Services UK of the entire issued and to be issued ordinary share capital of GoIndustry to be effected by means of the Scheme (or, if Liquidity Services UK elects so to do, as a Takeover Offer) subject to the terms and conditions set out in this document including, where the context permits, any subsequent variation, revision, extension or renewal of thereof;
- "AIM"** AIM, the market of that name operated by the London Stock Exchange;
- "Announcement"** the announcement of the Acquisition in accordance with Rule 2.7 of the Code released on the Announcement Date;
- "Announcement Date"** 9 May 2012;
- "Business Day"** a day (other than a Saturday, Sunday, public holiday or bank holiday) on which banks are generally open for normal business in the City of London;
- "Capita Registrars" or "the Registrar"** Capita Registrars, a trading name of Capita Registrars Limited;
- "Capital Reduction"** the reduction of the share capital of GoIndustry under section 641 of the Companies Act by the cancellation of the Scheme Shares to be effected as part of the Scheme;
- "Capital Reduction Court Hearing"** the hearing by the Court to confirm the Capital Reduction;
- "Capital Reduction Court Order"** the order of the Court confirming the Capital Reduction under section 648 of the Companies Act;
- "Cash Consideration"** the cash consideration payable under the terms of the Acquisition of 73 pence per GoIndustry Share;
- "certificated" or "in certificated form"** a share which is not in uncertificated form (that is, not held in CREST);
- "Closing Price"** the closing middle market price of a GoIndustry Share at the close of business, as derived from the Daily Official List on the day to which such price relates;

“Code” or “Takeover Code”	the City Code on Takeovers and Mergers;
“Companies Act”	the Companies Act 2006, as amended from time to time;
“Conditions”	the conditions to the implementation of the Scheme and the Acquisition, as set out in Part 3 of this document (and “Condition” shall mean any of them);
“connected person”	in relation to a person, any person whose interests in shares the first person is taken to be interested in pursuant to Part 22 of the Companies Act and related regulations;
“Convertible Loan Notes”	the £500,000 unsecured 12 per cent. convertible loan notes due 2014 constituted pursuant to the Loan Note Instrument;

“Court”	the High Court of Justice in England and Wales;
“Court Hearings”	the Scheme Court Hearing and the Capital Reduction Court Hearing;
“Court Meeting”	the meeting of the Scheme Shareholders (and any adjournment thereof) to be convened by the notice set out in Part 7 of this document pursuant to an order of the Court pursuant to Part 26 of the Companies Act for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 10.00 a.m. on 13 June 2012;
“Court Order(s)”	the Scheme Sanction Court Order and the Capital Reduction Court Order, or, where the context requires, either of them;
“CREST”	a relevant system (as defined in the Regulations) in respect of which Euroclear is the operator (as defined in the Regulations);
“CREST Manual”	the manual issued by Euroclear from time to time;
“CREST Proxy Instruction”	a proxy appointment or instruction made using the CREST service, by way of the appropriate CREST message, which must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual;
“Daily Official List”	the Daily Official List as published by the London Stock Exchange;
“Dealing Disclosure”	has the same meaning as in Rule 8 of the Code;
“Disclosed”	the information disclosed in (i) the GoIndustry Preliminary 2011 Results Announcement; (ii) any public announcement by GoIndustry to a Regulatory Information Service on or before 5.00 p.m. on the Business Day prior to the Announcement Date; or (iii) otherwise disclosed in writing or in any document provided by or on behalf of GoIndustry, or otherwise made available, to Liquidity Services or Liquidity Services UK or their respective advisers in connection with the Acquisition on or before 5.00 p.m. on the Business Day prior to the Announcement Date;
“Enlarged Group”	Liquidity Services and its direct and indirect subsidiaries and its subsidiary undertakings following completion of the Acquisition;
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST;
“Forms of Proxy”	the WHITE form of proxy for use by Scheme Shareholders in connection with the Court Meeting and the BLUE form of proxy for use by GoIndustry Shareholders in connection with the General Meeting;
“FSA” or “Financial Services Authority”	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of FSMA;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“General Meeting”	the general meeting of GoIndustry Shareholders (and any adjournment thereof) convened by the notice set out in Part 8 of this document (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 10.15 a.m. on 13 June 2012;

“GoIndustry” or “the Company”	GoIndustry-DoveBid plc, a public limited company incorporated in England and Wales registered with company registration number 5381812 and whose registered office is at St Andrew’s House, 18-20 St Andrew Street, London, United Kingdom, EC4A 3AG;
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“GoIndustry AG”	GoIndustry AG, a company incorporated under the laws of Germany registered with business registration number HRB 127487 (Amtsgericht München) and whose address is Ridlerstr. 33, 80339 Munich, Germany;
“GoIndustry Articles”	the articles of association of GoIndustry;
“GoIndustry Board”	the board of directors of GoIndustry;
“GoIndustry Directors”	the directors of GoIndustry referred to in paragraph 2.1 of Part 5 of this document;
“GoIndustry Group”	GoIndustry and its subsidiary and associated undertakings from time to time and, where the context permits, each of them;
“GoIndustry, Inc.”	GoIndustry DoveBid, Inc., a corporation incorporated under the laws of Maryland with company registration number D00460584 and whose registered office is at 11425 Cronhill Drive, Owings Mills, MD 21117, United States of America;
“GoIndustry Operations”	GoIndustry Operations Limited, a private limited company incorporated in England and Wales registered with company registration number 3853780 and whose registered office is at St.Andrew’s House, 18-20 St. Andrew Street, London EC4A 3AG;
“GoIndustry Option Holders”	the holders of Share Options under the GoIndustry Share Schemes;
“GoIndustry Osterreich”	GoIndustry (Osterreich) GmbH, a company incorporated under the laws of Austria registered with business registration number FN 1 86870i (Landgericht Wr. Neustadt) and whose address is Fischerstr. 74, A-2331 Vösendorf, Austria;
“GoIndustry Preliminary 2011 Results Announcement”	the announcement by GoIndustry on 9 May 2012 of the audited results of GoIndustry for the financial year ended 31 December 2011;
“GoIndustry Share Schemes”	the: <ul style="list-style-type: none"> (i) individual unapproved option agreements entered into by the Company with various individuals in 2006 (shortly after the Company’s acquisition of GoIndustry AG) pursuant to which the Company granted such individuals options to subscribe for GoIndustry Shares in consideration of the release of all of their options over shares in GoIndustry AG; (ii) GoIndustry 2007 Executive Scheme; and (iii) GoIndustry 2009 Unapproved Share Option Plan;
“GoIndustry Shareholders” or “Shareholders”	the holders of GoIndustry Shares (and “GoIndustry Shareholder” shall be construed accordingly);
“GoIndustry Shares” or “Shares”	the ordinary shares of 1 pence each in the capital of GoIndustry;
“GoIndustry UK”	GoIndustry (UK) Limited, a private limited company incorporated in England and Wales registered with company registration number 4092016 and whose registered office is at St. Andrew’s House, 18-20 St. Andrew Street, London EC4A 3AG;

“holder”	a registered holder and includes any person entitled by transmission;
“Last Dealing Date”	the last day of dealings in GoIndustry Shares, expected to be 2 July 2012;
“Liquidity Services”	Liquidity Services, Inc., a public corporation incorporated under the laws of Delaware, USA whose registered office is at 1920 L Street, N.W., 6th Floor, Washington, D.C.;
“Liquidity Services Board”	the board of directors of Liquidity Services;
“Liquidity Services Directors”	the directors of Liquidity Services referred to in paragraph 2.2 of Part 5 of this document;
“Liquidity Services Group”	Liquidity Services and its subsidiary and associated undertakings from time to time and, where the context permits, each of them (including, for the avoidance of any doubt, Liquidity Services UK);
“Liquidity Services Sub”	Middlebrook Acquisition Partners, LLC, a limited liability company formed in the State of Delaware, United States of America, whose registered office is at Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware 19081;
“Liquidity Services UK”	Liquidity Services Limited, a private limited company incorporated in England and Wales, a direct wholly-owned subsidiary of Liquidity Services, with company registration number 04843035 and whose registered office is at Unit 301A, Mill Studio Business Centre, Crane Mead, Ware, Hertfordshire SG1 2 9PY;
“Liquidity Services UK Board”	the board of directors of Liquidity Services UK;
“Liquidity Services UK Directors”	the directors of Liquidity Services UK referred to in paragraph 2.3 of Part 5 of this document;

“Listing Rules”	the listing rules of the UK Listing Authority;
“Loan Note Instrument”	a convertible loan note instrument, dated 15 December 2008 (as amended on 10 September 2009 and on 22 December 2011), pursuant to which GoIndustry constituted the Convertible Loan Notes;
“London Stock Exchange”	London Stock Exchange plc;
“Long Stop Date”	31 August 2012;
“NASDAQ”	the NASDAQ Stock Market;
“New GoIndustry Shares”	the new GoIndustry Shares to be allotted and issued pursuant to Clause 1.2.2 of the Scheme;
“Offer Period”	the ‘offer period’ (as defined by the Code) relating to GoIndustry, which commenced on 1 May 2012;
“Offer Price”	73 pence per GoIndustry Share;
“Opening Position Disclosure”	has the same meaning as in Rule 8 of the Code;
“Ordinary Resolution”	the ordinary resolution (resolution no. 2) to be proposed at the General Meeting to approve the UK Share Sale Agreement and the US Assets Sale Agreement and set out in the notice of General Meeting set out in Part 8 of this document;

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“Overseas Shareholders”	Scheme Shareholders who are resident in, or citizens of, a jurisdiction outside the UK;
“Panel” or “Takeover Panel”	the Panel on Takeovers and Mergers;
“RBC Capital Markets”	RBC Europe Limited, trading as RBC Capital Markets;
“Registrar of Companies”	the Registrar of Companies in England and Wales;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“Regulatory Information Service”	any of the services set out in Appendix 3 to the Listing Rules;
“Restricted Jurisdiction”	any such jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to GoIndustry Shareholders in that jurisdiction (in accordance with Rule 23.2 of the Code);
“Scheme”	the proposed scheme of arrangement under Part 26 of the Companies Act to effect the Acquisition between GoIndustry and Scheme Shareholders, as set out in Part 6 of this document, with or subject to any modification, addition or condition which GoIndustry and Liquidity Services UK may agree and, if required, the Court may approve or impose;
“Scheme Court Hearing”	the hearing by the Court to sanction the Scheme;
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with its terms;
“Scheme Record Time”	5.00 p.m. on the Business Day immediately preceding the date on which the Capital Reduction Court Order is made;
“Scheme Resolutions”	the resolution to be proposed at the Court Meeting and the Special Resolution to be proposed at the General Meeting;
“Scheme Sanction Court Order”	the order of Court sanctioning the Scheme under Part 26 of the Companies Act;
“Scheme Shareholders”	the holders of Scheme Shares (and “Scheme Shareholder” shall be construed accordingly);
“Scheme Shares”	the GoIndustry Shares: <ul style="list-style-type: none"> (a) in issue at the date of this document; (b) issued after the date of this document and prior to the Voting Record Time; and (c) issued at or after the Voting Record Time and at or before the Scheme Record Time in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by the Scheme, in each case other than any GoIndustry Shares registered in the name of, or beneficially owned by, Liquidity Services UK or any member of the Liquidity Services Group;

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“Shareholder Meetings”	the General Meeting and the Court Meeting (and “Shareholder Meeting” shall be construed accordingly);
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- “Share Options”** options granted pursuant to the GoIndustry Share Schemes;
- “Special Resolution”** the special resolution (resolution no. 1) to be proposed at the General Meeting in connection with, amongst other things, the approval/implementation of the Scheme and set out in the notice of General Meeting set out in Part 8 of this document;
- “Statement of Capital”** the statement of capital in relation to the Capital Reduction required to be sent to the Registrar of Companies in accordance with section 649 of the Companies Act;
- “Substantial Interest”** in relation to an undertaking, a direct or indirect interest of 10 per cent., or more of the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking;
- “Takeover Offer”** the implementation of the Acquisition by way of a takeover offer (as that term is defined in section 974 of the Companies Act) under the Code;
- “UK” or “United Kingdom”** the United Kingdom of Great Britain and Northern Ireland;
- “UK Share Sale Agreement”** the conditional agreement dated 9 May 2012 (as varied on 21 May 2012) entered into between Liquidity Services UK (1) GoIndustry AG (2) and Liquidity Services (3) for the sale to Liquidity Services UK of the issued share capitals of GoIndustry UK, GoIndustry Operations and GoIndustry Osterreich;
- “UKLA” or “UK Listing Authority”** the UK Listing Authority, being the FSA acting as competent authority for the purposes of Part VI of the FSMA;
- “uncertificated” or “in uncertificated form”** a share or other security recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
- “United States” or “US”** the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
- “US Assets Sale Agreement”** the conditional agreement dated 9 May 2012 (as varied on 21 May 2012) entered into between Liquidity Services Sub (1) GoIndustry, Inc. (2) and Liquidity Services (3) for the sale to Liquidity Services Sub of the assets and liabilities of GoIndustry, Inc.;
- “US Securities Act”** the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
- “Voting Record Time”** 6.00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting;
- “WH Ireland”** WH Ireland Limited, a private limited company incorporated in England and Wales with registered number 2002044 which is authorised and regulated by the Financial Services Authority, being the independent financial adviser, nominated adviser (for the purposes of the AIM Rules) and broker to GoIndustry; and

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“Wider Liquidity Services Group” Liquidity Services, its subsidiary undertakings, associated undertakings and any other undertakings in which that company and such undertakings (aggregating their interests) have a Substantial Interest (including, for the avoidance of any doubt, Liquidity Services UK).

For the purposes of this document, **“subsidiary”**, **“subsidiary undertaking”**, **“parent undertaking”**, **“undertaking”** and **“associated undertaking”** have the respective meanings given thereto by the Companies Act, but for this purpose ignoring paragraph 20(l)(b) of Schedule 4A of the Companies Act 1985.

All the times referred to in this document are London times unless otherwise stated.

All references to **“pound”**, **“pounds sterling”**, **“£”**, **“pence”** and **“p”** are to the lawful currency of the United Kingdom.

All references to **“US\$”**, **“\$”**, and **“US dollars”** are to the lawful currency of the United States. References to the singular include the plural and *vice versa*.

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PART 1

LETTER OF RECOMMENDATION FROM THE CHAIRMAN OF GOINDUSTRY



GOINDUSTRY-DOVEBID PLC

(Registered in England and Wales under company number 5381812)

Neville Davis, *Non-Executive Chairman*
 Jack Reinelt, *Chief Executive Officer*
 Leslie-Ann Reed, *Chief Financial Officer*
 David Bailey, *Non-Executive Director*
 Kamal Advani, *Non-Executive Director*
 Max Steinkopf, *Non-Executive Director*

St Andrew's House
 18-20 St Andrew Street
 London
 EC4A 3AG

23 May 2012

To all holders of GoIndustry Shares (and, for information only, to participants in the GoIndustry Share Schemes and holder(s) of Convertible Loan Notes)

Dear GoIndustry Shareholder,

**Recommended Cash Acquisition by
 Liquidity Services Limited (a wholly-owned subsidiary of Liquidity Services, Inc.)
 of GoIndustry-DoveBid plc**

1. Introduction

On 9 May 2012, the GoIndustry Board and the Liquidity Services Board announced that they had reached agreement on the terms of a recommended cash acquisition to be made by Liquidity Services UK, a wholly-owned subsidiary of Liquidity Services, of the entire issued and to be issued share capital of GoIndustry at an Offer Price of 73 pence per GoIndustry Share.

I am writing to you today to set out the terms and further details of the Acquisition, and the background to and reasons why the GoIndustry Directors are recommending the Acquisition.

The GoIndustry Directors, who have been so advised by WH Ireland, consider the terms of the Acquisition to be fair and reasonable. In providing advice to the GoIndustry Directors, WH Ireland has taken into account the commercial assessments made by the GoIndustry Directors.

Accordingly, the GoIndustry Directors unanimously recommend that all GoIndustry Shareholders vote in favour of the Scheme Resolutions and the Ordinary Resolution to be proposed at the Court Meeting and the General Meeting, as those GoIndustry Directors who hold GoIndustry Shares and the trustee of a trust of which one of the GoIndustry Directors is the sole beneficiary have irrevocably undertaken so to do in respect of their own beneficial holdings. Further details of these irrevocable undertakings are contained in paragraph 3 below and in paragraph 8 of Part 2 of this document.

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2. Summary terms of the Acquisition

The Acquisition, which is subject to the Conditions and further terms set out in Part 3 of this document, is to be effected by way of a scheme of arrangement between GoIndustry and the Scheme Shareholders under Part 26 of the Companies Act. In order to approve the terms of the Acquisition, those Shareholders entitled to vote will need to vote in favour of the Scheme Resolutions to be proposed at two shareholders' meetings (the Court Meeting and the General Meeting), both to be held on 13 June 2012. Following the Scheme becoming effective, the entire issued share capital of GoIndustry will be held by Liquidity Services UK.

If the Scheme becomes effective in accordance with its terms, the Scheme Shares will be cancelled and Scheme Shareholders holding Scheme Shares at the Scheme Record Time will be entitled to receive:

for each Scheme Share

73 pence in cash

The Acquisition values the entire existing issued ordinary share capital of GoIndustry at approximately £7.15 million and the entire issued and to be issued share capital of GoIndustry at approximately £7.30 million (or US\$1 1.79 million based on the sterling to US dollar exchange rate as at close of business in London on the last Business Day prior to the Announcement Date).

The Offer Price of 73 pence in cash for each Scheme Share represents:

- a premium of approximately 54 per cent. to the Closing Price of 47.5 pence per GoIndustry Share on 30 April 2012, being the last Business Day prior to the commencement of the Offer Period; and
- a premium of approximately 12 per cent. to the Closing Price of 65 pence per GoIndustry Share on 8 May 2012, being the last Business Day prior to the Announcement Date.

3. Irrevocable Undertakings

Liquidity Services and Liquidity Services UK have received irrevocable undertakings from those GoIndustry Directors who hold GoIndustry Shares (being Neville Davis, Jack Reinelt and David Bailey) and from Jasmine Trustees Limited (the trustee of a trust of which Max Steinkopf is the sole beneficiary) and from certain other GoIndustry Shareholders to vote (or, as applicable, to procure to be voted) in favour of the Scheme Resolutions and the Ordinary Resolution to be proposed at the Shareholder Meetings or (in the event that Liquidity Services UK elects to proceed by means of a Takeover Offer at the Offer Price, to accept (or, as applicable, to procure the acceptance of) such Takeover Offer) in respect of 5,666,037 GoIndustry Shares (representing in aggregate approximately 57.83 per cent. of GoIndustry Shares currently in issue).

Further details of these irrevocable undertakings are set out in paragraph 8 of Part 2 and paragraph 9 of Part 5 of this document.

4. Background to and reasons for recommending the Acquisition

On 9 May 2012, GoIndustry announced its preliminary results for the year ended 31 December 2011, which are available by opening the document entitled '2011 Preliminary results' under the heading 'Investor Documents' on GoIndustry's website at <http://www.go-dove.com/company/InvestorRelations.asp>. Whilst the GoIndustry Group is making strong strategic progress on a number of fronts, it has yet to see tangible results of this progress in terms of realising consistent profitability and increasing the market value of GoIndustry.

After considering GoIndustry's progress, the opportunities that lie ahead and the resources available to realise such opportunities, the GoIndustry Board unanimously recommends that GoIndustry Shareholders vote in favour of the Scheme and the resolutions to be proposed at the Court Meeting and the General Meeting which would result in the entire issued and to be issued share capital of GoIndustry being acquired at 73 pence per share in cash by Liquidity Services UK. GoIndustry and its advisers have made substantial efforts to determine if offers would be available at more favourable terms. Based on those efforts, the Board believes that the Cash Consideration payable under the Acquisition represents fair and reasonable consideration for GoIndustry Shareholders and represents a premium of approximately 54 per cent. to the Closing Price of 47.5 pence per GoIndustry Share on 30 April 2012, being the last Business Day prior to the commencement of the Offer Period.

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5. Current trading

The GoIndustry Board has been continuing to implement its strategy to position the GoIndustry Group for growth by signing more large corporate forward flow accounts. The GoIndustry Board believes that this will bring greater visibility to revenue, and will help improve both profits and cashflow. The GoIndustry Board also has had an ongoing focus on efficiency, having reduced costs substantially during the latter part of 2011, whilst continuing to improve business processes. In addition, the GoIndustry Board expects the GoIndustry Group to benefit from improved performance as the investment climate recovers in North America and momentum within its markets improves.

6. Management and employees, places of business and fixed assets of the GoIndustry Group

Liquidity Services UK has given assurances that, upon completion of the Acquisition, the existing employment rights, including pension rights, of all employees of the GoIndustry Group will be fully safeguarded. Save in the case of the Chief Executive Officer, the Chief Financial Officer and the General Counsel of GoIndustry (who will be leaving employment with the GoIndustry Group immediately prior to the Scheme becoming effective, as referred to in paragraph 5 of Part 2 of this document), Liquidity Services does not currently have any plans to make any material change to the terms and conditions of employment of the management and employees of GoIndustry and its subsidiaries.

Each of the Non-Executive Directors of GoIndustry has agreed to resign from the GoIndustry Board immediately prior to the Scheme becoming effective, as referred to in paragraph 5 of Part 2 of this document.

Details of the Compromise Agreements entered into with the Chief Executive Officer, the Chief Financial Officer and the General Counsel of GoIndustry and the resignation letters of the Non-Executive Directors, together with the termination payments to be made to each of them, are referred to in paragraph 5 of Part 2 and in paragraphs 6 and 7 of Part 5 of this document.

Liquidity Services has also advised the GoIndustry Board that whilst it has no current intention to change the location of GoIndustry's operational places of business or to redeploy the fixed assets of the GoIndustry Group, it intends to carry out a strategic review of these locations following completion of the Acquisition.

The GoIndustry Board has considered Liquidity Services' intentions and plans for the GoIndustry Group as set out in this document, and their likely repercussions, and the statements from Liquidity Services about GoIndustry, GoIndustry's management, employees and locations of business. In the light of these statements, the GoIndustry Board is of the opinion that Liquidity Services' plans, and the implementation of the Acquisition, will provide continuity for the GoIndustry Group's businesses, customers and its employees.

In accordance with the requirements of Rule 2.12 of the Code, GoIndustry has made available to employees a copy of the Announcement published on 9 May 2012 and has informed employees of the right of employee representatives under Rule 25.9 of the Code to require that a separate opinion of the employee representatives on the effects of the Acquisition on employment be appended to this document. As at the date of publication of this document, no such opinion has been provided. If, and to the extent that, GoIndustry is provided with such an opinion after the date of publication of this document, GoIndustry will publish that opinion in accordance with the requirements of Rule 25.9 of the Code.

7. GoIndustry Share Schemes

Details in relation to the effect of the Acquisition on outstanding Share Options granted under the GoIndustry Share Schemes can be found in paragraph 10 of Part 2 of this document.

8. Convertible Loan Notes

Details in relation to the effect of the Acquisition on the outstanding Convertible Loan Notes can be found in paragraph 11 of Part 2 of this document.

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9. United Kingdom taxation

Your attention is drawn to paragraph 19 of Part 2 of this document relating to United Kingdom taxation. Scheme Shareholders who are in any doubt about their taxation position, who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom are strongly advised to contact an appropriate independent professional tax adviser immediately.

10. Overseas shareholders

Persons resident in, or citizens of, jurisdictions outside the United Kingdom should refer to paragraph 18 of Part 2 of this document.

11. Action to be taken

Details of the Shareholder Meetings to be held and the action to be taken in respect of the Scheme are set out in paragraphs 15 and 16 of Part 2 of this document.

It is particularly important that as many votes as possible are cast at the Court Meeting so that the Court may be satisfied that there is a fair representation of Scheme Shareholder opinion. You are therefore strongly urged to attend the Court Meeting or return your Forms of Proxy or transmit a proxy instruction (through CREST) as soon as possible.

You will find notices of the Court Meeting and the General Meeting set out in Parts 7 and 8 respectively of this document.

If you have any questions relating to this document, either of the Shareholder Meetings or the completion and return of the Forms of Proxy, please telephone Capita Registrars on 0871 664 0321 from within the UK or on +44 (0) 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

12. Cancellation of AIM Admission of GoIndustry Shares

Your attention is drawn to paragraph 20 of Part 2 of this document in relation to Liquidity Services' intentions regarding the suspension and cancellation of the admission of the GoIndustry Shares to trading on AIM and the re-registration of GoIndustry as a private company.

13. Further information

Please read carefully the remainder of this document, including the letter from WH Ireland set out in Part 2 of this document being the explanatory statement made in compliance with section 897 of the Companies Act. Please note that the information in this letter is not a substitute for reading the remainder of this document.

14. Recommendation

The GoIndustry Directors, who have been so advised by WH Ireland, consider the terms of the Acquisition to be fair and reasonable. In providing advice to the GoIndustry Directors, WH Ireland has taken into account the commercial assessments made by the GoIndustry Directors.

Accordingly, the GoIndustry Directors unanimously recommend that all GoIndustry Shareholders vote in favour of the Scheme Resolutions and the Ordinary Resolution at the Court Meeting and the General Meeting, as those GoIndustry Directors who hold GoIndustry Shares and the trustee of a trust of which one of the GoIndustry Directors is the sole beneficiary have irrevocably

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undertaken so to do in respect of their own beneficial holdings amounting in aggregate to 141,678 GoIndustry Shares (representing approximately 1.45 per cent. of the GoIndustry Shares currently in issue).

Yours faithfully



Neville Davis
Chairman
GoIndustry-DoveBid plc

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PART 2

EXPLANATORY STATEMENT

(in compliance with section 897 of the Companies Act 2006)



23 May 2012

To all holders of GoIndustry Shares (and, for information only, to participants in the GoIndustry Share Schemes and holder(s) of Convertible Loan Notes)

Dear GoIndustry Shareholder,

**Recommended Cash Acquisition by
Liquidity Services Limited (a wholly-owned subsidiary of Liquidity Services, Inc.)
of GoIndustry-DoveBid plc**

1. Introduction

On 9 May 2012, the GoIndustry Board and the Liquidity Services Board announced that they had reached agreement on the terms of a recommended cash acquisition to be made by Liquidity Services UK, a wholly-owned subsidiary of Liquidity Services, of the entire issued and to be issued share capital of GoIndustry at an Offer Price of 73 pence per GoIndustry Share. The Acquisition is to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

We have been authorised by the GoIndustry Directors to write to you to set out the terms of the Acquisition and to provide you with other relevant information. Information contained in this letter concerning GoIndustry (other than the Liquidity Services Group's reasons for the Acquisition, information concerning the financing of the Acquisition, the Liquidity Services Group, the business of the Liquidity Services Group and the intentions or expectations concerning the GoIndustry Group, its management and employees, places of business and fixed assets (following completion of the Acquisition), which are the views of the Liquidity Services Directors and the Liquidity Services UK Directors) reflect the views of the GoIndustry Directors.

The Acquisition is conditional on the Conditions and further terms set out in Part 3 of this document being satisfied, or where capable of waiver, waived. These Conditions include, among other things, the Conditions referred to in paragraph 15.5 of this Part 2.

GoIndustry Shareholders should read the whole of this document before deciding whether or not to vote in favour of the Scheme at the Court Meeting and the Special Resolution and the Ordinary Resolution to be proposed at the General Meeting.

2. Recommendation of the GoIndustry Directors

Your attention is drawn to the letter from the Chairman of GoIndustry set out in Part 1 of this document which forms part of this explanatory statement. The letter contains, amongst other things, the unanimous recommendation by the GoIndustry Directors that GoIndustry Shareholders vote in favour of the Scheme Resolutions and the Ordinary Resolution to be proposed at the Court Meeting and the General Meeting, as those GoIndustry Directors who hold GoIndustry Shares and the trustee of a trust of which one of the GoIndustry Directors is the sole beneficiary have undertaken so to do in respect of their own beneficial

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holdings amounting in aggregate to 141,678 GoIndustry Shares (representing approximately 1.45 per cent. of the GoIndustry Shares currently in issue) and the reasons for the recommendation.

The letter from the Chairman of GoIndustry set out in Part 1 of this document also states that the GoIndustry Directors, who have been so advised by WH Ireland, consider the terms of the Acquisition to be fair and reasonable. In providing its advice, WH Ireland has taken into account the GoIndustry Directors' commercial assessments.

The reasons for recommending the Acquisition are set out in paragraph 4 of the Chairman's letter and details of the effect of the Scheme on the interests of the GoIndustry Directors are referred to at paragraph 9 below of Part 2 of this document.

3. The Acquisition

The Acquisition is to be effected by way of a scheme of arrangement between GoIndustry and the Scheme Shareholders under Part 26 of the Companies Act. The Scheme is subject to the satisfaction (or, if applicable, waiver) of the Conditions set out in Part 3 of this document. Following the Scheme becoming effective, the entire issued share capital of GoIndustry will be held by Liquidity Services UK.

If the Scheme becomes effective in accordance with its terms, the Scheme Shares will be cancelled and Scheme Shareholders holding Scheme Shares at the Scheme Record Time will be entitled to receive:

for each Scheme Share

73 pence in cash

The Acquisition values the entire existing issued ordinary share capital of GoIndustry at approximately £7.15 million and the entire issued and to be issued share capital of GoIndustry at approximately £7.30 million (or US\$1 1.79 million based on the sterling to US dollar exchange rate as at close of business in London on the last Business Day prior to the Announcement Date).

The Offer Price of 73 pence in cash for each Scheme Share represents:

- a premium of approximately 54 per cent. to the Closing Price of 47.5 pence per GoIndustry Share on 30 April 2012, being the last Business Day prior to the commencement of the Offer Period; and
- a premium of approximately 12 per cent. to the Closing Price of 65 pence per GoIndustry Share on 8 May 2012, being the last Business Day prior to the Announcement Date.

4. Background to and reasons for the Acquisition

Liquidity Services has stated that the Liquidity Services Board believes that the acquisition of GoIndustry will provide Liquidity Services with an enhanced international presence contributing new and complementary capabilities to Liquidity Services' existing services for the sale of surplus assets. The Liquidity Services Directors believe that the Acquisition represents a strategic combination which will increase the size and scale of its online capital assets marketplace in several key industry areas and strengthen Liquidity Services' existing position in the aerospace, industrial equipment, transportation and scrap metal markets. In addition, the Acquisition will contribute new "inside the building" capabilities for the biopharma, consumer packaged goods, transport, semiconductor and electronics markets.

Liquidity Services has also stated that the Acquisition presents the opportunity for Liquidity Services to acquire GoIndustry's existing portfolio of approximately 5,000 selling clients and over 400,000 registered bidders, which include an impressive base of global enterprises clients. The Liquidity Services Board also believes that the Acquisition will enable Liquidity Services to improve its access to buyers and enhance its ability to serve Liquidity Services' existing clients. In addition, the Liquidity Services Board wants to position the Liquidity Services Group strategically so that it can increase the Liquidity Services Group's presence in the European and South-East Asian markets and believes the acquisition of GoIndustry represents the next stage of Liquidity Services' expansion into these key markets.

Furthermore, Liquidity Services has stated that the Liquidity Services Board believes that the integration of the GoIndustry and Liquidity Services businesses will allow GoIndustry's business to grow more profitably within a more cost-efficient corporate structure. Whilst the Acquisition is not expected to impact Liquidity Services' earnings per share for its 2012 financial year, Liquidity Services has stated that the Liquidity

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Services Board believes that the combination of the Liquidity Services and GoIndustry businesses will enhance Liquidity Services' earnings per share by one to three cents in Liquidity Services' 2013 financial year. Following completion of the Acquisition, it is therefore Liquidity Services' intention to combine the GoIndustry and Liquidity Services businesses.

5. Management and employees, places of business and fixed assets of the GoIndustry Group

Liquidity Services has confirmed that it attaches great importance to the skills and experience of the existing management and employees of the GoIndustry Group. Liquidity Services UK has given assurances that, upon completion of the Acquisition, the existing employment rights, including pension rights, of all employees of the GoIndustry Group will be fully safeguarded.

Save in the case of the Chief Executive Officer, the Chief Financial Officer and the General Counsel of GoIndustry (as referred to below), Liquidity Services does not currently have any plans to make any material change to the terms and conditions of employment of the management and employees of GoIndustry and its subsidiaries.

Liquidity Services has advised the GoIndustry Board that whilst it has no current intention to change the location of GoIndustry's operational places of business or to redeploy the fixed assets of the GoIndustry Group, it intends to carry out a strategic review of these locations following completion of the Acquisition.

Liquidity Services plans to work with the GoIndustry management teams to develop and integrate the GoIndustry business within the existing Liquidity Services Group. The GoIndustry Board and the Liquidity Services Board both believe that there will be opportunities for GoIndustry employees to develop their careers within the broader framework of the Enlarged Group. In due course, when the integration is complete, Liquidity Services expects to review the Enlarged Group's operations and it may then be desirable to make limited operational changes to maximise efficiency and effectiveness.

Each of the Chief Executive Officer, the Chief Financial Officer and the General Counsel of GoIndustry will be leaving employment with the GoIndustry Group immediately prior to the Scheme becoming effective. They will each receive remuneration in line with the termination provisions of their respective service contracts by way of compensation pursuant to the terms of conditional compromise agreements together with payment of all outstanding salary and benefits and agreed termination payments. Further details of the compromise agreements entered into with the Chief Executive Officer and Chief Financial Officer of GoIndustry and the payments to be made under them are set out in paragraph 6 of Part 5 of this document and further details of the compromise agreement entered into with the General Counsel of GoIndustry and the payments to be made under it are set out in paragraph 7 of Part 5 of this document.

The Non-Executive Directors of GoIndustry have agreed to resign as members of the GoIndustry Board immediately prior to the Scheme becoming effective. They will each receive payments in lieu of the notice that GoIndustry would otherwise be required to give them under their respective letters of appointment. Further details of the resignation letters and termination payments are set out in paragraph 6 of Part 5 of this document.

6. Information on the GoIndustry Group

GoIndustry is a public limited company incorporated in England and Wales. GoIndustry Shares are quoted on the London Stock Exchange's AIM market (*Epic: GOI*). GoIndustry is a global market leader in the provision of asset management, auction and valuation services and has over 400,000 registered bidders. GoIndustry delivers innovative solutions that help to value assets accurately, optimise asset utilisation and reduce costs. GoIndustry combines its asset, industry and market expertise, with eCommerce technology to service the needs of multi-national manufacturing corporations, financial institutions, insolvency practitioners, used equipment dealers and asset based lenders around the world.

In its preliminary results for the financial year ended 31 December 2011 announced on 9 May 2012, GoIndustry had revenues of £33.5 million (31 December 2010: £40.1 million) and a loss before tax of £4.0 million (31 December 2010: £0.7 million). As at 31 December 2011, total assets were £48.0 million (31 December 2010: £54.6 million) and net assets were £22.1 million (31 December 2010: £26.6 million).

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As at the date of this document, there are 9,798,494 GoIndustry Shares in issue. In addition, GoIndustry has in issue £500,000 of Convertible Loan Notes which are convertible into GoIndustry Shares. Further details of the Convertible Loan Notes are set out in paragraph 11 below.

7. Information on the Liquidity Services Group *Information on Liquidity Services*

Liquidity Services is the parent company of the Liquidity Services Group and is a public corporation incorporated under the laws of Delaware, USA. Shares in Liquidity Services are listed on NASDAQ. Liquidity Services provides corporations, public sector agencies and buying customers with online marketplaces and integrated services for the sale of surplus assets. On behalf of its clients, Liquidity Services has completed the sale of over approximately US\$2.6 billion of surplus, returned and end-of-life assets, in over 500 product categories, including consumer goods, capital assets and industrial equipment. Liquidity Services is based in Washington, D.C. and has approximately 700 employees.

Information on Liquidity Services UK

Liquidity Services UK is a direct, wholly-owned subsidiary of Liquidity Services incorporated in England and Wales with registered number 04843035. The Liquidity Services UK Directors are William P. Angrick, III and Thomas Burton.

8. Irrevocable Undertakings *Directors' irrevocable undertakings*

Liquidity Services and Liquidity Services UK have received irrevocable undertakings from those GoIndustry Directors who beneficially own GoIndustry Shares (being Neville Davis, Jack Reinelt and David Bailey) and from Jasmine Trustees Limited (the trustee of a trust of which Max Steinkopf is the sole beneficiary), to vote (or, as applicable, to procure the vote) in favour of the Scheme Resolutions and the Ordinary Resolution to be proposed at the Shareholders Meetings (and if the Acquisition is subsequently structured as a Takeover Offer at the Offer Price, to accept (or, as applicable, to procure the acceptance of) any such Takeover Offer made by Liquidity Services UK) in respect of their entire beneficial holdings, as set out below, being GoIndustry Shares representing, in aggregate, approximately 1.45 per cent. of the existing issued share capital of GoIndustry.

<u>GoIndustry</u>	<u>Number of Shares</u>	<u>Percentage of existing issued share capital</u>
Neville Davis	15,555	0.16
Jack Reinelt	55,555	0.57
David Bailey	53,516	0.55
Jasmine Trustees Limited	17,052	0.17

In the case of the irrevocable undertakings given by Neville Davis, Jack Reinelt and David Bailey, these irrevocable undertakings:

- will continue to be binding in the event that a higher competing offer is made for GoIndustry; and
- will cease to be binding if (i) the Scheme does not become effective (or Takeover Offer, as applicable, does not become wholly unconditional) on or before the date being six months following the Announcement Date, or (ii) the Scheme is withdrawn or otherwise lapses.

In the case of the irrevocable undertaking given by Jasmine Trustees Limited (the trustee of a trust of which Max Steinkopf is the sole beneficiary), this irrevocable undertaking will cease to be binding if (i) the Scheme does not become effective (or Takeover Offer, as applicable, does not become wholly unconditional) on or before the date being six months following the Announcement Date, or (ii) the Scheme is withdrawn or otherwise lapses. In addition, such undertaking will cease to be binding if, before 5.00 p.m. on the last Business Day before the Court Meeting, a third party announces in accordance with Rule 2.7 of the Code, a firm intention to make an offer (including, for this purpose, an acquisition by means of a scheme of

arrangement), which is not subject to any pre-condition, to acquire all the issued and to be issued share capital of GoIndustry (other than any shares already owned by such third party and its associates) and which in the case of an offer involving only cash consideration, for a cash consideration which is at least 10 per cent. over the offer price available under the Acquisition as at the date of such third party announcement or in the case of an offer including or comprising non-monetary consideration, for a consideration per share which represents, in the reasonable opinion of RBC Capital Markets, at least 10 per cent., over the value of the consideration available under the Acquisition at the date of such third party's announcement (provided that Liquidity Services UK has not within 5 Business Days of such third party's announcement itself announced an improvement to the terms of the Scheme which are no less favourable on the date on which such improvement is announced by Liquidity Services UK than the terms of the third party's proposal).

Other undertakings

Liquidity Services and Liquidity Services UK have also received irrevocable undertakings from certain other GoIndustry Shareholders to vote (or, as applicable, to procure the vote) in favour of the Scheme Resolutions and the Ordinary Resolution (and if the Acquisition is subsequently structured as a Takeover Offer at the Offer Price, to accept (or, as applicable, to procure the acceptance of) any such Takeover Offer made by Liquidity Services UK) in respect of their beneficial holdings, as set out below, being GoIndustry Shares representing, in aggregate, approximately 56.38 per cent. of the existing issued share capital of GoIndustry.

<u>GoIndustry</u>	<u>Number of Shares</u>	<u>Percentage of existing issued share capital</u>
ICG Holdings, Inc.	2,546,743	25.99
Bond Capital Partners 1 Limited	1,897,092	19.36
Atlas Venture Fund IV, L.P	1,067,232	10.89
Atlas Venture Entrepreneurs' Fund IV, L.P.	13,292	0.14

The undertakings set out above will cease to be binding if (i) the Scheme does not become effective (or Takeover Offer, as applicable, does not become wholly unconditional) on or before the date being six months following the Announcement Date, or (ii) the Scheme is withdrawn or otherwise lapses. In addition, such undertakings will cease to be binding if, before 5.00 pm on the last Business Day before the Court Meeting, a third party announces in

accordance with Rule 2.7 of the Code, a firm intention to make an offer (including, for this purpose, an acquisition by means of a scheme of arrangement), which is not subject to any precondition, to acquire all the issued and to be issued share capital of GoIndustry (other than any shares already owned by such third party and its associates) and which in the case of an offer involving only cash consideration, for a cash consideration which is at least 10 per cent. over the offer price available under the Acquisition as at the date of such third party announcement or in the case of an offer including or comprising non-monetary consideration, for a consideration per share which represents, in the reasonable opinion of RBC Capital Markets, at least 10 per cent., over the value of the consideration available under the Acquisition at the date of such third party's announcement (provided that Liquidity Services UK has not within 5 Business Days of such third party's announcement itself announced an improvement to the terms of the Scheme which are no less favourable on the date on which such improvement is announced by Liquidity Services UK than the terms of the third party's proposal).

9. The GoIndustry Directors and the effect of the Scheme on their interests

The GoIndustry Directors and details of their interests in the ordinary share capital of GoIndustry are set out in paragraph 5 of Part 5 of this document. Particulars of the GoIndustry Directors' service agreements and letters of appointment are set out in paragraph 6 of Part 5 of this document.

As referred to above, each of the GoIndustry Directors who beneficially owns GoIndustry Shares (being Neville Davis, Jack Reinelt and David Bailey) and Jasmine Trustees Limited (the trustee of a trust of which Max Steinkopf is the sole beneficiary), has signed an irrevocable undertaking in favour of Liquidity Services and Liquidity Services UK to vote in favour of the Scheme Resolutions and the Ordinary Resolution to be proposed at the Shareholder Meetings in respect of the GoIndustry Shares in which they are each interested. Further details of these irrevocable undertakings are set out in paragraph 9 of Part 5 of this document.

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In accordance with the rules or terms of the GoIndustry Share Schemes, Jack Reinelt and Leslie-Ann Reed, both of whom are GoIndustry Directors, will be entitled to exercise the Share Options held by them and which are capable of being exercised upon the Scheme Sanction Court Order being made. The Share Options held by Jack Reinelt (to subscribe for 97,443 GoIndustry Shares at 70p per share) and Leslie-Ann Reed (to subscribe for 97,985 GoIndustry Shares at 57p per share) are the only outstanding Share Options granted under the GoIndustry Share Schemes that are at an exercise price less than the Offer Price and it is therefore anticipated that these will be the only Share Options which will actually be exercised.

Save as set out above and the compromise agreements and resignation letters entered into with the GoIndustry Directors set out or referred in paragraph 5 above, the effect of the Scheme on the interests of the GoIndustry Directors does not differ from its effect on the interests of any other holder of GoIndustry Shares.

10. Effect of the Acquisition on GoIndustry Share Schemes

In accordance with the terms of the GoIndustry Share Schemes (other than the GoIndustry 2009 Unapproved Share Option Plan), Share Options granted to GoIndustry Option Holders under such Share Schemes will, to the extent not already exercisable, become exercisable for a period of six months from the date that the Scheme is sanctioned by the Court. Any such Share Options not so exercised will lapse at the end of such six month period.

In accordance with the terms of the GoIndustry 2009 Unapproved Share Option Plan, Share Options granted to GoIndustry Option Holders under such Share Scheme will, to the extent not already exercisable, become immediately exercisable as a result of this document being despatched (any such exercise to be conditional on the Scheme being sanctioned by the Court) and if not so exercised, will lapse immediately upon the Scheme being sanctioned by the Court.

The Offer Price is less than the exercise price of all outstanding Share Options granted under the GoIndustry Share Schemes (other than options to subscribe for 97,443 GoIndustry Shares granted to Jack Reinelt and for 97,985 GoIndustry Shares granted to Leslie-Ann Reed in each case under the GoIndustry 2009 Unapproved Share Option Plan). Accordingly, if the GoIndustry Option Holders (other than Jack Reinelt and Leslie-Ann Reed) were to exercise their Share Options, the amount they would receive for their resulting GoIndustry Shares when they are cancelled as part of the Scheme (or acquired by Liquidity Services UK after the Scheme becomes effective) would be less than the amount which they would have to pay to exercise the Share Options. It is therefore expected that GoIndustry Option Holders (other than Jack Reinelt and Leslie-Ann Reed) will not choose to exercise their Share Options and that they will lapse (in the case of Share Options granted under the GoIndustry 2009 Unapproved Share Option Plan) on the Scheme Sanction Court Order being made and (in the case of all other Share Options) at the end of the six month period following the Scheme Sanction Court Order being made, in accordance with their respective terms.

Any GoIndustry Shares issued pursuant to the exercise of options under the GoIndustry Share Schemes prior to the Scheme Record Time will however be subject to the terms of the Scheme.

As set out in the Special Resolution, an amendment to the GoIndustry Articles is being proposed at the General Meeting to the effect that any GoIndustry Shares allotted and issued pursuant to the exercise of an option under the GoIndustry Share Schemes (which are not subject to the Scheme) will be automatically transferred to, and purchased by, Liquidity Services UK on the same terms as the Acquisition.

The provisions relating to the outstanding options under the GoIndustry Share Schemes and the effect of the Scheme on them are set out below.

The GoIndustry Directors, who have been so advised by WH Ireland, consider the proposals in relation to GoIndustry Option Holders set out in this paragraph 10 of this letter to be fair and reasonable in the context of the Acquisition.

Individual option agreements

Under the individual unapproved option agreements entered into by GoIndustry with various individuals in 2006 (shortly after GoIndustry's acquisition of GoIndustry AG) pursuant to which GoIndustry granted such individuals options to subscribe for GoIndustry Shares in consideration of the release of all of their options

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over shares in GoIndustry AG, options become immediately exercisable for a period of six months from the date on which the Court sanctions the Scheme. At the end of such six month period, any such outstanding options which have not been exercised will immediately lapse.

GoIndustry 2007 Executive Scheme

Under the GoIndustry 2007 Executive Scheme, options become immediately exercisable for a period of six months from the date on which the Court sanctions the Scheme. At the end of such six month period, any such outstanding options which have not been exercised will immediately lapse.

GoIndustry 2009 Unapproved Share Option Plan

Under the GoIndustry 2009 Unapproved Share Option Plan, options become immediately exercisable upon this document being despatched (such exercise being conditional upon the Court sanctioning the Scheme). To the extent such options are not exercised, any such outstanding options will immediately lapse after the Court has sanctioned the Scheme.

11. Effect of the Acquisition on Convertible Loan Notes

The outstanding Convertible Loan Notes (currently held by a single holder) are convertible into GoIndustry Shares at a subscription price of 280p per share and therefore at a price substantially in excess of the Offer Price. Accordingly, it is not anticipated that the holder of the outstanding Convertible Loan Notes will exercise its subscription rights.

Any GoIndustry Shares issued pursuant to the exercise of conversion rights under the Loan Note Instrument prior to the Scheme Record Time will however be subject to the terms of the Scheme.

As set out in the Special Resolution, an amendment to the Articles is being proposed at the General Meeting to the effect that any GoIndustry Shares allotted and issued pursuant to the exercise of conversion rights under the Loan Note Instrument (which are not subject to the Scheme) will be automatically transferred to, and purchased by, Liquidity Services UK on the same terms as the Acquisition.

The GoIndustry Directors, who have been so advised by WH Ireland, consider the proposals in relation to the holders of Convertible Loan Notes set out in this paragraph 11 of this letter to be fair and reasonable in the context of the Acquisition.

12. Financing of the Acquisition and Cash Confirmation

The aggregate Cash Consideration payable by Liquidity Services UK under the terms of the Acquisition will be funded from the Liquidity Services Group's existing cash resources.

RBC Capital Markets, financial adviser to Liquidity Services UK, is satisfied that sufficient resources are available to Liquidity Services UK to satisfy in full the Cash Consideration payable by Liquidity Services UK under the terms of the Acquisition.

13. Offer-related arrangements

Liquidity Services has entered into a confidentiality agreement with GoIndustry relating to, amongst other things, confidential information provided to the Liquidity Services Group in connection with the Acquisition, further details of which are set out in paragraph 8.1 of Part 5 of this document.

Liquidity Services and/or Liquidity Services UK have also entered into a fees undertaking letter with GoIndustry in relation to additional fees incurred by GoIndustry as a result of the Acquisition being effected by way of the Scheme and a transaction letter with GoIndustry in relation to the implementation of the Acquisition and the Scheme. Further details of these letters are set out in paragraphs 8.2 and 8.3 of Part 5 of this document.

14. Prior transfers of GoIndustry AG subsidiaries and US assets of the GoIndustry Group

In order to ensure that certain operating losses within the GoIndustry Group will continue to be available to the Enlarged Group following completion of the Acquisition, GoIndustry and Liquidity Services have agreed that certain subsidiaries and assets of the GoIndustry Group will be transferred to the Liquidity Services Group following the Scheme Sanction Order being made and in advance of the Scheme becoming effective. These transfers comprise:

- (a) the entire issued share capital of three members of the GoIndustry Group (being GoIndustry UK, GoIndustry Operations and GoIndustry Osterreich (together the "**AG Sub Group**")), being transferred by GoIndustry AG to Liquidity Services UK pursuant to the provisions of the UK Share Sale Agreement for US\$25,000 each in cash; and
- (b) the assets of GoIndustry, Inc., being transferred by GoIndustry, Inc. to Liquidity Services Sub pursuant to the provisions of the US Assets Sale Agreement for US\$100,000 in cash and the assumption by Liquidity Services Sub of the liabilities of GoIndustry, Inc.

Completion of the UK Share Sale Agreement and the US Assets Sale Agreement is conditional upon, amongst other things, the Ordinary Resolution being passed and the Scheme Sanction Order being made.

GoIndustry and Liquidity Services have also agreed that these transactions may be unwound in the event that, amongst other things, the Capital Reduction Court Order is not made or the Scheme does not become effective within five business days of the Scheme Court Hearing. Under the terms of the UK Share Sale Agreement and the US Assets Sale Agreement, GoIndustry AG and GoIndustry, Inc. each have the benefit of a call option to require Liquidity Services and Liquidity Services Sub to transfer such shares and assets back to GoIndustry AG and GoIndustry, Inc., respectively, and Liquidity Services UK and Liquidity Services Sub each have the benefit of a put option to require GoIndustry AG and GoIndustry, Inc. to re-acquire such shares and assets from Liquidity Services UK and Liquidity Services Sub, on the same terms and conditions as the original transfer if the Scheme does not become effective within that five business day period. If the put and call options become exercisable but notice to exercise the put option or the call option is not issued, GoIndustry AG and GoIndustry, Inc. shall be deemed to have served a call option notice to require Liquidity Services UK and Liquidity Services Sub, respectively, to dispose of the shares and assets initially transferred on completion of the UK Share Sale Agreement and the US Assets Sale Agreement.

The Panel has given consent to GoIndustry AG and GoIndustry, Inc. entering into the UK Share Sale Agreement and the US Assets Sale Agreement respectively.

As the three members of the GoIndustry Group and the assets being sold comprise a substantial part of the GoIndustry Group's business, completion of both the UK Share Sale Agreement and the US Assets Sale Agreement is subject to the approval of GoIndustry Shareholders in accordance with the AIM Rules. This approval is being sought from GoIndustry Shareholders pursuant to the Ordinary Resolution to be proposed as a separate resolution (resolution no. 2) at the General Meeting.

As at 31 December 2011, the AG Sub Group had aggregate net liabilities of £22.1 million and sustained an aggregate loss of £2.27 million for the twelve months ended on that date. As at 31 December 2011, GoIndustry, Inc. had aggregate net assets of £8.4 million and made a profit of £0.59 million for the twelve months ended on that date.

Further details of the UK Share Sale Agreement and the US Assets Sale Agreement are set out in paragraphs 8.4 and 8.5 of Part 5 of this document.

15. Description of the Scheme and the Shareholder Meetings

15.1 Structure of the Scheme

It is intended that the Acquisition will be effected by way of the Scheme. The purpose of the Scheme is for Liquidity Services UK to become the owner of the whole of the issued and to be issued ordinary share capital of GoIndustry. This will be achieved by GoIndustry making an application to the Court to sanction the Scheme and to confirm the Capital Reduction. Upon the Scheme becoming effective, the GoIndustry Shares subject to the Scheme will be cancelled and the reserve arising from such cancellation will be applied in paying up in full a number of New GoIndustry Shares (which is equal, in nominal value, to the number of GoIndustry Shares cancelled) and issuing them to Liquidity Services

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UK, in consideration of which the holders of those GoIndustry Shares so cancelled will receive 73 pence per Scheme Share.

The Scheme is an arrangement made under Part 26 of the Companies Act subject to the approval of the Court. GoIndustry will make an application to the Court to sanction the Scheme and then to confirm the related Capital Reduction.

To become effective, the Scheme requires, amongst other things, the approval of a majority in number of Scheme Shareholders (which, for the avoidance of doubt, excludes Liquidity Services, Liquidity Services UK and their concert parties) present and voting, whether in person or by proxy, at the Court Meeting representing 75 per cent. or more in value of the Scheme Shares voted. Upon the Scheme becoming effective, it will become binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or General Meeting (and, if they attended and voted, whether or not they voted in favour). All Scheme Shareholders are entitled to attend the Court Hearings in person or to be represented by Counsel to support or oppose the sanctioning of the Scheme. Further details of the Shareholder Meetings and the Conditions are set out in paragraphs 15.2 to 15.4 below.

Liquidity Services UK has agreed to subscribe for or acquire, prior to the Scheme Record Time and to hold until after the Scheme Effective Date, one fully paid GoIndustry Share. This will mean that Liquidity Services UK will be a member of GoIndustry on the Scheme Effective Date and accordingly there will be no requirement under section 593 of the Companies Act for an independent valuation of the New GoIndustry Shares. The additional GoIndustry Share to be subscribed for or acquired by Liquidity Services UK in advance of the Scheme Record Time, will not be a Scheme Share and will not be subject to the Scheme.

It is expected that the Scheme will become effective on 4 July 2012, subject to the satisfaction or (where applicable) waiver of all relevant Conditions.

15.2 The Shareholder Meetings

The implementation of the Scheme will require the approval of the Scheme by the Scheme Shareholders at the Court Meeting to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 10.00 a.m. on 13 June 2012 and the passing by the GoIndustry Shareholders of the Special Resolution to be proposed at the General Meeting to be held immediately after the Court Meeting also at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 10.15 a.m. on 13 June 2012.

Notices of both the Court Meeting and the General Meeting are set out in Part 7 and Part 8 respectively of this document.

Liquidity Services, Liquidity Services UK and their concert parties are not entitled to vote at the Court Meeting, given their interests in the Acquisition, but have agreed to be bound by the terms of the Scheme.

Whether or not you vote in favour of the Scheme Resolutions to be tabled at the Shareholder Meetings, if the Scheme becomes effective, your Scheme Shares will be cancelled and you will receive the consideration due under the terms of the Acquisition.

As soon as practicable and, in any event, by no later than 7.00 a.m. on the Business Day following the Shareholder Meetings, GoIndustry shall make an announcement on a Regulatory Information Service stating whether or not the Scheme Resolutions were passed by the requisite majorities (and, if not, whether or not the Scheme has lapsed) and giving voting results in relation to the Shareholder Meetings.

15.3 Court Meeting

The Court Meeting will be held at the direction of the Court and has been convened for 10.00 a.m. on 13 June 2012 to enable the Scheme Shareholders to consider and, if thought fit, approve the Scheme. At the Court Meeting, voting will be by poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held by him. The approval required at the Court Meeting is that those voting to approve the Scheme must represent:

- (i) the majority in number of; and

(ii) at least 75 per cent. in value of the Scheme Shares held by, those Scheme Shareholders voting in person or by proxy.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of Scheme Shareholder opinion.

15.4 *General Meeting*

The General Meeting has been convened for 10.15 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) on the same date as the Court Meeting to enable all GoIndustry Shareholders to consider and, if thought fit, approve the Special Resolution to approve the Scheme and to authorise: (i) the cancellation of the Scheme Shares held by Scheme Shareholders;

(ii) a reduction of GoIndustry's share capital equal to the nominal value of the Scheme Shares which are to be cancelled pursuant to the Scheme and the subsequent issue of New GoIndustry Shares to Liquidity Services UK in accordance with the Scheme; (iii) certain amendments to the GoIndustry Articles; and (iv) various related matters. An Ordinary Resolution is also being proposed at the General Meeting to approve both the UK Share Sale Agreement and the US Assets Sale Agreement in accordance with the AIM Rules (as referred to in paragraph 13 above of this Part 2), but neither the Scheme nor the Acquisition is conditional upon the approval by GoIndustry Shareholders of these agreements or their completion.

The Special Resolution will require votes in favour of not less than 75 per cent. of the votes cast by GoIndustry Shareholders voting in person or by proxy at the General Meeting in order to be passed.

The Special Resolution, if passed, will authorise certain amendments to the GoIndustry Articles required in connection with the Scheme. The proposed amendments will provide, amongst other things, that: (i) any GoIndustry Shares issued at or after the date of such amendments and up to the Scheme Record Time will be subject to the Scheme; and (ii) subject to the implementation of the Scheme any GoIndustry Shares issued to any person (other than to Liquidity Services UK or its nominee(s)) on or after the Scheme Record Time will be immediately transferred to Liquidity Services UK, in consideration of the payment of the same consideration per GoIndustry Share as was due to a holder of Scheme Shares under the Scheme. This will avoid any person (other than Liquidity Services UK or its nominee(s)) being left with GoIndustry Shares after dealings in such shares have ceased trading, which will occur at the close of business on the Last Dealing Date. The proposed changes to the GoIndustry Articles are contained in the notice of the General Meeting set out in Part 8 of this document.

If the Scheme becomes effective, it will be binding on all holders of Scheme Shares, including any holders who did not vote to approve, or who voted against, the Scheme.

15.5 *Conditions*

In addition to the shareholder approvals referred to above, the Scheme will also require the sanction of the Court and the satisfaction or waiver of the other Conditions set out in Part 3 of this document. The implementation of the Scheme is conditional, amongst other things, upon:

- (i) the approval by a majority in number of the GoIndustry Shareholders (being Scheme Shareholders who are on the register of members of GoIndustry at the Voting Record Time) representing at least 75 per cent. of the value of the GoIndustry Shares (or the relevant class or classes of GoIndustry Shares, if applicable), present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or any adjournment of such meeting;
- (ii) the Scheme Resolutions necessary to approve and implement the Scheme and to approve the related Capital Reduction being duly passed by GoIndustry Shareholders by the requisite majorities at the General Meeting or any adjournment of such meeting;
- (iii) the sanction of the Scheme by the Court with or without modification (but subject to any modification being acceptable to Liquidity Services UK and GoIndustry) and confirmation of the Capital Reduction by the Court and the delivery for registration of the Scheme Sanction Court Order, the Capital Reduction Court Order and the requisite Statement of Capital to the Registrar of Companies;

- (iv) the Scheme becoming unconditional and effective, subject to the Code, by no later than the Long Stop Date or such later date (if any) as Liquidity Services UK and GoIndustry may, with the consent of the Panel, agree and (if required) the Court may allow; and
- (v) other conditions not otherwise identified above (but set out in Part 3 of this document) either being satisfied or, with the exception of certain conditions which are not capable of waiver, waived,

by the Long Stop Date. If any Condition referred to in paragraphs (i) to (v) above is not capable of being satisfied by the Long Stop Date, Liquidity Services UK shall make an announcement through a Regulatory Information Service as soon as practicable and, in any event, by not later than 7.00 a.m. on the Business Day following the date so specified, stating whether Liquidity Services UK has invoked that Condition, waived that Condition or, with the agreement of GoIndustry, specified a new date by which that Condition must be satisfied.

As referred to above, neither the Scheme nor the Acquisition is conditional upon the passing of the Ordinary Resolution at the General Meeting or completion of the UK Share Sale Agreement or the US Assets Sale Agreement.

15.6 *Scheme Effective Date*

The Scheme will become effective upon: (i) the delivery of copies of the Court Order(s) and the Statement of Capital to the Registrar of Companies; and (ii) if so ordered in order to take effect, the registration of the Capital Reduction Court Order and such Statement of Capital by the Registrar of Companies.

15.7 *Return of documents of title*

If the Scheme lapses or is withdrawn, all documents of title lodged by any Scheme Shareholder with any Form of Proxy shall be returned to such Scheme Shareholder as soon as practicable (and in any event within 14 days of such lapsing or withdrawal) and to the extent that any securities of GoIndustry are held in escrow by GoIndustry's Registrar, Capita Registrars, in connection with the Scheme, instructions shall be given immediately for the release of such securities.

15.8 *Entitlement to vote at the Shareholder Meetings*

Each GoIndustry Shareholder who is entered in GoIndustry's register of members at the Voting Record Time (expected to be 6.00 p.m. on 11 June 2012) will be entitled to attend and vote at the Court Meeting and the General Meeting. If either Shareholder Meeting is adjourned, only those Shareholders on the register of members at 6.00 p.m. on the day which is two days before the adjourned meeting will be entitled to attend and vote.

Each Scheme Shareholder is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a Shareholder of the Company. Please see paragraph 15 of this Part 2 of this document for further information on actions to be taken in order to vote at the Shareholder Meetings and to appoint proxies.

15.9 *Modifications and revision*

The Scheme contains a provision for Liquidity Services UK and GoIndustry jointly to consent on behalf of all persons affected to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or additions to, or impose a condition to the Scheme which might be material to the interests of Scheme Shareholders unless Scheme Shareholders were informed of any modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders should be held in these circumstances.

Liquidity Services UK reserves the right, with the agreement of GoIndustry and the consent of the Panel (where necessary), to elect to implement the Acquisition by way of a Takeover Offer for the entire issued and to be issued share capital of GoIndustry as an alternative to the Scheme. Any such Takeover Offer will be subject to an acceptance condition of Liquidity Services UK having acquired (whether pursuant to the Takeover Offer or otherwise) such percentage (being more than 50 per cent.) of the GoIndustry Shares, as Liquidity Services UK may decide, having consulted with the Panel. Otherwise the Takeover Offer will be implemented on the same terms (subject to appropriate amendments), including (without limitation) an acceptance condition set at 90 per cent. (or such lesser percentage, being more than

50 per cent., as Liquidity Services UK may decide) of the GoIndustry Shares to which such offer relates, so far as applicable, as those which would apply to the Scheme and in compliance with applicable laws and regulations.

Any modification or revision to the Scheme shall be made no later than the date which is 14 days prior to the date of the Shareholder Meetings (or any later date to which such meetings are adjourned). Liquidity Services UK and GoIndustry shall only make a modification or revision to the Scheme either: (a) less than 14 days prior to the date of the Shareholder Meetings (or any later date to which such meetings are adjourned); or (b) following the Shareholder Meetings, with the consent of the Panel.

16. **Action to be taken**

You will find notices of the Court Meeting and the General Meeting set out in Parts 7 and 8 respectively of this document. You will also find enclosed with this document:

- a WHITE Form of Proxy for use in respect of the Court Meeting;
- a BLUE Form of Proxy for use in respect of the General Meeting; and
- a reply-paid envelope for use only in the United Kingdom.

Whether or not you propose to attend either of the Shareholder Meetings in person, you are urged to complete BOTH Forms of Proxy in accordance with the instructions printed thereon and to return them either to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU so as to be received as soon as possible and in any event by no later than:

- 10.00 a.m. on 11 June 2012 in the case of the WHITE Form of Proxy for the Court Meeting; and
- 10.15 a.m. on 11 June 2012 in the case of the BLUE Form of Proxy for the General Meeting,

(or, in the case of any adjournment, not later than 48 hours before the time fixed for the adjourned meeting). A reply-paid envelope has been provided for this purpose for use in the United Kingdom only. Forms of Proxy returned by fax will not be accepted. The Scheme requires approval at both the Court Meeting and the General Meeting.

If the WHITE Form of Proxy relating to the Court Meeting is not lodged by 10.00 a.m. on 11 June 2012, it may be handed to the Chairman of the Court Meeting at the Court Meeting before the taking of the poll. However, unless the BLUE Form of Proxy is lodged by 10.15 a.m. on 11 June 2012, it will be invalid.

If you hold your GoIndustry Shares in CREST, you may vote using the CREST voting service in accordance with the procedures set out in the CREST Manual via CREST (please also refer to the accompanying notes for the notices of the Shareholder Meetings set out in Parts 7 and 8 of this document and in the Forms of Proxy).

Proxies submitted electronically through CREST must be sent as soon as possible, and in any event so as to be received by no later than 10.00 a.m. on 11 June 2012 in the case of the Court Meeting and by 10.15 a.m. on 11 June 2012 in the case of the General Meeting (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The Court Meeting and the General Meeting will be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 10.00 a.m. and 10.15 a.m., respectively, on 13 June 2012.

Completing and returning the Forms of Proxy or completing and transmitting a CREST Proxy Instruction will not prevent you from attending and voting at either of the Shareholder Meetings, or any adjournment of any Shareholder Meeting, in person if you wish to do so.

It is particularly important that as many votes as possible are cast at the Court Meeting so that the Court may be satisfied that there is a fair representation of Scheme Shareholder opinion. You are therefore strongly urged to return your Forms of Proxy or transmit a proxy instruction through CREST as soon as possible.

17. Settlement and share certificates

Subject to the Scheme becoming effective, settlement of the Cash Consideration to which any holder of Scheme Shares is entitled thereunder will be effected within 14 days of the Scheme Effective Date in the manner set out below.

Except with the consent of the Panel, settlement of Cash Consideration to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme free of any lien, right of set-off, counterclaim or other analogous right to which Liquidity Services UK may otherwise be, or claim to be, entitled against such Scheme Shareholder.

All documents and remittances sent through the post will be sent at the risk of the person(s) entitled thereto, and shall be sent by first class post addressed to the persons entitled thereto at their respective addresses as appearing in the register of members of GoIndustry at the Scheme Record Time, or in the case of joint holders, at the address of that member that stands first in the register of members in respect of that holding.

17.1 *Cash consideration where Scheme Shares are held in uncertificated form (that is, in CREST)*

On the Scheme Effective Date, Scheme Shares held within CREST will be cancelled. Scheme Shareholders who hold Scheme Shares in uncertificated form will receive any Cash Consideration to which they are entitled through CREST by Liquidity Services UK procuring the creation of an assured payment obligation in favour of the appropriate CREST account through which the relevant Scheme Shareholder holds such uncertificated shares in respect of the Cash Consideration due to him.

As from the Scheme Effective Date, each holding of Scheme Shares credited to any stock account in CREST shall be disabled and all Scheme Shares will be removed from CREST in due course thereafter.

Liquidity Services UK reserves the right to pay all or any part of the Cash Consideration referred to above to all or any Scheme Shareholder(s) who hold(s) Scheme Shares in uncertificated form at the Scheme Record Time in the manner referred to in paragraph 17.2 of this Part 2 if, for reasons outside its reasonable control, it is not able to effect settlement in uncertificated form in accordance with this paragraph 17.1.

17.2 *Cash consideration where Scheme Shares are held in certificated form*

On the Scheme Effective Date, Scheme Shares held in certificated form will be cancelled and share certificates for such Scheme Shares will cease to be valid and should be destroyed.

Settlement of the Cash Consideration in respect of Scheme Shares held in certificated form shall be despatched:

- (i) by first-class post, by cheque drawn on a branch of a UK clearing bank; or
- (ii) by such other method as may be approved by the Panel.

All such cash payments shall be made in pounds sterling. Payments made by cheque shall be payable to the Scheme Shareholders concerned. Cheques shall be despatched within 14 days of the Scheme Effective Date.

18. Overseas Shareholders

The release, publication or distribution of this document in, into or from jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any applicable restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Neither this document nor the accompanying Forms of Proxy are intended to, and do not, constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Scheme or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful. Nothing in this document or the accompanying Forms of Proxy should be relied upon for any other purpose.

The implications of the Scheme for Overseas Shareholders may be affected by the laws of the relevant jurisdiction. Overseas Shareholders should inform themselves about and observe any applicable legal

requirements. It is the responsibility of each Overseas Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document has been prepared for the purpose of complying with English law and the Takeover Code and the information disclosed may be different from that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

All GoIndustry Shareholders (including, without limitation, nominees, trustees or custodians) who would, or otherwise intend to, forward this document and the accompanying Forms of Proxy to any jurisdiction outside the United Kingdom, should seek appropriate independent professional advice before taking any action.

19. United Kingdom taxation

The following paragraphs, which are intended as a general guide only, are based on current UK tax law and what is understood to be the current HM Revenue and Customs practice, all of which is subject to change, possibly with retrospective effect. They summarise certain limited aspects of the UK taxation treatment of the Scheme for GoIndustry Shareholders, and do not purport to be a complete analysis of all tax considerations relating to the Scheme. The following paragraphs do not constitute tax advice and relate only to the position of Scheme Shareholders who are resident and, in the case of individuals, ordinarily resident and domiciled in the UK for taxation purposes, who hold their Scheme Shares as an investment (other than under a personal equity plan or an individual savings account), who are the absolute beneficial owners of their Scheme Shares, and who have not (and are not deemed to have) acquired their Scheme Shares by virtue of an office or employment. Further, the comments in the following paragraphs may not apply to certain classes of Scheme Shareholders, such as collective investment schemes and insurance companies. For the avoidance of doubt, the comments in the following paragraphs do not apply to intermediate holding vehicles such as trusts or pension funds.

Special tax provisions may apply to GoIndustry Shareholders who have acquired or who acquire their GoIndustry Shares by exercising options under the GoIndustry Share Schemes and such GoIndustry Shareholders who are in any doubt as to their taxation position should consult an independent professional tax adviser.

This section is not intended, and shall not be construed to be, legal or taxation advice to any particular GoIndustry Shareholder. If you are in any doubt about the tax consequences of the Scheme in your own particular circumstances, you should consult an appropriate independent professional tax adviser.

19.1 UK taxation of chargeable gains

A Scheme Shareholder will be treated as making a disposal of Scheme Shares for the purposes of the UK taxation of chargeable gains. Such a disposal may, depending upon that Scheme Shareholder's particular circumstances (including the availability of exemptions, reliefs or allowable losses), give rise to a liability to the UK taxation of chargeable gains or an allowable loss.

For UK resident individual Scheme Shareholders, any chargeable gain arising after taking account of reliefs and exemptions will be subject to capital gains tax at the rate of 18 per cent., or, for higher or additional rate taxpayers, 28 per cent. Personal representatives and trustees will also pay capital gains tax at a flat rate of 28 per cent.

Various reliefs could apply to reduce any liability to UK tax on chargeable gains which would otherwise arise on a disposal. For individual Scheme Shareholders, the amount liable to UK capital gains tax may be reduced by the annual exemption amount (£10,600 for 2012/2013) to the extent that such allowance is not available.

For UK resident Scheme Shareholders within the charge to UK corporation tax, an indexation allowance may be available in respect of their period of ownership of Scheme Shares to reduce the amount of the chargeable gain realised on a disposal of the Scheme Shares.

19.2 Stamp duty and stamp duty reserve tax

No UK stamp duty or stamp duty reserve tax will generally be payable by Scheme Shareholders as a result of the Scheme.

20. Cancellation of AIM Admission of GoIndustry Shares and re-registration

An indicative timetable of principal events setting out, amongst other things, the expected date of the last day of trading in, and the suspension of, GoIndustry Shares is on page 10 of this document.

The last day of dealings in GoIndustry Shares will be the day before the date of the Reduction Court Hearing, and is expected to be 2 July 2012. No transfers of GoIndustry Shares will be registered after 6.00 p.m. on the Last Dealing Date. Application will be made to the London Stock Exchange to suspend trading in GoIndustry Shares on AIM with effect from 7.30 a.m. on 3 July 2012.

Prior to the Scheme becoming effective, a request will be made by GoIndustry to the London Stock Exchange to cancel the admission of the GoIndustry Shares to trading on AIM, on or shortly after the Scheme Effective Date.

On the Scheme Effective Date, GoIndustry will become a wholly-owned subsidiary of Liquidity Services UK and share certificates in respect of GoIndustry Shares shall cease to be valid and Scheme Shareholders should, if so requested by GoIndustry, send their GoIndustry share certificates to GoIndustry following receipt of consideration due under the terms of the Acquisition or destroy them. Entitlements to GoIndustry Shares held within the CREST system will be cancelled on the Scheme Effective Date.

It is also intended that, on or following the Scheme Effective Date, GoIndustry be re-registered as a private limited company under the relevant provisions of the Companies Act.

21. Further information

Your attention is drawn to the full text of the Scheme as set out in Part 6 (The Scheme of Arrangement) of this document.

Your attention is also drawn to the following sections, which form part of this document:

- Part 3 (Conditions and Further Terms of the Scheme and the Acquisition);
- Part 4 (Financial and Ratings Information);
- Part 5 (Additional Information);
- Part 7 (Notice of Court Meeting); and
- Part 8 (Notice of General Meeting).

Yours faithfully

Chris Fielding

Director

WH Ireland Limited

PART 3

CONDITIONS AND FURTHER TERMS OF THE SCHEME AND THE ACQUISITION

Part A: Conditions of the Scheme and the Acquisition

1. The Acquisition is conditional upon the Scheme becoming unconditional and becoming effective, subject to the Code, by no later than the Long Stop Date or such later date (if any) as Liquidity Services UK and GoIndustry may, with the consent of the Panel, agree and (if required) the Court may allow.

2. The Scheme is conditional upon:

- (i) its approval by a majority in number of the GoIndustry Shareholders, representing at least 75 per cent. of the value of the GoIndustry Shares (or the relevant class or classes of GoIndustry Shares, if applicable), present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of such meeting;
- (ii) all resolutions necessary to approve and implement the Scheme and to approve the Capital Reduction being duly passed by GoIndustry Shareholders by the requisite majorities at the General Meeting or at any adjournment of such meeting; and
- (iii) the sanction of the Scheme with or without modification (but subject to any such modification being acceptable to Liquidity Services UK and GoIndustry) and the confirmation of the Capital Reduction by the Court and the delivery for registration of the Scheme Sanction Court Order, the Capital Reduction Court Order and the Statement of Capital to the Registrar of Companies.

3. In addition, Liquidity Services UK and GoIndustry have agreed that the Acquisition is conditional upon the following conditions and, accordingly, the necessary actions to make the Scheme effective will not be taken unless the following Conditions have been satisfied (and continue to be satisfied pending the commencement of the Court Meeting) or, where relevant, are waived prior to the Scheme being sanctioned by the Court:

- (a) all filings having been made and all or any appropriate waiting periods, including any extension thereof, applicable under US Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and the regulations made under that Act having expired, lapsed or been terminated as appropriate in each case in respect of the Acquisition;
- (b) save as Disclosed, no government or governmental, quasi-governmental, supranational, statutory, regulatory, court in any jurisdiction (each a “**Third Party**”) having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or enacted, made or proposed any statute, regulation, decision or order, or having taken any other steps which would or might reasonably be expected to:
 - (i) require, prevent or delay the divestiture, or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Liquidity Services Group or any member of the GoIndustry Group of all or any portion of their respective businesses, assets or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or to own or control any of their respective assets or properties or any part thereof which is material in the context of the GoIndustry Group taken as a whole;
 - (ii) require, prevent or materially delay a divestiture by any member of the Wider Liquidity Services Group of any shares or other securities (or the equivalent) in GoIndustry;

(iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider Liquidity Services Group or the GoIndustry Group directly or indirectly to acquire or to hold or to exercise effectively any rights of ownership in respect of shares, or in respect of loans or securities convertible into shares or any other securities (or the equivalent) in any member of the GoIndustry Group or on the ability of any such member to hold or exercise effectively any rights of ownership in respect of shares or in respect of loans or securities convertible into shares or any other securities (or the equivalent) in, or to exercise management control over, any member of the GoIndustry Group;

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- (iv) otherwise adversely affect the business, assets or profits of any member of the Wider Liquidity Services Group or of any member of the GoIndustry Group which is material in the context of the GoIndustry Group taken as a whole;
- (v) make the Acquisition, its implementation or the acquisition or proposed acquisition by Liquidity Services UK or any member of the Wider Liquidity Services Group of any shares or other securities in, or control or management of, GoIndustry or any member of the GoIndustry Group void, illegal, and/or unenforceable under the laws of any jurisdiction, or otherwise restrain, directly or indirectly, restrict, prohibit, delay or otherwise materially interfere with the same, or impose additional material conditions or obligations with respect thereto, or otherwise materially challenge or interfere therewith or require material amendment to the terms thereof;
- (vi) require any member of the Wider Liquidity Services Group or the GoIndustry Group to acquire or to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the GoIndustry Group or the Wider Liquidity Services Group owned by any third party (other than in connection with the implementation of the Scheme);
- (vii) impose any material limitation on the ability of any member of the GoIndustry Group or the Wider Liquidity Services Group to conduct, integrate or co-ordinate its business, or any part of it, with the businesses of any other members; or
- (viii) result in any member of the GoIndustry Group ceasing to be able to carry on business under any name under which it presently does so which, in any case, is material in the context of the GoIndustry Group taken as a whole,

and all applicable waiting and other time periods during which any such Third Party could take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Scheme or the acquisition or proposed acquisition of any GoIndustry Shares, or other securities in, or control of, GoIndustry or any other member of the GoIndustry Group having expired, lapsed or been terminated;

- (c) save as Disclosed, there being no provision of any agreement, arrangement, licence, lease, permit or other instrument to which any member of the GoIndustry Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which in consequence of the Scheme or the proposed acquisition of any shares or other securities in GoIndustry or because of a change in the control or management of GoIndustry or otherwise, could or might reasonably be expected to result in (to an extent which is material in the context of the GoIndustry Group taken as a whole):
 - (i) any moneys borrowed by or any other indebtedness (actual or contingent) of, or grant available to, any such member being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date, or the ability of any such member to borrow moneys or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
 - (ii) any such agreement, arrangement, licence, lease, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being terminated or modified or affected or any onerous obligation or liability arising or any action being taken thereunder;
 - (iii) any assets or interests of any such member being or falling to be disposed of or charged, or any right arising under which any such asset or interest could be required to be disposed of or charged otherwise than in the ordinary course of business;
 - (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member or any mortgage, charge or other security interest (whenever created or arising) becoming enforceable;
 - (v) the rights, liabilities, obligations or interests of any such member in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
 - (vi) the value of any such member or its financial or trading position being prejudiced or adversely affected;

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- (vii) any such member ceasing to be able to carry on business under any name under which it presently does so; or
- (viii) the creation of any liability, actual or contingent, by any such member otherwise than in the ordinary course of business,

and no event having occurred which, under any provision of any agreement, arrangement, licence, lease, permit or other instrument to which any member of the GoIndustry Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, could reasonably be expected to result in any of the events or circumstances as are referred to in paragraphs (i) — (viii) of this paragraph (c);

- (d) all notifications, filings or applications which are necessary in connection with the Acquisition having been made and all statutory or regulatory obligations in any relevant jurisdiction having been complied with in all material respects in connection with the Acquisition or the acquisition by any member of the Wider Liquidity Services Group of any shares or other securities in, or control of, GoIndustry and all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals necessary for or in respect of the Acquisition or the proposed acquisition of any shares or other securities in, or control of, GoIndustry by any member of the Wider Liquidity Services Group having been obtained in terms and in a form reasonably satisfactory to Liquidity Services UK from all appropriate Third Parties including, without limitation, persons with whom any member of the GoIndustry Group has entered into contractual arrangements and all such authorisations, orders, recognitions, grants, consents, licences,

confirmations, clearances, permissions and approvals together with all material authorisations orders, recognitions, grants, licences, confirmations, clearances, permissions and approvals necessary to carry on the business of any member of the GoIndustry Group remaining in full force and effect and all filings necessary for such purpose having been made and no notice of any intention to revoke or not to renew any of the same having been received;

- (e) save as Disclosed and in relation to the Scheme, no member of the GoIndustry Group having, since 31 December 2011:
- (i) save as between GoIndustry and any member of the GoIndustry Group or between any such members of the GoIndustry Group or for GoIndustry Shares issued pursuant to the exercise of options granted under the GoIndustry Share Schemes, issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible capital or transferred or sold or agreed to transfer or sell or proposed the transfer or sale of GoIndustry Shares out of treasury;
 - (ii) other than to another member of the GoIndustry Group (or to a Third Party, provided that the dividend or other distribution is pro rata to that party's existing interest in such member) and consistent with practice in the preceding financial year of such member and/or is paid or made consistent to any contractual obligation which has been Disclosed, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash or otherwise;
 - (iii) save for intra-GoIndustry Group transactions and the UK Share Sale Agreement and the US Assets Sale Agreement, merged or demerged with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any asset (including shares and trade investments) or authorised or proposed or announced any intention to propose any merger, demerger, acquisition or disposal, transfer, mortgage, charge or security interest, in each case, which is material in the context of the GoIndustry Group taken as a whole and other than in the ordinary course of business;
 - (iv) save for intra-GoIndustry Group transactions and in relation to the Scheme, made or authorised or proposed or announced an intention to propose any change in its loan capital;
 - (v) issued, authorised or proposed the issue of any debentures or, save for intra-GoIndustry Group transactions and save in the ordinary course of business, incurred or increased any indebtedness or become subject to any contingent liability which is material in the context of the GoIndustry Group taken as a whole;

- (vi) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in paragraph (i) above, made any other change to any part of its share capital;
- (vii) implemented, or authorised, proposed or announced its intention to implement, any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement otherwise than in the ordinary course of business which is material in the context of the GoIndustry group taken as a whole (other than in connection with the Scheme);
- (viii) entered into or changed the terms of any contract with any director or senior executive of any member of the GoIndustry Group;
- (ix) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme, or, other than in the ordinary course of business, materially altered any other benefit relating to the employment or termination of employment of any employee of the GoIndustry Group;
- (x) nor the trustees of the relevant pension scheme having made or agreed or consented to any significant change to the terms of the trust deeds constituting the pension schemes established for its directors, employees or their dependants or the benefits which accrue, or to the pensions which are payable, thereunder, or to the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined or to the basis on which the liabilities (including pensions) of such pension schemes are funded or valued, or agreed or consented to any change to the trustees or trustee directors;
- (xi) entered into or varied or authorised or proposed or announced its intention to enter into or vary, any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which is or could be restrictive on the businesses of any member of the GoIndustry Group or the Wider Liquidity Services Group or which involves or could reasonably be expected to involve an obligation of such a nature or magnitude or which is other than in the ordinary course of business and which is reasonably expected to be material in the context of the GoIndustry Group taken as a whole;
- (xii) (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or had any legal proceedings started or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or had any such person appointed;
- (xiii) waived or compromised any claim otherwise than in the ordinary course of business and which is material in the context of the GoIndustry Group taken as a whole;
- (xiv) made any material alteration to its memorandum or articles of association or other incorporation documents which is material in the context of the GoIndustry Group taken as a whole;
- (xv) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business; or
- (xvi) entered into any contract, commitment, arrangement or agreement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or to propose to, effect any of the transactions, matters or events referred to in this condition;

(f) save as Disclosed, since 31 December 2011:

- (i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits of any member of the GoIndustry Group;
- (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the GoIndustry Group is or may become a party (whether as a plaintiff, claimant,

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defendant or otherwise) and no investigation or enquiry by or complaint or reference to any Third Party against or in respect of any member of the GoIndustry Group having been instituted, announced or threatened by or against or remaining outstanding in respect of any member of the GoIndustry Group;

- (iii) no contingent or other liability having arisen or become apparent to Liquidity Services UK which would be likely adversely to affect any member of the GoIndustry Group; and
 - (iv) no steps having been taken which are likely to result in the withdrawal (without replacement), cancellation, termination or modification of any licence or other authorisation held by any member of the GoIndustry Group which is necessary for the proper carrying on of its business,
- in each case, which is material in the context of the GoIndustry Group taken as a whole;

(g) since 31 December 2011 and save as Disclosed, Liquidity Services UK not having discovered that any financial, business or other information concerning GoIndustry or the GoIndustry Group which is contained in the information publicly announced at any time by or on behalf of any member of the GoIndustry Group through a Regulatory Information Service contains a misrepresentation of fact which has not, prior to the Announcement Date, been corrected by public announcement through a Regulatory Information Service or omits to state a fact which would make the information contained therein not misleading and which in any such case is material in the context of the GoIndustry Group, taken as a whole.

Part B: Certain further terms of the Acquisition

1. Subject to the requirements of the Panel, or if required by the Court, Liquidity Services UK reserves the right to waive:

- (i) prior to the date of such deadline (or any extension thereof), any of the deadlines in the Condition set out in paragraph 2 of Part A above for the timing of the Court Meeting, General Meeting and the Court hearing to sanction the Scheme. If any such deadline is not met, Liquidity Services UK will make an announcement by 8.00 a.m. on the Business Day following such deadline confirming whether it has invoked or waived the relevant Condition or agreed with GoIndustry to extend the deadline in relation to the relevant Condition; and
- (ii) in whole or in part, all or any of the Conditions set out in paragraph 3 of Part A above.

2. If Liquidity Services UK is required by the Panel to make an offer for GoIndustry Shares under the provisions of Rule 9 of the Code, Liquidity Services UK may make such alterations to any of the above Conditions and to the terms of the Acquisition as are necessary to comply with the provisions of that Rule.

3. Save as set out in the Transaction Letter (as referred to in paragraph 8.3(f) of Part 5 of this document), Liquidity Services UK shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of Conditions set out in paragraphs 3(a) to 3(g) (inclusive) of Part A above by a date earlier than the latest date for the fulfilment of the Conditions notwithstanding that the other Conditions of the Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.

4. The Acquisition will lapse and the Scheme will not proceed if, before the date of the Shareholder Meetings the Acquisition, or any matter arising from it, is referred to the UK Competition Commission.

5. Liquidity Services UK reserves the right to elect, with the agreement of GoIndustry and the consent of the Panel (where necessary), to proceed by way of a Takeover Offer as an alternative to the Scheme. Any such Takeover Offer will be subject to an acceptance condition set at 90 per cent. (or such less percentage, being more than 50 per cent., as Liquidity Services UK may decide) of the GoIndustry Shares to which such offer relates, and will otherwise be on substantially the same terms, subject to appropriate amendments, as those which would apply to the Scheme and in compliance with applicable laws and regulations (the "**General Offer Acceptance Condition**"). If a Takeover Offer becomes or is declared unconditional in all respects and sufficient acceptances are received, Liquidity Services UK intends to: (i) request the London Stock Exchange to cancel the admission of GoIndustry

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Shares to trading on AIM; and (ii) exercise its rights (to the extent such rights are available) to apply the provisions of Chapter 3 of Part 28 of the Companies Act 2006 to acquire compulsorily the remaining GoIndustry Shares in respect of which such offer has not been accepted.

6. The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the Restricted Jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.

7. The Acquisition is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction.

8. Under Rule 13.5 of the Code, Liquidity Services UK may not invoke a Condition to the Acquisition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Liquidity Services UK in the context of the Acquisition. The Conditions contained in paragraphs 1 and 2 of Part A above and, if applicable, the General Offer Acceptance Condition set out in paragraph 5 of this Part B are not subject to Rule 13.5 of the Code.
9. Under Rule 13.6 of the Code, GoIndustry may not invoke, or cause or permit Liquidity Services UK to invoke, any condition to the Acquisition unless the circumstances which give rise to the right to invoke the condition are of material significance to the GoIndustry Shareholders in the context of the Acquisition.
10. The Acquisition and the Scheme are governed by the law of England and Wales and are subject to the jurisdiction of the English courts. The Acquisition is on and subject to the Conditions and further terms set out in this Part 3. The Scheme is subject to applicable requirements of the Code, the Panel, the UKLA and the London Stock Exchange.

PART 4

FINANCIAL AND RATINGS INFORMATION

Part A: Financial information relating to GoIndustry

The following sub-paragraphs set out financial information in respect of GoIndustry as required by Rule 24.3(e) of the Code. The documents referred to in the sub-paragraphs, the contents of which have previously been announced through a Regulatory Information Service, are incorporated into this document by reference pursuant to Rule 24.15 of the Code:

- the audited consolidated accounts of GoIndustry for the financial year ended 31 December 2011 are set out in pages 21 to 63 (both inclusive) in the Company's annual report and financial statements for the financial year ended 31 December 2011 available from GoIndustry's website at <http://www.godove.com/company/InvestorRelations.asp> by opening the document entitled 'Annual Report and Financial Statements for the year ending 31 December 2011' under the heading 'Investor Documents';
- the audited consolidated accounts of GoIndustry for the financial year ended 31 December 2010 are set out in pages 21 to 64 (both inclusive) in the Company's annual report and financial statements for the financial year ended 31 December 2010 available from GoIndustry's website at <http://www.godove.com/company/InvestorRelations.asp> by opening the document entitled 'Annual Report and Financial Statements for the year ending 31 December 2010' under the heading 'Investor Documents'; and
- the audited consolidated accounts of GoIndustry for the financial year ended 31 December 2009 are set out in pages 11 to 52 (both inclusive) in the Company's annual report and financial statements for the financial year ended 31 December 2009 available from GoIndustry's website at <http://www.godove.com/company/InvestorRelations.asp> by opening the document entitled 'Annual Report and Accounts for the year ending 31 December 2009' under the heading 'Investor Documents'.

Part B: GoIndustry ratings information

There are no current ratings or outlooks publicly accorded to GoIndustry by ratings agencies.

Part C: Financial information relating to Liquidity Services

The following sub-paragraphs set out financial information in respect of Liquidity Services as required by Rule 24.3(a) of the Code. The documents referred to in the sub-paragraphs, the contents of which have previously been announced through a Regulatory Information Service, are incorporated into this document by reference pursuant to Rule 24.15 of the Code:

- the audited consolidated accounts of Liquidity Services for the financial year ended 30 September 2011 are set out in pages 58 to 61 (both inclusive) in Liquidity Services' annual report for the financial year ended 30 September 2011 available from Liquidity Services' website at <http://investor.liquidityservicesinc.com> by accessing the 'SEC Filings' link and opening the document posted on 9 December 2011 entitled 'Form 10-K: Annual report which provides a comprehensive overview of Liquidity Services for the past year';
- the audited consolidated accounts of Liquidity Services for the financial year ended 30 September 2010 are set out in pages 59 to 62 (both inclusive) in Liquidity Services' annual report for the financial year ended 30 September 2010 available from Liquidity Services' website at <http://investor.liquidityservicesinc.com> by accessing the 'SEC Filings' link and opening the document posted on 10 December 2010 entitled 'Form 10-K: Annual report which provides a comprehensive overview of Liquidity Services for the past year'; and
- the audited consolidated accounts of Liquidity Services for the financial year ended 30 September 2009 are set out in pages 58 to 61 (both inclusive) in Liquidity Services' annual report for the financial year ended 30 September 2009 available from Liquidity Services' website at <http://investor.liquidityservicesinc.com> by accessing the 'SEC Filings' link and opening the document posted on 11 December 2009 entitled 'Form 10-K: Annual report which provides a comprehensive overview of Liquidity Services for the past year'.

In addition, an announcement of Liquidity Services' Q1 2012 and Q2 2012 results is available on Liquidity Services' website at <http://investor.liquidityservicesinc.com> by accessing the 'SEC Filings' link and opening the documents posted on 8 February 2012 and 4 May 2012, respectively, and, in each case, entitled 'Form 10-Q: Quarterly report, which provides a continuing view of Liquidity Services' financial position.'

The effect of the implementation of the Acquisition upon the Liquidity Services Group's earnings and assets and liabilities will be as follows:

Once the Scheme is effective, Liquidity Services will indirectly own 100 per cent. of GoIndustry. The assets and liabilities of the Enlarged Group will therefore comprise the consolidated assets and liabilities of the Liquidity Services Group and the GoIndustry Group as at the date of the Acquisition. The Acquisition is not, however, expected to have a material impact on the assets and liabilities of the Liquidity Services Group. As at 31 March 2012, Liquidity Services had a net asset position of approximately US\$238.3 million (based on total assets of approximately US\$353.5 million and total liabilities of approximately US\$115.2 million). Once the assets and liabilities of the GoIndustry Group are incorporated, Liquidity Services is expected to continue to have a positive net asset position.

As at 31 March 2012, Liquidity Services had a net cash position of approximately US\$64.8 million (based on cash and cash equivalents of approximately US\$104.8 million and interest bearing debt of approximately US\$40 million). As the Acquisition is to be funded from the existing cash resources of the Liquidity Services Group, the Acquisition will have a marginal impact upon Liquidity Services' balance sheet by decreasing its net cash position by the aggregate Cash Consideration, although this will be offset in part by the net cash position of the GoIndustry Group at the time the Scheme becomes effective.

The Acquisition is not expected to have an impact on earnings for the 2012 financial year. However, Liquidity Services believes that the Acquisition will be earnings per share accretive by one to three cents in its 2013 financial year.

Part D: Liquidity Services ratings information

There are no current ratings or outlooks publicly accorded to Liquidity Services by ratings agencies.

PART 5

ADDITIONAL INFORMATION

1. Responsibility

1.1 The GoIndustry Directors, whose names and business addresses are set at paragraph 2.1 of this Part 5, each accept responsibility for the information contained in this document other than the information contained in this document in respect of the Liquidity Services Group, for which responsibility is taken by the Liquidity Services Directors and the Liquidity Services UK Directors pursuant to paragraph 1.2 below. To the best of the knowledge and belief of the GoIndustry Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 The Liquidity Services Directors, whose names are set at paragraph 2.2 of this Part 5 and the Liquidity Services UK Directors, whose names are set at paragraph 2.3 of this Part 5, each accept responsibility for the information contained in this document relating to the Liquidity Services Group, the Liquidity Services Directors and the Liquidity Services UK Directors and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the Liquidity Services Directors and the Liquidity Services UK Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.3 WH Ireland, whose address is at 24 Martin Lane, London EC4R 0DR, accepts responsibility for its letter set out in Part 2 of this document. To the best of the knowledge and belief of WH Ireland (which has taken all reasonable care to ensure that such is the case), the information contained in its letter set out in Part II of this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

2.1 The GoIndustry Directors and their respective positions are set out below:

<u>Name</u>	<u>Position held</u>
Neville Davis	Chairman
Jack Gregory Reinelt	Chief Executive Officer
Leslie-Ann Reed	Chief Financial Officer
David John Bailey	Non-Executive Director
Kamal Moti Advani	Non-Executive Director
Max David Steinkopf	Non-Executive Director

The business address of each of the GoIndustry Directors is GoIndustry's registered office at St Andrew's House, St Andrew Street, London EC4A 3AG.

2.2 The Liquidity Services Directors and their respective positions are set out below:

<u>Name</u>	<u>Position held</u>
William P Angrick, III	Chairman & Chief Executive Officer
Jaime Mateus-Tique	Director
Phillip A Clough	Non-Executive Director
Patrick W Gross	Non-Executive Director
Franklin D Kramer	Non-Executive Director
David A Perdue	Jr. Non-Executive Director
George H Ellis	Non-Executive Director

The business address of each of the Liquidity Services Directors is Liquidity Services' registered office at 1920 L Street, N.W., 6th Floor, Washington, D.C.

2.3 The Liquidity Services UK Directors and their respective positions are set out below:

Name	Position
William P Angrick, III	Chairman & Chief Executive Officer
Thomas Burton	Executive Vice-President

The business address of each of the Liquidity Services UK Directors is Liquidity Services UK's registered office at Unit 301A, Mill Studio Business Centre, Crane Mead, Ware, Hertfordshire SG12 9PY.

3. GoIndustry Share Schemes

At the close of business on 22 May 2012 (being the last practicable date prior to the publication of this document), the following GoIndustry Shares were in issue and Share Options in respect of GoIndustry Shares under the GoIndustry Share Schemes were outstanding:

- GoIndustry Shares in issue: 9,798,494; and
- Share Options: 850,225.

4. Market quotations

The following table sets out the Closing Price for GoIndustry Shares on (i) the first Business Day in each of the six months prior to the date of this document, (ii) on 30 April 2012 (being the last Business Day prior to the commencement of the Offer Period), (iii) on 8 May 2012 (being the last Business Day prior to the Announcement Date) and (iv) on 22 May 2012 (being the last practicable date prior to the publication of this document):

Date	Closing Price (pence)
22 May 2012	71.5
8 May 2012	65
1 May 2012	74
30 April 2012	47.5
2 April 2012	50
1 March 2012	45.5
1 February 2012	47.5
3 January 2012	43.5
1 December 2011	42.5

5. Disclosure of interests and dealings

5.1 Definitions and references

For the purposes of this paragraph 5:

5.1.1 “**acting in concert**” with GoIndustry or Liquidity Services, as the case may be, means any such person acting or deemed to be acting in concert with GoIndustry or Liquidity Services, as the case may be, for the purposes of the Code;

5.1.2 “**arrangement**” includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities of GoIndustry which may be an inducement to deal or refrain from dealing;

5.1.3 “**connected adviser**” includes an organisation which (i) is advising Liquidity Services or (as the case may be) GoIndustry in relation to the Acquisition, (ii) is a corporate broker to Liquidity Services or (as the case may be) GoIndustry, (iii) is advising a person acting in concert with Liquidity Services or (as the case may be) GoIndustry in relation to the Acquisition or in relation to the matter which is the reason for that person being a member of the concert party, in each case above excluding any exempt principal traders and any exempt fund managers;

5.1.4 ownership or control of 20 per cent., or more of the equity share capital of a company is regarded as the test of associated company status and “**control**” means an interest or

interests in shares carrying in aggregate 30 per cent., or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or holdings gives *de facto* control;

5.1.5 “**dealing**” means:

- (i) acquiring or disposing of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or of general control of relevant securities;
- (ii) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising (by either party) or varying an option (including a traded option contract) in respect of any relevant securities;

- (iii) subscribing or agreeing to subscribe for relevant securities;
- (iv) exercising or converting, whether in respect of any new or existing securities, or any relevant securities carrying conversion or subscription rights;
- (v) acquiring, disposing of, entering into, closing out, exercising (by either party) of any rights under, or varying, a derivative referenced, directly or indirectly, to relevant securities;
- (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
- (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;

and “**dealt**” shall be construed accordingly;

5.1.6 “**derivative**” includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;

5.1.7 “**disclosure period**” means the period which began on 1 May 2011 (the date 12 months prior to the commencement of the Offer Period) and ended on 22 May 2012 (being the last practicable date prior to the publication of this document);

5.1.8 “**relevant securities**” means:

- (i) GoIndustry Shares and any other securities of GoIndustry conferring voting rights;
- (ii) equity share capital of GoIndustry and any member of the Liquidity Services Group;
- (iii) securities of any member of the Liquidity Services Group; and
- (iv) securities of GoIndustry and any member of the Liquidity Services Group carrying conversion or subscription rights into any of the foregoing;

5.1.9 “**securities**” has the meaning given to it by the Takeover Code;

5.1.10 “**short position**” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; and

5.1.11 a person has an “**interest**” or is “**interested**” in relevant securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (but not if he only has a short position in such securities) and in particular if:

- (i) he owns them;
- (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them; or
- (iii) by virtue of any agreement to purchase, option or derivative he:
 - (a) has the right or option to acquire them or call for their delivery; or
 - (b) is under an obligation to take delivery of them,

whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or

- (iv) he is party to any derivative:
 - (a) whose value is determined by reference to their price; and
 - (b) which results, or may result, in his having a long position in them.

5.2 Interests in GoIndustry Shares

5.2.1 GoIndustry Directors

As at the last day of the disclosure period, the interests of the GoIndustry Directors and their immediate families, related trusts and connected persons, all of which are beneficial unless otherwise stated, in GoIndustry Shares were as follows:

Name	Number of GoIndustry Shares
Neville Davis	15,555
Jack Reinelt	55,555
Leslie-Ann Reed	—
David Bailey	53,516

5.2.2 Liquidity Services UK

As at 22 May 2012, the last practicable date prior to the publication of this document, Liquidity Services UK has agreed to subscribe for or acquire one GoIndustry Share, but was otherwise not interested in any relevant securities of GoIndustry.

5.3 Options over GoIndustry Shares

5.3.1 GoIndustry Directors

As at the last day of the disclosure period, the following options in respect of GoIndustry Shares had been granted to the following GoIndustry Directors for nil consideration and remained outstanding under the GoIndustry Share Schemes:

Name	Number of GoIndustry Shares under option	Date of grant	Exercise price per share	Exercise period
Jack Reinelt	292,330	28.09 2009	200p	28.09.2012 – 27.09.2019
	97,443	25.06 2010	70p	25.06.2013 – 24.06.2020
	97,443	19.5.2011	123.5p	19.05 2014 – 18.05.2021
Leslie-Ann Reed	97,985	12.07 2010	57p	12.07.2013 – 11.07.2020

5.3 Interests of persons with whom GoIndustry has an arrangement in relevant securities of GoIndustry

As at the last day of the disclosure period, there are no persons with whom GoIndustry or any person acting in concert with GoIndustry (other than the GoIndustry Directors) has an arrangement who were interested in relevant securities of GoIndustry.

5.4 Interests of persons acting in concert with GoIndustry in relevant securities of GoIndustry

As at the last day of the disclosure period, the following persons acting in concert with GoIndustry (other than GoIndustry Directors) were interested in the following relevant securities of GoIndustry:

Name	Number of GoIndustry Shares
ICG Holdings, Inc.	2,546,743
Bond Capital Partners 1 Limited	1,897,092

5.5 Dealings in relevant securities of GoIndustry

During the disclosure period, WH Ireland, which (as a connected adviser) is a person acting in concert with GoIndustry, has dealt in relevant securities of GoIndustry (as a consequence of book flattening) as set out below:

Date of dealing	Nature of dealing	Number of GoIndustry Shares	Price paid
1 May 2012	Purchase	639	85p

5.6 General

Save as disclosed in this paragraph 5, as at 22 May 2012 (being the last practicable date prior to the publication of this document):

- neither the Liquidity Services Directors, nor the Liquidity Services UK Directors nor Liquidity Services, nor any other member of the Liquidity Services Group, nor (in the case of the Liquidity Services Directors and the Liquidity Services UK Directors) any member of their respective families or related trusts or companies or (so far as the Liquidity Services Directors and the Liquidity Services UK Directors are aware having made due and careful enquiry) other connected persons, nor any person acting in concert with Liquidity Services, nor any person with whom Liquidity Services or any person acting in concert with Liquidity Services had an arrangement, had any right to subscribe for, or had any short position in relation to, or was interested in, directly or indirectly, any relevant securities of GoIndustry nor had any such person dealt in any relevant securities of GoIndustry during the disclosure period;
- neither GoIndustry, nor any of the GoIndustry Directors, nor (in the case of the GoIndustry Directors) any member of their respective families or related trusts or companies or (so far as the GoIndustry Directors are aware having made due and careful enquiry) other connected persons, nor any person acting in concert with GoIndustry, nor any person with whom GoIndustry or any person acting in concert with GoIndustry had an arrangement, was interested in, directly or indirectly, nor had any right to subscribe for, or any short position in relation to, any relevant securities of GoIndustry and nor had any such person dealt in any relevant securities of GoIndustry from the beginning of the Offer Period;
- neither GoIndustry, nor any of the GoIndustry Directors, nor (in the case of the GoIndustry Directors) any member of their respective families or related trusts or companies or (so far as the GoIndustry Directors are aware having made due and careful enquiry) other connected persons, was interested in, directly or indirectly, nor had any right to subscribe for, or any short position in relation to, any relevant securities of any member of the Liquidity Services Group and nor had any such person dealt in any relevant securities of the Liquidity Services Group from the beginning of the Offer Period;
- neither GoIndustry, Liquidity Services, nor any person acting or presumed to be acting in concert with GoIndustry or Liquidity Services had borrowed or lent (including for these purposes any financial collateral arrangements) any relevant securities in GoIndustry (save for any borrowed shares

which have been either on-lent or sold);

- save for the irrevocable undertakings as described in paragraph 9 of this Part 5, there is no arrangement relating to relevant securities in GoIndustry which exists between Liquidity Services or any person acting in concert with Liquidity Services and any other person, nor between GoIndustry or any person acting in concert with GoIndustry and any other person; and
- GoIndustry has not redeemed or purchased any relevant securities of GoIndustry during the disclosure period.

6. Service contracts and letters of appointment of the GoIndustry Directors

6.1 Each of the GoIndustry Directors has entered into a service agreement or letter of appointment with GoIndustry as summarised below:

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Executive Directors

(a) *Jack Reinelt*

Jack Reinelt entered into a service agreement with GoIndustry dated 1 May 2009 in respect of his appointment as Chief Executive Officer with effect from 27 April 2009, which appointment will (unless terminated earlier by GoIndustry on grounds for immediate termination) continue until terminated by either Jack Reinelt giving to GoIndustry not less than 3 months' notice or by GoIndustry giving to him 12 months' notice. Under the service agreement, Jack Reinelt is entitled to an annual salary of £270,000, payable monthly in arrears. In addition, Jack Reinelt is entitled to be reimbursed up to an annual maximum amount of £10,000 for medical expenses insurance premiums paid by him for his participation in a medical expenses insurance scheme for him and his family and to be paid a maximum of £4,000 per annum towards his membership of the Young Presidents Organisation and the World Presidents Organisation. If Jack Reinelt so elects, GoIndustry will also pay such salary as he may request direct into the GoIndustry nominated stakeholder pension scheme. Jack Reinelt is entitled to 25 days' paid holiday in each calendar year.

Jack Reinelt is also eligible to participate in a discretionary bonus scheme operated by GoIndustry from time to time and notified to him on terms which are overall no less favourable than those previously enjoyed by him in the years 2009, 2010 and 2011 which provided for a maximum possible bonus of 120 per cent. of base salary. Generally, to be eligible to receive a bonus, Jack Reinelt must be employed by GoIndustry and neither GoIndustry nor Jack Reinelt must have given notice to terminate his appointment at the date the bonus is due to be paid, but if he is dismissed or has been given notice of termination by GoIndustry by reason of a change of control event (as defined by section 840 Income and Corporation Taxes Act 1988) where control is obtained by a third party purchaser, he will, unless otherwise agreed, be entitled to receive a bonus for that financial year calculated on a pro-rata amount based on the number of complete months he has worked in that year up to the termination date, such bonus to be paid to him on the relevant bonus payment date, at the same time as all other executives of GoIndustry.

GoIndustry may, in its absolute discretion, elect to terminate Jack Reinelt's service agreement with immediate effect by paying to him a sum equal to his fixed salary and either reimbursement of his private medical insurance scheme premiums or the value of his private healthcare benefits (or at GoIndustry's discretion and if relevant, allowing him to continue to receive such healthcare benefit and participate in such scheme or policy), for any unexpired period of notice of termination, but on the basis that any provision of such benefits will cease immediately if Jack Reinelt commences new employment whilst such benefits are being continued.

Jack Reinelt's service agreement contains non-compete, non-solicitation and other covenants restricting his activities for a period of 12 months following termination of his employment. This period will be reduced by any period of time Jack Reinelt is not required to work during his notice period.

(b) *Leslie-Ann Reed*

Leslie-Ann Reed entered into a service agreement with GoIndustry dated 7 July 2010 in respect of her appointment as Chief Financial Officer with effect from 12 July 2010, which appointment will (unless terminated earlier by GoIndustry on grounds for immediate termination) continue until terminated by either party giving to the other not less than 9 months' notice. Under the service agreement, Leslie-Ann Reed is entitled to an annual salary of currently £165,000, payable monthly in arrears. In addition, Leslie-Ann Reed is entitled to membership for her and her family of a private medical expenses arrangement, permanent health insurance cover for her (at the expense of GoIndustry) and membership of an Inland Revenue approved life assurance scheme providing benefits on death in service of 4 times her base salary. If Leslie-Ann Reed so elects, GoIndustry will also pay such salary as she may request direct into the GoIndustry nominated stakeholder pension scheme and GoIndustry pays matching employer contributions up to a maximum of 6 per cent. of base salary, conditional upon her contributing a minimum of 5 per cent. of her base salary. Leslie-Ann Reed is entitled to 25 days' paid holiday in each calendar year.

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Leslie-Ann Reed is also entitled to participate from time to time in any bonus arrangement which the Board shall have determined to establish, but which in the case of Leslie-Ann Reed, is targeted at 60 per cent. of base salary. Generally, to be eligible to receive a bonus, Leslie-Ann Reed must be employed by GoIndustry and neither GoIndustry nor Leslie-Ann Reed must have given notice to terminate her service agreement at the date the bonus is due to be paid.

In the event that any person (or persons acting in concert) acquires control of GoIndustry and that control is unconditional in all respects and GoIndustry subsequently gives at least 9 months' notice to Leslie-Ann Reed of termination of her employment, Leslie Ann-Reed will, unless otherwise agreed, be entitled to be paid her guaranteed bonus as well as her salary for such 9 month period. Her service agreement however provided for a guaranteed bonus for 2009 only and so there is no bonus arrangement in force to which the guarantee applies.

GoIndustry may, in its absolute discretion, after giving notice to her, terminate Leslie-Ann Reed's service agreement with immediate effect by paying to her a sum equal to her normal base salary (in equal monthly instalments, rather than as a single payment). In such circumstances, GoIndustry would be

required to continue to provide the non-monetary benefits due to Leslie-Ann Reed under the terms of her service agreement during the period of notice to which she would otherwise have been entitled, with the obligation to make payments ceasing upon her commencing alternative employment at an equal or higher salary. However, if notice is given to her in connection with a change of control of GoIndustry (involving its de-listing from AIM where such de-listing amounts to a change in the identity of the person or persons having control of GoIndustry as defined in section 840 Income and Corporation Taxes Act 1988 or in the identity of the person or persons together holding a majority of the ordinary shares in GoIndustry) and GoIndustry determines to terminate her service agreement with immediate effect, then Leslie-Ann Reed is entitled to receive a lump sum payment equivalent to her normal base salary for the entire notice period.

Leslie-Ann Reed's service agreement contains a non-compete covenant for a period of 6 months following termination of her employment and non-solicitation and other covenants restricting her activities for a period of 12 months following such termination. These periods will be reduced by any period of time Leslie-Ann Reed is not required to work during her notice period.

(c) *Bonuses for Executive Directors for financial year ending 31 December 2012*

In the first quarter of 2012, the Remuneration Committee of the GoIndustry Board recommended to the GoIndustry Board (which recommendations were adopted by the GoIndustry Board) that Jack Reinelt and Leslie-Ann Reed would each be eligible for a maximum bonus payment for the financial year ending 31 December 2012 equal to 60 per cent. of his or her base salary (and therefore a maximum bonus of £162,000 in the case of Jack Reinelt and a maximum bonus of £99,000 in the case of Leslie-Ann Reed), as follows:

- (i) 60 per cent. of the bonus target to be awarded for achievement of the baseline post bonus profit before tax of the GoIndustry Group ("**GoIndustry Group PBT**") of £1,700,000;
- (ii) 20 per cent. for achievement of the first 6 months GoIndustry Group PBT of £295,000, save that this will only be payable if GoIndustry Group PBT exceeds £1,000,000 (post bonuses);
- (iii) 5 per cent. for agreeing the renewal of 12 month bank finance prior to 30 April 2012; and
- (iv) 15 per cent. for a settlement in 2012 of the claim against a member of the GoIndustry Group by Grolsche Bierbrouwerij Nederland B.V. (the "**Grolsch claim**") before 31 December 2012, such settlement to release a minimum of £600,000 net to the GoIndustry Group from the provision made in the consolidated accounts of the GoIndustry Group.

Non-Executive Directors

(a) *Neville Davis*

The services of Neville Davis as Non-Executive Director and Chairman (initially Deputy Chairman) of GoIndustry are provided under the terms of a letter of appointment with GoIndustry dated 18 December 2007 (as varied on 14 September 2009). His appointment was effective from 8 January 2008 (and as Chairman, from 10 June 2008) and, following an initial 3 year fixed period, now continues unless and until terminated by either party on 6 month's notice. Neville Davis is however required to resign forthwith upon the GoIndustry Board (with Neville Davis abstaining) requesting his resignation. The appointment letter (as so varied) provides for the payment to him by GoIndustry of director's fees of currently £65,000 per annum in respect of his appointment, payable in equal quarterly instalments in arrears.

(b) *David Bailey*

The services of David Bailey as a Non-Executive Director (and Senior Independent Director) of GoIndustry are provided under the terms of a letter of appointment with GoIndustry dated 26 June 2008. His appointment was effective from 10 June 2008 and, following an initial 1 year fixed period, now continues unless and until terminated by either party on 3 month's notice. David Bailey is however required to resign forthwith upon the GoIndustry Board (with David Bailey abstaining) requesting his resignation. The appointment letter provides for the payment to him by GoIndustry of director's fees of £22,500 per annum in respect of his appointment, payable in equal quarterly instalments in arrears.

(c) *Kamal Advani*

The services of Kamal Advani as a Non-Executive Director of GoIndustry are provided under the terms of a letter of appointment with GoIndustry dated 3 January 2006. His appointment was effective from 5 January 2006 and, following an initial fixed period ended 31 December 2006, now continues unless and until terminated by either party on 3 month's notice. Kamal Advani is however required to resign forthwith upon the GoIndustry Board (with Kamal Advani abstaining) requesting his resignation. The appointment letter provides for the payment to him by GoIndustry of director's fees of £10,000 per annum in respect of his appointment.

(d) *Max Steinkopf*

The services of Max Steinkopf as a Non-Executive Director of GoIndustry are provided under the terms of a letter of appointment with GoIndustry dated 23 June 2010. His appointment was effective from 11 September 2009 and, following an initial fixed period ended 31 December 2010, now continues unless and until terminated by either party on 3 month's notice. Max Steinkopf is however required to resign forthwith upon the GoIndustry Board (with Max Steinkopf abstaining) requesting his resignation. The appointment letter provides for the payment to him by GoIndustry of director's fees of £30,000 per annum in respect of his appointment, payable in equal quarterly instalments in arrears to Bond Capital Partners (UK) Limited.

6.2 The following agreements have been entered into by the GoIndustry Directors in respect of (in the case of the Executive Directors) the termination of their employment and (in the case of the Non-Executive Directors) their resignations:

6.2.1 A compromise agreement dated 9 May 2012 between GoIndustry (1) and Jack Reinelt (2) in connection with the termination of Jack Reinelt's employment with GoIndustry at 11 .59 p.m. on the Business Day immediately prior to the Scheme Effective Date (or, if Liquidity Services UK

elects to implement the Acquisition by way of a Takeover Offer, the time immediately prior to such Takeover Offer becoming or being declared wholly unconditional) (the “**Effective Termination Time**”). Under the terms of the compromise agreement, GoIndustry has agreed to pay to Jack Reinelt in full and final settlement of all claims arising under his service agreement with GoIndustry or under UK statutory employment rights:

- (a) his salary up to the Effective Termination Time;
- (b) £270,000 in respect of his salary for the balance of his notice period (subject to deduction of income tax and national insurance contributions);

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- (c) £66,300 by way of a severance payment (of which £30,000 will be paid to him without deduction of income tax or national insurance contribution, but applicable income tax will be deducted from the balance);
- (d) £500 in consideration for the reinstatement of the confidentiality and restrictive covenants referred to in his service agreement; and
- (e) up to £1,000 in respect of private health insurance policy.

6.2.2 A compromise agreement dated 8 May 2012 between GoIndustry (1) and Leslie-Ann Reed (2) in connection with the termination of Leslie-Ann Reed’s employment with GoIndustry at the Effective Termination Time (as defined in paragraph 6.2.1. above). Under the terms of the compromise agreement, GoIndustry has agreed to pay to Leslie-Ann Reed in full and final settlement of all claims arising under her service agreement with GoIndustry or under UK statutory employment rights:

- (a) her salary and benefits up to the date of the Effective Termination Time (the “**Termination Date**”);
- (b) £123,750 in respect of her salary in lieu of her notice period (subject to deduction of income tax and national insurance contributions);
- (c) a payment in lieu of 12.5 days’ accrued but untaken holiday to the date of the Termination Date (subject to deduction of income tax and employee’s national insurance contributions);
- (d) a payment of £7,425 by way of contribution direct to her pension scheme (in lieu of 9 months’ pension contributions);
- (e) £40,390 by way of a termination payment (of which £30,000 will be paid to her without deduction of income tax or national insurance contribution, but applicable income tax will be deducted from the balance);
- (f) £500 in consideration for the reinstatement of the confidentiality and restrictive covenants referred to in her service agreement;
- (g) up to £7,500 by way of reimbursement of the costs of an outplacement service provider of her choice; and
- (h) £25,000 in consideration for the additional services referred to below (subject to deductions for applicable income tax and national insurance contributions).

GoIndustry will continue to provide, at GoIndustry’s expense, the same level of private medical insurance as provided at the Effective Termination Time until the date falling 9 months after the Termination Date.

Under the terms of the Compromise Agreement, Leslie-Ann Reed has agreed, in consideration of the payment referred to in paragraph 6.2.2(h) above, to make herself reasonably available to GoIndustry for a period of up to 6 months from the Termination Date for the purposes of providing such additional assistance and consultancy advice as GoIndustry may reasonably request on the following basis:

- up to a maximum of 60 working hours during the first month following the Termination Date;
- up to a maximum of 40 working hours during the second month following the Termination Date;
- up to a maximum of 20 working hours during the third month following the Termination Date; and
- up to a maximum of 10 working hours during each of the fourth, fifth and sixth months following the Termination Date.

6.2.3 Letters of resignation dated 9 May 2012 from each of Neville Davis, David Bailey, Kamal Advani and Max Steinkopf to GoIndustry confirming that each of them resigns as a Non-Executive Director of GoIndustry with effect from 11 .59 p.m. on the Business Day immediately prior to the Scheme becoming effective (or, if Liquidity Services UK elects to implement the Acquisition by way of Takeover Offer, 11 .59 p.m. on the Business Day immediately prior to

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such Takeover Offer becoming or being declared wholly unconditional) and with GoIndustry agreeing to pay to him (i) fees accrued but unpaid at the time of his resignation becoming effective (ii) expenses claims relating to the period up to but not including such time and (iii) fees payable in lieu of the notice period (6 months in the case of Neville Davis and 3 months in the case of David Bailey, Kamal Advani and Max Steinkopf) under the terms of their respective letters of appointment referred to above (net of any deductions required by law).

6.3 Save as set out in this paragraph 6:

6.3.1 no GoIndustry Director is entitled to commission or profit sharing arrangements;

6.3.2 (other than statutory compensation and payment in lieu of notice), there are no provisions in any of the service agreements of the Executive Directors or letters of appointment of the Non-Executive Directors for compensation to be payable to any of them in the event of early termination of their employment or appointment (as the case may be); and

6.3.3 there is no service agreement or appointment or engagement letter in force between any GoIndustry Director and GoIndustry or any of its subsidiaries and no such agreement or appointment or engagement letter has been entered into or amended within six months prior to the date of this document.

7. **Compromise Agreement with General Counsel of GoIndustry**

The General Counsel of GoIndustry, Gisa Bielfeldt, has entered into a compromise agreement dated 8 May 2012 with GoIndustry Operations in connection with the termination of her employment with GoIndustry Operations (pursuant to an employment agreement dated 23 May 2006) at the Effective Termination Time (as defined in paragraph 6.2.1. above). Under the terms of the compromise agreement, GoIndustry Operations has agreed to pay to Gisa Bielfeldt in full and final settlement of all claims arising under her employment agreement with GoIndustry Operations or under UK statutory employment rights:

- (a) her salary and benefits up to date of the Effective Termination Time (the “**Termination Date**”);
- (b) £26,250 in respect of her salary in lieu of her notice period (subject to deduction of income tax and national insurance contributions);
- (c) a payment in lieu of 12 days’ accrued but untaken holiday to the date of the Termination Date (subject to deduction of income tax and employee’s national insurance contributions);
- (d) a payment of £4,200 by way of contribution direct to her pension scheme (in lieu of 3 months’ pension contributions);
- (e) £36,245 by way of a termination payment (of which £30,000 will be paid to her without deduction of income tax or national insurance contribution, but applicable income tax will be deducted from the balance);
- (f) £500 in consideration for the reinstatement of the confidentiality and restrictive covenants referred to in her service agreement;
- (g) up to £7,500 by way of reimbursement of the costs of an outplacement service provider of her choice; and
- (h) £25,000 in consideration for the additional services referred to below (subject to deductions for applicable income tax and national insurance contributions).

GoIndustry Operations will continue to provide, at the expense of GoIndustry Operations, the same level of private medical insurance as provided at the Effective Termination Time until the date falling 6 months after the Termination Date.

Under the terms of the Compromise Agreement, Gisa Bielfeldt has agreed, in consideration of the payment referred to in paragraph 7(h) above, to make herself reasonably available to GoIndustry Operations for a period of up to 30 days after the Termination Date for the purposes of providing such additional assistance and consultancy advice as GoIndustry Operations may reasonably request, up to a maximum of 140 working hours.

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8. **Offer-related arrangements**

The following offer-related arrangements (within the meaning of Rule 21 .2 of the Code) or other agreements, arrangements or commitments permitted under, or excluded from, Rule 21 .2, have been entered into between GoIndustry and Liquidity Services or members of the GoIndustry Group and members of the Liquidity Services Group in connection with the Acquisition (in the case of the agreements referred to at paragraphs 8.4 and 8.5, with the prior consent of the Panel):

8.1 **Confidentiality Agreement**

On 29 September 2011, Liquidity Services entered into a confidentiality agreement with GoIndustry (the “**Confidentiality Agreement**”) pursuant to which, amongst other things, Liquidity Services has undertaken (i) to keep confidential certain non-public information it receives relating to the GoIndustry Group, (ii) not to disclose such information to third parties (other than certain permitted disclosees who are directly concerned with Liquidity Services’ assessment of the Acquisition) unless required by law, legal process, a rule of any listing authority on which Liquidity Services’ shares are listed or traded or by a governmental or regulatory authority or other authority with relevant powers to which Liquidity Services is subject or to which it submits (iii) that such information may only be used to assist Liquidity Services and its permitted disclosees to evaluate, negotiate, advise on and implement the Acquisition and (iv) not to use such information in a way which is prejudicial to the business of the GoIndustry Group.

Liquidity Services has further undertaken that, subject to certain limited exclusions, during the period of 12 months from the date of the Confidentiality Agreement, it will not (and shall procure that no entity controlled, either directly or indirectly by it will not) solicit or entice away, or endeavour to solicit or entice away, from any company in the GoIndustry Group, or employ any key employee, including sales personnel, of any company in the GoIndustry Group. Liquidity Services has further undertaken that it will (and will ensure that any permitted disclosee) will only make contact with such directors, employees, advisers to, suppliers, customers (in each case of the GoIndustry Group) or other third parties who do business with the GoIndustry Group, as shall be agreed in writing with GoIndustry.

Liquidity Services has also agreed that it will not (and shall procure that no entity controlled, either directly or indirectly by it will not) , without the prior written consent of GoIndustry, at any time during the period of 12 months from the date of the Confidentiality Agreement, acquire or cause another person to acquire an interest in any GoIndustry Shares or enter into any agreement or arrangement (legally binding or not) to do the same or make, or cause another person to make an offer for any GoIndustry Shares or enter into any agreement or arrangement (legally binding or not) or do or omit to do any act as a result of which Liquidity Services or such other person may become obliged (under the Code or otherwise) to make any such offer.

8.2 Fees Undertaking Letter

On 18 April 2012, Liquidity Services entered into an undertaking letter with GoIndustry (the “**Fees Undertaking Letter**”) pursuant to which Liquidity Services has undertaken to put GoIndustry in funds in order to pay (in advance of being required to pay) GoIndustry’s additional fees (up to a limit of £100,000 (inclusive of applicable VAT thereon and disbursements) in relation to effecting the Acquisition by way of the Scheme, subject to being provided with copies of the relevant invoices addressed to GoIndustry. The undertaking includes but is not limited to the additional fees of GoIndustry’s solicitors, of WH Ireland, the fees of Counsel to be instructed by GoIndustry in relation to the Scheme, the fees payable by GoIndustry to the Panel, the fees payable by GoIndustry to the Court, the fees and expenses of GoIndustry’s registrars, Capita Registrars, in relation to the Scheme, the fees and expenses of printers and the mailing house in respect of this document and the costs of advertising the various Court Meetings and/or Court Orders.

8.3 Transaction Letter

On 9 May 2012, Liquidity Services and Liquidity Services UK entered into an undertaking letter with GoIndustry (the “**Transaction Letter**”) pursuant to which Liquidity Services and Liquidity Services UK have confirmed, undertaken and agreed to and with GoIndustry, amongst other things:

- (a) (subject to the terms and conditions of the Acquisition and the Scheme as set out in Appendix I to the Announcement and as set out in Part 3 of this document) to proceed with the

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Acquisition and to be bound by the Scheme (and in particular, pay the Cash Consideration of 73 pence to GoIndustry Shareholders in accordance with the provisions of the Scheme);

- (b) to acquire a GoIndustry Share prior to the Scheme Record Time and hold such share until the Scheme Effective Date;
- (c) to authorise GoIndustry to brief Counsel for GoIndustry to appear on behalf of Liquidity Services UK at the Scheme Court Hearing, to consent to the Scheme and undertake to the Court on behalf of Liquidity Services UK that Liquidity Services UK will be bound by the Scheme;
- (d) to procure that any holder of GoIndustry Shares beneficially owned by Liquidity Services UK or any other member of the Liquidity Services Group will appear by Counsel at the Scheme Court Hearing, and to submit to be bound by and to undertake to the Court to be bound by the Scheme;
- (e) to provide all such information about itself, its subsidiary and associated undertakings, its assets, liabilities and financial position and its directors and their associates as may reasonably be required by GoIndustry for the purposes of preparing and verifying the Scheme Circular in sufficient time prior to the despatch of this document to shareholders of GoIndustry and to provide to GoIndustry as soon as reasonably practicable all such other assistance as may reasonably be required in connection with the preparation of this document;
- (f) unless Liquidity Services UK shall previously have invoked a condition to the Acquisition so as to cause the Acquisition not to proceed, that Liquidity Services UK will deliver (and Liquidity Services has undertaken that it will procure that Liquidity Services UK will deliver) immediately prior to the Scheme Court Hearing, confirmation that all of the Conditions referred to in paragraph 3 of the Conditions (as set out in Part A of Part 3 of this document) have either been satisfied or waived. If Liquidity Services UK or Liquidity Services becomes aware of any fact, matter or circumstance such that it cannot provide such confirmation in writing immediately prior to the Scheme Court Hearing, Liquidity Services UK shall inform GoIndustry as soon as reasonably practicable and, if the date on which GoIndustry is informed is less than five (5) Business Days prior to the Scheme Court Hearing, Liquidity Services UK shall (at the request of GoIndustry) give all reasonable assistance to GoIndustry to enable GoIndustry to procure that the Scheme Court Hearing and the Capital Reduction Court Hearing are each postponed for a period of up to five (5) Business Days (or such further period as GoIndustry may agree) to allow for the investigation of such fact, matter or circumstance;
- (g) to use its reasonable endeavours to procure that each of the directors, officers and employees of Liquidity Services UK and Liquidity Services (and those of their subsidiaries) shall do all such acts as are reasonably necessary to give effect to the terms of the Transaction Letter;

and each of the parties has agreed with each other:

- (i) to co-operate for the purposes of obtaining any and all consents, clearances, permissions and waivers as may be necessary or expedient, and completing all filings and waiting periods as may be necessary, pursuant to any law, regulation or practice applied by any applicable law or applicable regulatory authority in connection with the Acquisition; and
- (ii) to use all reasonable endeavours to implement proposals by Liquidity Services and Liquidity Services UK in relation to the GoIndustry Share Schemes in a manner consistent with the rules of each GoIndustry Share Scheme and all other applicable all laws and regulations;

but so that the obligations of Liquidity Services and Liquidity Services UK under paragraphs (f) and (g) above and under paragraph (i) above and of GoIndustry under paragraph (i) above shall be terminated (except to the extent that any such obligation is due to be performed prior to such date) if (i) the Scheme has not become effective by 31 August 2012, (ii) the GoIndustry Shareholders fail to pass by the required majority the resolutions to be proposed at the Court Meeting or the General Meeting (iii) the Court refuses to sanction the Scheme (including the related Capital Reduction) or (iv) Liquidity Services UK gives written notice, with the prior written consent of the Panel, that a Condition has been invoked with the result that the Acquisition will no longer proceed.

8.4 UK Share Sale Agreement

On 9 May 2012 (as varied on 21 May 2012), GoIndustry AG entered into the UK Share Sale Agreement with Liquidity Services UK and Liquidity Services for the sale to Liquidity Services UK of

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the entire issued share capitals of GoIndustry UK, GoIndustry Operations and GoIndustry Osterreich in consideration of the payment by Liquidity Services UK of US\$25,000, US\$25,000 and US\$25,000 respectively, completion of which is conditional upon:

- (a) the passing of the Ordinary Resolution at the General Meeting;
- (b) the issue of the Scheme Sanction Court Order; and
- (c) the consent of the Panel.

Under the terms of the UK Share Sale Agreement, GoIndustry AG has been granted a call option (and Liquidity Services UK has been granted a put option) to enable GoIndustry AG (and Liquidity Services UK to require GoIndustry AG) to re-acquire the relevant subsidiaries for the same consideration as paid by Liquidity Services UK if, following completion of the UK Share Sale Agreement:

- (i) the Court does not grant the Capital Reduction Court Order;
- (ii) the Scheme does not become effective within 5 Business Days of the Scheme Court Hearing; or
- (iii) the GoIndustry Directors decide not to proceed with the Scheme.

If the put and call options become exercisable but notice to exercise the put option or the call option is not issued, GoIndustry AG shall be deemed to have served a call option notice to require Liquidity Services UK to transfer back to GoIndustry AG the shares initially transferred to Liquidity Services UK on completion of the UK Share Sale Agreement.

If the conditions referred to in (a) — (c) above are not satisfied by 9 November 2012, the parties obligations under the UK Share Sale Agreement shall cease immediately, except that for a period of 1 year the Liquidity Services Group will not solicit for hire any of the employees of the relevant subsidiaries and for a period of 6 months the Liquidity Services Group will not use any confidential information received from the GoIndustry Group to solicit for custom any of the customers of the relevant subsidiaries whose identity and/or details have been disclosed to the Liquidity Services Group by or on behalf of the GoIndustry Group. If following completion of the UK Share Sale Agreement, the call option is exercised by GoIndustry AG or the put option is exercised by to Liquidity Services UK, such restrictions on the Liquidity Services Group will also apply for a period of 1 year and 6 months (respectively) from the date of exercise of the call option or the put option.

The Scheme itself is not however conditional upon completion of the UK Share Sale Agreement.

8.5 US Assets Sale Agreement

On 9 May 2012 (as varied on 21 May 2012), GoIndustry, Inc. entered into the US Assets Sale Agreement with Liquidity Services Sub and Liquidity Services for the sale to Liquidity Services Sub of the assets and liabilities of GoIndustry, Inc. in consideration of the payment by Liquidity Services Sub of US\$100,000 in cash and the assumption by Liquidity Services Sub of the liabilities of GoIndustry, Inc., completion of which is conditional upon:

- (a) PNC Bank, National Association confirming that it irrevocably waives any event of default or right to terminate (or vary) its facility agreements with GoIndustry, Inc. and GoIndustry DoveBid Valuations, Inc. as a consequence of the transaction contemplated by the US Assets Sale Agreement;
- (b) the passing of the Ordinary Resolution at the General Meeting;
- (c) the issue of the Scheme Sanction Court Order; and
- (d) the consent of the Panel.

Under the terms of the US Assets Sale Agreement, GoIndustry, Inc. has been granted a call option (and Liquidity Services Sub has been granted a put option) to enable GoIndustry, Inc. (and Liquidity Services Sub to require GoIndustry, Inc.) to re-acquire the assets and liabilities of GoIndustry, Inc. for the same consideration as paid by Liquidity Services Sub if, following completion of the US Assets Sale Agreement:

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- (i) the Court does not grant the Capital Reduction Court Order;
- (ii) the Scheme does not become effective within 5 Business Days of the Scheme Court Hearing; or
- (iii) the GoIndustry Directors decide not to proceed with the Scheme.

If the put and call options become exercisable but notice to exercise the put option or the call option is not issued, GoIndustry, Inc. shall be deemed to have served a call option notice to require Liquidity Services Sub to transfer back to GoIndustry, Inc. the assets initially transferred to Liquidity Services Sub on completion of the US Assets Sale Agreement.

If the conditions referred to in (a) — (c) above are not satisfied by 9 November 2012, the parties obligations under the US Assets Sale Agreement shall cease immediately, except that for a period of 1 year the Liquidity Services Group will not solicit for hire any of the employees of GoIndustry, Inc. and its relevant subsidiaries and for a period of 6 months the Liquidity Services Group will not use any confidential information received from the GoIndustry Group to solicit for custom any of the customers of GoIndustry, Inc. or its relevant subsidiaries whose identity and/or details have been disclosed to the Liquidity Services Group by or on behalf of the GoIndustry Group. If following completion of the US Assets Sale Agreement, the call option is exercised by GoIndustry, Inc. or the put option is exercised by to Liquidity Services Sub, such restrictions on the Liquidity Services Group will also apply for a period of 1 year and 6 months (respectively) from the date of exercise of the call option or the put option.

The Scheme itself is not however conditional upon completion of the US Assets Sale Agreement.

9. Irrevocable Undertakings

Directors' irrevocable undertakings

Liquidity Services and Liquidity Services UK have received irrevocable undertakings from those GoIndustry Directors who beneficially own GoIndustry Shares (being Neville Davis, Jack Reinelt and David Bailey) and from Jasmine Trustees Limited (the trustee of a trust of which Max Steinkopf is the sole beneficiary), to vote (or, as applicable, to procure the vote) in favour of the Scheme Resolutions and the Ordinary Resolution to be proposed at the Shareholders Meetings (and if the Acquisition is subsequently structured as a Takeover Offer at the Offer Price, to accept (or, as applicable, to procure the acceptance of) any such Takeover Offer made by Liquidity Services UK) in respect of their entire beneficial holdings, as set out below, being GoIndustry Shares representing, in aggregate, approximately 1.45 per cent. of the existing issued share capital of GoIndustry.

	Percentage of Number of existing issued	
	GoIndustry Shares	share capital
Neville Davis	15,555	0.16
Jack Reinelt	55,555	0.57
David Bailey	53,516	0.55
Jasmine Trustees Limited	17,052	0.17

In the case of the irrevocable undertakings given by Neville Davis, Jack Reinelt and David Bailey, these irrevocable undertakings:

- will continue to be binding in the event that a higher competing offer is made for GoIndustry; and
- will cease to be binding if (i) the Scheme does not become effective (or Takeover Offer, as applicable, does not become wholly unconditional) on or before the date being six months following the date of this announcement, or (ii) the Scheme is withdrawn or otherwise lapses.

In the case of the irrevocable undertaking given by Jasmine Trustees Limited (the trustee of a trust of which Max Steinkopf is the sole beneficiary), this irrevocable undertaking will cease to be binding if (i) the Scheme does not become effective (or Takeover Offer, as applicable, does not become wholly unconditional) on or before the date being six months following the date of this announcement, or (ii) the Scheme is withdrawn or otherwise lapses. In addition, such undertaking will cease to be binding if, before 5.00 pm on the last

Business Day before the Court Meeting, a third party announces in accordance with Rule 2.7 of the Code, a firm intention to make an offer (including, for this purpose, an acquisition by means of a scheme of arrangement), which is not subject to any pre-condition, to acquire all the issued and to be issued share capital of GoIndustry (other than any shares already owned by such third party and its associates) and which in the case of an offer involving only cash consideration, for a cash consideration which is at least 10 per cent. over the offer price available under the Acquisition as at the date of such third party announcement or in the case of an offer including or comprising non-monetary consideration, for a consideration per share which represents, in the reasonable opinion of RBC Capital Markets, at least 10 per cent., over the value of the consideration available under the Acquisition at the date of such third party's announcement (provided that Liquidity Services UK has not within 5 Business Days of such third party's announcement itself announced an improvement to the terms of the Scheme which are no less favourable on the date on which such improvement is announced by Liquidity Services UK than the terms of the third party's proposal).

Other undertakings

Liquidity Services and Liquidity Services UK have also received irrevocable undertakings from certain other GoIndustry Shareholders to vote (or, as applicable, to procure the vote) in favour of the Scheme Resolutions and the Ordinary Resolution to be proposed at the Shareholder Meetings (and if the Acquisition is subsequently structured as a Takeover Offer at the Offer Price, to accept (or, as applicable, to procure the acceptance of) any such Takeover Offer made Liquidity Services UK) in respect of their beneficial holdings, as set out below, being GoIndustry Shares representing, in aggregate, approximately 56.38 per cent. of the existing issued share capital of GoIndustry:

	Percentage of Number of existing issued	
	GoIndustry Shares	share capital
ICG Holdings, Inc.	2,546,743	25.99
Bond Capital Partners 1 Limited	1,897,092	19.36
Atlas Venture Fund IV, L.P	1,067,232	10.89
Atlas Venture Entrepreneurs' Fund IV, L.P.	13,292	0.14

The undertakings set out above will cease to be binding if (i) the Scheme does not become effective (or Takeover Offer, as applicable, does not become wholly unconditional) on or before the date being six months following the date of this announcement, or (ii) the Scheme is withdrawn or otherwise lapses. In addition, such undertakings will cease to be binding if, before 5.00 pm on the last Business Day before the Court Meeting, a third party announces in accordance with Rule 2.7 of the Code, a firm intention to make an offer (including, for this purpose, an acquisition by means of a scheme of arrangement), which is not subject to any pre-condition, to acquire all the issued and to be issued share capital of GoIndustry (other than any shares already owned by such third party and its associates) and which in the case of an offer involving only cash consideration, for a cash consideration which is at least 10 per cent. over the offer price available under the Acquisition as at the date of such third party announcement or in the case of an offer including or comprising non-monetary consideration, for a consideration per share which represents, in the reasonable opinion of RBC Capital Markets, at least a 10 per cent. over the value of the consideration available under the Acquisition at the date of such third party's announcement (provided that Liquidity Services UK has not within 5 Business Days of such third party's announcement itself announced an improvement to the terms of the Scheme which are no less favourable on the date on which such improvement is announced by Liquidity Services UK than the terms of the third party's proposal).

10. Material contracts

Save as set out below or in paragraph 8 above, there are no contracts, other than contracts entered into in the ordinary course of business, which have been entered into by GoIndustry or Liquidity Services or any of their respective subsidiaries during the period beginning two years before the commencement of the Offer Period to the last practicable date prior to the publication of this document which are or may be material:

10.1 *Material contracts of the GoIndustry Group*

10.1.1 *Grolsch settlement agreement*

On 27 April 2012, Grolsche Bierbrouwerij Nederland B.V. ("**Grolsch**") (1) Hamerbod B.V. ("**Hamberbod**") (2) GoIndustry, Inc. (3) and GoIndustry (4) entered into a settlement agreement

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pursuant to which Hamerbod and GoIndustry undertook to pay to Grolsch the sum of €300,000 in two equal instalments of €150,000 (the first instalment payable on or before 2 July 2012 and the second instalment payable on or before 31 August 2012) in settlement of a dispute arising against Hamerbod under a sale agreement and against GoIndustry, Inc. under a guarantee in relation to such sale agreement. In consideration for the payments, the settlement agreement provides for a mutual waiver and release of all claims arising prior to the settlement agreement.

10.1.2 *Loan Note Instrument*

On 15 December 2008, GoIndustry executed the Loan Note Instrument dated 15 December 2008, as amended and restated on 10 September 2009, and amended by a variation letter dated 22 December 2011 from GoIndustry to the sole remaining holder of the £500,000 outstanding Convertible Loan Notes. The Convertible Loan Notes bear interest at 12 per cent. per annum. The holder(s) of the outstanding Convertible Loan Notes may elect to convert all or some of his Convertible Loan Notes into GoIndustry Shares at a conversion rate (as adjusted) of one GoIndustry Share for every £2.80 principal of Convertible Loan Notes and the outstanding Convertible Loan Notes are otherwise required to be redeemed by GoIndustry on a sale of GoIndustry which results in any person, together with any person(s) acting in concert with that person, holding more than 50 per cent. of GoIndustry's ordinary share capital at a redemption price of 130 per cent. of the principal amount of the Convertible Loan Notes and otherwise on (or at the election of GoIndustry, at any time before) the final repayment date of 30 June 2014 at a redemption price of 120 per cent. of the principal amount of the Convertible Loan Notes.

10.1.3 *Facilities with PNC Bank, National Association*

On 27 May 2011, GoIndustry, Inc. and GoIndustry DoveBid Valuations, Inc. (together the "**GoIndustry Borrowers**") entered into the following facility agreements with PNC Bank, National Association ("**PNC Bank**") for the provision to the GoIndustry Borrowers of the following credit facilities:

- (a) a principal deal facility financing and security agreement and promissory note pursuant to which PNC Bank made available to the GoIndustry Borrowers a credit facility of up to US\$5,500,000 for the purposes of financing principal deals (the "**Principal Deal Facility Agreement**");
- (b) a working capital facility financing and security agreement and promissory note pursuant to which PNC Bank made available to the GoIndustry Borrowers a credit facility of up to US\$5,500,000 for working capital purposes (the "**Working Capital Facility Agreement**"); and
- (c) a term loan and security agreement and promissory note pursuant to which PNC Bank made available to the GoIndustry Borrowers a loan of up to US\$3,850,000 for the purpose of refinancing certain debt owed to PNC Bank by the GoIndustry Borrowers (the "**Term Loan Facility Agreement**");

in the case of the Principal Deal Facility Agreement and the Working Capital Facility Agreement, until the earlier of 30 April 2012 or the date on which the relevant facility is terminated, at an interest rate in each case of 3.25 per cent. per annum over LIBOR and in the case of the Term Loan Facility Agreement to be repaid in 37 monthly instalments of US\$101,316 and a final instalment of the entire unpaid balance (and all accrued interest) due on 1 July 2014.

Pursuant to an extension letter dated 30 April 2012 from PNC Bank to GoIndustry, Inc., PNC Bank agreed to extend the expiry date of the credit facilities available under the Principal Deal Facility Agreement and the Working Capital Facility Agreement until 30 April 2013, on the basis of, amongst the other things:

- (i) a reduction in the amount of the credit facility under the Principal Deal Facility Agreement to US\$2,500,000;

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- (ii) a reduction of the availability of the credit facility under the Working Capital Facility Agreement by US\$250,000 as of 31 July 2012 with subsequent US\$250,000 reductions occurring every 3 months thereafter;
- (iii) a shortening of the maturity date of the credit facility under the Term Loan Facility Agreement to 31 July 2013 and such facility to be repaid in monthly instalments of US\$101,316 and a final instalment of the entire unpaid balance on the maturity date;
- (iv) an increase in the interest rate on all the credit facilities to 5.25 per cent. over LIBOR; and
- (v) an extension in the 'change of control' definition to include a change of control of GoIndustry as well as either or both of the Borrowers;

all to be set out in a Omnibus Amendment to Loan Agreements to be entered into by 24 May 2012 (or such later date as may be agreed with PNC Bank) between PNC Bank (1) GolIndustry, Inc. (2) GolIndustry DoveBid Valuations, Inc. (3) and GolIndustry (4).

GolIndustry has entered into a guarantee dated 27 May 2011 in favour of PNC Bank in respect of all the existing and future obligations of the GolIndustry Borrowers under each of the above facility agreements (as amended).

10.2 *Material contracts of the Liquidity Services Group*

10.2.1 *Asset Purchase Agreement*

On 1 September 2011, Liquidity Services, Profar Acquisition Partners, LLC, a Delaware limited liability company and wholly owned indirect subsidiary of Liquidity Services, (**"Profar"**) and Jacobs Trading, LLC, a Minnesota limited liability company (**"Jacobs"**), entered into an asset purchase agreement (the **"Jacobs Agreement"**) pursuant to which Profar agreed to acquire the assets and business of Jacobs (the **"Jacobs Business"**) (the **"Jacobs Acquisition"**). The Jacobs Acquisition closed on 3 October 2011. The consideration payable at the closing of the Jacobs Acquisition was US\$80 million in cash, 900,171 shares of common stock of Liquidity Services (the **"Jacobs Closing Shares"**) and a subordinated, unsecured promissory note (the **"Jacobs Note"**) with an aggregate principal amount of US\$40 million, subject to a post-closing adjustment based on the working capital of the Jacobs Business.

The Jacobs Note bears interest at an annual rate of 5 per cent., matures three years after the date of the closing and is subordinated to Liquidity Services' current and future bank financing.

In addition, Jacobs has the right to contingent earn-out payments of up to US\$20 million based on the operating results of the Jacobs Business during calendar year 2012 and up to US\$10 million based on the operating results of the Jacobs Business during calendar year 2013 (the **"Jacobs Earn-Out Payments"**). The Jacobs Earn-Out Payments will be paid in cash following the determination of the financial results of the Jacobs Business for the applicable calendar year, subject to an election by Jacobs to receive up to 50 per cent. of each Jacobs Earn-Out Payment in shares of common stock of Liquidity Services. Liquidity Services' estimate of the fair value of the earn-out as at 31 March 2012 was US\$8.2 million.

The Jacobs Agreement included customary representations, warranties and covenants by Liquidity Services, Profar and Jacobs, including, amongst other things, a covenant by Jacobs to conduct its business in the ordinary course consistent with past practice between the date of the Jacobs Agreement and the closing of the Jacobs Acquisition and a covenant by each of Liquidity Services and Jacobs to use their reasonable best efforts to consummate the Jacobs Acquisition.

In addition, Liquidity Services has agreed to operate the Jacobs Business as a stand-alone operation from the closing through the end of calendar year 2013 under the management of Irwin L. Jacobs, the founder of the Jacobs Business, and Howard Grodnick, currently the president and chief executive officer of Jacobs, subject to Liquidity Services' generally applicable policies and procedures and general oversight during such period. Liquidity Services and Jacobs have agreed to customary indemnification obligations in the Jacobs

Agreement, including that Liquidity Services may offset any indemnification payments owed by Jacobs to Liquidity Services against the amount then outstanding under the Jacobs Note.

10.2.2 *Bank of America Facility Agreement*

On 30 April 2010, Liquidity Services entered into a financing and security agreement (the **"Financing Agreement"**) with Bank of America, N.A. (**"Bank of America"**), which originally provided Liquidity Services with a US\$30 million revolving line of credit, including a subfacility of up to US\$10 million for letters of credit. Following an amendment to the Financing Agreement on 13 March 2012, the borrowing capacity has been increased to US\$75 million. The term of the Financing Agreement has also been extended to 31 May 2014.

Borrowings under the Financing Agreement bear interest at LIBOR plus a spread of 1.25 per cent. and may be used (a) to fund working capital and other general corporate needs of the Liquidity Services Group, (b) to fund certain permitted acquisitions, and (c) for the issuance of letters of credit.

Liquidity Services granted security in favour of Bank of America over substantially all of its assets to secure its obligations under the Financing Agreement. In addition, Liquidity Services executed and delivered pledge, assignment and security agreements (the **"Pledge Agreements"**) with respect to its equity interests in two of its subsidiaries: GovDeals, Inc. (**"GovDeals"**) and Surplus Acquisition Venture, LLC (**"Surplus"**). GovDeals and Surplus each guaranteed the obligations of Liquidity Services under the Financing Agreement by entering into a payment guarantee agreement on 30 April 2010 (**"Subsidiary Guaranties"**). Furthermore, each of GovDeals and Surplus granted security in favour of Bank of America over substantially all of its assets pursuant to a security agreement (the **"Subsidiary Security Agreements"**) to secure its Subsidiary Guaranty.

The financial covenants contained in the Financing Agreement require Liquidity Services to maintain a ratio of Funded Debt to EBITDA of not more than 1.50 to 1.00, and a Fixed Charge Coverage Ratio of not less than 1.30 to 1.00.

The Financing Agreement contains customary representations and warranties, and affirmative and negative covenants for a transaction of this type and for a borrower of Liquidity Services' size and credit quality. The affirmative covenants include reporting obligations, notices of certain events, preservation of existence, maintenance of insurance and maintenance and preservation of collateral. Negative covenants include limitations on mergers, consolidations and asset sales, limitations on liens, limitations on additional indebtedness, limitations on investments, limitations on restricted payments, transactions with affiliates, limitations on other lines of business and protection of collateral.

Concurrently with Profar's entry into the Jacobs Agreement, Liquidity Services entered into an amendment to the Financing Agreement to permit the Jacobs Acquisition and the issuance of and certain payments on the Jacobs Note and to make certain other changes. The amendment became effective simultaneously with the closing of the Jacobs Acquisition.

11. Bases and Sources

11.1 The value of GoIndustry as implied by the Offer Price is based on the issued ordinary share capital as at 22 May 2012 (being the last practicable day prior to publication of this document), adjusted for the dilutive effect of such GoIndustry Options granted as options which have an exercise price of less than 73 pence, being:

- issued ordinary share capital of 9,798,494 GoIndustry Shares as per the confirmation by GoIndustry pursuant to Rule 2.10 of the Code contained in the announcement made on 1 May 2012; and
- 9,993,922 GoIndustry Shares, being the maximum number of GoIndustry Shares that can be in

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issue following the allotment of 195,428 GoIndustry Shares pursuant to the exercise of the

Share Options which are capable of being exercised and have an exercise price of less than 73 pence.

11.2 The amount payable by Liquidity Services UK to Scheme Shareholders pursuant to the Scheme is calculated by reference to the value of GoIndustry, as implied by the Offer Price and as detailed above.

11.3 Further sources of information regarding data reported in this document are as follows:

- the Closing Prices are derived from the Daily Official List; and
- unless otherwise stated, the financial information relating to GoIndustry is extracted from the audited consolidated financial statements of GoIndustry for the financial years ended 31 December 2010 and 31 December 2011.

12. Other Information

12.1 WH Ireland has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

12.2 RBC Capital Markets has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

12.3 Save as disclosed in this document, there is no agreement, arrangement or understanding (including any compensation arrangements) between Liquidity Services or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of GoIndustry or any person interested or recently interested in GoIndustry Shares having any connection with or dependence on or which is conditional upon the outcome of the Acquisition.

12.4 There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the GoIndustry Shares to be acquired by Liquidity Services UK will be transferred to any other person, save that Liquidity Services UK reserves the right to transfer any such shares to any member of the Wider Liquidity Services Group. Save as disclosed in this document, no member of the Wider Liquidity Services Group holds any interest in the relevant securities of GoIndustry.

12.5 There are no incentive arrangements proposed between members of GoIndustry's management who are interested in GoIndustry Shares and Liquidity Services UK following the Scheme Effective Date.

12.6 The aggregate fees and expenses which are expected to be incurred by the Liquidity Services Group in connection with the Acquisition are estimated to amount to approximately £775,000 excluding applicable VAT or other applicable tax. This aggregate number consists of the following categories (in each case, excluding applicable VAT):

12.6.1 financial and corporate broking advice: £260,000;

12.6.2 legal advice £385,000;

12.6.3 accounting advice: £130,000; and

12.6.4 other costs and expenses: Nil.

12.7 The aggregate fees and expenses which are expected to be incurred by GoIndustry in connection with the Acquisition are estimated to amount to approximately £1,088,600 excluding applicable VAT. This aggregate number consists of the following categories (in each case, excluding applicable VAT):

12.7.1 financial and corporate broking advice: £125,000;

12.7.2 legal advice: £285,000;

12.7.3 accounting advice: £32,000;

12.7.5 other professional services: £1 1,600; and

- 12.8 Save as disclosed in this document, the GoIndustry Directors are not aware of any significant change in the financial or trading position of GoIndustry which has occurred since 31 December 2011, being the date of the last financial period for which audited financial information has been published by GoIndustry.
- 12.9 The only person (other than the Liquidity Services Directors and Liquidity Services UK Directors) who, for the purposes of the Code, are acting in concert with Liquidity Services and Liquidity Services UK is RBC Capital Markets of Thames Court, One Queenhithe, London EC4V 3DQ (as a connected adviser).
- 12.10 The persons (other than the GoIndustry Directors) who, for the purposes of the Code, are acting in concert with GoIndustry are:
- 12.10.1 WH Ireland Limited of 24 Martin Lane, London EC4R 0DR (as a connected adviser);
 - 12.10.2 Morgan Keegan & Company, Inc. of 50 North Front Street, Memphis, TN 38103, USA (as a connected adviser);
 - 12.10.3 Victory Park Securities, LLC of One Exeter Plaza, 699 Boylston Street, Boston, MA 02116, USA (as a connected adviser);
 - 12.10.4 Raymond James & Associates, Inc. Of 880 Carillon Parkway, St Petersburg, FL 33716, USA (as a connected adviser);
 - 12.10.5 ICG Holdings, Inc. of 690 Lee Road, Suite 310, Wayne, PA 19087, USA; and
 - 12.10.6 Bond Capital Partners 1 Limited of 21 Arlington Street, London SW1A 1 RN.
- 12.11 A consolidated list of information incorporated by reference in this document is set out in Part A of Part 4 of this document. You may request a hard copy of this document (and any information incorporated by reference in this document) by contacting Capita Registrars during business hours on 0871 664 0321 from within the UK or on +44 (0) 20 8639 3399 if calling from outside the UK or by submitting a request in writing to Capita Registrars, Corporate Actions, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. It is important that you note that unless you make such a request, a hard copy of this document and any such information incorporated by reference in it will not be sent to you. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.

13. Availability of Documents

Copies of the following documents will be available, free of charge, on GoIndustry's website at <http://www.go-dove.com/company/InvestorRelations.asp> under the heading 'Recommended Cash Acquisition by Liquidity Services' during the course of the Acquisition:

- 13.1 the memorandum and articles of association of each of GoIndustry and Liquidity Services UK;
- 13.2 the amended and restated certificate of incorporation and the amended and restated by-laws of Liquidity Services;
- 13.3 the audited published consolidated accounts of GoIndustry for each of the two financial years ended 31 December 2010 and 31 December 2011;
- 13.4 the audited published consolidated financial statements of Liquidity Services for each of the two fiscal years ended 30 September 2010 and 30 September 2011;
- 13.5 the results of Liquidity Services for the first quarter ended 31 December 2011 and for the second quarter ended 31 March 2012 of its fiscal year ending 30 September 2012;
- 13.6 the Confidentiality Agreement, the Fees Undertaking Letter and the Transaction Letter referred to in paragraphs 8.1, 8.2 and 8.3 of this Part 5;
- 13.7 the UK Share Sale Agreement and the US Assets Sale Agreement referred to in paragraphs 8.4 and 8.5 of this Part 5;

- 13.8 the irrevocable undertakings referred to in paragraph 9 of this Part 5;
- 13.9 the letters of consent referred to in paragraphs 12.1 and 12.2 of this Part 5;
- 13.10 a copy of the Announcement; and
- 13.11 a copy of this document and the Forms of Proxy.

Dated: 23 May 2012

THE SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE

No. 3979 of 2012

CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF GOINDUSTRY-DOVEBID PLC

- and -

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

(under Part 26 of the Companies Act 2006)

BETWEEN

GOINDUSTRY-DOVEBID PLC

AND

THE HOLDERS OF ITS SCHEME SHARES

(as hereinafter defined)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

- “£”, “sterling” and “pence” the lawful currency of the United Kingdom;
- “Business Day” a day (other than a Saturday, Sunday, public holiday or bank holiday) on which banks are generally open for business in the City of London;
- “Cash Consideration” the cash consideration payable to holders of Scheme Shares by Liquidity Services UK under Clause 2;
- “certificated” or “in certificated form”; not in uncertificated form (that is, not in CREST);
- “Company” GoIndustry-DoveBid plc, incorporated in England and Wales with registered number 5381812;
- “Companies Act” the Companies Act 2006 (as amended);
- “Court” the High Court of Justice in England and Wales;
- “Court Meeting” the meeting of the holders of Scheme Shares convened by order of the Court pursuant to section 896 of the Companies Act to consider and, if thought fit, approve this Scheme, including any adjournment thereof;
- “CREST” the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001;

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- “Effective Date” the date on which this Scheme becomes effective in accordance with Clause 5;
- “Euroclear” Euroclear UK & Ireland Limited, incorporated in England and Wales with registered number 02878738;
- “GoIndustry Shares” ordinary shares of 1 pence each in the capital of the Company;
- “holder” includes a person entitled by transmission;
- “Liquidity Services” Liquidity Services, Inc., a public corporation incorporated under the laws of Delaware, USA whose registered office is at 1920 L Street, N.W., 6th Floor, Washington, D.C.;
- “Liquidity Services Group” Liquidity Services and its direct or indirect holding companies (including Liquidity Services UK);
- “Liquidity Services UK” Liquidity Services Limited, a private limited company incorporated under the laws of England and Wales, a direct, wholly-owned subsidiary of Liquidity Services, with company registration number 04843035 and whose registered office is at Unit 301A, Mill Studio Business Centre, Crane Mead, Ware, Hertfordshire SG1 2 9PY;
- “members” members of the Company on the register of members at any relevant date;

“New GoIndustry Shares”	the new GoIndustry Shares to be allotted and issued pursuant to Clause 1 .2;
“Scheme”	this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by the Company and Liquidity Services UK;
“Scheme Record Time”	5.00 p.m. on the Business Day immediately prior to the date on which the Court confirms the reduction of capital provided for in Clause 1;
“Scheme Shareholder”	a holder of a Scheme Share;
“Scheme Shares”	the GoIndustry Shares: <ul style="list-style-type: none"> (i) in issue at the date of this Scheme; (ii) issued after the date of this Scheme and prior to the Voting Record Time; and (iii) issued at or after the Voting Record Time and at or before the Scheme Record Time in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by this Scheme, <p>in each case other than any GoIndustry Shares which are registered in the name of or beneficially owned by Liquidity Services UK or any member of the Liquidity Services Group;</p>
“uncertificated” or	recorded on the relevant register as being held in
“in uncertificated form”	uncertificated form in CREST and title to which may be transferred by means of CREST; and

“Voting Record Time” 6.00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting.

References to Clauses are to Clauses of this Scheme, and references to time are to London time.

- (B) As at the close of business on 22 May 2012 (the last practicable date before the date of this Scheme) the issued share capital of GoIndustry was £97,984.94 divided into 9,798,494 GoIndustry Shares, all of which were credited as fully paid.
- (C) At the date of this Scheme, no GoIndustry Shares are registered in the name of or beneficially owned by Liquidity Services UK and other members of the Liquidity Services Group. Liquidity Services UK has agreed to acquire, prior to the Scheme Record Time and to hold until after the Effective Date, one fully paid GoIndustry Share.
- (D) Liquidity Services UK has agreed to appear by Counsel on the hearing to sanction this Scheme and to submit to be bound by and to undertake to the Court to be bound by this Scheme and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by or on behalf of it for the purpose of giving effect to this Scheme (including, without limitation, settling the consideration payable to Scheme Shareholders pursuant to the Scheme).
- (E) Liquidity Services UK has agreed to procure that any holder of GoIndustry Shares beneficially owned by Liquidity Services UK or any other member of the Liquidity Services Group will appear by Counsel on the hearing to sanction this Scheme, and to submit to be bound by and to undertake to the Court to be bound by this Scheme.

THE SCHEME

1. Cancellation of the Scheme Shares

1.1 The share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares.

1.2 Subject to and forthwith upon the reduction of capital referred to in Clause 1 .1 taking effect and notwithstanding anything to the contrary in the Company’s articles of association:

1.2.1 the share capital of the Company shall be increased to its former amount by the creation of such number of New GoIndustry Shares as shall be equal to the number of Scheme Shares cancelled pursuant to Clause 1.1; and

1.2.2 the reserve arising in the books of account of the Company as a result of the said reduction of capital shall be capitalised and applied in paying up in full at par the New GoIndustry Shares created pursuant to Clause 1.2.1 which shall be allotted and issued credited as fully paid to Liquidity Services UK and/or its nominee(s).

2. Consideration for the cancellation of the Scheme Shares

In consideration for the cancellation of the Scheme Shares and the allotment and issue of the New GoIndustry Shares as provided in Clause 1, Liquidity Services UK shall pay to or for the account of the holders of Scheme Shares (as appearing in the register of members of the Company at the Scheme Record Time):

3. Settlement of Consideration

3.1 No later than 14 days after the Effective Date, Liquidity Services UK shall:

3.1.1 save as otherwise agreed with the holders of Scheme Shares, in the case of Scheme Shares which at the Scheme Record Time are in certificated form, procure the despatch to the persons

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entitled thereto in accordance with the provisions of Clause 3.2 of cheques for the sums payable to them respectively in accordance with Clause 2; and

3.1.2 in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form, arrange for the creation of an assured payment obligation in favour of the payment bank of the persons entitled thereto in accordance with the CREST assured payment arrangements for the sums payable to them respectively in accordance with Clause 2, provided that Liquidity Services UK reserves the right to make payment of the said sums by cheque as set out in Clause 3.1.1 if, for any reason, it wishes to do so.

3.2 All deliveries of cheques pursuant to this Scheme shall be effected by sending the same by first class post in prepaid envelopes addressed to the persons entitled thereto at their respective addresses as appearing in the register of members of the Company at the Scheme Record Time, and none of Liquidity Services UK, the Company or their respective agents shall be responsible for any loss or delay in the transmission or delivery of any cheques sent in accordance with this Clause 3.2 which shall be sent at the risk of the persons entitled thereto.

3.3 All cheques shall be made payable to the persons respectively entitled to the moneys represented thereby and the encashment of any such cheque or the creation of any such assured payment obligation as is referred to in Clause 3.1.2 shall be a complete discharge to Liquidity Services UK for the moneys represented thereby.

3.4 The provisions of this Clause 3 shall be subject to any condition or prohibition imposed by law.

4. Share certificates and cancellation of entitlements

With effect from and including the Effective Date:

4.1 all certificates representing Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised therein and every holder of Scheme Shares shall be bound at the request of the Company to deliver up their share certificate(s) to the Company or to destroy the same; and

4.2 Euroclear shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form and appropriate entries shall be made in the register of members of the Company with effect from the Effective Date to reflect their cancellation.

5. Effective Date

5.1 This Scheme shall become effective as soon as copies of the orders of the Court sanctioning this Scheme under section 899 of the Companies Act and confirming under section 648 of the Companies Act the reduction of capital provided for by this Scheme and the related statement of capital approved by the Court shall have been delivered to the Registrar of Companies in England and Wales ("**Registrar**") and, if so ordered, the said order of Court confirming the reduction of capital and the related statement of capital have been registered by the Registrar.

5.2 Unless this Scheme shall have become effective on or before 31 August 2012, or such later date, if any, as the Company and Liquidity Services UK may agree and the Court may allow, this Scheme shall never become effective.

6. Modification

The Company and Liquidity Services UK may jointly consent on behalf of all concerned to any modification of, or addition to, this Scheme or to any condition which the Court may approve or impose.

7. Governing law

This Scheme is governed by the laws of England and Wales and is subject to the jurisdiction of the English courts.

Dated: 23 May 2012

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PART 7

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE

No. 3979 of 2012

CHANCERY DIVISION
COMPANIES COURT
REGISTRAR DERRETT

- and -

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that by an Order dated 21 May 2012 made in the above matters the Court has directed a meeting (the “**Court Meeting**”) to be convened of the holders of the Scheme Shares (as defined in the Scheme of Arrangement referred to below), for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between GoIndustry-DoveBid plc (the “**Company**”) and the Scheme Shareholders (as defined in the said Scheme of Arrangement), and that such Court Meeting shall be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 13 June 2012 at 10.00 a.m., at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of the statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this notice forms part.

Scheme Shareholders entitled to attend and vote at the Court Meeting may vote in person at the Court Meeting or they may appoint another person as their proxy to attend and vote in their stead. A proxy need not be a member of the Company. A WHITE Form of Proxy for use at the Court Meeting is enclosed with this notice. Completion of the Form of Proxy shall not prevent a Scheme Shareholder from attending and voting at the Court Meeting (or any adjournment thereof), in person, if he so wishes.

Scheme Shareholders are entitled to appoint a proxy in respect of some or all of their Scheme Shares. Scheme Shareholders are also entitled to appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. A space has been included in the WHITE Form of Proxy to allow Scheme Shareholders to specify the number of Scheme Shares in respect of which that proxy is appointed. Scheme Shareholders who return the WHITE Form of Proxy duly executed but leave this space blank shall be deemed to have appointed the proxy in respect of all their Scheme Shares.

Scheme Shareholders who wish to appoint more than one proxy in respect of their shareholding should contact the Company’s Registrar for further WHITE Forms of Proxy or photocopy the Form of Proxy as required. Such Scheme Shareholders should also read the notes in respect of the appointment of multiple proxies set out on the WHITE Form of Proxy and note the principles that shall be applied in relation to multiple proxies.

It is requested that WHITE Forms of Proxy be returned to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU, so as to be received as soon as possible and in any event by no later than 10.00 a.m. on 11 June 2012 but if Forms of Proxy are not so lodged, they may be handed to the Chairman at the Court Meeting before the taking of the poll.

Scheme Shareholders entitled to attend and vote at the Court Meeting who hold their Scheme Shares through CREST, may appoint a proxy using the CREST electronic proxy appointment service.

In the case of joint holders of Scheme Shares, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose,

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seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

Entitlement to attend and vote at the Court Meeting or any adjournment thereof and the number of votes which may be cast thereat shall be determined by reference to the register of members of the Company at 6.00 p.m. on 11 June 2012 or, if the Court Meeting is adjourned, on the day which is two days before the date of such adjourned meeting. In each case, changes to the register of members of the Company after such time shall be disregarded.

By the said Order, the Court has appointed Neville Davis or, failing him, Jack Reinelt or, failing him, Leslie-Ann Reed, to act as Chairman of the Court Meeting and has directed the Chairman to report the result of the Court Meeting to the Court.

The Scheme of Arrangement shall be subject to the subsequent sanction of the Court.

Lawrence Graham LLP
Solicitors for the Company

Dated: 23 May 2012

Further notes:

- (1) A WHITE Form of Proxy is enclosed with this notice. Instructions for use are shown on the form. Completing and returning a Form of Proxy will not prevent the shareholder from attending and voting at the meeting (or any adjournment of the meeting) in person, should he subsequently decide to do so.
- (2) It is requested that WHITE Forms of Proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be received at the offices of the Company’s Registrar, Capita Registrars (“**Capita Registrars**”) at PXS, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours before the time of the meeting (in other words, by 10.00 a.m. on 11 June 2012) or, as the case may be, the adjourned meeting. A reply-paid envelope has been provided for this purpose for use in the United Kingdom only. Forms of Proxy not returned by that time may be handed to Capita Registrars, on behalf of the Chairman, before the poll is taken and will still be valid. WHITE Forms of Proxy returned by fax will not be accepted.
- (3) You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different shares.
- (4) If you wish to appoint multiple proxies, you may: (a) photocopy a WHITE Form of Proxy, fill in each copy in respect of different shares and send the multiple Forms of Proxy together to PXS, 34 Beckenham Road, Beckenham BR3 4TU, or alternatively (b) call Capita Registrars on the number in note

(19) below who will then issue you with multiple proxy Forms of Proxy. All Forms of Proxy must be signed and should be returned together in the same envelope.

- (5) Subject to the following principles, where more than one proxy is appointed, where a WHITE Form of Proxy does not state the number of Scheme Shares to which it applies (a “**blank proxy**”), then that proxy is deemed to have been appointed in relation to the total number of Scheme Shares registered in your name (the “**member’s entire holding**”). In the event of a conflict between a blank Form of Proxy and a Form of Proxy which does state the number of Scheme Shares to which it applies (a “**specific proxy**”), the specific Form of Proxy shall be counted first, regardless of the time it was sent or received (on the basis that as far as possible, the conflicting Forms of Proxy should be judged to be in respect of different Scheme Shares) and remaining Scheme Shares will be apportioned to the blank Form of Proxy (pro rata if there is more than one).
- (6) Where there is more than one proxy appointed and the total number of Scheme Shares in respect of which proxies are appointed is no greater than your entire holding, it is assumed that proxies are appointed in relation to different Scheme Shares, rather than that conflicting appointments have been made in relation to the same Scheme Shares.
- (7) If two or more valid but different Forms of Proxy are received in respect of the same Scheme Share for use at the same meeting or on the same poll, the one which is last validly delivered (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the others as regards that Scheme Share and if the Company is unable to determine which was the last validly delivered, none of them shall be treated as valid in respect of that Scheme Share.
- (8) If conflicting Forms of Proxy are sent or received at the same time in respect of (or deemed to be in respect of) your entire holding, none of them shall be treated as valid.
- (9) Where the aggregate number of Scheme Shares in respect of which proxies are appointed exceeds your entire holding and it is not possible to determine the order in which they were sent or received (or they were all sent or received at the same time), the number of votes attributed to each proxy will be reduced pro rata (on the basis that as far as possible, conflicting Forms of Proxy should be judged to be in respect of different Scheme Shares).
- (10) Where the application of note (9) above gives rise to fractions of shares, such fractions will be rounded down.

- (11) If you appoint a proxy or proxies and then decide to attend the meeting in person and vote using your poll card, then your vote in person will override the proxy vote(s). If your vote in person is in respect of your entire holding, then all proxy votes will be disregarded. If, however, you vote at the meeting in respect of less than your entire holding, if you indicate on your polling card that all proxies are to be disregarded, that shall be the case; but if you do not specifically revoke proxies, then your vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding your entire holding.
- (12) In relation to note (11) above, in the event that you do not specifically revoke proxies, it will not be possible for the Company to determine your intentions in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.
- (13) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the Court Meeting or any adjournment thereof and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6.00 p.m. on 11 June 2012 (or, in the event of any adjournment, 6.00 p.m. on the day which is two days before the time of such adjourned Meeting). In each case, changes to entries on the register of members of the Company after such time shall be disregarded in determining the rights of any person to attend and vote at the Court Meeting.
- (14) Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for the Court Meeting or any adjournment(s) by using the CREST electronic proxy appointment service may do so in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (15) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The appointment must, in order to be valid, be transmitted so as to be received by Capita Registrars (CREST Participant ID RA10) at least 48 hours prior to the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (16) CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (17) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (18) A shareholder which is a company (a corporation) and which wishes to be represented at the meeting by a person with authority to speak and vote on a poll (a corporate representative), must appoint such a person by resolution of its directors. A corporate representative has the same powers on behalf of the corporation he/she represents as that corporation could exercise if it were an individual member of the Company.

- (19) If you are in any doubt about completing the WHITE Form of Proxy, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0321 from within the UK or +44 (0) 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.
- (20) Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. You may alternatively submit your question in advance by way of a letter addressed to the Chairman.
- (21) Voting on the resolution at the Court Meeting will be conducted on a poll rather than a show of hands.

PART 8

NOTICE OF GENERAL MEETING

GOINDUSTRY-DOVEBID PLC

(Registered in England and Wales No. 5381812)

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of GoIndustry-DoveBid plc (the "**Company**") shall be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 13 June 2012 at 10.15 a.m. (or as soon thereafter as the Court Meeting has concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolutions, which in the case of resolution no. 1 will be proposed as a special resolution and in the case of resolution no. 2 will be proposed as an ordinary resolution (terms defined in the document of which this Notice forms part shall have the same meaning in this Notice unless otherwise expressly defined):

SPECIAL RESOLUTION

1. THAT:

- (a) for the purpose of giving effect to the scheme of arrangement dated 23 May 2012 between the Company and the holders of Scheme Shares, a print of which has been produced to this meeting and for the purposes of identification signed by the chairman thereof, in its original form or subject to any modification, addition or condition agreed by the Company and Liquidity Services Limited and approved or imposed by the Court (the "**Scheme**"):
- (i) the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
 - (ii) the share capital of the Company be reduced by cancelling and extinguishing all of the Scheme Shares (as defined in the Scheme) at the Scheme Record Time in accordance with, and subject to, the terms of the Scheme;
 - (iii) subject to and forthwith upon the said reduction of capital taking effect and notwithstanding anything to the contrary in the articles of association of the Company:
 - (A) the reserve arising in the books of account of the Company as a result of the said reduction of capital be capitalised and applied in paying up in full at par the New GoIndustry Shares so created, such New GoIndustry Shares to be allotted and issued credited as fully paid to Liquidity Services Limited and/or its nominee(s) in accordance with the terms of the Scheme; and
 - (B) the directors of the Company be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to allot the New GoIndustry Shares referred to in paragraph (a)(iii)(A) above, provided that (1) the maximum aggregate nominal amount of the shares which may be allotted under this authority shall be the aggregate nominal amount of the New GoIndustry Shares created pursuant to paragraph (a)(iii)(A) above, (2) this authority shall expire on the fifth anniversary of the date of this resolution and (3) this authority shall be in addition and without prejudice to any other authority under the said section 551 previously granted and in force on the date on which this resolution is passed; and
- (b) with effect from the passing of this resolution, the articles of association of the Company be amended by the adoption and inclusion of the following new article 167:

"167 SCHEME OF ARRANGEMENT

167.1 In this Article 167, the "**Scheme**" means the scheme of arrangement dated 23 May 2012 between the Company and the holders of its Scheme Shares under Part 26 of the Companies Act 2006 in its original form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed by the Company

and Liquidity Services Limited. Expressions defined in the Scheme shall have the same meanings in this Article 167 (save as expressly defined in these Articles).

167.2 Notwithstanding any other provision of these Articles, if the Company issues any shares (other than to Liquidity Services Limited or its nominee(s)) at or after the date of the adoption and inclusion of this new Article 167 and up to the Scheme Record Time, such shares

shall be issued subject to the terms of the Scheme (and shall be Scheme Shares for the purposes thereof) and the holders of such shares shall be bound by the Scheme accordingly.

- 167.3 Subject to the implementation of the Scheme, if any GoIndustry Shares are issued or transferred to any person or his nominee (a “**New Member**”) (other than under the Scheme or to Liquidity Services Limited or its nominee(s)) after the Scheme Record Time (the “**Post-Scheme Shares**”) they shall be immediately transferred to Liquidity Services Limited (or as it may direct in writing) who shall be obliged to acquire all Post-Scheme Shares in consideration for, and conditional on, the payment by Liquidity Services Limited of an amount in cash for each Post-Scheme Share as that New Member would have been entitled to under the Scheme for those Post-Scheme Shares had they been Scheme Shares, provided that the cash payment per share to be paid to a New Member pursuant to this Article 167.3 may be adjusted by the Directors, in such manner as the auditors of the Company may determine, on any reorganisation of or material alteration to the share capital of either the Company (including, without limitation, any subdivision and/or consolidation) effected after the close of business on the Effective Date. References in this Article to ordinary shares shall, following such adjustment, be construed accordingly.
- 167.4 To give effect to any transfer of Post-Scheme Shares, the Company may appoint any person as attorney for the New Member to transfer the Post-Scheme Shares to Liquidity Services Limited and/or its nominee(s) and do all such other things and execute and deliver all such documents as may in the opinion of the attorney be necessary or desirable to vest the Post-Scheme Shares in Liquidity Services Limited or its nominee(s) and pending such vesting to exercise all such rights attaching to the Post-Scheme Shares as Liquidity Services Limited may direct. If an attorney is so appointed, the New Member shall not thereafter (except to the extent that the attorney fails to act in accordance with the directions of Liquidity Services Limited) be entitled to exercise any rights attaching to the Post-Scheme Shares unless so agreed by Liquidity Services Limited. The attorney shall be empowered to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer on behalf of the New Member (or any subsequent holder) in favour of Liquidity Services Limited or its nominee(s) and the Company may give a good receipt for the consideration for the Post-Scheme Shares and may register Liquidity Services Limited or its nominee(s) as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Post-Scheme Shares.
- 167.5 Liquidity Services Limited shall settle the consideration due under Article 167.3 within five working days of the issue of the Post-Scheme Shares to the New Member.
- 167.6 Notwithstanding any other provision of these Articles, neither the Company nor the Directors shall register the transfer of any Scheme Shares effected between the Scheme Record Time and the Effective Date.”

ORDINARY RESOLUTION

2. **THAT** the conditional agreements dated 9 May 2012 (as varied on 21 May 2012) entered into between Liquidity Services Limited (1) GoIndustry AG (2) and Liquidity Services, Inc. (3) for the sale to Liquidity Services UK of the entire issued share capitals of GoIndustry (UK) Limited, GoIndustry Operations Limited and GoIndustry (Osterreich) GmbH and dated 9 May 2012 (as varied on 21 May 2012) entered into between Middlebrook Acquisition Partners, LLC (1) GoIndustry, Inc. (2) and Liquidity Services, Inc. (3) for the sale to Middlebrook Acquisition Partners, LLC of all the assets and liabilities of GoIndustry, Inc. be and are hereby approved.

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By Order of the Board

Leslie-Ann Reed
Company Secretary

Registered office

St Andrew’s House
18-20 St Andrew Street
London
EC4A 3AG

23 May 2012

Notes:

- (1) Members of the Company entitled to attend and vote at the General Meeting may vote in person at the said Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A proxy need not be a member of the Company.
- (2) A BLUE Form of Proxy is enclosed with this notice. Instructions for use are shown on the Form. Completing and returning a Form of Proxy will not prevent the member from attending and voting at the General Meeting (or any adjournment of the General Meeting) in person, should he subsequently decide to do so.
- (3) To be valid, a BLUE Form of Proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be received at the offices of the Company’s Registrar, Capita Registrars (“**Capita Registrars**”) at PXS, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours before the time of the General Meeting (in other words, by 10.15 a.m. on 11 June 2012) or, as the case may be, the adjourned meeting. A reply-paid envelope has been provided for this purpose for use in the United Kingdom only. BLUE Forms of Proxy returned by fax will not be accepted.
- (4) You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different ordinary shares.
- (5) If you wish to appoint multiple proxies, you may: (a) photocopy a BLUE Form of Proxy, fill in each copy in respect of different ordinary shares and send the multiple Forms of proxy together to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU, or alternatively (b) call Capita Registrars on the number in note (21) below who will then issue you with multiple Forms of Proxy. All multiple Forms of Proxy must be signed and should be returned together in the same envelope.

- (6) Subject to the following principles, where more than one proxy is appointed, where a BLUE Form of Proxy does not state the number of ordinary shares to which it applies (a “**blank proxy**”), then that proxy is deemed to have been appointed in relation to the total number of ordinary shares registered in your name (the “**member’s entire holding**”). In the event of a conflict between a blank Form of Proxy and a Form of Proxy which does state the number of ordinary shares to which it applies (a “**specific proxy**”), the specific proxy shall be counted first, regardless of the time it was sent or received (on the basis that as far as possible, the conflicting Forms of Proxy should be judged to be in respect of different ordinary shares) and remaining ordinary shares will be apportioned to the blank Form of Proxy (pro rata if there is more than one).
- (7) Where there is more than one proxy appointed and the total number of ordinary shares in respect of which proxies are appointed is no greater than your entire holding, it is assumed that proxies are appointed in relation to different ordinary shares, rather than that conflicting appointments have been made in relation to the same ordinary shares.
- (8) If two or more valid but different Forms of Proxy are received in respect of the same ordinary share for use at the same General Meeting or on the same poll, the one which is last validly delivered (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the others as regards that ordinary share and if the Company is unable to determine which was the last validly delivered, none of them shall be treated as valid in respect of that ordinary share.
- (9) If conflicting Forms of Proxy are sent or received at the same time in respect of (or deemed to be in respect of) your entire holding, none of them shall be treated as valid.
- (10) Where the aggregate number of ordinary shares in respect of which proxies are appointed exceeds your entire holding and it is not possible to determine the order in which they were sent or received (or they were all sent or received at the same time), the number of votes attributed to each proxy will be reduced pro rata (on the basis that as far as possible, conflicting forms of proxy should be judged to be in respect of different ordinary shares).
- (11) Where the application of note (10) above gives rise to fractions of shares, such fractions will be rounded down.
- (12) If you appoint a proxy or proxies and then decide to attend the General Meeting in person and vote using your poll card, then your vote in person will override the proxy vote(s). If your vote in person is in respect of your entire holding then all proxy votes will be disregarded. If, however, you vote at the General Meeting in respect of less than your entire holding, if you indicate on your polling card that all proxies are to be disregarded, that shall be the case; but if you do not specifically revoke proxies, then your vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding your entire holding.

- (13) In relation to note (12) above, in the event that you do not specifically revoke proxies, it will not be possible for the Company to determine your intentions in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.
- (14) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the General Meeting or any adjournment thereof and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6.00 p.m. on 11 June 2012 (or, in the event of any adjournment, 6.00 p.m. on the day which is two days before the time of such adjourned Meeting). In each case, changes to entries on the register of members of the Company after such time shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
- (15) Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for the General Meeting or any adjournment(s) by using the CREST electronic proxy appointment service may do so in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (16) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The appointment must, in order to be valid, be transmitted so as to be received by Capita Registrars (CREST Participant ID RA10) at least 48 hours prior to the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (17) CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (18) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (19) A shareholder which is a company (a corporation) and which wishes to be represented at the meeting by a person with authority to speak, vote on a show of hands and vote on a poll (a corporate representative) must appoint such a person by resolution of its directors. A corporate representative has the same powers on behalf of the corporation he/she represents as that corporation could exercise if it were an individual member of the Company.
- (20) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the Company’s register of members in respect of the joint holding.

- (21) If you are in any doubt about completing the BLUE Form of Proxy, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0321 from within the UK or +44 (0) 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals nor give any financial, legal or tax advice.
- (22) Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. You may alternatively submit your question in advance by way of a letter addressed to the Chairman.

ASSET PURCHASE AGREEMENT

among

LSI LIQUIDITY SERVICES CANADA LTD., as Purchaser

683949 ONTARIO LIMITED, as Seller

DOMINIC RENDA HOLDINGS INCORPORATED and CHIKU HOLDINGS LTD., as the Shareholders

and

DOMINIC RENDA and PANKAJ DAVE, as the Company Shareholder Parties

1 NOVEMBER 2012

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ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (the “Agreement”), dated as of 1 November 2012 (the “Closing Date”), is entered into by and among LSI LIQUIDITY SERVICES CANADA LTD., a British Columbia corporation (the “Purchaser”); 683949 ONTARIO LIMITED, an Ontario corporation doing business as National Electronic Service Association (the “Company”); DOMINIC RENDA HOLDINGS INCORPORATED, an Ontario corporation and CHIKU HOLDINGS LTD., an Ontario corporation, each of which is a shareholder of the Company (each, a “Shareholder” and collectively, the “Shareholders”); Dominic Renda and Pankaj Dave, each of which is a shareholder the Shareholders (each, a “Company Shareholder Party” and collectively the “Company Shareholder Parties”). The Purchaser, the Company, the Shareholders and the Company Shareholder Parties are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, the Shareholders and the Company Shareholder Parties collectively own, directly or indirectly, all of the issued and outstanding equity securities of the Company;

WHEREAS, the Company is engaged in the business of providing reverse logistics services, including, but not limited to, procurement, repair, refurbishment and other services to electronics companies (the “Business”); and

WHEREAS, the Company desires to sell, the Shareholders and the Company Shareholder Parties desire to cause the Company to sell, and the Purchaser desires to purchase, substantially all of the assets, properties and rights relating to or otherwise used or held for use by the Company in the Business, and in connection therewith, the Purchaser is willing to assume certain specified liabilities of the Company relating thereto, all on the terms and subject to the conditions set forth herein.

AGREEMENT

NOW THEREFORE, in consideration of the respective covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows:

ARTICLE I DEFINITIONS

1.1. **Defined Terms.** As used herein, the terms below shall have the following meanings:

“Accounts Receivable” means all accounts receivable, notes and notes receivable, other receivables, book debts and other forms of obligations to the Company, together with any

unpaid interest or fees accrued thereon and other amounts due with respect thereto, and all related claims, rights, causes of action and suits related to such receivables.

“Acquired Assets” means all of the Company’s right, title and interest in, to and under the assets, properties and rights of any nature, kind or description, whether tangible or intangible, real, personal or mixed, wherever located, related to, used or held for use in connection with the Business, including, without limitation:

- (i) all Business Intellectual Property;
- (ii) all Equipment;
- (iii) all Permits;
- (iv) all Business Records;
- (v) all Inventory;
- (vi) all Assumed Contracts;
- (vii) all Leased Property and all leasehold improvements situated at or in the Leased Property;
- (viii) the benefit of any arrangement of any Person not to compete with the Business or to solicit or take customers or Employees of the Business;
- (ix) deposits received from customers of the Business;
- (x) all Rights;
- (xi) all goodwill and going concern value and other intangible assets, if any, related to, or arising from, the Business and the Acquired Assets, including, without limitation, all goodwill associated with Business Intellectual Property;
- (xii) all marketing materials, sales literature and promotional literature of the Business; and
- (xiii) the Cash Amount.

For the avoidance of doubt, the Acquired Assets do not include the Excluded Assets.

“Adjusted Base Consideration” has the meaning set forth in the Earn-Out Agreement.

“Affiliate” means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by or is under common control with such Person. For the

avoidance of doubt, 155 Dynamic Property Holdings Inc. and the Mississauga Affiliate shall be deemed to be “Affiliates” of the Company for all purposes of this Agreement.

“Agreement” shall have the meaning specified in the Preamble.

“Ancillary Agreements” means the Employment Agreements, the Escrow Agreement, the Assignment and Assumption Agreement, the Bill of Sale and all other agreements, documents and instruments required to be delivered by any Party pursuant to this Agreement or entered into in connection with this Agreement or the transactions contemplated hereby.

“Applicable Law” means any domestic or foreign, federal, state, provincial, territorial or local statute, law, ordinance, policy, guidance, rule, administrative interpretation, regulation, rule, order, writ, injunction, directive, judgment, decree or other similar or dissimilar requirement (including common law), of any Governmental Authority (including, but not limited to, any Environmental Law).

“Arbitrator” shall have the meaning set forth in **Section 7.12(b)**.

“Articles of Incorporation” shall have the meaning specified in **Section 3.1(a)**.

“Assignment and Assumption Agreement” means the assignment and assumption agreement by and between the Purchaser and the Company in the form attached hereto as **Exhibit A**.

“Assumed Contracts” means all contracts and agreements set forth on **Schedule 1.1(b)**.

“Assumed Liabilities” means, subject to the limitations and the conditions as provided herein only:

- (i) those liabilities arising out of ownership or use of the Acquired Assets after the Closing Date; and
- (ii) those liabilities of the Company under the (A) Assumed Contracts and (B) Permits included in Acquired Assets, in each case relating to obligations to be performed after the Closing Date.

For the avoidance of doubt, Assumed Liabilities shall not include any Excluded Liabilities.

“Base Consideration” shall mean the Closing Payment and the Escrow Amount.

“Benefit Plan(s)” shall have the meaning specified in **Section 3.13(a)**.

“Bill of Sale” means the bill of sale in the form attached hereto as **Exhibit B**.

“Business” shall have the meaning specified in the Recitals.

“Business Day” means a day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario, Canada or Washington, D.C. U.S.A. are authorized or required by law to close.

“Business Intellectual Property” means all Intellectual Property owned (in whole or in part), by, used by or licensed to, the Company and in any way related to, used or held for use in connection with the Business, including, but not limited to, all related claims, rights, causes of action and suits related to such Intellectual Property and that are in favour of (and not against) the Company or the Business.

“Business Records” means all books, records, original documents, accounts, files, papers, correspondence and other information of the Company in any way related to the Business, the Acquired Assets or the Assumed Liabilities, which have been reduced to writing or other tangible or fixed form, whether in hard copy or computer or other electronic format, including, but not limited to, legal records, warranty records, equipment logs, lists of present and former customers, distributors and suppliers, customer service and collection records, billing tapes, month-end tapes, documentation developed or used for accounting, marketing, services or any other purpose related to the conduct of the Business, other than (i) those relating solely to the Excluded Assets or Excluded Liabilities, and (ii) Tax Returns and Tax records other than property Tax Returns and Tax records relating to the Leased Property (to the extent that the Purchaser will be responsible for payment of Property Taxes pursuant to the leases therefor following Closing) and Tax Returns and Tax records relating to scientific research Tax credits, if any, which the Purchaser is eligible to claim following the Closing.

“Cash Amount” means the sum of Three Million Five Hundred Thousand Canadian Dollars (CDN\$3,500,000).

“Canadian GAAP” means the current accounting principles for privately held corporations whose shareholders require an annual review or audit of the annual financial statements as recommended by the Canadian Institute of Chartered Accountants (“CICA”) in the CICA Handbook at the relevant time or in the event that the matter is not covered in the CICA Handbook principles having general acceptance among Canadian accounting professionals at the particular time.

“Closing” shall have the meaning specified in **Section 2.10**.

“Closing Date” shall have the meaning specified in the Preamble.

“Closing Payment” shall have the meaning specified in **Section 2.4(a)**.

“Company” shall have the meaning specified in the Preamble.

“Company Balance Sheet” means the balance sheet of the Company dated as of the Closing Date and included in the Financial Statements.

“Company Disclosure Letter” shall have the meaning specified in **Article III**.

“Company Intellectual Property” shall have the meaning specified in **Section 3.19(a)**.

“Company Shareholder Parties” shall have the meaning specified in the Preamble.

“Company Stock” shall have the meaning specified in **Section 3.1(b)**.

“Contaminant” shall have the meaning specified in **Section 3.19(i)**

“Contract” shall have the meaning specified in **Section 3.9(a)**.

“Customer” shall have the meaning specified in **Section 5.3(b)**.

“Data Room” shall have the meaning specified in **Section 3.28**.

“Default” means (i) any actual breach or default, (ii) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a breach or default or (iii) the occurrence of an event that, with or without the passage of time or the giving of notice or both, would give rise to a right of termination, renegotiation or acceleration.

“De Minimis Amount” shall have the meaning specified in **Section 6.2(c)**.

“Disabling Code” shall have the meaning specified in **Section 3.19(i)**.

“Disputes” shall have the meaning specified in **Section 7.12(a)**.

“Dispute Notice” shall have the meaning specified in **Section 7.12(b)**.

“Dynamic Lease” means that certain lease between 155 Dynamic Property Holdings Inc. and the Company, dated February 15, 2011.

“Earn-Out Agreement” shall have the meaning specified in **Section 2.3(c)**.

“Earn-Out Payments” shall have the meaning specified in **Section 2.4(d)**.

“EBITDA” means earnings of the Business before interest, taxes, depreciation and amortization calculated in accordance with US GAAP.

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“Employee” means any full-time or part-time employee, officer or director of the Company.

“Employment Agreements” means the employment agreements in the forms attached hereto as **Exhibit C** by and between the Purchaser and each of the Persons listed in **Schedule 1.1(c)**.

“Encumbrance” means any claim, lien, pledge, option, charge, easement, security interest, trust, deed of trust, mortgage, conditional sales agreement, encumbrance or other right of third parties of any kind, whether voluntarily incurred or arising by operation of law, and includes, without limitation, any agreement to give any of the foregoing in the future, and any contingent sale or other title retention agreement or lease in the nature thereof.

“Environmental Claim” means any claim, violation or liability, by or of any Person relating to liability or potential liability (including liability or potential liability for enforcement, investigatory costs, cleanup costs, governmental response costs, natural resource damages, property damage or loss, personal injury or death, fines or penalties) arising out of, based on or resulting from (i) the presence, discharge, emission, release or threatened release of any Hazardous Material (as defined below) at any location and any exposure of Persons to such Hazardous Material at any location, (ii) the use, handling, treatment, storage or disposal of any Hazardous Material, (iii) circumstances forming the basis of any violation or alleged violation of any Environmental Laws or Permits or (iv) otherwise relating to obligations or liabilities under any Environmental Law.

“Environmental Laws” shall have the meaning specified in **Section 3.12**.

“Equipment” means all of the tangible personal property, including, without limitation, the furnishings, furniture, machinery, office supplies, computer equipment, servers, printers, software and hardware products, trade fixtures, leasehold improvements, tools, vehicles and other equipment of every kind and nature owned or leased by the Company and related to, used or held for use in connection with, the Business.

“Escrow Agent” shall have the meaning specified in **Section 2.4(b)**.

“Escrow Agreement” shall have the meaning specified in **Section 2.4(b)**.

“Escrow Amount” shall have the meaning specified in **Section 2.4(b)**.

“Escrow Fund” shall have the meaning specified in **Section 2.4(b)**.

“Escrow Termination Date” means the first annual anniversary of the Closing Date.

“Excluded Assets” means the Company’s right, title and interest in, to and under the following, which are not acquired by the Purchaser hereunder:

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- (i) the minute books, corporate records, share certificates, organizational documents and seals of the Company;
- (ii) all contracts and agreements that are not Assumed Contracts, which for the avoidance of doubt, include the Company’s consulting Contract with Rick Shackelton and the Company’s business arrangement with the Mississauga Affiliate;
- (iii) all Accounts Receivable of the Company in existence as of 31 October 2012 (which, for the avoidance of doubt, shall specifically include the Account Receivable relating to the Company’s October 2012 invoice to Bell Canada, which such invoice was issued on 31 October 2012), together with all cash and cash equivalents of the Company on the Closing Date, except for the Cash Amount which is included as part of the Acquired Assets;
- (iv) the rights in connection with and assets of any Employee Benefit Plan on the Closing Date;
- (v) all claims for Tax refunds (or credits) or Tax loss carryforwards relating to the operation of the Business for any period or portion thereof ending on or before the Closing Date;
- (vi) all claims (including pending claims), rights, causes of action, suits, judgments and demands of any nature in favor of the Company to the extent relating to, or otherwise arising out of, the Excluded Assets or Excluded Liabilities, whether choate or inchoate, known or unknown, contingent or noncontingent;
- (vii) all Permits to the extent not transferable to the Purchaser;
- (viii) all automobiles leased by the Company; and
- (ix) all rights of the Company under this Agreement and the Ancillary Agreements.

“Excluded Liabilities” means all liabilities of the Company, whether arising before, on or after the Closing Date, other than the Assumed Liabilities. Without limiting the generality of the preceding sentence, the Excluded Liabilities include, but are not limited to, the following liabilities of the Company to the extent not specifically included in the definition of Assumed Liabilities:

- (i) any liability that relates to, or otherwise arises out of, the conduct or operation of the Business on or before the Closing Date, including any, but not limited to, warranty or guarantee obligations, any obligations and liabilities for refunds, adjustments or allowances of any kind;
- (ii) any liability (a) under any Assumed Contract that is to be, or was to have been, performed on or before the Closing Date or that relates to any action or inaction of the Company or any of its Affiliates occurring on or before the Closing Date, and (b) under any

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Contract other than the Assumed Contracts, including, but not limited to, all leases with respect to automobiles leased by the Company, the consulting Contract with Rick Shackelton and the Company’s business arrangement with the Mississauga Affiliate, all of which are Excluded Liabilities hereunder;

(iii) any liability for Taxes, including, without limitation, (a) any Taxes that relate to, or otherwise arise out of, the Business or the Acquired Assets, with respect to all periods or portions thereof ending on or prior to the Closing Date, and (b) any Taxes that arise as a result of the transactions contemplated by this Agreement (including, but not limited to, any transfer, documentary, sales, use and other Taxes assessed upon or with respect to the transfer of the Acquired Assets to the Purchaser, and any recording or filing fees with respect thereto);

(iv) any liability arising in respect of or relating to any Employee Benefit Plan of the Company, including, but not limited to, any liability to the carrier of any Employee Benefit Plan maintained by the Company;

(v) any liability for severance or other payments arising out of the transactions contemplated by this Agreement or otherwise to Employees who are not Transferred Employees;

(vi) any liability from or relating to any indebtedness of the Company or arising out of or relating to any credit facilities (including the Company’s line of credit with Canadian Imperial Bank of Commerce), Company credit cards, capital leases or guarantees of the Company or any Encumbrances related thereto;

(vii) any liability relating to any Proceeding to which the Company is or becomes a party that relates to or arises out of facts or circumstances existing at or before the Closing, including, but not limited to, the Proceedings listed on **Schedule 3.17**;

(viii) any liability relating to the Company failing to observe or comply with any Applicable Law, including, but not limited to, any Applicable Law which relates to the sale of property in bulk in connection with the transfer of the Acquired Assets to the Purchaser;

(ix) any liability in connection with any obligations owing to any Related Party with respect to the Company except for the Dynamic Lease, but only if such liabilities arise following the Closing and relate solely to periods after the Closing;

(x) any liability under this Agreement or any Ancillary Agreement;

(xi) any liability relating to an Excluded Asset or not associated with the Acquired Assets;

(xii) any liability imposed upon the Purchaser as a successor to or acquiror of the Business where such liability has not been expressly assumed by the Purchaser as an Assumed Liability;

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(xiii) any liability based on any action, event, facts or circumstances relating to the Company, the Acquired Assets or the Business arising or existing prior to the Closing Date;

(xiv) any liability arising from, or relating to, the formation, organization or capitalization of the Company or the equity of the Company, including any shares of the Company, or any options, warrants or other rights to acquire any shares of the Company, and including any liability relating to the manner in which any shares, or any options, warrants or other rights to acquire any shares of the Company, were issued or granted, or relating to the distribution of proceeds from the transactions contemplated hereby to holders of shares of the Company or any option, warrant or other right to acquire any shares of the Company (including any liability that arises because such distribution or transaction may have constituted a fraudulent conveyance under applicable federal or state law, or may have violated applicable corporate law governing dividends, redemptions or other similar laws);

(xv) any liability based on misappropriation, unauthorized use or infringement of any Intellectual Property of any Person by the Company or with respect to Business Intellectual Property;

(xvi) any liability based upon acts or omissions of the Company, its Representatives, Affiliates, Related Parties, Shareholders or Company Shareholder Parties;

(xvii) any liability arising from a Permitted Encumbrance;

(xviii) any liability for accounts payable of the Company existing on 31 October 2012, including, but not limited to, accruals for payroll, employee vacations and for any such existing accounts payable that relate to periods prior to and including October 31st, 2012; and

(xix) any liability for the payment of fees and expenses to any broker engaged or alleged to have been engaged by the Company, its Representatives, the Shareholders or the Company Shareholder Parties.

“Final Agreed Financial Statements” shall have the meaning specified in **Section 2.4(e)(i)**.

“Financial Statements” means the financial statements for the Company attached hereto as **Exhibit D**, which consist of (i) the Company financial statements and balance sheet dated as of September 30, 2012; and (ii) the Company Balance Sheet.

“Governmental Authority” means any court, administrative agency, regulatory body, commission or other governmental authority or instrumentality of Canada or any other country or any province, state, county, municipality or other governmental division of any country.

“Hazardous Materials” shall have the meaning specified in **Section 3.12**.

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“Immediate Family”, with respect to any specified Person who is a natural person, means such Person’s spouse, parents, children and siblings, including adoptive relationships and relationships through marriage, or any other relative of such Person that shares such Person’s home.

“Indemnification Claim” shall have the meaning specified in **Section 6.2(b)**.

“Indemnifying Party” shall have the meaning specified in **Section 6.3(a)**.

“Intellectual Property” means intellectual property of all types, including, but not limited to:

(A) (i) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereon, and all patents, patent applications and patent disclosures, together with all reissues, continuations, continuations-in-part, divisions, revisions, extensions and re-examinations thereof, and all other dealings with a patent office in any country, and all industrial designs, (ii) all trademarks, service marks, trade dress, logos, trade names, domain names, URLs, websites, business names and corporate names, together with all translations, adaptations, derivations and combinations thereof and including all goodwill associated therewith, and all applications, registrations and renewals in connection therewith, (iii) all copyrightable works, all copyrights and all applications, registrations and renewals in connection therewith, (iv) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, methods, schematics, technology, technical data, designs, drawings, flowcharts, block diagrams, specifications, customer and supplier lists, customer data, pricing and cost information and business and marketing plans and proposals), and (v) all software (in both source and object code form) and firmware (including data, databases and related documentation);

(B) all documents, records, instructions and files relating to design, end user documentation, manufacturing, quality control, sales, marketing or customer support for, and tangible embodiments of, all intellectual property described herein; and

(C) all licenses, agreements and other rights in any third party product or any third party intellectual property described in (A) and (B) above other than any commercially available “off-the-shelf” third party software, so-called “shrink-wrap” or “click wrap” or related intellectual property.

“Inventory” means all inventory, including raw and packing materials, work-in-progress, finished goods, supplies, parts and similar items owned by the Company or held on consignment by the Company.

“JAMS” shall have the meaning specified in **Section 7.12(c)**.

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“Knowledge” of the Company means the knowledge of the officers and directors of the Company and the Persons identified on **Schedule 1.1(d)**, which will be deemed to include (i) the actual knowledge of such individuals; and (ii) the knowledge that a prudent individual could be expected to discover or otherwise become aware of in the course of conducting a reasonably comprehensive investigation of the surrounding facts, circumstances, events or other matters at issue, whether or not in fact he or she made such reasonable investigation.

“Leased Property” shall have the meaning specified in **Section 3.5**.

“Licensed Company Intellectual Property” shall have the meaning specified in **Section 3.19(a)**.

“Liquidator” shall have the meaning specified in **Section 2.5(c)**.

“Losses” shall have the meaning specified in **Section 6.2(a)**.

“Material Adverse Effect” means any event, change, circumstance, effect or state of facts that is or could reasonably be expected to be materially adverse to (i) the business, operations, assets, condition (financial or otherwise), results of operations, liabilities or prospects of the Company or the Business, as applicable, or (ii) the ability of the Company to perform its obligations under this Agreement or the Ancillary Agreements.

“Material Consents” means the consents, approvals, authorizations, notifications or filings identified on **Schedule 1.1(e)**.

“Material Contracts” shall have the meaning specified in **Section 3.9(a)**.

“Mississauga Affiliate” means 1045733 Ontario Limited, an Ontario corporation.

“Ordinary Course of Business” or “Ordinary Course” or any similar phrase shall describe any action taken by a Person if:

(i) such action is consistent in manner and amount with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person; and

(ii) such action is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons exercising similar authority) and is not required to be authorized by the parent company or equity holders (if any) of such Person.

“Owned Company Intellectual Property” shall have the meaning specified in Section 3.19(a).

“Party(ies)” shall have the meaning specified in the Preamble of this Agreement.

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“Permits” means all licenses, permits, franchises, approvals, authorizations, consents or orders of, or filings with, any Governmental Authority or with any other Person, relating to the Acquired Assets, the Assumed Liabilities or the past or present conduct or operation of, the Business.

“Permitted Encumbrances” means (i) Encumbrances consisting of zoning or planning restrictions, easements, permits and other restrictions or limitations on the use of real property or irregularities in title thereto which do not materially detract from the value of, or materially impair the use of, such property as it is presently used in connection with the Business, (ii) Encumbrances for current Taxes, assessments or governmental charges or levies on property not yet due, (iii) mechanic’s, materialmen’s and similar liens arising in the Ordinary Course of Business or by operation of law.

“Person” means any person or entity, whether an individual, trustee, corporation, partnership, limited partnership, limited liability company, trust, unincorporated organization, business association, firm, joint venture or Governmental Authority.

“Price Allocation” shall have the meaning specified in Section 2.6(a).

“Proceeding” shall have the meaning specified in Section 3.17.

“Property Taxes” shall have the meaning specified in Section 2.8.

“Purchase Price” shall have the meaning specified in Section 2.3.

“Purchaser” shall have the meaning specified in the Preamble.

“Purchaser Indemnitee(s)” shall have the meaning specified in Section 6.2(a).

“Related Party”, with respect to any specified Person, means: (i) any Affiliate of such specified Person, or any director, executive officer, general partner or managing member of such Affiliate; (ii) any Person who serves as a director, executive officer, partner, member or in a similar capacity of such specified Person or is a trustee of, for or in respect of such specified Person; (iii) any Immediate Family member of an individual described in clause (ii); or (iv) any other Person who holds, individually or together with any Affiliate of such other Person and any member(s) of such other Person’s Immediate Family, more than 10% of the outstanding equity or ownership interests of such specified Person.

“Releasing Parties” means Silvana Renda, Chiku Dave, Neha Dave and Shilpa Baptiste.

“Representative” means, with respect to any Person, any officer, director, principal, employee, advisor, consultant, auditor, agent, banker or other representative of such Person.

“Representative Agreements” shall have the meaning specified in Section 6.6(a).

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“Restricted Services” means engaging in any business that competes with the Business.

“Rights” means all claims, causes of action, rights of recovery and rights of set-off against any Person arising from or related to the Business, the Acquired Assets or the Assumed Liabilities, including: (i) all rights under any Assumed Contract, including all rights to receive payment for products sold and services rendered thereunder, to receive goods and services thereunder, to assert claims and to take other rightful actions in respect of breaches, defaults and other violations thereof; (ii) all rights under or in respect of any Business Intellectual Property, including all rights to sue and recover damages for past, present and future infringement, dilution, misappropriation, violation, unlawful imitation or breach thereof, and all rights of priority and protection of interests therein under the laws of any jurisdiction; (iii) all rights under all guarantees, express or implied warranties, indemnities and similar rights arising from or related to the Business, the Acquired Assets or the Assumed Liabilities; (iv) all proceeds from existing insurance policies of the Company relating to pre-Closing claims or occurrences, any benefits under such policies and any claims of the Company with respect thereto, to the extent arising out of an insured loss of the Company covered by any such policy whether occurring before or after the Closing Date; and (v) all claims (including pending claims and counterclaims), rights, causes of action, suits, judgments and demands of any nature in favor of the Company that relate to, or otherwise arise out of, the Acquired Assets or Assumed Liabilities, whether choate or inchoate, known or unknown, contingent or noncontingent; except, in each of clauses (i) through (v) above, to the extent specifically related to Excluded Assets or Excluded Liabilities.

“Shareholder(s)” shall have the meaning specified in the Preamble.

“Solvent” shall have the meaning specified in Section 3.26.

“Subsidiary” means any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which the Company or the Purchaser (as the case may be) or any such other Person (either alone or through or together with any other subsidiary), owns, directly or indirectly, more than fifty percent (50%) of the capital stock or other equity interests, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

“Tax” shall have the meaning specified in **Section 3.11(a)**.

“Tax Return” shall have the meaning specified in **Section 3.11(a)**.

“Third Party Claim” shall have the meaning specified in **Section 6.3(a)**.

“Threshold” shall have the meaning specified in **Section 6.2(c)**.

“Transfer Tax” shall have the meaning specified in **Section 5.6(a)**.

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“Transferred Employees” shall have the meaning specified in **Section 5.4(a)**.

“US GAAP” means accounting principles generally accepted in the United States consistently applied over all relevant periods and as applied and interpreted in accordance with the historical practices of Liquidity Services, Inc., the Purchaser’s parent company.

1.2. Construction. Unless the context otherwise clearly indicates, words used in the singular include the plural and words used in the plural include the singular. The Schedules and Exhibits referred to herein shall be incorporated into this Agreement as an integral part hereof to the same extent as if they were set forth verbatim herein. All references herein to dollars (or \$) shall mean Canadian Dollars.

ARTICLE II PURCHASE AND SALE

2.1. Purchase and Sale of Acquired Assets.

(a) On the terms and subject to the conditions of this Agreement, and in reliance upon the representations, warranties and agreements herein set forth, at the Closing, the Company shall irrevocably sell, transfer, convey, assign and deliver to the Purchaser, and the Purchaser shall purchase, acquire and accept from the Company, the Acquired Assets, free and clear of all Encumbrances other than Permitted Encumbrances.

(b) The Acquired Assets shall not include, and the Purchaser shall not purchase, any Excluded Assets, all of which shall be retained by the Company.

2.2. Assumed Liabilities; Excluded Liabilities. On the terms and subject to the conditions of this Agreement, at the Closing, the Purchaser shall assume and become responsible for the Assumed Liabilities. The Purchaser shall not assume, nor shall the Purchaser agree to pay, perform, discharge or otherwise satisfy, or agree to indemnify the Company, the Shareholders or the Company Shareholder Parties against or otherwise have any responsibility or obligation for or with respect to, any Excluded Liabilities.

2.3. Purchase Price. In full consideration for the Acquired Assets, the Purchaser shall (a) assume the Assumed Liabilities, (b) in accordance with the provisions of **Section 2.4**, pay an amount equal to the Base Consideration, which amount shall be subject to adjustment as described in **Sections 2.4(a)**, and (c) if applicable, make the Earn-Out Payments, pursuant to and in accordance with that certain Earn-Out Agreement of even date herewith (the “Earn-Out Agreement”) executed by the Purchaser, the Company and Liquidity Services, Inc., as guarantor (as so adjusted and subject to further adjustment pursuant to **Section 2.4(e)**, the “Purchase Price”).

2.4. Payment of Purchase Price; Escrow Fund; Earn-Out Payments; Adjustment.

(a) At the Closing, the Purchaser shall deliver to the Company Fifteen Million Three Hundred Eighteen Thousand Nine Hundred Thirty-One Dollars and Twenty Cents

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(\$15,318,931.20) subject to adjustment insofar as feasible to reflect all proration required pursuant to **Section 5.2(a)** (as so adjusted, the “Closing Payment”), by wire transfer of immediately available funds to an account designated in writing by the Company.

(b) At the Closing, the Purchaser shall deposit with BNY Trust Company of Canada, as escrow agent (“Escrow Agent”), Two Million Seven Hundred and Three Thousand Three Hundred and Forty Dollars and Eighty Cents (\$2,703,340.80) (the “Escrow Amount”) in immediately available funds to be held as the escrow fund (together with all interest accruing thereon, the “Escrow Fund”) pursuant to the Escrow Agreement among the Escrow Agent, the Company and the Purchaser dated as of the date hereof (the “Escrow Agreement”), the form of which is attached as **Exhibit E** hereto. The fees and expenses of the Escrow Agent shall be split equally between the Company and the Purchaser. Amounts in the Escrow Fund may be used to satisfy claims arising under this Agreement (including, but not limited to, claims for indemnification pursuant to **Article VI**).

(c) The Purchase Price delivered to the Company and the Escrow Agent and otherwise payable in accordance with the terms hereof and the Purchaser’s assumption of the Assumed Liabilities shall be deemed to be full payment for and in satisfaction of all rights in and pertaining to the Acquired Assets.

(d) In addition to the Base Consideration, the Purchaser shall make the payments, if any, in accordance with the Earn-Out Agreement (collectively, the “Earn-Out Payments”).

(e) (i) Following the Closing, the Base Consideration shall be adjusted in accordance with the provisions of this **Section 2.4(e)** based on any difference, if any, between the amount of the Base Consideration actually paid at Closing and the calculation of the Adjusted Base Consideration. The Company shall cause its accountants to restate the Financial Statements to present such Financial Statements in accordance with US GAAP (the “Restated Financial Statements”), and such Restated Financial Statements shall be delivered to the Company and the Purchaser no later than thirty (30) days following the Closing. The Purchaser shall cooperate fully with all Representatives of the Company in the preparation of the Restated Financial Statements. For

purposes of reviewing the Restated Financial Statements, the Purchaser and its Representatives shall have reasonable access to all data, schedules and work papers used by the Company in preparing the Restated Financial Statements, and the employees and Representatives of the Company involved in preparing the Restated Financial Statements. The Purchaser shall have a period of fifteen (15) days to review the Restated Financial Statements after the delivery thereof to the Purchaser. During the fifteen (15) day period following such review period, the Purchaser and the Company shall discuss in good faith such revisions to the Restated Financial Statements as the Purchaser may propose. In the event that the Company and the Purchaser agree to the content of the Restated Financial Statements, then such Restated Financial Statements shall be considered to be the "Final Agreed Financial Statements" for all purposes of this Agreement. If, at the end of such fifteen (15) day period, the Company and the Purchaser have not reached agreement with respect to the content of the Restated Financial Statements, the amounts that remain in dispute shall be recalculated by Grant Thornton LLP (the "Independent Accountants"), with the Independent Accountants acting as

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experts and not as arbitrators. The Independent Accountants shall be authorized to resolve only those items remaining in dispute between the Purchaser and the Company in accordance with the provisions of this **Section 2.4(e)** within the range of the difference between the Purchaser's position with respect thereto and the Company's position with respect thereto. The Company and Purchaser shall direct the Independent Accountants to deliver to the Company and Purchaser, within ten (10) days after being retained, a report setting forth each recalculation, and the Restated Financial Statements, with such recalculations as are resolved by the Independent Accountants, shall be deemed to be the "Final Financial Statements" for all purposes under this Agreement. Any amounts so recalculated shall be final and binding on the Parties hereto, and judgment thereon may be entered in any court having jurisdiction. The Company shall bear the fees and expenses of the Independent Accountants incurred under this **Section 2.4(e)**.

(ii) The Base Consideration shall be adjusted, upwards or downwards, as follows:

(A) if the Adjusted Base Consideration as finally determined pursuant to this **Section 2.4(e)** is greater than the Base Consideration, the Purchase Price shall be adjusted upwards in an amount equal to the difference between the Adjusted Base Consideration and the Base Consideration, Purchaser shall pay such amount to the Company by wire transfer of immediately available funds to an account designated in writing by the Company within five (5) Business Days after the date on which the Adjusted Base Consideration is finally determined, and the Company and the Purchaser shall cause the Escrow Agent to release from the Escrow Fund and pay over to the Company an amount equal to Nine Hundred One Thousand One Hundred Thirteen Dollars and Sixty Cents (\$901,113.60); and

(B) if the Adjusted Base Consideration as finally determined pursuant to this **Section 2.4(e)** is less than the Base Consideration, the Purchase Price shall be adjusted downwards in an amount equal to the difference between the Adjusted Base Consideration and the Base Consideration, the Company and the Purchaser shall cause the Escrow Agent to (1) release from the Escrow Fund and pay over to the Purchaser such difference between the Adjusted Base Consideration and the Base Consideration, and (2) release from the Escrow Fund and pay over to the Company an amount equal to the difference between (A) Nine Hundred One Thousand One Hundred Thirteen Dollars and Sixty Cents (\$901,113.60) and (B) the amount paid to the Purchaser pursuant to subsection (1) above.

(iii) Amounts to be paid pursuant to this **Section 2.4(e)** shall bear interest from the Closing Date to the date of such payment at a rate equal to the prime rate in effect on the first of each month at Citibank, N.A. in New York, calculated on the basis of a year of 365 days and the number of days elapsed.

2.5. Necessary Actions.

(a) Nothing in this Agreement or the Ancillary Agreements shall be construed as an agreement to assign any Acquired Asset that by its terms or pursuant to Applicable Law is not capable of being sold, assigned, transferred or delivered without the consent or waiver of a third party or Governmental Authority unless and until such consent or waiver shall be given. In

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the event any such consents or waivers have not been obtained on or prior to the Closing Date, the Company, each Shareholder and each Company Shareholder Party shall use his, her or its best efforts to obtain the relevant consents or waivers until such consents or waivers are obtained, and the Company, each Shareholder and each Company Shareholder Party shall cooperate with the Purchaser in any lawful and economically feasible arrangement to provide that the Purchaser shall receive the interest of the Company in the benefits under any such Acquired Asset, including performance by the Company, if economically feasible, as agent; *provided* that the Purchaser shall undertake to pay or satisfy the corresponding liabilities for the enjoyment of such benefit to the extent the Purchaser would have been responsible therefor hereunder if such consents or waivers had been obtained. The Company shall not be liable for the failure to obtain such consents at or prior to Closing so long as the Company otherwise complies with the provisions of this **Section 2.5** and otherwise obtains and delivers to the Purchaser such consents within thirty (30) days following Closing.

(b) For a period of two (2) years following the Closing, none of the Company, the Shareholders nor the Company Shareholder Parties shall cause or permit the Company to be dissolved or liquidated. Following the Closing, the Shareholders and the Company Shareholder Parties shall cause the Company to perform all of its obligations under this Agreement and the Ancillary Agreements. If, following the aforementioned two (2) year period, the directors of the Company and/or the Shareholders vote to dissolve the Company and a Person is appointed to dispose of the Company's assets, discharge its liabilities, and otherwise wind up its affairs in compliance with Applicable Law (such Person, the "Liquidator"), the Company, the Shareholders and the Company Shareholder Parties shall instruct the Liquidator to (i) cause the Company to perform all of its obligations under this Agreement and the Ancillary Agreements, and (ii) take any actions requested by the Purchaser to acknowledge and agree to the Liquidator's responsibilities under this **Section 2.5(c)** to cause the Company to perform its obligations under this Agreement and the Ancillary Agreements.

(d) Notwithstanding the above, the Shareholders, the Company Shareholder Parties and, if appointed, the Liquidator shall be jointly and severally liable for causing the Company to perform its obligations under this Agreement and the Ancillary Agreements.

2.6. Purchase Price Allocation.

(a) Within sixty (60) days after the Closing Date, the Purchaser shall provide to the Company a draft purchase price allocation (the "Price Allocation"), which shall be prepared in a manner consistent with Applicable Law. The Company shall propose to the Purchaser any changes to the draft Price Allocation within thirty (30) days of the receipt thereof. If any such changes are proposed, the Company and the Purchaser shall negotiate in good faith and shall use their reasonable efforts to agree upon the final Price Allocation. Notwithstanding the foregoing, if the Company and the Purchaser cannot agree upon a final Price Allocation, the Company and the Purchaser covenant and agree to file and cause their respective Affiliates to file, all Tax Returns (including amended returns and claims for refund) consistent with each of the Company's and the Purchaser's good faith allocations, unless otherwise required by law. The Company and the Purchaser agree to act in accordance with the Price Allocation, if agreed to by both the Company and the Purchaser, or in accordance with their respective good faith

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allocations, if the Company and the Purchaser do not agree to the Price Allocation, for all purposes and agree not to take any position on any Tax Return inconsistent therewith, and to conduct any audit, Tax proceeding or Tax litigation relating thereon in a manner consistent therewith.

(b) Any indemnification payment treated as an adjustment to the total consideration paid for the Acquired Assets under **Section 6.2** shall be reflected as an adjustment to the consideration allocated to a specific asset, if any, giving rise to the adjustment and if any such adjustment does not relate to a specific asset, such adjustment shall be allocated among the Acquired Assets in accordance with the Price Allocation method provided in this **Section 2.6**.

2.7. **Withholding Rights.** The Purchaser shall be entitled to deduct and withhold from the Purchase Price otherwise payable pursuant to this Agreement such amounts as the Purchaser is required to deduct and withhold with respect to the making of such payment under any provision of Applicable Law relating to Taxes. To the extent that amounts are so withheld or paid over to or deposited with the relevant Governmental Authority by the Purchaser, such amounts shall be treated for all purposes of this Agreement as having been paid to the Company.

2.8. **Allocation of Taxes.** All federal, provincial, state, county and local ad valorem and real or personal property Taxes on Acquired Assets ("Property Taxes") shall be prorated between the Purchaser and the Company as of the Closing Date, computed by multiplying the amount of Property Taxes for the fiscal period for which the same are levied or assessed by a fraction, the numerator of which is the number of days in such fiscal period up to and including the Closing Date and the denominator of which is the number of days in such fiscal period. In connection with such proration of Property Taxes, in the event that actual Property Tax figures are not available at the Closing Date, then proration of Property Taxes shall occur at the time statements are rendered therefor and payment of such Property Taxes is made.

2.9. **Closing.** The sale and purchase of the Acquired Assets and the assumption of the Assumed Liabilities contemplated by this Agreement shall take place at a closing (the "Closing") to be held at the offices of the Purchaser concurrently with the execution hereof, and the Parties acknowledge and agree that such Closing shall be effective as of 12:01 a.m. on the Closing Date.

2.10. **Deliveries by the Company.** On or prior to the Closing Date, the Company, the Shareholders and the Company Shareholder Parties, as appropriate, shall deliver (or shall have delivered), or cause to be delivered, to the Purchaser the following:

(a) the executed Escrow Agreement, Assignment and Assumption Agreement and Bill of Sale;

(b) a certificate executed by an officer of the Company, dated as of the Closing Date, certifying as to (i) the Articles of Incorporation and bylaws of the Company; (ii) resolutions adopted by the directors of the Company and, if applicable, the Shareholders relating to the transactions contemplated by this Agreement and the Ancillary Agreements; (iii) the good standing of the Company in the province of Ontario, Canada; (iv) incumbency; and (v) specimen signatures of officers of the Company executing this Agreement and the Ancillary Agreements;

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(c) such bills of sale, instruments of transfer, assignment and conveyance and other instruments as the Purchaser shall deem necessary or appropriate to convey, transfer and assign to the Purchaser and effectively vest in the Purchaser all right, title and interest in and to, and good and marketable or good and valid (as the case may be) title to, the Acquired Assets, free and clear of all Encumbrances, other than Permitted Encumbrances, including, without limitation, instruments of assignment of the Assumed Contracts and all necessary assignments of Business Intellectual Property to the Purchaser;

(d) the opinion of Thompson Dymond, counsel for the Company, dated as of the Closing Date, the form of which is attached hereto as **Exhibit F**;

(e) such keys, passwords, codes, lock and safe combinations and other similar items as the Purchaser shall require to obtain immediate and full possession and control of the Acquired Assets;

(f) copies of all Material Consents, and copies of such consents under Schedule 3.16 as have been obtained by Closing;

(g) all Business Records;

(h) executed Employment Agreements between the Purchaser and each of the persons listed in **Schedule 1.1(c)**;

(i) releases of all Encumbrances (other than Permitted Encumbrances) affecting the Acquired Assets, including, but not limited to, discharges of liens and security interests filed pursuant to the Canadian Personal Property Security Act;

(j) Copies of releases, in the form attached hereto as **Exhibit G**, executed by each of the Releasing Parties; and

(k) such other documents and items as the Purchaser reasonably requests.

2.11. Deliveries by the Purchaser. On or prior to the Closing Date, the Purchaser shall deliver, or cause to be delivered, to the Company, the Escrow Agent or third parties, as applicable, the following:

- (a) the Closing Payment and the Escrow Amount;
- (b) the executed Escrow Agreement, Assignment and Assumption Agreement and Bill of Sale; and
- (c) executed Employment Agreements.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF COMPANY, THE SHAREHOLDERS AND THE COMPANY SHAREHOLDER PARTIES

As a material inducement to the Purchaser to enter into this Agreement, except as disclosed in the disclosure letter delivered to the Purchaser by the Company concurrently herewith (the "Company Disclosure Letter") and except as provided herein, the Company, the Shareholders and the Company Shareholder Parties jointly and severally make the following representations and warranties to the Purchaser. Notwithstanding any other provision of this Agreement or the Company Disclosure Letter, each exception set forth in the Company Disclosure Letter shall be deemed to qualify only those representations and warranties set forth in this Agreement that are specifically identified (by cross-reference or otherwise) in the Company Disclosure Letter as being qualified by such exception. Unless otherwise specified, each reference in this Agreement to any numbered schedule is a reference to that numbered schedule which is included in the Company Disclosure Letter.

3.1. Organization.

(a) the Company is duly organized and validly existing under the laws of the Province of Ontario with full power and authority to conduct the Business as it is presently being conducted and to own or lease, as applicable, its assets and properties. The Company is duly qualified to do business and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary. Copies of the Company's articles of incorporation (the "Articles of Incorporation") and the Company's current by-laws, and all amendments thereto, have heretofore been delivered to the Purchaser and are true and complete as of the Closing Date.

(b) Other than the issued and outstanding shares of the Company set forth on **Schedule 3.1(b)** (the "Company Stock") held by the Shareholders, no other equity securities of the Company are issued and outstanding. There are no outstanding options, warrants, rights, calls, commitments, conversion rights, rights of exchange, subscriptions, claims of any character, agreements, obligations, convertible or exchangeable securities or other plans or commitments, contingent or otherwise, relating to equity securities of the Company; (ii) no equity securities of the Company have been reserved for issuance for any purpose; and (iii) there are no outstanding or authorized equity appreciation, phantom equity plans or similar rights with respect to the Company.

3.2. No Subsidiaries. The Company does not own or control, directly or indirectly, any Subsidiary, and, except as set forth on **Schedule 3.2**, the Company has no interest in any other Person, including, but not limited to, any corporation, limited liability company, partnership, trust, joint venture, association or other entity.

3.3. Authorization.

(a) The Company has the requisite corporate power and authority, and has taken all action necessary, to execute, deliver and perform this Agreement and the Ancillary

Agreements to which it is or will be a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements to which it is or will be a party by the Company and the consummation by the Company of the transactions contemplated hereby and thereby have been duly approved by the directors and/or Shareholders, if applicable, of the Company. No other proceeding on the part of the Company or its Shareholders is necessary to authorize this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by the Company, and, upon execution and delivery of the Ancillary Agreements, this Agreement and the Ancillary Agreements to which the Company is or will be a party will be, the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and except insofar as the availability of equitable remedies may be limited by Applicable Law.

(b) Each Shareholder has all necessary power and authority, and has taken all action necessary, to execute, deliver and perform this Agreement and the Ancillary Agreements to which it is or will be a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by each Shareholder, and, upon execution and delivery of the Ancillary Agreements, this Agreement and the Ancillary Agreements to which each Shareholder is or will be a party will be, the legal, valid and binding obligations of such Shareholder, enforceable against it in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally.

(c) Each Company Shareholder Party has the requisite capacity, and has taken all action necessary, to execute, deliver and perform this Agreement and the Ancillary Agreements to which he or she is or will be a party, to consummate the transactions contemplated hereby and thereby, and to perform his or her obligations hereunder and thereunder. This Agreement has been duly executed and delivered by each Company Shareholder Party, and, upon execution and delivery of the Ancillary Agreements, this Agreement and the Ancillary Agreements to which each Company Shareholder Party is or will be a party will be, the legal, valid and binding obligations of such Company Shareholder Party, enforceable against him or her in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally.

3.4. Title to Properties and Assets; Sufficiency of Assets.

(a) Except as set forth on **Schedule 3.4(a)**, (i) the Company has good and valid title to or, in the case of leased properties or properties held under license, a good and valid leasehold or license interest in, all of the Acquired Assets and (ii) the Company holds title to each Acquired Asset which it purports to own, free and clear of any Encumbrances other than Permitted Encumbrances.

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(b) All items of tangible personal property included in the Acquired Assets are in good operating condition and repair and are adequate for the conduct of the Business in substantially the same manner as currently conducted. **Schedule 3.4(b)** sets forth a true and complete list of each item of tangible personal property included in the Acquired Assets having a value in excess of \$5,000; items in **Schedule 3.4(b)** denoted with an asterisk (*) are leased by the Company.

(c) The delivery of the Bill of Sale to the Purchaser shall transfer to the Purchaser good and valid title to, or a license to use or a valid leasehold interest in, all of the Acquired Assets, free and clear of all Encumbrances other than Permitted Encumbrances.

(d) The Acquired Assets constitute all of the assets, properties and rights, tangible or intangible, that are used or held for use by the Company in the Business, other than the Excluded Assets, and that are necessary and sufficient for the conduct of the Business as currently conducted or as proposed to be conducted.

3.5. Leased Property. **Schedule 3.5** sets forth a true, correct and complete list of all real property leased by the Company in respect of the Business (collectively, the "Leased Property"), including the location of, and a brief description of the nature of the activities conducted on, such Leased Property. The Company does not currently own and has not previously owned any real property. The Company does not lease any real property except as set forth on **Schedule 3.5**.

3.6. Financial Statements; Books and Records.

(a) The Company has delivered to the Purchaser true and complete copies of the Financial Statements. The Financial Statements (i) are true and complete in all material respects, (ii) have been prepared in accordance with the books and records of the Company, (iii) have been prepared in accordance with Canadian GAAP consistently applied throughout the periods covered thereby, and (iv) fairly and accurately present the financial position of the Company as of the respective dates thereof and the results of operations and changes in cash flows for the periods then ended, except as otherwise noted therein. Specifically, but not by way of limitation, the Company Balance Sheet discloses all of the debts, liabilities and obligations of any nature of the Company in respect of the Business, whether due or to become due, as of the date thereof to the extent such debts, liabilities and obligations are required to be disclosed in accordance with Canadian GAAP.

(b) The Company has made and kept (and has given the Purchaser access to) true and complete books and records, which, in reasonable detail, accurately and fairly reflect the activities of the Company. The Company's books and records have been maintained in accordance with sound business practices, including the maintenance of an effective system of internal control over financial reporting.

3.7. Liabilities. Except (a) as disclosed in the Financial Statements, or (b) for liabilities that have been discharged or paid in full, the Company has not incurred any liabilities of any nature, including, but not limited to, in respect of the Business or to which the Business

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may be subject, whether accrued, absolute, contingent, matured, unmatured or other, including, but not limited to, "off-balance sheet" liabilities. All liabilities of the Company (whether accrued, absolute, contingent, matured, unmatured or other, including, but not limited to, "off-balance sheet" liabilities) are set forth on **Schedule 3.7**, which such schedule sets forth the party to which the Company is indebted, the due date of such indebtedness, the amount of the indebtedness and all interest, late charges and other fees and expenses as a result thereof.

3.8. Absence of Certain Changes. Since December 31, 2011, there has not been any change, effect, event, occurrence, state of facts or development that, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect on the Company or the Business. Without limiting the generality of the foregoing, except as disclosed in **Schedule 3.8** or except as contemplated hereby, since December 31, 2011:

(a) the Company has conducted the Business in the Ordinary Course of Business;

(b) the Company has not incurred any indebtedness for borrowed money or issued any debt securities or assumed, guaranteed or endorsed, or otherwise become responsible for, the obligations of any Person, or made any loans or advances, in each case affecting the Company, the Business or the Acquired Assets or to which the Company or the Business may be subject, or otherwise incurred any liability that would constitute an Assumed Liability, except in the Ordinary Course of Business;

(c) there has not been any change in any method of accounting or accounting practice by the Company, except for any such change required by reason of a change in Canadian GAAP and set forth on **Schedule 3.8(c)**;

(d) the Company has not (i) granted any severance or termination pay to any Employee, (ii) entered into any employment, deferred compensation or other similar agreement with (or any amendment to any such existing agreement) any Employee, (iii) increased the benefits payable under any existing severance or termination pay policies or employment agreements, or (iv) increased the compensation, bonus or other benefits payable to Employees, in each case other than in the Ordinary Course of Business;

(e) the Company has not sold, transferred or disposed of any assets, properties or rights, including, but not limited to, any Rights, other than in the Ordinary Course of Business;

- (f) the Company has not entered into any joint venture, partnership, exclusive dealing, noncompetition or similar agreement with any Person;
- (g) the Company has not made any loans or advances to any Person, other than ordinary advances to Employees for travel and other incidental expenses;
- (h) the Company has not made any declaration, setting aside or payment of any dividend or other distribution in respect of the Company Stock;

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- (i) there has not been any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the assets, properties, financial condition, operating results or prospects of the Company or the Business;
- (j) there has not been any satisfaction or discharge of an Encumbrance or payment of any obligation by the Company, except such a satisfaction, discharge or payment made (i) in the Ordinary Course of Business, or (ii) as required pursuant to the terms of this Agreement;
- (k) there has not been any write-down of the value of any asset or Inventory used or held for use in the Business or any write-off as uncollectible of any Accounts Receivable or any portion thereof of the Company in respect of the Business;
- (l) the Company has not made any change or amendment to an Assumed Contract, except for changes or amendments which are disclosed in this Agreement;
- (m) there has not been any creation or assumption by the Company of any Encumbrance, other than Permitted Encumbrances, on any Acquired Asset;
- (n) the Company has not canceled, compromised, waived or released any right or claim relating to the Business or the Acquired Assets;
- (o) the Company has not permitted the lapse of any existing policy of insurance;
- (p) the Company has not permitted the lapse of any right relating to any Assumed Contract, Intellectual Property or any intangible asset used or held for use in connection with the Business;
- (q) the Company has not accelerated the collection of or discounted any Accounts Receivable, delayed the payment of liabilities or deferred expenses, or otherwise increased cash on hand, except in the Ordinary Course of Business;
- (r) the Company has not made or authorized any payments to a Related Party; and
- (s) the Company has not authorized or committed or agreed to take any of the actions described in subsections (a) through (q) of this

Section 3.8.

3.9. Material Contracts.

(a) **Schedule 3.9(a)** sets forth a true, correct and complete list, broken down by the subcategories set forth below, of all written or oral contracts, agreements, consensual obligations, promises, undertakings, legally binding arrangements, options, leases, licenses, sales and purchase orders, warranties, guarantees, indentures, mortgages, commitments and other instruments of any kind (each a "Contract"), to which the Company is a party or to which the

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Company, or any of its properties, is otherwise bound, and that relates to the Company or the Business as follows (each a "Material Contract" and, collectively, the "Material Contracts"):

- (i) each Contract of the Company pursuant to which the Company received (or was entitled to receive) or paid (or was purportedly obligated to pay) (A) in excess of \$25,000 in the twelve (12) month period ended December 31, 2011, or (B) in excess of \$12,500 in the period since December 31, 2011;
- (ii) each Contract of the Company relating to indebtedness for borrowed money, extension of credit or the deferred purchase price of property (whether incurred, assumed, guaranteed or secured by any asset) pursuant to which the Company is obligated to make any future payment or payments, in the aggregate, in excess of \$25,000;
- (iii) each Contract for the purchase or delivery of goods, or performance of services, to the Company or the Business;
- (iv) each broker, distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, marketing, consulting or advertising Contract;
- (v) each Contract with a Related Party;
- (vi) each employment Contract;

(vii) each Contract that limits or purports to limit, the ability of the Company or the Business to compete in any line of business or with any Person or in any geographic area or during any period of time, or that restricts the right of the Company or the Business to purchase from any Person or to hire any Person;

(viii) each Contract that requires the Company to grant “most favored customer” status or any type of special discount rights to any other Person;

(ix) each Contract that requires a consent to or other action by any Person, or will be subject to default, termination, repricing or other renegotiation or cancellation because of, the transactions contemplated by this Agreement or the Ancillary Agreements, or otherwise contains a provision relating to “change of control”, or that would prohibit or delay the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements;

(x) each fidelity or surety bond or completion bond;

(xi) each Contract providing for liquidated damages upon failure to meet performance or quality milestones;

(xii) each lease of real or personal property;

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(xiii) each Contract providing for indemnification to or from any Person with respect to liabilities relating to the Company, the Business or the Acquired Assets;

(xiv) each Contract containing confidentiality clauses;

(xv) each Contract relating in whole or in part to any Business Intellectual Property;

(xvi) each Contract relating to capital expenditures and involving future payments in excess of \$25,000;

(xvii) each Contract for the purchase of raw materials or services, including any construction Contract, involving in excess of \$25,000;

(xviii) each Contract relating to any joint venture or partnership, merger, asset or equity purchase or divestiture Contract;

(xix) each Contract that results in any Person holding a power of attorney that relates to the Company, the Business or the Acquired Assets;

(xx) each Contract relating to settlement of any Proceedings within the past five (5) years;

(xxi) each Contract with a Governmental Authority; and

(xxii) each other Contract, whether or not made in the Ordinary Course of Business that (A) involves a future or potential liability or receivable, as the case may be, in excess of \$5,000 on an annual basis or in excess of \$15,000 over the current Contract term, (B) has a term greater than one year and cannot be cancelled by the Company without penalty or further payment and without more than 30 days’ notice or (C) is material to the business, operations, assets, financial condition, results of operations or prospects of the Company or the Business, each taken as a whole.

(b) Each Material Contract and each Assumed Contract is in full force and effect, paid currently and has not been materially impaired by any acts or omissions of the Company. Except for those Material Contracts denoted with an asterisk (*) as set forth on **Schedule 3.9(a)** and the Assumed Contracts denoted with an asterisk (*) on **Schedule 1.1(a)**, no Material Contract or Assumed Contract requires the consent of any other contracting party to prevent a breach of, a Default under, or a termination, change in the terms or conditions or modification of, any Material Contract or Assumed Contract as a result of the consummation of the transactions contemplated hereby. All of the Material Contracts and Assumed Contracts are valid, binding and enforceable against the Company in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors’ rights generally and except insofar as the availability of equitable remedies may be limited by Applicable Law. The Company has fulfilled, or taken all action reasonably necessary to enable it to fulfill when due, all of its

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material obligations under each of such Material Contracts and Assumed Contracts. The Company is not in Default under any Material Contract or under any Assumed Contract. To the Knowledge of the Company, no other party is in Default under such Material Contracts and Assumed Contracts and, to the Knowledge of the Company, no event has occurred and no condition or state of facts exists which, with the passage of time or the giving of notice or both, would constitute such a Default and no written notice of any claim of Default has been given to the Company. None of the Company, the Shareholders nor the Company Shareholder Parties is aware of any intent by any party to any Material Contract or any Assumed Contract to terminate or amend the terms thereof or to refuse to renew any such Material Contract or Assumed Contract upon expiration of its term. The Company is not currently paying liquidated damages in lieu of performance under any Material Contract or Assumed Contract. The Company has delivered to the Purchaser true and complete copies of all Material Contracts and any amendments thereto and Assumed Contracts and any amendments thereto.

3.10. Compliance with Other Instruments; No Conflicts.

(a) The Company is not in violation, breach or Default of (i) any term of its Articles of Incorporation, by-laws or similar organizational or governance documents, or (ii) any provision of Applicable Law that is applicable to or binding upon the Company, the Acquired Assets or the Assumed Liabilities.

(b) The execution, delivery and performance by the Company, the Shareholders and the Company Shareholder Parties of, and compliance with this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby shall not:

(i) conflict with or violate the Articles of Incorporation, by-laws or similar organizational or governance documents of the Company,

(ii) conflict with or violate any Applicable Law applicable to the Company, the Shareholders and the Company Shareholder Parties, the Business or any of the Acquired Assets or by which the Company, the Shareholders and the Company Shareholder Parties, the Business or any of the Acquired Assets may be bound or affected;

(iii) result in any breach or violation of, constitute a Default under, require any consent of any Person pursuant to, give to others any right of termination, amendment, modification, acceleration of, give rise to any increased, accelerated or additional rights of any Person or otherwise adversely affect any rights of the Company or the Business under, or result in the creation of any Encumbrance on any of the Acquired Assets pursuant to, any Material Contract.

3.11. Taxes.

(a) Definitions. For purposes of this Agreement:

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(i) the term “**Tax**” (including with correlative meaning, the terms “Taxes” and “Taxable”) means all federal, state, local, provincial, territorial, foreign or other taxes, customs, tariffs, imposts, levies, duties, government fees or other like assessments or charges of any kind, including, without limitation, all income, capital, goods and services, transfer, withholding, employer health tax, franchise, sales, use, ad valorem, transfer, license, recording, employment (including federal, provincial, territorial and state income tax withholding, backup withholding or other payroll taxes), environmental, excise, severance, stamp, occupation, premium, prohibited transaction, property, value-added, net worth, Canada pension plan contributions, provincial pension plan contributions, employment insurance premiums, provincial workers’ compensation payments or any other taxes and any interest, penalties and additions imposed with respect to such amounts; and

(ii) the term “**Tax Return**” means all federal, state, local, provincial, territorial and foreign returns, declarations, claims for refunds, forms, statements, reports, schedules, information returns or similar statements or documents, and any amendments thereof (including, without limitation, any related or supporting information or schedule attached thereto) required to be filed with any Taxing authority in connection with the determination, assessment or collection of any Tax or Taxes.

(b) The Company has filed (or will file when due) all Tax Returns that are required to be filed in respect of the Acquired Assets or the Business, all such Tax Returns are accurate, and all Taxes with respect to such Tax Returns have been paid. The Company has paid all Taxes imposed with respect to the Acquired Assets, or otherwise payable by the Company and the Company has withheld or collected and remitted all amounts required to be withheld or collected.

(c) There are no liens for Taxes (other than for current Taxes not yet due and payable) upon the Acquired Assets and there are no grounds for the assertion or assessment of any Encumbrances against the Acquired Assets, or the Business in respect of any Taxes. The transactions contemplated by this Agreement shall not give rise to (i) the creation of any Encumbrances against the Acquired Assets or the Business in respect of any Taxes or (ii) the assertion of any additional Taxes against the Acquired Assets or the Business.

(d) No claim has ever been made or threatened by a Tax authority in a jurisdiction where the Company does not file Tax Returns that the Business is or may be subject to Taxes by that jurisdiction. No Proceeding is pending or threatened by any Governmental Authority for any audit, examination, deficiency, assessment or collection from the Company of any Taxes related to the Business, no unresolved claim for any deficiency, assessment or collection of any Taxes related to the Business has been asserted against the Company and all resolved assessments of Taxes related to the Business have been paid. No issues have been raised by the relevant taxing authorities on audit that are of a recurring nature and that would have an effect upon the Taxes of the Business.

3.12. Environmental Matters. There have been no disposals, releases or threatened releases of Hazardous Materials on, from or under the Leased Property or any other property at which the Business has been conducted and the Company except (if any) for such disposals,

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releases or threatened releases of Hazardous Materials not in violation of applicable Environmental Laws, and the Company has not received any notice of non-compliance with any Environmental Law. Neither the Company nor, to the Knowledge of the Company, any third party, has used, generated, manufactured or stored on, under or about the Leased Property or transported to or from the Leased Property, or any other property at which the Business has been conducted, any Hazardous Materials, except to the extent not in violation of applicable Environmental Laws. The Company has no Knowledge of any presence, disposals, releases or threatened releases of Hazardous Materials on, from or under any of the Leased Property or any other property at which the Business has been conducted, which may have occurred before the Company took possession of any of the Leased Property or any other property at which the Business has been conducted. For the purposes of this Agreement, “Environmental Law” shall mean any statute, law, ordinance, regulation, decision or rule of any governmental authority, whether federal, provincial, territorial, sectoral, local or otherwise, relating to (i) pollution or protection of the environment; (ii) emissions, discharges, releases or threatened releases of Hazardous Materials; (iii) threats to human health or ecological resources arising from exposure to Hazardous Materials; (iv) the remediation of contamination or restoration of the quality of the environment; or (v) the manufacture, generation, processing, distribution, use, sale, treatment, receipt, storage, disposal, transport or handling of Hazardous Materials, and includes, but is not limited to, the Canadian Environmental Protection Act, 1999, the Ontario Environmental Protection Act, the Fisheries Act, the Canadian Environmental Assessment Act, the Species at Risk Act, the Transportation of Dangerous Goods Act, the Canadian Shipping Act, the Hazardous Products Act, the Pest Control Products Act, the Canadian Occupational Health and Safety Act, the Ontario Occupational Health and Safety Act and any similar federal, provincial, territorial, sectoral or local laws. For the purposes of this Agreement, “Hazardous Materials” shall mean (i) Chemicals, pollutants, contaminants, dangerous goods, hazardous wastes, oil and petroleum products; (ii) any substance that is or contains asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum or

petroleum-derived substances or wastes, radon gas or related materials; (iii) any substance that requires removal or remediation under any Environmental Law, or is defined, listed or identified as a “contaminant”, “dangerous good,” “solid waste,” “hazardous waste,” “hazardous recyclable material,” “regulated substance,” “hazardous substance,” “listed substance,” “toxic substance,” “dangerous substance,” “infectious substance,” or “hazardous material” thereunder; or (iv) any substance that is regulated under any Environmental Law due to its actual or potentially toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or hazardous properties or that may otherwise lead to liability under any Environmental Law.

3.13. Employee Benefits.

(a) **Schedule 3.13(a)** lists as of the date hereof all of the Company’s pension, deferred profit sharing, group insurance, dental insurance, disability, death benefit, health and welfare, hospitalization, vacation, vacation pay, unemployment, retirement savings (including group retirement savings) and other employee benefit plans or arrangements, written or oral, currently applicable to Employees and their eligible dependents and eligible beneficiaries and all bonus, equity option, equity purchase, incentive, deferred compensation, life insurance, disability insurance, dependent care, severance and other similar fringe or employee benefit plans, programs or arrangements and any current or former employment or executive compensation or severance agreements, written or otherwise maintained or contributed to by the Company for the

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benefit of or relating to any Employee or former Employee of the Company in respect of the Business (or any dependent thereof), or any trade or business (whether or not incorporated) that is an Affiliate of the Company (each a “Benefit Plan,” collectively, the “Benefit Plans”). For each Benefit Plan, true and complete copies of, where applicable, (i) the actuarial reports and other reports or communications to or with pension or Tax authorities for the last two (2) plan years, including without limitation those required to be prepared under the Ontario *Pension Benefits Act* and Applicable Law, and (ii) any plan document, summary plan description, trust agreement, funding agreements or arrangements, employment agreement and other governing instrument, document or Employee communication, have been delivered to the Purchaser as of the date hereof.

(i) The Company has not had and does not have any pension plans.

(ii) All employee data necessary to administer the Purchaser’s benefits plans will be provided by the Company to the Purchaser and will be true and correct as of the date thereof and the Company will notify the Purchaser of any changes thereto occurring prior to the Closing Date.

(b) Each Benefit Plan has been maintained in all respects in accordance with its terms and the requirements of Applicable Law, including, but not limited to, the filing or making of all reports and disclosures. No officer, director or Employee of the Company has committed a breach of any fiduciary responsibility or obligation in respect of any Benefit Plan. Other than routine claims for benefits, there is no present claim or proceeding (including any audit, examination or investigation) or, to the Knowledge of the Company, pending or threatened or state of facts that reasonably could be expected to give rise to same, involving any Benefit Plan by any Person or any Governmental Authority.

(c) **Schedule 3.13(c)** sets forth a true and complete list of the names of all current Employees who are employed in connection with the Business specifying their position and describing their areas of responsibility with respect to the Business, and their salary, date of hire, commission, bonus and incentive entitlements and identifying which Employees are currently receiving long-term or short-term disability benefits or are absent from active employment on pregnancy, parental or adoption leave and their anticipated dates of return to active employment.

(d) **Schedule 3.13(d)** sets forth a true and complete list of all (i) employment agreements with officers of the Company, (ii) agreements with consultants who are individuals obligating the Company to make annual cash payments in an amount of \$30,000 or more, (iii) severance agreements, programs and policies of the Company with or relating to its Employees, and (iv) plans, programs, agreements and other arrangements of the Company with or relating to its Employees that contain provisions that, as a result of the execution of this Agreement or any Ancillary Agreement or the consummation of the transactions contemplated hereby or thereby, will result in the acceleration or creation of any rights or the creation of any benefits of any Employee, whether or not listed in other parts of the Company Disclosure Letter. The Company has delivered to the Purchaser true and complete copies of all such agreements, plans, programs and other arrangements. No amendments or improvements that will affect Employees have been promised or made to the Benefits Plans and no amendments or improvements that will affect

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Employees will be promised or made to the Benefits Plan by the Company prior to the Closing Date.

(f) The Company has made full and timely payment of all amounts required to be contributed or paid as contributions, premiums or expenses, or accrued such payments in accordance with normal procedures under the terms of each Benefit Plan, Canadian GAAP and Applicable Law.

3.14. Compliance with Law. The Company is and has been in compliance in all material respects with all Applicable Law, including, but not limited to, in connection with the conduct or operation of the Business and the ownership or use of the Acquired Assets. The Company has not received, and to the Knowledge of the Company, there is no basis for, any notice, order, complaint or other communication from any Governmental Authority or any other Person that the Company or the Business is not in compliance in all material respects with any such Applicable Laws.

3.15. Permits. **Schedule 3.15** sets forth a true and complete list of all Permits, all of which are valid and in full force and effect as of the date hereof. Except for those Permits denoted with an asterisk (*) as set forth on **Schedule 3.15**, no Permit requires the consent of any Governmental Authority, or any other Person, to transfer such Permit in connection with the consummation of the transactions contemplated hereunder. The Company has, and at all times has had, all Permits required under Applicable Law in respect of the operation of the Business and owns or possesses such Permits, free and clear of all Encumbrances, other than Permitted Encumbrances. The Company is not in Default, and has not received any notice of any claim of Default, with respect to any such Permit, and no condition exists that with notice or lapse of time or otherwise would constitute a Default. Such Permits that are included in the Acquired Assets will not be adversely affected by the completion of the transaction contemplated by this Agreement.

3.16. Consents and Approvals. Except for the Material Contracts and as set forth on **Schedule 3.16** (including, but not limited to, those Material Contracts and Permits denoted with an asterisk (*) as set forth on **Schedule 3.9(a)** and **Schedule 3.15**, respectively), no consent, approval or authorization of,

declaration or notice to or filing or registration with, any Governmental Authority, or any other Person, is required to be made or obtained by the Company, any of its Affiliates or any Shareholders or Company Shareholder Parties in connection with the execution, delivery and performance by the Company, the Shareholders and the Company Shareholder Parties of this Agreement, the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby or in order to prevent the termination of any right, privilege, license or qualification of or affecting the Business or the Acquired Assets.

3.17. Litigation. Except as set forth on **Schedule 3.17**, there is no action, suit, proceeding, claim, arbitration or investigation (“Proceeding”) in progress (or, to the Knowledge of the Company, pending or threatened) against the Company, nor, to the Knowledge of the Company, is there any basis for any such Proceeding. The Company is not a party to or subject to the provisions of any court order, writ, injunction, judgment or decree of any Governmental Authority and there is no material Proceeding by the Company currently in progress or which the

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Company intends to initiate. No Proceeding has been instituted or, to the Knowledge of the Company, threatened which questions the validity or legality of the transactions contemplated hereby or by the Ancillary Agreements. There is not at present outstanding any regulation, court order or Proceeding that enjoins or seeks to enjoin or makes the transactions contemplated hereby or by the Ancillary Agreements illegal or otherwise prohibited.

3.18. Labor Matters.

(a) The Company is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the Knowledge of the Company, has sought to represent any of its Employees or Representatives.

(b) There is no strike or other labor dispute involving the Company in progress, or to the Knowledge of the Company, threatened or pending. The Company has not, during the three year period before the date of this Agreement, received any demand letters, civil rights charges, suits, drafts of suits, administrative or other claims of or from any its Employees, and there are no such claims or suits outstanding (including, but not limited to, any action or negotiations in respect of wrongful dismissal).

(c) All individuals who are performing consulting or other services for the Company are or were correctly classified by the Company (whether in contracts, Tax filings or otherwise) as either “independent contractors” or “employees” as the case may be.

(d) The Company is in compliance in all material respects with all Applicable Laws respecting employment, termination of employment, employment practices, terms and conditions of employment and wages and hours.

(e) The Company has withheld, reported and remitted all amounts required by Applicable Law or agreement to be withheld, reported and remitted with respect to wages, salaries and other payments to Employees.

(f) There are no present, or, to the Knowledge of the Company, pending or threatened, claims or actions against the Company under any workers’ compensation policy, provincial or territorial workers compensation legislation or long-term disability policy.

3.19. Intellectual Property; Software.

(a) **Schedule 3.19(a)(i)** lists all Intellectual Property and any applications and renewals for Intellectual Property owned by the Company or filed on its behalf (such items being referred to herein as the “Owned Company Intellectual Property”). **Schedule 3.19(a)(ii)** lists all licenses (in and out), sublicenses and other agreements to which the Company is a party and pursuant to which Intellectual Property is licensed to the Company, or the Company licenses Intellectual Property to a third party (all Intellectual Property that is licensed by the Company (as licensee) pursuant to the agreements set forth on **Schedule 3.19(a)(ii)** being referred to herein as the “Licensed Company Intellectual Property”). The Owned Company Intellectual Property and

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the Licensed Company Intellectual Property are referred to collectively herein as the “Company Intellectual Property.”

(b) Each item of Company Intellectual Property is either: (i) owned solely by the Company free and clear of all Encumbrances other than licenses to third parties described in **Schedule 3.19(a)(ii)**, or (ii) rightfully used and authorized for use by the Company as between the Company, on the one hand, and the licensors of such Company Intellectual Property, on the other hand, pursuant to a written Contract.

(c) Except as set forth in **Schedule 3.19(c)**, the Company is not in violation of any license, sublicense or other agreement to which it is a party or otherwise bound relating to any Licensed Company Intellectual Property.

(d) All Owned Company Intellectual Property is valid, subsisting and enforceable in the Canada and in each other jurisdiction in which such Owned Company Intellectual Property is presently registered. Except as set forth in **Schedule 3.19(d)**, no trademarks or service marks other than those included in the Owned Company Intellectual Property are used by the Company in connection with the current products or services sold by the Company. Each copy of any commercially available software used by the Company is used pursuant to, and in accordance with, valid license rights in favor of the Company. Except as set forth in **Schedule 3.19(d)**, no claims have been documented in writing to the Company by any Person, either: (i) challenging the validity, enforceability, effectiveness, right to use or ownership by the Company of any of the Owned Company Intellectual Property; or (ii) alleging that any Licensed Company Intellectual Property or that any services provided, processes used or products manufactured, used, imported, reproduced, modified, distributed, licensed, sublicensed, offered for sale or sold by the Company has been infringed, misappropriated or otherwise violated, is or will infringe, misappropriate or otherwise violate any Intellectual Property or other proprietary right of any Person. Except as set forth in **Schedule 3.19(d)**, to the Knowledge of the Company there is no and has not been any unauthorized use, infringement, misappropriation or other violation of any of the Owned Company Intellectual Property by any Company Employee, former Company Employee or any third party.

(e) Except as set forth in **Schedule 3.19(e)**, the Company has secured from all parties (including, but not limited to, Employees) who have created any portion of, or otherwise have any rights in or to, the Owned Company Intellectual Property valid and enforceable written assignments of any

such work, invention, improvement or other rights to the Company to the extent necessary to vest title in such Owned Company Intellectual Property in the Company and waivers of moral rights by all Employees and contractors involved in the creation of any aspect of the Owned Company Intellectual Property. No current or former Employee of the Company has any interest in any item of Owned Company Intellectual Property other than moral rights waived as described in the preceding sentence. The Company has recorded all such assignments with all patent offices worldwide in which any Owned Company Intellectual Property is registered or for which an application has been filed.

(f) The transactions contemplated hereby will not alter, encumber, impair, extinguish or otherwise adversely affect any Owned Company Intellectual Property or impair the

right of the Purchaser to develop, use, sell, license or dispose of, or to bring any action for the infringement of, any Owned Company Intellectual Property.

(g) The Company has taken all commercially reasonable measures necessary to protect the proprietary nature of the Owned Company Intellectual Property and to maintain in confidence all trade secrets and confidential information owned by the Company.

(h) Except as set forth in **Schedule 3.19(h)**, all Company employees have executed a non-disclosure agreement in favor of the Company and each such agreement remains in full force and effect. A copy of each such agreement has been delivered to Purchaser.

(i) To the Knowledge of the Company, the Company Intellectual Property comprised of software is free of any disabling codes or instructions (a "Disabling Code"), and any virus or other intentionally created, undocumented contaminant (a "Contaminant"), that may, or may be used to, access, modify, delete, damage or disable any systems or that may result in damage thereto. The Company has taken all steps and implemented all procedures to ensure that its internal computer systems are free from Disabling Codes and Contaminants. To the Knowledge of the Company, the Licensed Company Intellectual Property is free of any Disabling Codes or Contaminants that may, or may be used to, access, modify, delete, damage or disable any of the hardware, software, databases, embedded control systems, or other systems of the Company or that might result in damage thereto. The Company has taken all commercially reasonable steps to safeguard its systems and restrict unauthorized access thereto.

3.20. Transactions with Certain Persons. **Schedule 3.20** sets forth a true, correct and complete list of (a) each oral or written Contract or business arrangement (including, but not limited to, any such Contract or arrangement involving the purchase from or the sale, license or furnishing to the Company any goods, property, services, technology or intellectual or other property rights) between the Company, on one hand, and any Shareholder, Company Shareholder Party, Related Party, officer or director of the Company or any Affiliate of any such Person, on the other hand, at any time during the five (5) year period preceding the date hereof, (b) the name of the Shareholder, Company Shareholder Party, Related Party, officer or director of the Company or any Affiliate of any such Person involved in such Contract or arrangement, and (c) the amount of money paid by or to the Company pursuant to any such Contract or arrangement in each of the past five (5) years. Without limiting the generality of the foregoing, **Schedule 3.20** shall set forth the information required above as it relates to the Dynamic Lease and the Mississauga Affiliate.

3.21. Insurance. **Schedule 3.21** sets forth a complete and correct list of all insurance policies of the Company of any kind currently in force and also sets forth for each insurance policy the type of coverage, the name of the insureds, additional insureds and loss payees, the insurer, the premium, the expiration date, the deductibles and loss retention amounts and the amounts of coverage. True and complete copies of such insurance policies have been delivered to the Purchaser. All insurance coverage is in full force and effect and insures the Company in sufficient amounts against losses as are in accordance with normal industry practice for similar businesses (taking into account the cost and availability of such insurance). No notice of cancellation or termination has been received with respect to any such policy as of the date

hereof, and all such insurance policies are in full force and effect and will remain in full force and effect up to and including the Closing (other than those that have been retired or expired in the Ordinary Course of Business). Except as set forth on **Schedule 3.21**, the Company has no self-insurance or co-insurance programs, and the reserves set forth on the Financial Statements for the Company's fiscal year ended December 31, 2011 are adequate to cover all anticipated liabilities with respect to any such self-insurance or co-insurance programs.

3.22. Inventory. **Schedule 3.22** sets forth a true and complete list of all Inventory as of the Closing Date, the cost and current value thereof, the address at which such Inventory is located and the expected resale price thereof. Such Inventory has not been consigned to any third person. Such Inventory was acquired and has been maintained in accordance with the regular business practices of the Company, consists of items of a quality and quantity substantially all of which is usable or saleable in the Ordinary Course of Business, and is valued at prices equal to the lower of cost or realizable value and in accordance with the internal accounting practices of the Company applied on a basis consistent with the Financial Statements, each consistently applied throughout the periods covered by the Financial Statements, with adequate provisions or adjustments for excess inventory, slow-moving inventory, spoilage and inventory obsolescence and shrinkage. The Inventory consists of products of quality and quantity commercially usable and salable at not substantially less than cost in the Ordinary Course of Business, except for any items of obsolete material or material below standard quality, substantially all of which have been written down to realizable market value, or for which adequate reserves have been provided, and, except as described in **Schedule 3.22**, the present quantities of all Inventory are reasonable in the present circumstances of the Company and consistent with the Company's average level of Inventory in the past twenty-four (24) months.

3.23. Certain Business Practices. None of the agents or Employees of the Company or any of its Affiliates has (a) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses, including, without limitation, expenses related to political activity, (b) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns, made any bribes or kickback payments or violated any provision of the United States Foreign Corrupt Practices Act of 1977, as amended, or the Canadian *Corruption of Foreign Public Officials Act*, or (c) made any other unlawful payment including, but not limited to, payments in contravention of the *Criminal Code* of Canada.

3.24. Warranties. **Schedule 3.24** sets forth true and complete summaries of the written warranties and guaranties utilized by the Company with respect to its services or products pursuant to which the Company may have any current or future obligations. There have not been any deviations from such warranties and guaranties which could result in liability to the Company exceeding \$25,000, and neither the Company nor any of its salespeople, Employees,

distributors and agents is authorized to undertake obligations to any customer or to other third parties in excess of such warranties or guaranties. The Company has not made any oral warranty or guaranty with respect to any of its products or services.

3.25. Suppliers and Customers. The documents and information supplied by the Company in connection with this Agreement with respect to relationships and volumes of

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business done with the suppliers, distributors and customers of the Business are accurate in all material respects. **Schedule 3.25** sets forth a true, correct and complete listing of the ten (10) largest suppliers of the Business (measured by payouts made to such suppliers) and ten (10) largest customers of the Business during the twelve (12) months preceding the date hereof (measured by revenue received by such customers). During the last twelve (12) months, the Company has not received any notice of termination or written threat of termination from any of the ten (10) largest suppliers of the Business or any of the ten (10) largest distributors or customers of the Business, or any information that any such customer, distributor or supplier intends to materially decrease the amount of business that it does with the Company.

3.26. Solvency. The Company is Solvent and will be Solvent after giving effect to the transactions contemplated by this Agreement and the Ancillary Agreements and any dividend, distribution or transfer of any portion of the Purchase Price contemplated by the Company. For purposes of this Agreement, "Solvent" means that: (a) the amount, at "fair valuation," or "present fair salable value" (or the nearest equivalent that is the applicable test under the applicable provisions of the relevant federal, provincial, state bankruptcy and fraudulent conveyance or transfer laws and the case law in respect thereof) of the Company's assets is in excess of the total amount of the Company's debts and liabilities, including contingent liabilities, (b) the Company is able to pay its debts and liabilities, including contingent liabilities, as they become due, (c) the Company does not have unreasonably small capital or assets to carry on the Company's business as theretofore operated and as proposed to be operated, (d) the Company does not intend to, nor does it believe that it will, incur debts or liabilities beyond the Company's ability to pay as such debts and liabilities mature, in each case as of such date, and (e) the Company has not breached any solvency requirements (however described) in the Ontario *Business Corporations Act* or committed an act of or become in a state of bankruptcy or insolvency or entered into an assignment or preference that has or may have the effect of causing the Company to be unable to pay its debts as they become due. The meaning of the terms "fair valuation" and "present fair salable value" and the other terms used in this definition, and the calculation of assets, debts and liabilities shall be determined and made in accordance with the applicable provisions of the relevant federal, provincial, or state bankruptcy and fraudulent conveyance or transfer laws.

3.27. No Brokers. Except as set forth on **Schedule 3.27**, none of the Company or any of its Affiliates, or any of their respective officers, directors, employees, or the Shareholders or the Company Shareholder Parties, has entered into any contract, agreement, arrangement or understanding with any broker, finder or similar agent or any Person which will result in the obligation of the Purchaser, the Company or any of their respective Affiliates to pay any finder's fee, brokerage fees or commission or similar payment in connection with the transactions contemplated hereby and by the Ancillary Agreements.

3.28 Data Room. The on-line data room which was made available to the Purchaser through Dropbox (the "Data Room") contains true and complete copies of all Contracts entered into by the Company in connection with the Business and which are in effect as of the date hereof. At the Closing, the Company shall provide to the Purchaser a CD or other electronic copy of the documents contained in the Data Room.

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3.29. Other Information. None of the representations and warranties made by the Company, the Shareholders and the Company Shareholder Parties (taken together with the Company Disclosure Letter) in this Agreement or any Ancillary Agreement, the Data Room described in **Section 3.28** above and none of the documents or information delivered to the Purchaser by the Company, the Shareholders or the Company Shareholder Parties or its or their Representatives in connection with the transactions contemplated by this Agreement and the Ancillary Agreements contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading. The financial projections relating to the Company delivered to the Purchaser have been prepared in good faith and are based on reasonable assumptions, constitute the Company's best estimate of the information purported to be shown therein, and neither the Company nor any Shareholder or Company Shareholder Party is aware of any fact or information that would lead it to believe that such projections are incorrect or misleading in any material respect.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF PURCHASER

As a material inducement to the Company and the Shareholders and the Company Shareholder Parties to enter into this Agreement, except as provided herein, the Purchaser makes the following representations and warranties to the Company and the Shareholders and the Company Shareholder Parties.

4.1. Organization. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the province of British Columbia and has full corporate power and authority to conduct its business as it is presently being conducted, and to own or lease, as applicable, its assets and properties.

4.2. Authorization. The Purchaser has requisite corporate power and authority, and has taken all action necessary, to execute, deliver and perform this Agreement and the Ancillary Agreements to which it is or will be a party, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements to which it is or will be a party by the Purchaser and the consummation by the Purchaser of the transactions contemplated hereby and thereby have been duly approved by all necessary corporate action under the organizational documents of the Purchaser. No other corporate proceedings on the part of the Purchaser or its shareholders are necessary to authorize this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by the Purchaser and is, and upon execution and delivery of each of the Ancillary Agreements to which the Purchaser is or will be a party will be, a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally.

4.3. Compliance with Other Instruments; No Conflicts. The execution, delivery and performance by the Purchaser of, and compliance with this Agreement and the Ancillary

Agreements and the consummation of the transactions contemplated hereby and thereby shall not:

- (a) conflict with or violate the Articles of Incorporation, by-laws or similar organizational or governance documents of the Purchaser;
- (b) conflict with any Contract to which the Purchaser is a party or by which it is bound;
- (c) conflict with any judgment, decree, order or award of any court, governmental body or arbitrator having jurisdiction over the Purchaser; or
- (d) conflict with or violate any Applicable Law applicable to the Purchaser or by which the Purchaser may be bound or affected.

4.4. No Brokers. None of the Purchaser or any of its Affiliates, or any of their respective officers, directors or employees has entered into any contract, agreement, arrangement or understanding with any broker, finder or similar agent or any Person which will result in the obligation of the Company or any of the Company's Affiliates to pay any finder's fee, brokerage fees or commission or similar payment in connection with the transactions contemplated hereby and by the Ancillary Agreements.

ARTICLE V POST-CLOSING COVENANTS

5.1. Certain Transition Matters. (a) On or before the Closing Date, the Company shall have taken such actions as are necessary for the Purchaser to have signatory rights with respect to the bank operating accounts of the Business, and for a period of ninety (90) days following the Closing the Purchaser shall have the right to utilize such accounts for the purpose of paying expenses with respect to the Purchaser's operation of the Business following Closing (including, but not limited to, payment of employee wages, salaries and benefits) and collection of accounts receivable and other amounts with respect to the Purchaser's operation of the Business following Closing. The Company shall cooperate with the reasonable requests of the Purchaser with respect to the use of such accounts. It is specifically understood and agreed that the Purchaser shall be responsible for depositing into such account, or otherwise making available to the Company, such funds as are necessary to pay Purchaser's post-Closing operating expenses of the Business from such accounts during the aforementioned transition period. The Company and the Purchaser shall maintain books and records to reflect the amounts that each of such Parties has under deposit in such accounts, together with records of the disbursements therefrom by each such Party. The Company shall not use, withdraw or pay from such accounts any funds which are attributable to the Purchaser, and the Purchaser shall not use, withdraw or pay from such accounts any funds which are attributable to the Company. At the Closing, such account shall contain at least an amount of money equal to the sum of the Cash Amount plus all accruals for payroll and vacation (relating both to current and prior periods and including any such vacation accruals that may be in excess of the Company's current policies) to the extent the same relate to periods prior to and including October 31, 2012. For the avoidance of doubt, it is

the intention of the Parties that such amounts attributable to accrued vacation shall be treated as follows: (i) vacation accruals relating to periods prior to January 1, 2011 shall be paid to the applicable employees from such amounts at the next regularly scheduled payroll following the Closing; (ii) vacation accruals relating to periods on and after January 1, 2011 shall be paid in the ordinary course as the applicable employees utilize such vacation or are required to be paid therefor, but in no event later than December 31, 2013, at which time any surplus funds after all such vacation obligations have been so satisfied will be the property of the Company.

(b) The Company, the Shareholders and the Company Shareholder Parties shall cooperate with the efforts of the Purchaser to negotiate and execute a definitive written agreement with Asurion, LLC to memorialize the services performed by the Purchaser for Asurion, LLC following the occurrence of the Closing.

5.2. Proration of Liabilities.

(a) The Company and the Purchaser shall cooperate with each other to provide for payments due with respect to the Assumed Liabilities during the payment period in which the Closing occurs with all the Assumed Liabilities prorated as of the Closing Date, if applicable. In furtherance and not in limitation of the foregoing, all utility charges, gas charges, electric charges, water charges, water rents and sewer rents, if any, shall be apportioned between the Purchaser and the Company as of 11:59 P.M. on the Closing Date, computed on the basis of the most recent meter charges or, in the case of annual charges, on the basis of the established fiscal year. All prepaid expenses (including any rent) of the Company paid prior to the Closing Date in respect of the Business shall be apportioned between the Purchaser and the Company as of 11:59 P.M. on the Closing Date computed on the basis of the benefit received by the Company prior to the Closing Date and the benefit to be received by the Purchaser subsequent to the Closing Date with respect to any contract or other matter to which the prepaid expense relates. All prorations described in this **Section 5.2(a)** shall be made insofar as feasible on the Closing Date, and the Base Consideration shall be adjusted accordingly as set forth in **Section 2.4**.

(b) In the event the Purchaser or the Company shall receive bills after the Closing Date for expenses incurred prior to the Closing Date that were not prorated in accordance with this **Section 5.2(b)**, then the Purchaser or the Company, as the case may be, shall promptly notify the other Party as to the amount of the expense subject to proration and the responsible Party shall promptly pay its portion of such expense (or, in the event such expense has been paid on behalf of the responsible Party, reimburse the other Party for its portion of such expenses).

5.3. Non-Competition; Non-Solicitation.

(a) The Company shall not, and shall cause its Affiliates not to, and no Shareholder and no Company Shareholder Party shall, directly or indirectly through any Person or contractual arrangement, either individually or as a shareholder, director, officer, partner, member consultant, owner, employee, agent, or in any other capacity, for a period of five (5) years following the Closing, (i) solicit or offer to provide or provide Restricted Services

anywhere where the Company currently does so or has within the last eighteen (18) months been planning or proposing to do so; (ii) operate an Internet site through which Restricted Services are offered or provided in any geographic area where the Company or the Purchaser and its Affiliates do so; or (iii) directly or indirectly through any Person or contractual arrangement, perform management, executive or supervisory functions with respect to, operate, join, control, render financial assistance to, receive any economic benefit from, exert any influence upon, or participate in or allow any of its officers or employees to be connected as a shareholder, director, officer, partner, member consultant, owner, employee, agent or otherwise with, any business or Person that provides Restricted Services in any geographic area referred to earlier in this sentence.

(b) The Company, the Shareholders and the Company Shareholder Parties shall not, and shall cause their respective Affiliates to not, for a period of five (5) years from the date of this Agreement, in any capacity or manner, whether directly or indirectly, individually or in partnership or otherwise jointly or in concert with any other Person (a) solicit any Customer or knowingly assist any Person directly or indirectly to solicit any Customer; or (b) respond to any contact from a Customer in respect of the purchase of products or services or otherwise doing business; or (c) induce or attempt to induce any Customer to reduce or curtail its business with the Business or to terminate its relationship with the Business. In this section “Customer” means any Person who is a customer or client of the Business as of the date hereof and includes all prospective customers and clients who have been canvassed or solicited in connection with the Business.

(c) For a period of five (5) years following the Closing, the Company shall not, and shall cause its Affiliates not to, and no Shareholder and no Company Shareholder Party shall, directly or indirectly solicit, recruit, hire or offer to hire, induce or attempt to induce or otherwise counsel, advise, ask or encourage any Person who at any time on or after the date of this Agreement is a Transferred Employee to leave the employ of the Purchaser or to accept employment with another employer or as an independent contractor. The foregoing shall not prohibit (i) a general solicitation to the public of general advertising or similar methods of solicitation by search firms not specifically directed at Transferred Employees, or (ii) the Company or any of its Affiliates from soliciting, recruiting or hiring any Transferred Employee who has ceased to be employed or retained by the Purchaser for at least twelve (12) months.

(c) The Company, each Shareholder and each Company Shareholder Party acknowledge that the covenants of the Company and the Shareholders and the Company Shareholder Parties set forth in this **Section 5.3** are an essential element of this Agreement and that any breach by the Company or any Shareholder or any Company Shareholder Party of any provision of this **Section 5.3** shall result in irreparable injury to the Purchaser. The Company, each Shareholder and each Company Shareholder Party acknowledge that in the event of such a breach, in addition to all other remedies available at law, the Purchaser shall be entitled to equitable relief, including injunctive relief, and an equitable accounting of all earnings, profits or other benefits arising therefrom, as well as such other damages as may be appropriate. The Company, each Shareholder and each Company Shareholder Party have independently consulted with their respective counsel and after such consultation agree that the covenants set forth in this **Section 5.3** are reasonable and proper to protect the legitimate interest of the Purchaser.

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(d) If a court of competent jurisdiction determines that the character, duration or geographical scope of the provisions of this **Section 5.3** are unreasonable, it is the intention and the agreement of the Parties that these provisions shall be construed by the court in such a manner as to impose only those restrictions on the Company’s, each Shareholder’s and each Company Shareholder Party’s conduct that are reasonable in light of the circumstances and as are necessary to assure to the Purchaser the benefits of this Agreement. If, in any judicial proceeding, a court shall refuse to enforce all of the separate covenants of this **Section 5.3** because taken together they are more extensive than necessary to assure to the Purchaser the intended benefits of this Agreement, it is expressly understood and agreed by the Parties that the provisions hereof that, if eliminated, would permit the remaining separate provisions to be enforced in such proceeding, shall be deemed eliminated, for the purposes of such proceeding, from this Agreement.

5.4. Employment.

(a) The Purchaser shall offer employment to all current Employees of the Business on substantially the same terms as the Employees are employed by the Company prior to Closing. Except as otherwise set forth in this Agreement, such employment shall be subject to terms and conditions imposed by the Purchaser, including, at the Purchaser’s election, the Employee’s agreement to confidentiality, non-disclosure, non-competition and/or non-solicitation covenants. All Employees of the Business who accept employment with the Purchaser or an Affiliate of the Purchaser shall be referred to herein as “Transferred Employees.” To the extent permitted by Applicable Law, the Purchaser shall offer Transferred Employees employee benefits on a basis which is substantially comparable to those offered to the Purchaser’s similarly-situated employees. Nothing contained in this Agreement shall limit the Purchaser’s ability to modify or terminate, in accordance with Applicable Law, the employment of the Transferred Employees or their terms and conditions of employment after Closing. Nothing contained in this Agreement shall create any third party beneficiary rights in any Transferring Employee, any beneficiary or dependents thereof, with respect to the compensation, terms and conditions of employment and benefits that may be provided to any Transferring Employee by the Purchaser or under any benefit plan that the Purchaser may maintain.

(b) From and after the Closing Date, the Purchaser shall (A) grant all Transferred Employees credit for all service (to the same extent as service with the Purchaser is taken into account with respect to similarly situated employees of the Purchaser) with the Company prior to the Closing for (i) eligibility and vesting purposes, and (ii) for purposes of vacation accrual after the Closing as if such service with the Purchaser was service with the Company. Subject to the approval of any insurance carrier and to the extent consistent with Applicable Law and Tax qualification requirements, the Purchaser shall cause any and all pre-existing condition (or actively-at-work or similar) limitations, eligibility waiting periods and evidence of insurability requirements under any group medical plans to be waived with respect to the Transferred Employees and their eligible dependents and shall provide them with credit for any co-payments, deductibles and offsets (or similar payments) made during the applicable plan year before the Closing Date for purposes of satisfying any applicable deductible, out-of-pocket,

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or similar requirement under any the Purchaser’s employee benefit programs in which they are eligible to participate on and after the Closing Date.

5.5. Payment of Liabilities. At Closing, the Company shall pay or otherwise satisfy all Excluded Liabilities in accordance with the Ontario *Bulk Sales Act*.

5.6. Tax Matters.

(a) The Purchaser and the Company shall cooperate in preparing, executing and filing use, sales, real estate, transfer and similar Tax Returns relating to the purchase and sale of the Acquired Assets or the Business. Such Tax Returns shall be prepared in a manner that is consistent with the determination of the fair market values allocated to the Acquired Assets as contemplated by **Section 2.6**. All sales, transfer, documentary, stamp, recording and similar Taxes incurred in connection with the purchase and sale of the Assets ("Transfer Taxes") shall be paid by the Company.

(b) Any payments made pursuant to **Section 6.2** of this Agreement shall constitute an adjustment to the Purchase Price for Tax purposes and shall be treated as such by the Purchaser and the Company on their Tax Returns to the extent permitted by Applicable Law.

(c) The Company, the Shareholders and the Company Shareholder Parties represent and warrant that the Company is duly registered for the purposes of the federal Harmonized Sales Tax under the *Excise Tax Act* (Canada) and that its HST number is 106551484RT0001. The Purchaser represents and warrants that it is duly registered for the purposes of federal Harmonized Sales Tax under the *Excise Tax Act* (Canada) and that its HST number is 845281336RT0001. The Purchaser and the Company shall jointly make the election provided for under the *Excise Tax Act* (Canada) so that no HST will be payable in respect of the purchase transaction herein. The Purchaser and the Company shall jointly complete the Canada Revenue Agency election form in respect of such election and the Purchaser shall file such election form no later than the due date for the Purchaser's HST return for the first reporting period in which HST would, in the absence of such election, become payable in connection with the purchase transaction herein

5.7. Refunds and Remittances. After the Closing: (i) if the Company or any of its Affiliates receive any refund or other amount that is an Acquired Asset or is otherwise properly due and owing to the Purchaser in accordance with the terms of this Agreement, the Company shall promptly remit, or shall cause to be remitted, such amount to the Purchaser, and (ii) if the Purchaser receives any refund or other amount that is an Excluded Asset or is otherwise properly due and owing to the Company or any of its Affiliates in accordance with the terms of this Agreement, the Purchaser shall promptly remit, or shall cause to be remitted, such amount to the Company. If either Party receives a payment from a customer that cannot be identified to a specific invoice or obligation, the recipient shall inquire of the customer as to the intended application thereof and, lacking a response, the payment shall be applied to the post-Closing outstanding invoices or obligations first, and then to pre-Closing outstanding invoices or obligations.

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5.8. Power of Attorney. The Company hereby constitutes and appoints the Purchaser the true and lawful attorney of the Company, with full power of substitution, in the name of the Company, but for the benefit of the Purchaser (provided, however, that the Company's obligations shall not in any way be limited as a result of the Purchaser undertaking such expense) following the Closing to (a) collect, assert or enforce any claim, right or title of any kind in or to the Acquired Assets, institute and prosecute all actions, suits and proceedings which the Purchaser may deem proper in order to collect, assert or enforce any such claim, right or title, defend and compromise all actions, suits and proceedings in respect of any Acquired Asset, and do all such acts and things in relation thereto as the Purchaser shall deem advisable and (b) endorse, without recourse, the name of the Company on any check or other evidence of indebtedness received by the Purchaser on account of any Acquired Asset. The Company acknowledges that such powers are coupled with an interest and shall not be revocable by it in any manner or for any reason, including its dissolution, and that the Purchaser shall be entitled to retain for its own account any amounts collected pursuant to such powers, including any amounts payable as interest in respect thereof. Such powers shall be granted by such powers of attorney and other instruments as shall be reasonably requested by the Purchaser.

5.9. Customer and Other Business Relationships. After the Closing, the Company, the Shareholders and the Company Shareholder Parties shall cooperate with the Purchaser in its efforts to continue and maintain for the benefit of the Purchaser those business relationships of the Company existing prior to the Closing relating to the Business, including relationships with lessors, Employees, Governmental Authorities, licensors, customers, suppliers and others, and the Company shall satisfy the Excluded Liabilities in a manner that is not detrimental to any of such relationships. None of the Shareholders, the Company Shareholder Parties or the Company, nor any of its officers, directors, Employees or Representatives, shall take any action that would tend to diminish the value of the Acquired Assets after the Closing or that would interfere with the business of the Purchaser to be engaged in after the Closing, including disparaging the name or business of the Purchaser.

5.10. Public Announcements. None of the Company, the Shareholders, or the Company Shareholder Parties shall issue a press release or make any other public statement regarding this Agreement or the transactions contemplated hereby without the Purchaser's prior written consent.

5.11. Prohibition on Use. From and after the Closing Date, the Company, the Shareholders and the Company Shareholder Parties shall cease use of and shall not use, directly or indirectly, all Business Intellectual Property, including, but not limited to, trademarks, trade names or domain names or addresses, including corporate names, symbols or identifiers included in Business Intellectual Property (including the names "NESA" and "National Electronic Service Association"), any derivatives thereof or any marks confusingly similar thereto.

5.12. Bulk Sales. The Company shall comply with all applicable provisions of Applicable Law which relate to the sale of property in bulk in connection with the transfer of the Acquired Assets to the Purchaser.

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5.13. Certain Matters Pertaining to the Mississauga Affiliate. On or before January 31, 2013, the Company, the Shareholders and the Company Shareholder Parties shall cause the Mississauga Affiliate to (a) transfer to the Purchaser the clients of the Mississauga Affiliate whose business would constitute a part of the Business if they were clients of the Company, and (b) cease actively doing business. At the Closing, the Purchaser shall offer employment to Vito Gaudino, one of the owners of the Mississauga Affiliate, with such employment to commence on February 1, 2013 or at such other date as may be agreed upon by such parties. Such employment offers shall be consistent with the principles set forth in **Section 5.4** hereof.

**ARTICLE VI
INDEMNIFICATION; ESCROW**

6.1. General Survival. The representations and warranties of the Parties contained in this Agreement or in any certificate or other writing delivered pursuant to this Agreement shall survive the Closing until the date that is twelve (12) months following the Closing Date, except for (i) the

representation and warranty contained in each of **Sections 3.11** (Taxes) and **3.27** (Solvency), which shall survive the Closing until the 120th day following the expiration of the applicable statute of limitation (including extensions thereof) with respect to the liabilities in question; (ii) the representations and warranties contained in **Sections 3.1** (Organization), **3.3** (Authorization), **3.4** (Title to Assets), **3.28** (No Brokers), **4.1** (Organization) and **4.2** (Authorization) shall survive the Closing indefinitely; and (iii) the representations and warranties contained in **Section 3.19** (Intellectual Property; Software) shall survive the Closing until the fifth (5th) anniversary of the Closing Date. Notwithstanding the preceding sentence, any representation or warranty in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentence, if notice of the inaccuracy of such representation or warranty giving rise to such right of indemnity shall have been given to the Party from whom such indemnity may be sought before such time. The covenants and agreements of the Parties contained in this Agreement shall survive indefinitely.

6.2. Indemnification.

(a) The Company, each Shareholder and each Company Shareholder Party shall jointly and severally indemnify the Purchaser and its Affiliates, subsidiaries, officers, directors, employees, shareholders, Representatives, agents, successors and assigns (collectively, the "Purchaser Indemnitees") against, and hold each of the Purchaser Indemnitees harmless from, and shall reimburse each of them for, any and all Losses alleged against, incurred by, resulting from, arising out of, relating to, imposed upon or incurred by any Purchaser Indemnitee by reason of:

(i) any inaccuracy in, misrepresentation or breach of any representation or warranty made by the Company or any Shareholder or Company Shareholder Party contained in this Agreement or any Ancillary Agreement (disregarding any qualification or exception contained in such representation or warranty relating to materiality or Material Adverse Effect);

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(ii) any breach of any covenant or agreement by the Company or any Shareholder or Company Shareholder Party contained in this Agreement or any Ancillary Agreement;

(iii) the business or operation of the Company prior to the Closing Date; or

(iv) any Excluded Liabilities or Excluded Assets.

For purposes of this Agreement, the term "Losses" means any and all judgments, settlements, deficiencies, demands, claims, suits, actions or causes of action, Environmental Claims, assessments, administrative proceedings (including informal proceedings), investigations, audits, liabilities, losses, damages (whether direct, indirect, incidental or consequential), interest, Taxes, fines, penalties, diminution in value, costs, expenses (including, without limitation, reasonable legal, accounting and other fees, costs and expenses of professionals and other out-of-pocket costs incurred in investigating, preparing or defending the foregoing), whether or not involving a third-party claim, and interest on any of the foregoing from the date incurred until paid at a rate equal to the prime rate in effect on the date incurred at Citibank, N.A., New York, New York, in each case as calculated by the Purchaser (subject to the Company's right to dispute such calculation pursuant to the provisions of this Agreement). Payments by an indemnified party of amounts for which such indemnified party is indemnified hereunder shall not be a condition precedent to recovery.

(b) Any claims for indemnification hereunder must be set forth in writing and be received by the Company not later than the expiration of the applicable survival period (an "Indemnification Claim").

(c) No Purchaser Indemnitee shall be entitled to indemnification hereunder pursuant to **Section 6.2(a)(i)** for any Losses unless (i) the individual item involves Losses in excess of Five Thousand Dollars (\$5,000) (the "De Minimis Amount"), and (ii) the aggregate amount of all Losses under all claims of all Purchaser Indemnitees pursuant to **Section 6.2(a)(i)** shall exceed Fifty Thousand Dollars (\$50,000) (the "Threshold"), at which time all such Losses incurred shall be subject to indemnification hereunder in full, including the amount of the Threshold; provided, however, that any Indemnification Claim pursuant to **Section 6.2(a)(i)**, with respect to the breach of any representation or warranty contained in **Sections 3.1** (Organization), **3.3** (Authorization), **3.4** (Title to Assets), **3.11** (Taxes), **3.19** (Intellectual Property; Software) or **3.28** (No Brokers) shall be indemnifiable in full without regard to the De Minimis Amount or the Threshold. In addition, the Purchaser Indemnitees shall not be collectively or individually entitled to indemnification hereunder pursuant to **Section 6.2(a)(i)** for any Losses in the aggregate in excess of an amount equal to the Purchase Price.

(d) Notwithstanding the foregoing or anything in this Agreement to the contrary, the limitations set forth in subsection (c) above shall not be applicable with respect to any claims for Losses by any Purchaser Indemnitee against the Company or any Shareholder or Company Shareholder Party resulting from common law fraud or similar statutory provisions, or intentional misrepresentation or intentional breach.

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6.3. Procedures.

(a) In order for a Purchaser Indemnitee to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a Loss or a claim or demand made by any third party against the Indemnified Party (a "Third Party Claim"), such Purchaser Indemnitee shall deliver notice thereof to the Party against whom indemnity is sought (the "Indemnifying Party") promptly after receipt by such Purchaser Indemnitee of written notice of the Third Party Claim attaching, if applicable, a copy of such Third Party Claim. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this **Article VI** except to the extent that the Indemnifying Party is materially prejudiced by such failure.

(b) If the Indemnifying Party acknowledges in writing its obligation to indemnify the Purchaser Indemnitee against any and all Losses that may result from a Third Party Claim pursuant to the terms of this Agreement, the Indemnifying Party shall have the right, upon written notice to the Purchaser Indemnitee within ten (10) days of receipt of notice from the Purchaser Indemnitee of the commencement of such Third Party Claim, to assume the defense thereof at the expense of the Indemnifying Party (which expenses shall not be applied against any indemnity limitation herein) with counsel selected by the Indemnifying Party and satisfactory to the Purchaser Indemnitee. The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Purchaser Indemnitee for any period during which the Indemnifying Party has failed to assume the defense thereof. If the Indemnifying Party does not expressly elect to assume the defense of such Third Party Claim within the time period and otherwise in accordance with the first sentence of

this **Section 6.3(b)**, the Purchaser Indemnitee shall have the sole right to assume the defense of and to settle such Third Party Claim. If the Indemnifying Party assumes the defense of such Third Party Claim, the Purchaser Indemnitee shall have the right to employ separate counsel and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Purchaser Indemnitee unless (i) the employment of such counsel shall have been specifically authorized in writing by the Indemnifying Party, or (ii) the named parties to the Third Party Claim (including any impleaded parties) include both the Purchaser Indemnitee and the Indemnifying Party, and the Purchaser Indemnitee reasonably determines that representation by counsel to the Indemnifying Party of both the Indemnifying Party and such Purchaser Indemnitee may present such counsel with a conflict of interest. If the Indemnifying Party assumes the defense of any Third Party Claim, the Purchaser Indemnitee shall, at the Indemnifying Party's expense, cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party all witnesses, pertinent records, materials and information in the Purchaser Indemnitee's possession or under its control relating thereto as is reasonably required by the Indemnifying Party. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnifying Party shall not, without the prior written consent of the Purchaser Indemnitee, enter into any settlement or compromise or consent to the entry of any judgment with respect to such Third Party Claim if such settlement, compromise or judgment (x) involves a finding or admission of wrongdoing, (y) does not include an unconditional written release by the claimant or plaintiff of the Purchaser Indemnitee from all liability in respect of such Third Party Claim, or (z) imposes equitable

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remedies or any obligation on the Purchaser Indemnitee other than solely the payment of money damages for which the Purchaser Indemnitee shall be indemnified hereunder.

(c) The indemnification required hereunder in respect of a Third Party Claim shall be made by prompt payment by the Indemnifying Party of the amount of Losses in connection therewith, as and when bills are received by the Indemnifying Party or Losses incurred have been notified to the Indemnifying Party.

(d) No Indemnifying Party shall be entitled to require that any action be made or brought against any other Person before action is brought or claim is made against it hereunder by a Purchaser Indemnitee.

(e) Notwithstanding the provisions of **Section 6.3(b)**, each Indemnifying Party hereby consents to the nonexclusive jurisdiction of any court in which an action in respect of a Third Party Claim is brought against any Purchaser Indemnitee for purposes of any claim that a Purchaser Indemnitee may have under this Agreement with respect to such action or the matters alleged therein and agrees that process may be served on the Indemnifying Party with respect to such claim anywhere.

(f) In the event any Purchaser Indemnitee should have a claim against an Indemnifying Party hereunder that does not involve a Third Party Claim being asserted against or sought to be collected from such Purchaser Indemnitee, the Purchaser Indemnitee shall deliver notice of such claim with reasonable promptness to the Indemnifying Party. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this **Article VI** except to the extent that the Indemnifying Party is materially prejudiced by such failure and shall not relieve the Indemnifying Party from any other obligation or liability that it may have to the Purchaser Indemnitee or otherwise than pursuant to this **Article VI**.

(g) If the Indemnifying Party does not notify the Purchaser Indemnitee within ten (10) days following the Indemnifying Party's receipt of an Indemnification Claim that the Indemnifying Party disputes its liability thereunder, the claim specified in such Indemnification Claim shall be conclusively deemed a liability of the Indemnifying Party hereunder and shall be paid upon demand of the Purchaser Indemnitee by the Indemnifying Party or by the Escrow Agent pursuant to the Escrow Agreement, as applicable. If the Indemnifying Party agrees that it has an indemnification obligation but asserts that it is obligated to pay a lesser amount than that claimed in the Indemnification Claim, such lesser amount shall be conclusively deemed a liability of the Indemnifying Party hereunder and shall be paid upon demand of the Purchaser Indemnitee by the Indemnifying Party or by Escrow Agent pursuant to the Escrow Agreement, as applicable, without prejudice to or waiver of the Indemnified Party's claim for the difference. If the Indemnifying Party notifies the Purchaser Indemnitee in writing within ten (10) days following the Indemnifying Party's receipt of an Indemnification Claim that the Indemnifying Party disputes all or a portion of its liability thereunder, either Party may seek to resolve the matter in accordance with the terms of **Section 7.12** hereof; *provided* however, that the fourteen (14) day period referred to in **Section 7.12(b)** shall be reduced to five (5) days.

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6.4. Remedies Not Affected by Investigation, Disclosure or Knowledge. No investigation conducted by or on behalf of any Party at any time and no disclosure provided to knowledge of any Party with respect to any event, condition or circumstance that renders inaccurate any representation or warranty or reveals the occurrence of a breach of any covenant of any other Party contained in this Agreement or any Ancillary Agreement shall be deemed to be a waiver of, or to relieve such other Party of any liability for, (i) the breach of any such representation, warranty or covenant, (ii) the nonfulfillment of any of the conditions set forth in this **Article VI**, or (iii) any rights to indemnification or other remedy arising in connection therewith. The Purchaser hereby expressly reserves the right to seek indemnity or other remedy for any Losses arising out of or relating to any such breach notwithstanding any investigation, disclosure or knowledge as described herein.

6.5. Sources of Payment of Indemnification Claims. The Company, the Shareholders and the Company Shareholder Parties acknowledge and agree that the Escrow Fund is and shall be one, but not the only, source for any Purchaser Indemnitee to satisfy an Indemnification Claim hereunder. Without limiting the generality of the foregoing, Purchaser shall have the right to proceed against any one or more of the Company, the Shareholders or the Company Shareholders, to offset against any Earn-Out Payments or to make a claim against the Escrow Fund to satisfy any Indemnification Claim hereunder, none of which such actions shall be deemed to be an election of remedies, it being acknowledged and agreed that the Purchaser's remedies hereunder, at law and in equity shall be cumulative and not exclusive. Subject to the following requirements, and subject to the terms of the Escrow Agreement, the Escrow Fund shall be in existence immediately following the Closing and shall terminate at 5:00 p.m., Washington, D.C. time, on the Escrow Termination Date; provided that the Escrow Fund shall not terminate on such date with respect to such remaining portion of the Escrow Fund (or some portion thereof) that is subject to any then pending Indemnification Claims, including Indemnification Claims based on a Third Party Claim that have not been finally adjudicated or settled, for which notice is delivered to the Escrow Agent prior to the Escrow Termination Date. After the Escrow Termination Date and as soon as each pending Indemnification Claim has been resolved, the Escrow Agent shall distribute from the Escrow Fund, in accordance with the terms of the Escrow Agreement, the balance of the amount held in respect of such Indemnification Claim to the Company.

6.6. Shareholders' Representative.

(a) Appointment of Shareholders' Representative. Upon execution of this Agreement by the Shareholders and the Company Shareholder Parties, effective as of the date of this Agreement and without any further action by the Shareholders and the Company Shareholder Parties, Dominic Renda shall be appointed as agent and attorney-in-fact (the "Shareholders' Representative") for each Shareholders and the Company Shareholder Parties. The Shareholders' Representative shall have full power and authority to represent all of the Shareholders and the Company Shareholder Parties and their successors and assigns with respect to all matters arising under this Agreement and the Ancillary Agreements to which all of the Shareholders and the Company Shareholder Parties are parties (collectively, the "Representative Agreements") and all actions taken by the Shareholders' Representative hereunder and thereunder shall be binding upon all such Shareholders and the Company Shareholder Parties

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and their successors and assigns as if expressly confirmed and ratified in writing by each of them; the Purchaser and its Affiliates may rely on all communications and approvals, consents or disapprovals from the Shareholders' Representative despite receipt by the Purchaser, its Affiliates or their counsel of any information, communications or instructions from any other party to the contrary. The Shareholders' Representative shall take any and all actions which he believes are necessary or appropriate under this Agreement and the Representative Agreements for and on behalf of the Shareholders and the Company Shareholder Parties, as fully as if the Shareholders and the Company Shareholder Parties were acting on their own behalf, including, without limitation, defending all Indemnification Claims against the Shareholders or the Company Shareholder Parties pursuant to **Article VI**, consenting to, compromising or settling all Indemnification Claims, conducting negotiations with the Purchaser and its agents regarding such claims, dealing with the Purchaser under this Agreement and the Representative Agreements with respect to all matters arising hereunder and thereunder, taking any and all other actions specified in or contemplated by this Agreement and the Representative Agreements, and engaging counsel or accountants in connection with the foregoing matters. Without limiting the generality of the foregoing, the Shareholders' Representative shall have full power and authority to interpret all the terms and provisions of this Agreement and the Representative Agreements and to consent to any amendment hereof or thereof on behalf of all such Shareholders and the Company Shareholder Parties and such successors and assigns. The Shareholders' Representative shall act as promptly as reasonably possible in carrying out his duties.

(b) Indemnification of Shareholders' Representative. The Shareholders' Representative shall be, and hereby is, indemnified and held harmless, jointly and severally, by the Shareholders and the Company Shareholder Parties from all losses, costs and expenses (including attorneys' fees) that may be incurred by the Shareholders' Representative as a result of the Shareholders' Representative's performance of his duties under this Agreement and the Representative Agreements, provided that the Shareholders' Representative shall not be entitled to indemnification for losses, costs or expenses that result from any action taken or omitted by the Shareholders' Representative as a result of his willful misconduct or gross negligence.

(c) Reasonable Reliance. In the performance of his duties hereunder, the Shareholders' Representative shall be entitled to rely upon any document or instrument reasonably believed by him to be genuine, accurate as to content and signed by any Shareholder and the Company Shareholder Party or the Purchaser. The Shareholders' Representative may assume that any person purporting to give any notice in accordance with the provisions hereof has been duly authorized to do so.

(d) Attorney-in-Fact. The Shareholders' Representative shall be hereby appointed and constituted by the Shareholders and the Company Shareholder Parties the true and lawful attorney-in-fact of each Shareholder and Company Shareholder Party, with full power in his name and on his behalf to act according to the terms of this Agreement and the Representative Agreements in the absolute discretion of the Shareholders' Representative; and in general to do all things and to perform all acts including, without limitation, executing and delivering the Escrow Agreement and any other agreements, certificates, receipts, instructions, notices or instruments contemplated by or deemed advisable in connection with the Escrow Agreement. This power of attorney and all authority conferred shall be granted and shall be

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irrevocable and shall not be terminated by any act of any Shareholder and Company Shareholder Party, by operation of law, whether by such Shareholder's or Company Shareholder Party's death, disability protective supervision, dissolution or any other event. Each Shareholder and Company Shareholder Party shall waive any and all defenses which may be available to contest, negate or disaffirm the action of the Shareholders' Representative taken in good faith. Notwithstanding the power of attorney granted pursuant to this **Section 6.6**, no agreement, instrument, acknowledgement or other act or document shall be ineffective by reason only of the Shareholders and the Company Shareholder Parties having signed or given such agreement, instrument, acknowledgement or other act or document directly instead of the Shareholders' Representative.

(e) Orders. The Shareholders' Representative is authorized, in his sole discretion, to comply with final, nonappealable orders or decisions issued or process entered by any court of competent jurisdiction or arbitrator with respect to the Escrow Fund. If any portion of the Escrow Fund is disbursed to the Shareholders' Representative and is at any time attached, garnished or levied upon under any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by any court affecting such property or any part thereof, then and in any such event, the Shareholders' Representative is authorized, in his sole discretion, but in good faith, to rely upon and comply with any such order, writ, judgment or decree which he is advised by legal counsel selected by him is binding upon him without the need for appeal or other action; and if the Shareholders' Representative complies with any such order, writ, judgment or decree, he shall not be liable to any Shareholder, Company Shareholder Party or to any other Person by reason of such compliance even though such order, writ, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated.

(f) Cessation of Duties or Removal of Shareholders' Representative; Authority of Successor Shareholders' Representative. Shareholders who in the aggregate hold at least a majority of the Company Stock as of the Closing Date shall have the right at any time to (x) appoint a successor Shareholders' Representative upon the resignation, disability or death of then-acting Shareholders' Representative and (y) remove then-acting Shareholders' Representative and appoint a successor Shareholders' Representative; provided, however, that neither such removal of then-acting Shareholders' Representative nor such appointment of a successor Shareholders' Representative shall affect any previous decisions or actions of the Shareholders' Representative being replaced, and further such appointment shall not be effective until the delivery to the Purchaser and, during the term of the Escrow Agreement, to the Escrow Agent of executed counterparts of a writing signed by each such Shareholder and Company Shareholder Party with respect to such removal and appointment, together with an acknowledgment signed by the successor Shareholders' Representative appointed in such writing that he or she accepts the responsibility of successor Shareholders' Representative and agrees to perform and be bound by all of the provisions of this Agreement applicable to the Shareholders' Representative. Each successor Shareholders' Representative shall have all of the power, authority, rights and privileges

**ARTICLE VII
MISCELLANEOUS**

7.1 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns, in accordance with the terms hereof, and nothing in this Agreement is intended to or shall confer upon any other Person, any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by the Company, the Shareholders or the Company Shareholder Parties without the prior written consent of the Purchaser, or by the Purchaser without the prior written consent of the Company and the Shareholders' Representative, except that the Purchaser may, without such consent, assign its rights hereunder, to one of its Affiliates; provided, however, that no such assignment shall release the Purchaser, as applicable, from any of its obligations under this Agreement.

7.2 Notices. All notices, requests, claims, consents, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt or, in the case of a facsimile, upon confirmation of receipt) by delivery in person, by facsimile, by recognized overnight delivery service, or by registered or certified mail (postage prepaid, return receipt requested) to each other Party as follows:

if to the Purchaser: Liquidity Services, Inc.
 1920 L. Street, N.W., 6th Floor
 Washington, DC 20037
 Attention: James Williams, Esq., Vice Present, General Counsel and Corporate Secretary
 Fax: (202) 467-4030

with copies to: Babst Calland Clements and Zomnir, P.C.
 Two Gateway Center, 6th Floor
 Pittsburgh, PA 15222
 Attention: Joseph S. Koscinski
 Peter J. Veltri
 Fax: (412) 394-6576

if to the Company: 683949 Ontario Limited
 155 Dynamic Drive
 Toronto, Ontario M1V 5L8 Canada
 Attention: Dominic Renda
 Fax: 888-551-6372

with a copy to: Thompson Dymond
 1595 Sixteenth Avenue, Suite 301
 Richmond Hill, Ontario L4B 3N9 Canada
 Attention: Phil Thompson
 M. Catherine Cosentino
 Fax: 866-861-6578

if to Shareholders' Representative: 155 Dynamic Drive
 Toronto, Ontario M1V 5L8 Canada
 Attention: Dominic Renda
 Fax: 888-551-6372

with a copy to: Thompson Dymond
 1595 Sixteenth Avenue, Suite 301
 Richmond Hill, Ontario L4B 3N9 Canada
 Attention: Phil Thompson
 M. Catherine Cosentino
 Fax: 866-861-6578

Or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

7.3. Governing Law.

(a) This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, Canada without regard to the principles of conflicts of law thereof or the Ontario *International Sale of Goods Act* (which enacts the United Nations Convention on Contracts for the International Sale of Goods).

(b) Subject to the provisions of **Section 7.12** hereof, each Party irrevocably agrees that any legal action, suit or proceeding against them arising out of or in connection with this Agreement or the transactions contemplated hereby or disputes relating hereto (whether for breach of contract, tortious conduct or otherwise) shall be brought exclusively in Toronto, Ontario, and hereby irrevocably accepts and submits to the exclusive jurisdiction and venue of the aforesaid courts *in personam*, with respect to any such action, suit or proceeding, and each of the Parties waives any objection that it may have

based on improper venue or *forum non conveniens* to the conduct of any such action or proceeding in any such court and waives personal service of any and all process upon it, and consent to all such service of process made in the manner set forth in **Section 7.2**. Nothing contained in this **Section 7.3(b)** shall affect the right of any Party to serve legal process on any other Party in any other manner permitted by law.

7.4. Entire Agreement; Amendments. This Agreement (including the Company Disclosure Letter (and any amendments or supplements thereto) and the Exhibits hereto), the Ancillary Agreements and the Confidentiality Agreement dated April 27, 2012 constitute the entire agreement between the Parties hereto with respect to the subject matter hereof and

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supersede all other prior agreements and understandings both written and oral between the Parties with respect to the subject matter hereof. This Agreement (including the Company Disclosure Letter) may be amended only by an instrument in writing signed on behalf of the Parties hereto.

7.5. Counterparts. This Agreement may be executed by facsimile, .pdf, e-mail or other means of electronic transmission and in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.6. Severability. If any provision of this Agreement is deemed or held to be illegal, invalid or unenforceable, this Agreement shall be considered divisible and inoperative as to such provision to the extent it is deemed to be illegal, invalid or unenforceable, and in all other respects this Agreement shall remain in full force and effect; provided, however, that if any provision of this Agreement is deemed or held to be illegal, invalid or unenforceable there shall be added hereto automatically a provision as similar as possible to such illegal, invalid or unenforceable provision that is legal, valid and enforceable. Further, should any provision contained in this Agreement ever be reformed or rewritten by any judicial body of competent jurisdiction, such provision as so reformed or rewritten shall be binding upon all Parties hereto.

7.7. Descriptive Headings; Section References. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. All references herein to Articles, Sections, subsections, paragraphs and clauses are references to Articles, Sections, subsections, paragraphs and clauses, respectively, of this Agreement unless specified otherwise.

7.8. Schedules. The Company Disclosure Letter and the Exhibits referenced in this Agreement are a material part hereof and shall be treated as if fully incorporated into the body of the Agreement.

7.9. Specific Performance. The Parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity without the necessity of demonstrating the inadequacy of monetary damages.

7.10. No Strict Construction. The Parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

7.11. Waiver. Each Party hereto may waive compliance by another Party with any of the agreements or conditions contained herein. Any agreement on the part of any Party hereto to any such waiver shall be valid only if set forth in an instrument, in writing, signed by the such Party. The failure of any Party hereto to assert any of its rights hereunder shall not constitute a waiver of such rights.

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7.12. Dispute Resolution.

(a) It is understood and agreed between the Parties hereto that any and all claims, grievances, demands, controversies, causes of action or disputes of any nature whatsoever (including, but not limited to, tort and contract claims, and claims based upon any law, statute, order, or regulation) ("Disputes"), arising out of, in connection with, or in relation to (i) this Agreement, or (ii) questions of arbitrability under this Agreement, shall be resolved by final, binding, nonjudicial arbitration in accordance with the following procedures:

(b) Any Party may send another Party or Parties written notice identifying the matter in dispute and invoking the procedures of this Section (the "Dispute Notice"). Within fourteen (14) days from delivery of the Dispute Notice, each Party involved in the dispute shall meet at a mutually agreed location in Toronto, Ontario, Canada for the purpose of determining whether they can resolve the dispute themselves by written agreement, and, if not, whether they can agree upon an impartial third-party arbitrator (the "Arbitrator") to whom to submit the matter in dispute for final and binding arbitration.

(c) If such Parties fail to resolve the dispute by written agreement or agree on the Arbitrator within the later of fourteen (14) days from any such initial meeting or within thirty (30) days from the delivery of the Dispute Notice, any such Party may make written application to the Judicial Arbitration and Mediation Services ("JAMS"), in Toronto, Ontario Canada for the appointment of a single Arbitrator to resolve the dispute by arbitration. At the request of JAMS the Parties involved in the dispute shall meet with JAMS at its offices within ten (10) calendar days of such request to discuss the dispute and the qualifications and experience which each Party respectively believes the Arbitrator should have; provided, however, that the selection of the Arbitrator shall be the exclusive decision of JAMS and shall be made within fifteen (15) calendar days of the written application to JAMS.

(d) Within fifteen (15) calendar days of the selection of the Arbitrator, the Parties involved in the dispute shall meet in Toronto, Ontario, Canada with such Arbitrator at a place and time designated by such Arbitrator after consultation with such Parties and present their respective positions on the dispute. Each Party shall have no longer than one calendar day to present its position, the entire proceedings before the Arbitrator shall be no more than three consecutive calendar days, and the decision of the Arbitrator shall be made in writing no more than thirty calendar days following the end of the proceeding. Such an award shall be a final and binding determination of the dispute (and thus not subject to appeal) and shall be fully enforceable as an arbitration decision in any court having jurisdiction and venue over such Parties. The prevailing Party or Parties (as determined by the Arbitrator) shall in addition be awarded by the Arbitrator such Party's or Parties' own legal fees and expenses in connection with such proceeding. The non-prevailing Party or Parties (as determined by the Arbitrator) shall pay the Arbitrator's fees and expenses.

7.13. Time of Essence. Time is of the essence with regard to all dates and time periods set forth or referred to in this Agreement.

7.14. Expenses. All out-of-pocket costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be the sole responsibility of, and shall be paid by, the Party incurring such cost and expense.

7.15. Language/Langue. The Parties hereto have expressly agreed that this Agreement and all deeds, documents or notices relating thereto be executed in English/Les Parties aux présentes ont expressément convenu que ce contrat et tout autre acte, document ou avis y afférent soient rédigés en anglais.

7.16. Further Assurances. If any further action is necessary or desirable at any time after the Closing to carry out the purposes and intent of this Agreement and the Ancillary Agreements, and to vest in the Purchaser all right, title and interest in and to the Acquired Assets, the Company, each Shareholder and each Company Shareholder Party shall take all such necessary or desirable actions. Without limiting the foregoing, the Company, each Shareholder and each Company Shareholder Party agrees to assist and cooperate with the Purchaser in collecting, transferring, assigning, asserting or enforcing any claim, right or title of any kind in or to the Acquired Assets, and to do all such acts and things in relation thereto as the Purchaser shall reasonably request.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement or caused this Agreement to be duly executed on their respective behalf, by their respective officers thereunto duly authorized, all as of the day and year first above written.

THE PURCHASER:

LSI LIQUIDITY SERVICES CANADA LTD.

By: _____
Name: _____
Title: _____

THE COMPANY:

683949 ONTARIO LIMITED

By: _____
Name: DOMINIC RENDA
Title: _____

THE SHAREHOLDERS:

DOMINIC RENDA HOLDINGS INCORPORATED

By: _____
Name: DOMINIC RENDA
Title: _____

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

CHIKU HOLDINGS LTD.

By: _____
Name: PANKAJ DAVE
Title: _____

THE COMPANY SHAREHOLDER PARTIES:

DOMINIC RENDA

PANKAJ DAVE

SUBSIDIARIES OF LIQUIDITY SERVICES, INC.

The following is a list of subsidiaries of Liquidity Services, Inc., the names under which such subsidiaries do business, and the state or country in which each was organized as of November 29, 2012. The list does not include subsidiaries which would not, if considered in the aggregate as a single subsidiary, constitute a significant subsidiary within the meaning of Item 601(b)(21)(ii) of Regulation S-K.

<u>Company</u>	<u>Jurisdiction of Organization</u>
Surplus Acquisition Venture, LLC	Delaware
Government Liquidation.com, LLC(1)	Delaware
Liquidity Services, LTD.	United Kingdom
DOD Surplus, LLC(2)	Delaware
GovDeals, Inc.	Delaware
Network International, Inc.	Delaware
SAV Services, LLC	Delaware
LSI Commercial Services, LLC	Delaware
Youk Acquisition Partners, LLC (TruckCenter.com, LLC)	Delaware
Asset Recovery Division, LLC(3)	Delaware
Jacobs Trading, LLC(4)	Delaware
JTC Prison Industries, LLC(5)	Minnesota
Middlebrooks Acquisition Partners LLC(6)	Delaware
LSI Liquidity Services Canada Ltd.(7)	Canada

- (1) Government Liquidations.com, LLC is a subsidiary of Surplus Acquisition Venture, LLC
 - (2) DOD Surplus is a subsidiary of Surplus Acquisition Venture, LLC
 - (3) Asset Recovery Division, LLC is a subsidiary of Surplus Acquisition Venture, LLC
 - (4) Jacobs Trading, LLC is a subsidiary of Surplus Acquisition Venture, LLC
 - (5) JTC Prison Industries, LLC is a subsidiary of Profar Acquisition Partners, LLC (Jacobs Trading, LLC)
 - (6) Middlebrooks Acquisition Partners LLC is a subsidiary of Surplus Acquisition Venture, LLC
 - (7) LSI Liquidity Services Canada Ltd. is a subsidiary of Liquidity Services, LTD.
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[EXHIBIT 21.1](#)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-132192 and Form S-8 No. 333-159004) pertaining to the 2005 Stock Option and Incentive Plan and the 2006 Omnibus Long-Term Incentive Plan of Liquidity Services, Inc. of our reports dated November 29, 2012, with respect to the consolidated financial statements and schedule of Liquidity Services, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Liquidity Services, Inc. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended September 30, 2012.

/s/ Ernst & Young LLP

McLean, Virginia
November 29, 2012

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[EXHIBIT 23.1](#)

**CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, William P. Angrick, III, certify that:

1. I have reviewed this annual report on Form 10-K of Liquidity Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 29, 2012

/s/ WILLIAM P. ANGRICK, III

By: William P. Angrick, III
Title: *Chairman of the Board of Directors and
Chief Executive Officer*

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[EXHIBIT 31.1](#)

**CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, James M. Rallo, certify that:

1. I have reviewed this annual report on Form 10-K of Liquidity Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 29, 2012

/s/ JAMES M. RALLO

By: James M. Rallo
Title: *Chief Financial Officer and Treasurer*

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[EXHIBIT 31.2](#)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Liquidity Services, Inc. (the "Company") on Form 10-K for the period ended September 30, 2012 as filed with the Securities and Exchange Commission, I, William P. Angrick, III, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 29, 2012

/s/ WILLIAM P. ANGRICK, III

William P. Angrick, III
*Chairman of the Board of Directors and
Chief Executive Officer*

THE FOREGOING CERTIFICATION IS BEING FURNISHED SOLELY PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 AND IS NOT BEING FILED AS PART OF THE FORM 10-K OR AS A SEPARATE DISCLOSURE DOCUMENT.

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, OR OTHER DOCUMENT AUTHENTICATING, ACKNOWLEDGING, OR OTHERWISE ADOPTING THE SIGNATURE THAT APPEARS IN TYPED FORM WITHIN THE ELECTRONIC VERSION OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, HAS BEEN PROVIDED TO LIQUIDITY SERVICES, INC. AND WILL BE RETAINED BY LIQUIDITY SERVICES, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

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[EXHIBIT 32.1](#)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Liquidity Services, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2012 as filed with the Securities and Exchange Commission, I, James M. Rallo, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 29, 2012

/s/ JAMES M. RALLO

James M. Rallo
Chief Financial Officer and Treasurer

THE FOREGOING CERTIFICATION IS BEING FURNISHED SOLELY PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 AND IS NOT BEING FILED AS PART OF THE FORM 10-K OR AS A SEPARATE DISCLOSURE DOCUMENT.

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, OR OTHER DOCUMENT AUTHENTICATING, ACKNOWLEDGING, OR OTHERWISE ADOPTING THE SIGNATURE THAT APPEARS IN TYPED FORM WITHIN THE ELECTRONIC VERSION OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, HAS BEEN PROVIDED TO LIQUIDITY SERVICES, INC. AND WILL BE RETAINED BY LIQUIDITY SERVICES, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

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[EXHIBIT 32.2](#)