

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

██████████ individually and on
behalf of all others situated,
██████████
██████████

Plaintiff,

v.

LIQUIDITY SERVICES INC.,
1920 L Street NW
Washington, DC 20036

WILLIAM P. ANGRICK III,
1920 L Street NW
Washington, DC 20036

JAMES M. RALLO,
1920 L Street NW
Washington, DC 20036

and KATHRYN A. DOMINO,
1920 L Street NW
Washington, DC 20036

Defendants.

Civ. No. _____

CLASS ACTION COMPLAINT

FOR VIOLATION OF FEDERAL
SECURITIES LAW

JURY TRIAL DEMANDED

Plaintiff ██████████ (“Plaintiff”), individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against defendants, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of public documents, conference calls and announcements made by defendants, Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Liquidity Services Inc., (“Liquidity”

or the “Company”) analysts’ reports and advisories about the Company, and information readily available in the public record. Plaintiff believes that further, substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

I. NATURE OF THE ACTION

1. Plaintiff brings this federal securities class action pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) on behalf of all persons and entities who purchased or otherwise acquired Liquidity common stock between February 1, 2012, and May 7, 2014, inclusive (the “Class Period”), against the Company and certain of its officers for executing a scheme throughout the Class Period. Defendants disseminated materially false and misleading statements, and omitted material information that they were obligated to disclose. These misrepresentations and omissions concerned the Company’s prospects, and had the effect of inflating Liquidity’s stock price, which allowed insiders to sell at inflated levels prior to revealing that the Company had missed forecasted estimates.

2. Throughout the Class Period, Liquidity falsely represented the financial condition of the Company in issuing false and misleading statements concerning the Company’s current and future profitability, its growth initiatives including the integration and performance of its acquisitions, the seriousness of the competition in the industry, and the adverse effects of its declining Department of Defense (“DoD”) business and the offsetting gains in its commercial and local and state government segments. At all relevant times, Defendants wrongfully portrayed Liquidity as a profitable, growing company with substantial potential for further growth, and falsely reassured investors that any struggles by the Company were merely temporary side effects to its lucrative growth initiative. These material misrepresentations and omissions artificially inflated the Company’s stock and allowed certain Company insiders to receive a windfall from selling the Company’s stock at inflated prices.

3. As recently as February 7, 2014, when Liquidity announced its first quarter fiscal 2014 results, Defendants touted the Company's efforts and progress in integrating its acquired marketplaces, in extending the technology platform and their encouragement with the progress of the Company's new business development pipeline including 40 new commercial accounts during the first quarter of fiscal 2014 in Liquidity's target markets. Liquidity also reported that despite the gross merchandise volume ("GMV") decreases in its DoD surplus and scrap marketplaces that the Company would reaffirm its GMV 2014 full year guidance of \$1 billion to \$1.075 billion in sales. For the quarter, GMV remained steady year-over-year despite the disappointing DoD performance primarily due to gains in the Company's state and local government marketplace, which increased \$38.4 million or 30.1% as Liquidity continued to add new clients in that market.

4. Further despite the decreases in the DoD surplus negatively affecting Adjusted EBITDA and Adjust Diluted Earnings Per Share ("Adjusted Diluted EPS") for the quarter, the Company also reaffirmed its Adjusted EBITDA guidance for fiscal year 2014 to range from \$100 million to \$108 million and Adjusted Diluted EPS for fiscal year 2014 to range from \$1.60 to \$1.76 per share.

5. Following this announcement, Liquidity's stock rose from a closing price of \$21.29 per share on February 6, 2014, to a close of \$24.61 per share on February 7, 2014.

6. On May 7, 2014, the Company announced its second quarter fiscal 2014 results, which stunned the market as the Company suffered heavy, unforeseen losses and was forced to drastically reduce its guidance for GMV, Adjusted EBITDA and Adjusted Diluted EPS. Liquidity suffered a 43% year-over-year decrease in Adjusted EBITDA, a 56% year-over-year decrease in Adjusted Diluted EPS and a 12% year-over-year decrease in the Company's GMV.

Defendant Angrick stated that “[w]hile GMV was within our expected results, our Adjusted EBITDA and Adjusted EPS were lower than expected due to mix changes in our DoD surplus and retail businesses and delayed capital asset projects in both the U.S. and Europe.” Defendant Angrick explained further that “[the Company] also experienced unusual softness in our energy vertical due to an industry wide decline in line pipe and related equipment.” Throughout the Class Period, Defendants touted Liquidity’s organic and acquired growth as reasons for optimism and promising future results.

7. As a result of its significant year-over-year losses in these key measures, the Company was forced to reduce its 2014 yearly guidance. In its revised fiscal year 2014 guidance, Liquidity adjusted GMV downward to a range of \$930 million to \$975 million from its previous range of \$1.0 billion to \$1.075 billion, Adjusted EBITDA was adjusted downward to a range of \$70 million to \$80 million from its previous range of \$100 million to \$108 million, Adjusted Diluted EPS was adjusted downward to a range of \$1.10 to \$1.27 per share from its previous range of \$1.60 to \$1.76 per share. On this news, the Company’s stock price collapsed from \$17.21 per share down to a close of \$12.17 per share on May 8, 2014.

8. Despite the Company’s repeated assurances throughout the Class Period concerning the Company’s growth initiative, operational strength, and expected growth, the Company suffered from significant weaknesses in the Company’s growth initiative and across multiple business segments, which Defendants concealed. Defendants’ fraudulent misrepresentations and omissions concerning the true condition of the Company artificially inflated Liquidity’s stock price during the Class Period and allowed an insider to receive a windfall on the artificially inflated market. As a result of Defendants’ wrongful acts, and false

and misleading statements and omissions, Plaintiff and other similarly-situated Liquidity investors have suffered significant losses and damages.

II. JURISDICTION AND VENUE

9. This action arises under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j (b) and 78t (a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b 5).

10. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

11. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391(b). Many of the acts and conduct complained of herein, including the preparation and dissemination of materially false and misleading information to the investing public, occurred in substantial part in this District.

12. In connection with the acts and omissions alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

III. PARTIES

13. Plaintiff [REDACTED] as set forth in the attached certification, [REDACTED] [REDACTED] purchased Liquidity securities at artificially inflated prices during the Class Period and has been damaged thereby.

14. Defendant Liquidity is a Delaware corporation, and provides leading corporations, public sector agencies and buying customers an online marketplace and integrated services for surplus assets. On behalf of its clients, the Company has completed the sale of over \$3.6 billion of surplus, returned and end-of-life assets in over 500 product categories. Liquidity is based in Washington, D.C., where most of its day-to-day operations are conducted.

15. Defendant William P. Angrick III (“Angrick”) is the current Chairman and Chief Executive Officer of Liquidity and has served in those capacities since January 2000. Defendant Angrick has signed Sarbanes-Oxley certifications on all of the Company’s quarterly SEC filings since the start of the Class Period. Throughout the Class Period, Defendant Angrick sold 1,706,610 shares at artificially inflated prices for a cash windfall of over \$67.8 million.

16. Defendant James M. Rallo (“Rallo”) is the current Chief Financial Officer, Treasurer and President of the Retail Supply Chain Group at Liquidity. Rallo has served as Chief Financial Officer and Treasurer of Liquidity since 2005. Defendant Rallo has signed Sarbanes-Oxley certifications on all the Company’s quarterly SEC filings since the start of the Class Period.

17. Defendant Kathryn Domino (“Domino”) is the Liquidity’s Chief Accounting Officer and oversees the Company’s accounting, financial reporting, and treasury operations. Defendant Domino joined the Company in 2006, serving as Liquidity’s Vice President and Corporate Controller. Domino was promoted to Chief Accounting Officer in 2014.

18. The defendants referenced above in ¶¶15-17 are sometimes referred to herein as the “Individual Defendants.”

IV. CLASS ACTION ALLEGATIONS

19. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of all persons who purchased or otherwise acquired Liquidity securities during the Class Period and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, members of the immediate family of each of the Individual Defendants, any subsidiary or affiliate of Liquidity and the directors, officers and employees of the Company or its subsidiaries or affiliates, or any entity in which any excluded

person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

20. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are thousands of members of the Class located throughout the United States. Throughout the Class Period, Liquidity common stock was actively traded on NASDAQ (an open and efficient market) under the symbol "LQDT." Record owners and other members of the Class may be identified from records maintained by Liquidity and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

21. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

22. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

23. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- a) whether the federal securities laws were violated by Defendants' acts and omissions as alleged herein;
- b) whether Defendants participated in and pursued the common course of conduct complained of herein;
- c) whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented and/or omitted material fact concerning the

Company's growth initiative, growth potential, and financial and operating conditions;

- d) whether the market price of Liquidity common stock during the Class Period was artificially inflated due to the material misrepresentations and omissions and failures to correct the material misrepresentations complained of herein; and
- e) the extent to which the members of the Class have sustained damages and the proper measure of damages.

24. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

V. SUBSTANTIVE ALLEGATIONS

25. Founded in 1999, Liquidity provides business and government clients and buying customers with transparent and effective online marketplaces and integrated services for surplus assets. The Company enables Global Fortune 1000 corporations, middle markets companies and federal and state government agencies to maximize the value of their underutilized, obsolete and surplus industrial machinery, equipment, materials, vehicles and inventory.

A. The Company Reports Record Revenue and GMV and Its Future Is Bright

26. On February 1, 2012, Liquidity issued a press release announcing its financial results for the first quarter of fiscal year 2012, and days later, on February 6, 2012, the Company filed its Form 10-Q with the SEC containing its full first quarter financial results. For the quarter, Liquidity reported record revenue of \$106.00 million, an increase of approximately 35% from the prior year's comparable period. Adjusted EBITDA was a record \$22.7 million, an

increase of approximately 105% from the prior year's comparable period and total GMV was also a record \$179.2 million, an increase of approximately 41% from the prior year's period. Adjusted net income for the quarter was \$11.9 million or \$0.37 diluted earnings per share. In connection with these results, Defendant Angrick issued the following statements: "Record GMV results were driven by growth in the volume of capital assets sales across our commercial and government clients and benefited from improved merchandising, penetration of existing clients, and expanding market share... Our progress has generated strong financial results for our shareholders, exemplified by our adjusted EBITDA of \$64.3 million and operating cash flow of \$44.0 million over the last 12 months. By continuing to invest in growing our e-commerce business we intend to capture a significant share of large, highly fragmented markets, both in the commercial and public sector, while having a positive impact on our clients' financial and environmental sustainability initiatives."

27. The Company also provided updated guidance for fiscal year 2012 and for the second quarter of fiscal year 2012, which included upward revisions in many of its key measurable. Liquidity forecasted that GMV for fiscal year 2012 would now range from \$700 million to \$740 million, which is an increase over the previous guidance of \$690 million to \$730 million, and expected GMV for the second quarter of fiscal year 2012 to range from \$165 million to \$175 million. The Company increased its Adjusted EBITDA forecast for fiscal year 2012 to range of \$83 million to \$87 million, where its previous guidance ranged from \$78 million to \$82 million, with Adjust EBITDA for the second quarter of fiscal year 2012 ranging from \$18.5 million to \$20.5 million. Lastly, Liquidity upped its Adjust Earnings Per Diluted Share forecast for fiscal year 2012 to a range of \$1.32 to \$1.38, which was an increase over the

previous guidance range of \$1.26 to \$1.32, with Adjusted Earnings Per Diluted Share expected to range from \$0.28 to \$0.32 for the second quarter of fiscal year 2012.

28. Defendants' statements in ¶¶26-27 were false and misleading because Defendants misrepresented and failed to disclose that the growth being achieved by the Company was principally the result of acquisitions to "buy" earnings and market share. Further, Defendants did not disclose that its integration of acquisitions and new technologies were becoming more costly than anticipated and were not the lucrative growth opportunities that Defendants had represented. Lastly, Defendants misrepresented the loyalty of its customer base by emphasizing "trust" from its sell-side customers, when in fact, its customers were merely seeking the lowest cost options available. Thus, Defendants misrepresented and omitted material information concerning the Company's current and future prospects that misled the market and artificially inflated the Company's stock price.

29. On this news, the Company's stock rose from a pre-announcement close of \$34.51 per share on January 31, 2012, to close at \$39.36 on February 2, 2012. The stock's momentum continued leading up to the Liquidity's next earnings announcement. On May 2, 2012, the day prior to the Company's earnings announcement, Liquidity's stock closed at \$54.93 per share.

30. As the Company's stock climbed, Defendant Angrick took advantage of its inflated value by selling 461,200 shares at a per share price of \$40.20 per share for proceeds of \$18,540,240.00.

31. On May 3, 2012, Liquidity issued a press release announcing its financial results for the second quarter of fiscal year 2012 and on May 4, 2012, the Company filed its Form 10-Q containing its financial results with the SEC. For the quarter, Liquidity reported record revenue

of \$125.7 million, an increase of approximately 41% from the prior year's comparable period. Adjusted EBITDA for the second quarter of the fiscal year 2012. Adjusted EBITDA for the quarter was a record \$30.9 million, which was an increase of approximately 120% from the prior year's comparable period. The Company reported record GMV of \$218.4 million, which was up approximately 59% from the prior year's comparable period. Liquidity also achieved record Adjusted Diluted EPS with \$0.52, which was a 136% increase from the prior year's comparable period. With the announcement, Defendant Angrick made the following statements: "LSI reported record results for GMV, Adjusted EBITDA and Adjusted EPS in Q2-12 all of which exceeded our guidance range. Record GMV results were primarily driven by growth in the volume of goods sold in our retail supply chain and municipal government marketplaces by existing and new clients... Our progress has generated strong financial results for our shareholders, exemplified by our adjusted EBITDA of \$81.2 million and operating cash flow of \$62.2 million over the last 12 months. By continuing to invest in growing our e-commerce business we intend to capture a significant share of large, highly fragmented markets, both in the commercial and public sector, while having a positive impact on our clients financial and environmental sustainability initiatives."

32. Also on May 3, 2012, the Company hosted an earnings conference call to discuss the Company's financial results and future prospects. During this conference Defendants Angrick and Rallo made the following statements:

Our record second-quarter results reflect market share gains and enhanced service levels and operating efficiencies across our entire business as a result of investments we have made to support our growth over the last several years.

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As corporations and public sector agencies increasingly prefer service providers with a proven track record, innovative technology solutions, and demonstrated

financial strength, we have continued to penetrate our highly fragmented markets.

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So those are trends that, naturally, will take us outside the United States over time. And whether we build or buy these various capabilities over time? Clearly this is addressing the needs of the client, which is why it's a sound-expansion strategy. And we believe that as we've demonstrated over time, we're very good at refining and relentlessly improving our operations, so that when we do make such investments, they'll drive high returns for owners and clients.

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Also, you have to understand the mix of business, too. So as our mix of business changes from – more to a consignment model, if we have higher levels of capital assets under the consignment model, that margin just mathematically goes down, Ross. *So I think the margins will bounce around a little bit from quarter to quarter. I do believe that we can maintain the solid margins we have, but I do not expect to see continued improvement like we have at the pace over the last 18 months.*

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Our strategy is really to try to gather the Fortune 1000, provide services and improve their efficiencies in the reverse supply chain through our innovative marketplaces around the world. *And we would expect to continue to grow that client base over the coming quarters.*

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Obviously, we expect to have growth next year over this year. We're not formally giving guidance on next fiscal year yet, but again, as we roll out some of these larger clients, Shawn, there will be times when you get a – what I would say accelerated growth cycle for a period of time.

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So first, on the second question, you have a two-sided marketplace and you will go through different phases of development, in which case you need to build a demand side to invite credible large sellers to transact in that marketplace. *So there's the chicken and the egg problem, and I'd say that depending upon the nature of the marketplace, that could take decades or years to resolve. But we've transcended that issue, Jordan. We have outstanding liquidity in over 500 commodity categories with our buyer base. And therefore, the supply side is very excited by the nature of our solution, the ability to absorb large volumes.*

[Emphasis added.]

33. Additionally, the Company provided updated guidance for fiscal year 2012 and the third quarter of fiscal year 2012. Liquidity expected GMV for fiscal year 2012 to range from \$760 million to \$800 million, which was increase from the previous guidance range of \$700 million to \$740 million. For the third quarter, Liquidity expected GMV to range from \$205 million to \$215 million. The Company forecasted that Adjusted EBITDA for fiscal year 2012 would range from \$96 million to \$100 million, which was a significant increase over its previous guidance of \$83 million to \$87 million. For the third fiscal quarter, the Company expected Adjusted EBITDA to range from \$26 million to \$28 million. Liquidity projected that Adjusted Diluted EPS for fiscal year 2012 would range from \$1.64 to \$1.70 per share, which is an increase over their previous guidance range of \$1.32 to \$1.38 per share. In the third fiscal quarter, the Company forecasted that Adjusted Diluted EPS would be \$0.43 to \$0.46.

34. The statements in ¶¶31-33 were materially false and misleading because Defendants failed to disclose that the growth being achieved by the Company was principally the result of acquisitions to “buy” earnings and market share. In fact, Defendants misrepresented the extent and sustainability of the Company’s organic growth from current clients. Further, Defendants did not disclose that its integration of acquisitions and new technologies were becoming more costly than anticipated and were not the lucrative growth opportunities that Defendants had represented. Lastly, Defendants misrepresented the loyalty of its customer base by emphasizing “trust” from its sell-side customers, when in fact, its customers were merely seeking the lowest cost options available. Thus, Defendants misrepresented and omitted material information concerning the Company’s current and future prospects that misled the market and artificially inflated the Company’s stock price.

35. On this news, the Company's stock spiked from a pre-announcement close of \$54.93 per share on May 2, 2012, up to \$62.24 per share at the close of trading on May 3, 2013.

36. On May 9, 2012, Liquidity announced that it had agreed to acquire U.K. auction service GoIndustry DoveBid plc. The Company announced that it would pay \$0.73 cents per share in cash and would assume all of GoIndustry's outstanding indebtedness for a total consideration of \$31 million. Liquidity stated that the acquisition would provide the Company with more than 50 Fortune 1000 clients and more than 407,000 professional buyers. At the time of the transaction, GoIndustry clients included BAE, Bosch, Covance, Ford-Europe, Honeywell, Ingersoll-Rand, Pfizer, Renault, and Visteon, as well as asset-based lenders Barclays, HSBC, Lloyds, JP Morgan, PNC, RBS and Siemens.

37. Despite the seemingly marginal price paid for GoIndustry, Defendants repeatedly hyped its acquisition as one that would result in expanded international business, new clients, and long-term growth for the Company. However, over the course of the Class Period, the GoIndustry acquisition would suffer from substantial integration and restructuring costs. Even when disclosed, Defendants downplayed Liquidity's struggles and still insisted that the GoIndustry business would drive growth.

38. Between May 23, 2012 and June 12, 2012, Defendant Angrick took advantage of the inflated value of Liquidity's stock by unloading 170,300 shares at prices ranging from \$60.57 to \$63.80 for proceeds of \$10,742,634.97. Thus, between the start of the class period and June 12, 2012, Defendant Angrick sold hundreds of thousands of his Liquidity shares at artificially inflated prices for total proceeds of \$29,282,874.97.

39. Following Defendant Angrick's aggressive insider selling, Liquidity's stock trended downwards from a close of \$63.23 on June 11, 2012, prior to Defendant Angrick's sales, to close at \$56.41 per share just days later on June 15, 2012.

40. On June 15, 2012, Liquidity filed a Form 8-K with the SEC announcing that Defendant Angrick had entered into a written sales plan pursuant to Rule 10b5-1. Pursuant to the sales plan, a broker-dealer was authorized to sell a specified number of Defendant Angrick's shares pursuant to a plan that included minimum sales price thresholds. The sales were expected to occur between June 20, 2012, and March 31, 2013. The sales plan allowed for the sale of up to approximately 2.5 million of Defendant Angrick's shares and permitted the sale of up to 30,000 shares in a single day. The Form 8-K also announced that the previous sales plan for Defendant Angrick, as announced in the Form 8-K, dated March 17, 2010, had been terminated following the sale of all shares covered under that plan. As explained in greater detail below, the sales plan announced on this date would be severed just two months later without Defendant Angrick making a single sale.

B. Negative Reports Drive the Company's Stock Down

41. Later in June, on approximately June 20, 2012, Defendant Rallo spoke at a Stifel Nicolaus conference, where he indicated that the Company was not seeing the level of margin expansion that it had experienced recently. On this news combined with the insider selling by Defendant Angrick, the Liquidity's stock tumbled from a close of \$57.34 on June 19, 2012, down to a close of \$48.51 per share on June 21, 2012.

42. Plainly, the Company's upside for new business existing customers was declining and Liquidity lacked the influx of new business to offset its declining areas of business. Thus, Defendants' statements concerning future growth for Liquidity were false and misleading.

43. On July 1, 2012, a report by the Off Wall Street Consulting Group, Inc., was published that cast major doubt on the Company's bullish outlook. Citing industry sources, the report specifically questioned whether the Company could achieve mid-teens incremental EBITDA/GMV margins for the next several years with the DoD business expected to decline and its September 1, 2011, acquisition, Jacobs Trading Company, expected to flatline. According to the report, the Jacobs Trading acquisition was an example of a company buying earnings for the next several years, while capitalizing the expense as goodwill. Further, the report indicated that contrary to Liquidity's representations, that there is little to no seller or buyer loyalty because everything revolves around price. Tellingly, the report states the following:

“Insider selling would appear to support our concerns about company’s future profitability. Insiders have sold more than \$110 million of stock since 2011. To put this in perspective, this amounts to about 6% of the LQDT’s current capitalization.”

[Emphasis added.]

44. On July 2, 2012, in reaction to this report, the Company's stock fell from a close of \$51.18 per share on June 29, 2012, the last trading day before the report was published to \$38.44 per share at close on July 2, 2012. As discussed in greater detail below, on August 3, 2012, the Company announced that Defendant Angrick's 10b-5 sales plan would be severed and that he was exploring options to invest in Liquidity. The severance of the plan soothed the market's concerns despite Defendant Angrick's failure to make a further investment into the Company.

45. On July 4, 2012, Liquidity completed its acquisition of the London-based GoIndustry for the all-cash consideration of \$31 million. The Company expected the transaction to be neutral to fiscal year 2012 earnings and worth \$0.01-0.03 per share to fiscal 2013. On this

news, the Company's stock rebounded slightly trading up 5.68% on July 5, 2012, to \$42.45 per share.

C. The Company Responds to Negative Press With Record Results and Improved Guidance

46. On July 31, 2012, Liquidity issued a press release and on August 3, 2012, filed its Form 10-Q with the SEC announcing its financial results for the third quarter of fiscal year 2012. The Company reported revenue of \$121.3 million, an increase of approximately 46% from the prior year's comparable period. Adjusted EBITDA was a record \$33.4 million for the quarter, which was an increase of approximately 121% from prior year's comparable period. Total GMV was also a record increasing approximately 52% over the prior year's comparable period to \$225.6 million. For the quarter, Adjusted Diluted EPS was \$0.45 per diluted share that driven by a one-time tax benefit worth approximately \$0.26 per diluted share from the closing of the Company's UK operations in the prior year. Along with the earnings results, the Company also stated the following concerning its GoIndustry acquisition:

We are pleased to have closed our acquisition of GoIndustry (www.go-dove.com) in early July and have commenced the integration of this business. GoIndustry's client base which includes over 50 leading Fortune 1000 global manufacturers and asset based lenders across multiple industries, including aerospace, consumer packaged goods, electronics, pharmaceutical, technology and transportation, 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. *The acquisition of GoIndustry enhances Liquidity Services' ability to deliver surplus asset management, valuation and disposition services to large multinational enterprises across North America, Europe and Asia. 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.*

[Emphasis added.]

47. Also on July 31, 2012, the Company hosted an earnings conference call to discuss its financial results. During this conference call, Defendants Angrick and Rallo made the following statements:

In addition to generating strong financial results, our team advanced all key elements of our growth strategy during this quarter, driving organic growth, innovation and external growth via acquisition. During the quarter, we enjoyed broad-based organic growth as we expanded our market share within both the commercial and public sector markets. Our value proposition is resonating with retailers, manufacturers and public sector agencies, which is reinforcing our network effect, and resulting in new client wins in the reverse supply chain market.

* * *

Our seller base has continued to grow as corporations and public sector agencies focus on reducing costs, improving transparency and working capital flows by outsourcing reverse supply chain activities. *As corporations and public sector agencies increasingly prefer service providers with a proven track record, innovative technology solutions, and demonstrated financial strength, we have continued to penetrate our large, highly fragmented markets.*

* * *

As we reflect on our strong Q3 results, we have renewed excitement, where we can take our business. Though we now have the scale of \$1 billion GMV business, we have only 1% penetration of the highly fragmented \$100 billion global reverse supply chain market. *Indeed, we are merely at the beginning of our journey to transform the global reverse supply chain.*

* * *

Why do we have conviction that we can lead this transformation? *Our credibility, we have an outstanding record of past performance serving the world's largest organizations in the bigger industry sectors in the world: retail, energy, transportation, healthcare, consumer packaged goods, technology and the public sector. Our strong client relationships and track record with the leading companies in each of these industry sectors is resulting in referral of new business across the supply chain.*

* * *

So whether it's one the manufacturer side, working with suppliers to improve the return to vendor process, eliminate transportation cost, maximize margin because we're able to turn products quicker through our global marketplace, or on the

retailer side to streamline and outsource the entire process, *we're seeing outstanding receptivity for what we're doing and we've never had a broader portfolio of organic growth opportunities.*

* * *

Now I think you've followed us for a long while, *we have long had a secular growth target of 15% or 20% organic growth and we're frankly, significantly achieving that today. And we see that as sustainable given the breadth of clients.*

* * *

With our acquisition of GoIndustry, we're currently running that business at breakeven to a small profit. *I think next year we'll obviously have better profits out of that business, but it will be less than our corporate average as far as margins. And then, again, we'll bring those back up over fiscal 2014 and 2015 to really our corporate average.*

* * *

When you look at how these global clients think and operate, it takes years to penetrate them in multiple geographies and we give high marks to GoIndustry's organization for penetrating these clients, not just in the corporate headquarters suite, but throughout the supply chain in multiple continents. And so, there's a really fertile ground for us to do a couple things.

* * *

And it's also the case that we have many large retailers that we only work within the United States, but are global in scale and own a lot of property, plant and equipment, and are very interested in leveraging this set of services and geographic support to grow their business with us. So, that's where we see a lot of cross-pollination by having this range of services.

* * *

Let me just add one other comment. *Some folks would say, why do more in capital assets. When you look at the roster of corporate clients that GoIndustry served at a very high level for many years and you look at our clients, there are just obvious conversations that are strategic in nature for us to have.* It's public knowledge that GoIndustry Dove Bid was Supplier of the Year for Procter & Gamble, which has something like 30,000 vendors. They're the world's largest supplier to retailers globally.

Well, we happen to work with the world's largest retailer since 2005, have an excellent relationship at a very high level. *And here you have two companies focused on removing waste and being more efficient in the handling of*

material, equipment, inventory, and we're in a unique situation, in a unique role to be a strategic advisor to both these companies to help them streamline and improve the reverse supply chain. That's unique and that's one of the elements of this acquisition that underscores strategic value for Liquidity Services.

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And we've worked with 4,700 government clients and 4,700 contracts and I can tell you that past performance is an important distinguishing factor in the way these clients look at us. And I believe that the DoD values the compliance management and zero defect process that has been built together with them and deployed across such a variety of geographic locations and properties that is a very important element to their go forward plans.

[Emphasis added.]

48. Again, Liquidity provided improved guidance for Total GMV, Adjusted EBITDA and Adjusted Diluted EPS. The Company forecasted that its GMV for fiscal year 2012 would range from \$850 million to \$860 million, which was an increase from its previous guidance of \$760 million to \$800 million, and forecasted that GMV would range from \$230 million to \$240 million in the fourth quarter of fiscal year 2012. Adjusted EBITDA for fiscal year 2012 was expected to range from \$108 million to \$110 million, while the Company's previous guidance had forecasted a range from \$96 million to \$100 million, and for the fourth quarter of fiscal year 2012, the Company forecasted that Adjusted EBITDA would range from \$21 million to \$23 million. Adjusted Diluted EPS for fiscal year 2012 was expected to range from \$1.81 to \$1.84 per share, up from its previous guidance range of \$1.64 to \$1.70, and for the fourth quarter of fiscal year 2012, the Company forecasted that Adjusted Diluted EPS would range from \$0.35 to \$0.38.

49. Also on August 3, 2012, as previously discussed in ¶¶ 40 and 44, the Company filed a Form 8-K announcing that Defendant Angrick had severed his previously announced 10b-5 sales plan, that he made no sales of the Company's common stock pursuant to the plan and that

he was exploring options to purchase shares of the Company's common stock. This statement was false and misleading because, aside from exercising options at \$8.23-\$17.02 per share September 6, 2012, and August 8, 2013, Mr. Angrick never made a purchase of the Company's common stock.

50. The statements in ¶¶46-49 were materially false and misleading because Defendants failed to disclose that the growth being achieved by the Company principally the result of acquisitions to "buy" earnings and market share. In fact, Liquidity was not growing organically as represented by the Company with new business from its current clients. Further, Defendants did not disclose that its integration of acquisitions and new technologies were becoming costly and were not the lucrative, growth opportunities that Defendants had represented. Specifically, the Company failed to disclose that its GoIndustry acquisition and integration was becoming a drain on Liquidity's earnings. Contrary to Defendants' representations, Defendants obviously did not or were not sufficiently informed to believe that the GoIndustry business deserved "high marks" because Liquidity was forced to incur substantial restructuring costs including the replacement of GoIndustry senior management and the closing of facilities. Defendants also misrepresented the loyalty of its customer base by emphasizing "trust" from its sell-side customers when, in fact, its customers were not loyal to its services and merely seeking the lowest costs. Defendants also misrepresented and failed to disclose the seriousness of the competition that the Company was facing and would be facing in the future and the impact it would have on the Company's growth. Lastly, Defendant misrepresented Defendant Angrick's intentions by stating that he was exploring options to purchase shares, when he was actually preparing to participate in mass selling while the Company's stock was artificially inflated due to Defendants' misrepresentations and omissions of material fact. Thus,

Defendants misrepresented and omitted material information concerning the Company's current and future prospects that misled the market and artificially inflated the Company's stock price.

51. On the Company's results and the announcement that Mr. Angrick was seeking to reinvest his money into the Company, Liquidity's stock rose from a close of \$39.50 per share on August 2, 2012, to a close of \$40.47 per share on August 3, 2012, following the release. On these positive results, the Company's stock continued to climb higher, reaching \$52.39 per share on August 31, 2012.

D. Analysts Question Upside Because Of Weak Sales Numbers

52. On September 12, 2012, Stifel Nicolaus analyst Jordan Rohan reiterated his "buy" rating on the Company, but cut his price target by \$6.00 to \$66.00, explaining that the Company's sales were lagging behind expectations. Mr. Rohan stated that while Liquidity's gross sales for the month of August were a 54% increase from August 2011, they were a month-to-month drop from July 2012. Further, Mr. Rohan reduced his prediction for GMV to \$237.4 million from \$249.3 million. At the conclusion of his report, Mr. Rohan was quoted as saying "[w]e believe that the secular story remains intact, but acknowledge that the current lack of upside to guidance might result in some pullback in shares." This statement runs contrary to Defendants' repeated statements regarding the Company's growth prospects and upside. On this news, the Company's shares dropped \$5.31 per share or 9.6% to \$49.77.

53. On September 27, 2012, despite Liquidity's previous proclamation that Defendant Angrick was exploring avenues from which to purchase shares, he sold 1,222 shares at the price of \$50.00 per share for proceeds of \$56,100.00. On October 2, 2012, Defendant Angrick sold another 11,781 shares at the price of \$46.04 per share for proceeds of \$542,397.24.

54. On October 5, 2012, the Company reported on its website that its Commercial gross sales were \$50 million and its GovDeals gross sales were \$9.9 million for September.

Research firm Stifel Nicolaus reported that the September results were “decent,” but added that the results make it unlikely that Liquidity would reach consensus forecasts for the fourth quarter of fiscal year 2012. On this news, the Company’s stock fell from a close of \$46.79 per share on October 4, 2012, to a close of \$42.30 per share on October 5, 2012.

55. On November 1, 2012, Liquidity announced that it acquired National Electronics Service Association (“NESA”) in an all-cash transaction. NESA was a Canadian provider of returns management, refurbishment and reverse logistics services for high-value consumer products. The terms of the deal included an upfront payment of approximately CA\$18 million in cash plus additional cash payments based on NESA’s performance over the following 24 to 36 months.

E. Defendants Continue to Promote Liquidity’s Long-Term Growth Potential

56. On November 29, 2012, Liquidity issued a press release and filed its Form 10-K with the SEC announcing its financial results for the full fiscal year 2012 and for the fourth quarter of fiscal year 2012. For the full fiscal year 2012, the Company reported record consolidated revenue of \$475.3 million, record Adjusted EBITDA of \$110.1 million, record GMV of \$864.2 and record Adjusted Diluted EPS of \$1.47 per diluted share. For the quarter, the Company reported consolidated revenue of \$122.3 million, which was increase of approximately 52% from the prior year’s comparable period, and GMV was a record \$241 million. Adjusted EBITDA for the fourth quarter of fiscal year 2012 was \$23.1 million, which was an increase of approximately 85% from the prior year’s comparable period. For the quarter, Adjusted Diluted EPS was \$0.40 per diluted share.

57. In connection with the release of the Company’s financial results, Defendant Angrick stated: “Liquidity Services generated strong results during Q4-12 as we *continued to grow our market share and build on our leadership position* in the reverse supply chain market

during a seasonally low quarter for the Company. *We continued to benefit from large commercial and government clients placing their trust in us to handle more of their excess inventory and high value capital asset sales*, which drove strong growth this quarter. Our recent acquisition, of NESA, further enhances our position as the leading reverse supply chain solution for large retailers and their suppliers, and *we are excited by the numerous related opportunities to create value for our buyers and clients, which we plan to demonstrate during fiscal year 2013*. During fiscal year 2012, we continued to advance our business strategy of building a defensible, leadership position in the reverse supply chain market and generated strong results for our clients and shareholders.... *We believe our continued focus on delivering the breadth of services, geographic coverage and global market data that large enterprises require in the reverse supply chain positions us well for fiscal year 2013 and continued long term profitable growth and market leadership*. Operationally, Liquidity Services continued to build on the process improvements and scale efficiencies started last fiscal year resulting in overall improved cycle times and margins. *Liquidity Services remains focused on executing our long term growth strategy to ensure the Company is well positioned to drive attractive returns for shareholders.*" [Emphasis added.]

58. Also on November 29, 2012, Liquidity hosted an earnings conference call to discuss the Company's financial results. On the call, Defendants Angrick and Rallo made the following statements:

During Q4, *Liquidity reported strong financial results as we continued to grow our market share and build on our leadership position in the reverse supply chain market*. We continue to benefit from large commercial and governmental clients placing their trust in us to handle more of their excess inventory and high-value capital assets which drove strong growth this past quarter.

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During the past year, *we enjoyed broad-based organic growth as we expanded our market share within both the commercial and public sector markets. Our consistent execution has enabled Liquidity Services to become the trusted provider of choice in our industry...*

* * *

[W]e completed the acquisitions of GoIndustry in July and the National Electronics Service Association in October. *These transactions enhance our ability to deliver surplus asset management, valuation and disposition services to Fortune 1000 enterprises across North America, Europe and Asia and enable us to offer important new services to our existing sellers while also growing our buyer base.*

Of note, *we expect the integration of GoIndustry will require significant upfront investments to fully realize the global capital assets market opportunity, which will result in a drag on earnings in the first half of fiscal 2013 but will benefit the second half of fiscal 2013 and our long-term growth prospects.*

* * *

We are confident in our ability to achieve our long-range goals due to our many strengths. Liquidity Services has the largest global buyer base for surplus assets, which continues to grow. We possess proprietary market data and knowledge derived from over \$3 billion of completed asset sales to assist our growing client base and the valuation and sale of assets in over 500 product categories and all condition types, and we possess the most innovative sales channels and services to meet the needs of the marketplace.

* * *

[W]e have strong organic growth opportunities with our existing clients which now include the world's largest organizations in the biggest industry sectors in the global economy: retail; energy; transportation; healthcare; consumer packaged goods; technology; and the public sector.

* * *

[M]acro trends are increasing the demand for our services and potential for new client additions in the retail and manufacturing supply chains.

* * *

I think when you look at next year we don't really see any change in our top-line expectations [for GoIndustry] at this point. As Bill commented earlier, our initial meetings with the clients have been strong. The opportunities between the two organizations are tremendous. *What we want to do is simply accelerate what*

we believe is the long-term opportunity that we see with the business and we moved our integration, I think, up more into the first half of this year.

So to be specific on your question as far as what changed, *I think what changed was our timetable, a greater knowledge of the business now operating it for the last four to five months.* And we expect a, yeah, I would say, see \$0.02 to \$0.03, as you indicated, dilutive, if you would, for the first two quarters of the year and then breakeven to making money in the second half of the year. *And again, I think that's reflected in our full year guidance which represents over 18% organic growth year over year.*

* * *

One comment on margins for next year. I think our margins for next year that are represented in our guidance are actually in line with exactly what we said last quarter. So we expected to finish this year around a 13% EBITDA, adjusted EBITDA to GMV margin. I believe the year was 12.8%, 12.7% something like this so, again, in line with our expectation.

* * *

And so we are smart and experienced to know that be careful what you ask for in the sense of, if clients like the value proposition, they're going to want to do a lot of business and they're going to, in this case, want to do it globally. So we want to get ahead of the curve in terms of our financial reporting systems, our global sales force automation and sharing of data and our operations teams so that we execute crisply against we anticipate to be a lot of future growth.

[Emphasis added.]

59. Additionally, the Company provided its full fiscal year 2013 guidance and guidance for the first quarter of fiscal year 2013. Liquidity expected GMV for fiscal year 2013 to range from \$1.1 billion to \$1.2 billion and to range from \$240 million to \$250 million in the first quarter of 2013. The Company forecasted that Adjusted EBITDA for fiscal year 2013 to range from \$123 million to \$133 million and for the first quarter of fiscal 2013 to range from \$22 million to \$24 million. Liquidity also expected that Adjusted Diluted EPS for fiscal year 2013 would range from \$2.05 to \$2.23 per diluted share and for the first quarter of fiscal 2013 would range from \$0.36 to \$0.40 per diluted share. The Company's Adjusted Diluted EPS guidance for the first quarter of fiscal 2013 missed the consensus estimate from analysts of \$0.46 per share.

60. In addition to the lower than expected guidance, Liquidity also explained that the Company remained cautious about the effect of volatile economic conditions and stated that it expects investments of several million dollars to integrate its GoIndustry acquisition will be a drag on earnings in the first half of fiscal 2013. Liquidity had previously expected the acquisition to boost its profits through 2013.

61. These statements ¶¶57-60 were materially false and misleading because Defendants failed to disclose that the organic growth of the Company was beginning to show signs of regression and that much of its reported growth was the result of “buying” earnings. Further, Defendants did not disclose that its integration of recent acquisitions and new technologies were not the lucrative, growth opportunities that Defendants had represented. Defendants also misrepresented the loyalty of its customer base by emphasizing “trust” from its sell-side customers when, in fact, its customers were not loyal to its services and merely seeking the lowest costs. Thus, Defendants misrepresented and omitted material information concerning the Company’s current and future prospects that misled the market and artificially inflated the Company’s stock price.

62. Defendants did disclose the previously undisclosed fact that the integration of GoIndustry was going to be costly and drain earnings of the Company. However, Defendants merely spun these costs as acceleration of GoIndustry’s integration, when, in fact, these costs were the result of a more difficult, challenging, and ultimately, less lucrative integration process than the Defendants previously represented.

63. On this news, the Company’s stock dropped \$5.09 from its previous close of \$43.79 down to \$37.83 at the close of trading on November 29, 2012. Despite the decline in the

Company's stock price, the serious issues facing Liquidity were not fully disclosed to the investing public and thus, the Company's stock price remained artificially inflated.

64. On January 16, 2013, the Company issued a press release announcing preliminary GMV results of \$234 million, which was below its previous guidance. However, Liquidity did reaffirm its guidance for the first quarter of fiscal year 2013 for Adjusted EBITDA and Adjusted Diluted EPS.

65. On January 31, 2013, Liquidity issued a press release and on February 8, 2013, filed its Form 10-Q with the SEC announcing its financial result for the first quarter of fiscal year 2013. The Company reported consolidated revenue of \$122.2 million for the first quarter, which was an increase of approximately 15% from the prior year's comparable period. Adjusted EBITDA for the first quarter of fiscal year 2013 was \$24.2 million, approximately 6% above the prior year's comparable period. Total GMV for the first quarter of fiscal year 2013 was \$233.4 million, an increase of approximately 30% from the prior year's comparable period. The Adjusted Diluted EPS for the first quarter of fiscal year 2013 was \$0.41 per diluted share, which was 11% higher than the prior year's comparable period.

66. In connection with the release of the Company's financial results, Defendant Angrick made the following statements concerning Liquidity's performance: "Liquidity Services generated strong adjusted EBITDA and EPS results during Q1-FY13 as we expanded margins in our core business due to operating leverage and *as we continued to benefit from large commercial and government clients placing their trust in us to handle more of their excess inventory and high value capital asset sales.* We remain focused on executing our long term growth strategy to achieve \$2 billion in GMV by fiscal year 2016. *During the quarter, we continued to advance our multi-year investment efforts in upgrading our ecommerce platform,*

investing in our sales and marketing organization and integrating our recent acquisitions of NESAs and GoIndustry which have expanded our operations to Canada, Europe and the Asia Pacific regions. While the pace of integrating our GoIndustry acquisition is currently slower than expected and will require more investment, particularly in the Asia Pacific region, our expanded breadth of services, industry expertise and geographic coverage has been well received by our clients and has strengthened our competitive position in the reverse supply chain market. We believe these important investments uniquely address the client needs of Fortune 500 retailers, manufacturers and public sector agencies and position us well for long term profitable growth and market leadership.”

67. Also on January 31, 2013, the Company held an earnings conference call to discuss its financial results. On the call, Defendants Angrick and Rallo made the following statements:

Liquidity Services reported strong financial results as we continued to grow our market share and build on our leadership position in the reverse supply chain market. *We continue to benefit from large commercial and government clients placing their trust in us to handle more of their excess inventory and high-value capital assets sales, which drove strong growth this quarter.*

* * *

One of the greatest organic growth opportunities we have is to do more business with our current clients. Today we provide services to over 130 Fortune 1000 corporate clients, which include the leading companies in the retail, consumer packaged goods, energy, healthcare, transportation and technology sectors. *Uniformly, our clients give Liquidity Services high marks for the quality and reliability of our services and for our domain expertise in the reverse supply chain. We had only a small percentage of our top clients take advantage of the full breadth of our services or conduct business with us in more than one geographic region.*

* * *

We are again in a period with vast opportunities. And our ability to capture these opportunities over the next several years will be shaped by our investments

we are making over the next several quarters. *The largest of which is the GoIndustry marketplace. The opportunity to further serve 75 of the Fortune 500 clients associated with the GoIndustry acquisition will require us to make more investments and restructure an organization that has not had any investments in the last four years.*

* * *

This restructuring includes replacing senior members of the U.S. and Asian GoIndustry organization with tenured members of the Liquidity Services team.

In addition, we are closing a larger number of locations around the world than originally planned. The success of these changes will be measured starting in next fiscal year and we believe will allow us to drive one of the highest returns on invested capital for any of our acquisitions.

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In addition, *our guidance has been adjusted to reflect one, reduced GMV and earnings versus our previous expectation from our GoIndustry business* as we implement restructuring initiatives and investments totaling several million dollars to fully integrate GoIndustry into Liquidity Services.

* * *

And two, *Reduced GMV versus our previous expectations from our Liquidation.com marketplace due to lower than expected product flows from existing clients and slower than expected ramp-up in product flows from new clients programs. We anticipate normalized flows from new clients and programs sometime during the third and fourth quarter of fiscal year 2013.*

* * *

As far as the growth rate for the retail business for the rest of the year, we see a lowering of that growth rate from our prior expectations, primarily related to existing clients where their flows are lower than the flows received last year.

Our new clients, which we anticipated ramping up a little faster have not ramped up based on the forecast that we see today, as quick as we anticipated. So we would expect to see low double-digit growth in the retail supply of our business for the rest of the year.

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As far as GoIndustry's performance in the first quarter, it was better than the last quarter that we had of fiscal year 2012. This tends to be a seasonally higher quarter for GoIndustry. Capital assets, meaning the clients are 12/31 year-end companies and so there's a lot of capital assets that tend move off the balance sheet before the next fiscal year.

So again, I would say, we actually had sequential growth in the business quarter-to-quarter. What we're not seeing in the pipeline is the kind of growth that was anticipated at the beginning of the year. So, we certainly expect to be significantly under our budgeted range for GoIndustry that we talked about at the beginning of year. I would say that was more than half of good segue to your second question, which was the \$75 million drop in GMV. I'd say that's more than half of that number.

Most of the rest is coming from, again, the retail part of the business, which I think Bill and I discussed earlier in details what's driving that. And then there's a small little bit that you have, to be frank, which is coming from scrap, which continues to be lower than expectations, albeit not a material part of our business anymore. It is obviously a part of our core business, and going down. I think one point I would comment on is, the scrap business continues to decline, yet our operating margins continue to improve in the core business.

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I think there are two aspects there [with GoIndustry]. One, the new organization provides their view of potential and until LSI has had experience interacting with particular business leaders or vetting information, we have a certain reliance that we place on newly acquired teams and personnel and forecasting techniques. And as we peel the onion and we have more experience with what they use as a risk adjusted forecast, we have some risk in working with that forecast.

In the current state, we have eliminated a lot of the risk of their forecasting techniques because we have either put an LSI long-tenured employee in place to lead a division or a marketplace.

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We conserve our clients in more regions. We have a very small percentage of clients that use more than one of our services or work with us in more than one region. So our growth to \$2 billion is nearly a function of serving the needs of our existing clients and leveraging that expansion potential while also using the strong references to be the market leader in those industry categories. So that drive the opportunity to grow on a consistent basis.

[Emphasis added.]

68. Additionally, based on the reduced GMV for the quarter, Liquidity revised its full year fiscal 2013 guidance. The Company revised its GMV guidance for the fiscal year to range from \$1.025 billion to \$1.1 billion, which was reduced from its previous guidance range of \$1.1 billion to \$1.2 billion. For the second fiscal quarter, the Company expected GMV to range from

\$250 million to \$275 million. For the full year fiscal 2013, Liquidity revised its Adjusted EBITDA guidance to range from \$115 million to \$121 million, which is reduced from its previous guidance of \$123 million to \$133 million. The Company forecasted Adjusted EBITDA of \$28 million to \$30 million for the second quarter of fiscal year 2013. Liquidity also reduced its guidance for Adjusted Diluted EPS for the fiscal year 2013 to range from \$1.90 to \$2.02, which was a decrease from the previous guidance of \$2.05 to \$2.23. In the second quarter of fiscal year 2013, Liquidity expected that Adjust Diluted EPS would range from \$0.46 to \$0.50.

69. These statements ¶¶64-68 were materially false and misleading because Defendants failed to disclose that the regression of the Company's organic growth was an ongoing issue. Further, Defendants did not disclose that its integration of acquisitions and new technologies were not the lucrative, growth opportunities that Defendants had represented. Defendants also misrepresented the loyalty of its customer base by emphasizing "trust" from its sell-side customers when, in fact, its customers were not loyal to its services and merely seeking the lowest costs. Thus, Defendants misrepresented and omitted material information concerning the Company's current and future prospects that misled the market and artificially inflated the Company's stock price.

70. On this news, the Company's stock plummeted from \$41.07 on the prior day's close down to \$31.87 at close on January 31, 2013.

71. Between March 4, 2013 and April 10, 2013, with the Company's stock price still trading at artificially inflated levels, Defendant Angrick sold 235,937 shares of Liquidity's common stock for proceeds of \$7,835,335.94.

72. On March 5, 2013, Defendant Rallo participated in a question and answer conference call hosted by Deutsche Bank AG. During the course of the conference call, Defendant Rallo made the following statements:

We had given guidance after fiscal year 9/30 on the full year. We had given guidance on the quarter, and again we had a good quarter. *When we started looking at what was going on in January -- so we had our earnings call January 31, actually. And the beginning of January is always slow for us because it's just, the first 10 days after the holidays, there's not a lot going on, but it really starts picking up after that. So January started to slow down for us compared to normal levels in the retail side of our business, particularly around existing programs.*

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And in January, primarily from our existing program -- so an existing program for us means it's a client we've been working for -- working with for over a year, and we've had that program for over a year. So when we look at our business, our growth comes from further penetrating existing clients, so that would be a new program, and I'll talk about it further in a second. A new program from an existing client, thus further penetrating existing clients; or a new client, and that's a new program in general for a new client. *And so we like to grow on -- our growth is measured. And we like to do that because we like to grow with our existing clients first and foremost because you always want to serve an existing client as well as you can. And so if they have a need, you want to work with them before bringing on another client. You never want to get into a situation where you're disrupting any existing client's business by bringing on new business. And we have traditionally gotten high-single-digit, 7%, 8%, growth out of our existing client programs without even further penetrating them year in, year out. And we saw in January, that was not happening.* And so when you look at that, that means that the rest of the year, if we're going to get the growth we want to out of the retail side of our business, we need to get it from new programs with existing clients, or we need to get it from new clients. *And that goes back to that pipeline that we're constantly managing from our sales force of bringing in new business. And the issue with that is that you can't turn that ticket on, on a dime. It takes a couple quarters to get that going. And again as I mentioned before, we try to measure the flow through the marketplaces so we don't disrupt any existing programs. And that caught us off guard a little bit, as Ross noted. And we've lowered our expectation for our growth in the retail side of our business for this fiscal year, again so ending September 30, because it's going to take a couple months to ramp up that pipeline of product, of new products, if you would, again, new products from the existing clients or new products from new clients.*

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We're definitely in a supply shortfall which, again if you go back to the market, it's a \$50 billion a year market. These numbers are self-reported by the retailers. ***The National Retail Federation factors about \$225 billion a year of goods returned at retailers either online or in a brick-and-mortar environment annually. Our addressable piece of that is about \$50 billion. That's the piece that'll get liquidated. And we're going to do around \$1 billion this year, right? So we're 2% or less of the total market. So finding a product to sell is not necessarily a long-term problem. It's certainly a short-term problem right now, as I've identified. But we've got good buyer demand right now.*** As I mentioned, we have 2.2 million buyers. Our buyer base has grown in the high teens, 20% annually for years.

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Well, we can certainly get to \$2 billion a year with our existing client base. And if you look at the list of our existing clients, I mean, they're on our website, it's really a who's who in the retail side of the business or the manufacturing side of the business or the energy side of the business. It's a large market opportunity.

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There's a lot of opportunity within our existing client base to grow the business. And so what -- the one thing that people have to remember about our business is that we were founded in 2000, so again the liquidation industry has been out there for a long time. ***We're always displacing somebody else that's in there. So we don't really have a lot of formidable competition, but we certainly have a lot of competition. And our job is to go in there and demonstrate with data, which we can do, that we're going to drive a better net return and provide the services that these large retailers need. So we can certainly hit our \$2 billion bogey with our existing client base.***

[Emphasis added.]

73. The statements in ¶72 were materially false and misleading because Defendant Rallo misrepresented and failed to disclose that the organic and wholesale growth of the Company was regressing and that it would greatly affect Liquidity's financial results in the future. Further, Defendant Rallo misleadingly downplayed any competition as a threat to Liquidity and that statement was false and misleading because competition was a real challenge for the Company, which was substantially affecting its performance. Moreover, Defendant Rallo's statements undercut and render Defendants' previous statements concerning the Company's success at bringing in new business and clients false and misleading.

74. On May 2, 2013, Liquidity issued a press release and on May 7, 2013 filed its Form 10-Q with the SEC containing its second quarter fiscal year 2013 financial results, which included record revenue in the quarter of \$130.3 million. The Company also achieved record GMV of \$259.1 million, which was up 19%. However, the Company's Adjusted EBITDA was \$29.2 million, down 6% and Adjusted Diluted EPS of \$0.48, down 8%. Despite the disappointing Adjusted EBITDA and Adjusted Diluted EPS results, Defendant Angrick insisted that these results were positive, stating that "Liquidity Services generated solid results during Q2-FY13 as we expanded adjusted EBITDA margins in our core business and continued to deliver a high level of service to large commercial and government clients in managing their excess inventory and high value capital asset sales."

75. Defendant Angrick also emphasized the Company's growth initiative, which is also known as Liquidity One, in stating that: "We remain focused on executing our long term growth strategy to achieve \$2 billion in GMV by fiscal 2016. During the quarter, we continued to advance our multi-year investment efforts in upgrading our e-commerce platform, investing in our sales and marketing organization and integrating our sales and marketing organization and integrating our recent acquisitions of NESAs and GoIndustry. *We made significant progress this quarter integrating GoIndustry, including the award of several new client engagements, and anticipate that we will exit this fiscal year with GoIndustry operating profitability, while enhancing our strategic plan of serving global capital asset clients. We believe these important investments uniquely address the needs of the Fortune 1000 and public sector agencies and position us well to drive shareholder value over the next five years.*" [Emphasis added.].

76. The Company also provided guidance for fiscal year 2013 and the third fiscal quarter of 2013. The Company expected GMV for fiscal year 2013 to range from \$1.025 billion to \$1.1 billion and for the third fiscal quarter from \$250 million to \$275 million, Adjusted EBITDA for fiscal year 2013 to range from \$115 million to \$121 million and for the third fiscal quarter from \$29 million to \$32 million, and Adjusted Diluted EPS for fiscal year 2013 to range from \$1.90 to \$2.02 per share and for third fiscal quarter to range from \$0.49 to \$0.54 per share. Additionally, Liquidity made the following representation concerning GMV and Revenue Mix: “GMV continues to diversify due to the continued growth in our commercial business and state and local government business. As a result, the percentage of GMV derived from our DoD contracts during Q2-13 decreased to 21.3% compared to 24.3% in the prior year period.”

77. Also on May 2, 2013, the Company hosted a conference call to discuss its earnings. Therein, Defendants made the following statements concerning the Company’s growth initiative, the Company’s profitability and operating condition, and future prospects:

Our third major initiative is the integration of recent acquisitions. We have dedicated, cross functional project teams focused on completing the integration of our recent acquisitions of NESAs and GoIndustry.

NESA continues to go smoothly and we have continued to make progress with the integration of GoIndustry into our Capital Assets Group. We have eliminated non value added locations and activities while also making investments to integrate the sales and marketing organization, IT and back office systems. ***This has resulted in a more efficient, aligned and responsive organization and we expect to exit this fiscal year with GoIndustry operating profitably***

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[W]e made significant progress advancing our business plan during Q2. Our integrity, customer focus and investment in innovation have enabled us to continue to expand our roster of blue chip clients. ***We now serve clients in over 25 countries across America, Europe and Asia and have created the most talent and capacity***

we have ever had to pursue key organic and external growth opportunities that build on our leadership position.

* * *

Let me address the commercial growth. One, as you heard, we are investing in our sales and marketing organization. The quality and productivity of our enterprise sales force continue to improve over time. And given the focus of our strategy to aim our services at the largest corporations with the most capital-intensive industries with high-value equipment and inventory to sell, when we win business, it's meaningful. *And as we progress through the balance of fiscal 2013, we will see that come through with high organic growth. They were in the high-single digits coming out of the current quarter and we would expect that to improve.*

* * *

As far as additional top line growth, we're in a unique situation this year where we have signed several large clients during the year. As Bill indicated in his comments, we also have some, what I would say, as *ancillary business or projects we're going to do for existing client programs, as we've called them in the past, which are ramping up in the third and fourth quarter.*

So again, when we look at, as you know, from providing guidance and expectations for our quarters we're dealing with business that we know is signed up with either current or new clients. And again, as Bill commented in his remarks, *we've been very successful in the last six months of adding new programs and adding new clients.*

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So when we look at the end of the first quarter and look at the rest of the year, *we did not have a ramp-up in new programs coming as fast as we thought, meaning that we expect it to have a better ramp this quarter, the quarter that just closed, Q2.*

In addition we were getting growth from existing client programs. So these are programs that we've been running for over a year. That phenomenon has not changed. *So we haven't really seen growth from existing client programs.* What have changed though is as we talked about in the last call, we've used what I would say is the slowdown in volume with the great demand that we have on the buyer side to increase the number of programs we're doing with existing clients.

So, these are new programs for existing clients which are ramping and, also – again, as Bill noted in his comments, we’ve signed a significant number of new clients which we did not have three or four months ago when we did our last call. And so, that’s really driving the growth.

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Our strategy of bringing innovative technology to the reverse supply chain market and our efficient business model has translated into strong results for stockholders. Trailing twelve months adjusted earnings before interest taxes depreciation and amortization, or adjusted EBITDA was \$109.9 million. *Our solid results for the second quarter demonstrate the operating efficiencies we have achieved across our entire business, as a result of investments we have made to support our growth over the last several years. Adjusted EBITDA margin as a percent of GMV was 14.6% for our core business during the quarter, which excludes the operating results and losses from GoIndustry.*

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During the three months ended March 31, 2013, we made significant progress implementing our restructuring plan for GoIndustry. We closed non performing locations and rationalized the remaining supporting infrastructure, while maintaining the key elements of the organization that have consistently provided a high level of service to our Fortune 1,000 clients. This restructuring resulted in approximately \$2.3 million in additional costs during the quarter. We expect to complete our restructuring plan over the next six months, and we believe these changes will enable the GoIndustry marketplace to achieve profitable operations in fiscal year 2014. Over the next several years, we believe GoIndustry will drive one of the highest returns on invested capital for any of our acquisitions.

[Emphasis added.]

78. The statements outlined and discussed in ¶¶ 74-77 were materially false and misleading because they misled the investing public by materially misrepresenting and omitting information concerning the present and future profitability of the Company including Liquidity’s struggles to successfully integrate its acquisitions. Further, Defendants misrepresented and failed to disclose that the Company’s organic and overall growth was regressing and materially

affecting Liquidity's future prospects. Defendants also failed to disclose and misrepresented the long-term adverse effect of its declining DoD business because of changing product mix and the inability of its commercial and municipal business segments to offset those losses. Lastly, Defendants misrepresented the real threat of competition on the Company's future prospects.

79. On this news, the Company's stock price rose from its May 1, 2013, close of \$32.53 per share to a close of \$35.00 per share on May 3, 2013.

80. On May 20, 2013, Liquidity was named to the Supply & Demand Chain Executive 100 for its work improving recovery value on refurbished or overstocked products and for a large, global manufacturer of consumer electronics. On May 23, 2013, Defendant Rallo was named "CFO of the Year" by Tech Council of Maryland. With these honors and the Company's reported earnings, the Company's stock price climbed to \$40.11 per share on June 3, 2014.

81. Notably, in June 2013, as the Company's stock climbed, Defendant Angrick began to unload shares of the Company on the open market. With the Company's shares artificially inflated by the false and misleading representations and omissions, Defendant Angrick sold 200,000 shares for a return of \$7,967,500 in the month of June.

F. The Company Restates Its Guidance for the Second Quarter of Fiscal 2013

82. On June 7, 2013, after Liquidity reported lower than expected May GMV growth, RBC Capital reported it was keeping a \$44.00 price target on the stock and expected the Liquidity's GMV growth to rebound in the second half of 2013 and full year 2014. On the news of the lower than expected May GMV growth and the potential resultant restatement, the Company's stock tumbled from a close of \$39.12 on June 6, 2013, to \$31.46 on June 13, 2013 as the market absorbed the news.

83. On July 16, 2013, Liquidity issued a press release announcing certain preliminary financial results for the third quarter of fiscal 2013, ended June 30, 2013. The Company announced these limited results because it was going to badly miss its previously affirmed guidance. Liquidity announced that it expected to report GMV of \$228 million to \$231 million compared to the expected range of \$250 million to \$275 million; Adjusted EBITDA of \$26 million to \$27 million compared to the expected range off \$29 million to \$32 million; and Adjusted Diluted EPS of \$0.43 to \$0.45 compared to the expected range of \$0.49 to \$0.54. The Company stated that these results were affected by lower than expected GMV in the Company's capital assets and retail supply chain verticals as a result of lower product flows from existing clients and slower than expected rollout of new client programs. Additionally, the Company explained that it would restate its guidance for fiscal year 2013 on its August 7, 2013 conference call.

84. On this news, the Company's stock declined from a close of \$32.38 on July 15, 2013, down to \$29.60 per share on July 17, 2013.

85. Thus, Defendant Angrick engaged in substantial insider selling of the Company's stock during the month of June with full knowledge that the Company GMV had disappointed for the month of May and that a restatement and resultant decline in the Company's stock price would follow.

86. Notwithstanding this misuse of insider knowledge, the statements outlined and discussed in ¶83 were false and misleading because Defendants also failed to issue the necessary, corrective disclosures concerning Liquidity's present and future profitability, its lack of progress and performance in the Company's growth initiative and international markets, and the long-

term adverse effect of its declining DoD business because of changing product mix and the inability of its commercial and municipal business segments to offset those losses.

G. The Company Announces Its Financial Results for the Third Fiscal Quarter of 2013

87. On August 6, 2013, the Company announced its financial results for the third quarter ended June 30, 2013, via a press release and on August 9, 2013, the Company filed its Form 10-Q with the SEC detailing those results. Liquidity reported revenue of \$124.2 million for the quarter, up 2% from the prior year's comparable period. Adjusted EBITDA was \$26.4 million, a decrease of approximately 21% from the prior year's comparable period. Total GMV was \$230.3 million, an increase of approximately 2% from the prior year's comparable period. Adjust Diluted EPS was \$.044 per share for the quarter, down 21% from the prior year's comparable period.

88. In conjunction with announced financial results, Defendant Angrick made the following statements: "Q3-FY13 results were in line with our pre-announced guidance range. We continue to make important investments in our sales and marketing organization to expand awareness of Liquidity Services as the trusted provider of choice in our industry, which will drive our future growth. *We have made good progress with the integration of our GoIndustry acquisition, which is now operating near breakeven.* Overall margins in our business remain strong as adjusted EBITDA margins increased to 11.5% in the third quarter from 11.3% in the second quarter primarily as a result of sharper focus and streamlined operations. *Our year-over-year results were impacted by delays in new programs, weaker volumes and pricing in the consumer electronics category and continued repositioning of our GoIndustry marketplace to focus on the key global Fortune 1000 relationships that we expect will drive sustained profitable growth in this business.*" [Emphasis added.]

89. The Company also provided updated guidance for fiscal year 2013 and the fourth fiscal quarter of 2013. The Company expected GMV for fiscal year 2013 to range from \$925 million to \$950 million and for the fourth fiscal quarter from \$200 million to \$225 million, Adjusted EBITDA for fiscal year 2013 to range from \$104 million to \$106 million and for the fourth fiscal quarter from \$24.0 million to \$26.0 million, and Adjusted Diluted EPS for fiscal year 2013 to range from \$1.72 to \$1.76 per share and for third fiscal quarter to range from \$0.39 to \$0.43 per share. Additionally, Liquidity made the following representation concerning GMV and Revenue Mix: ***“GMV continues to diversify due to the continued growth in our commercial business and state and local government business. As a result, the percentage of GMV derived from our DoD contracts during Q2-13 decreased to 21.3% compared to 24.3% in the prior year period.”*** [Emphasis added.]

90. On August 7, 2013, the Company hosted a conference call to discuss the earnings announcement. During the call, Defendants made the following statements concerning the Company’s growth initiative, the Company’s profitability and operating condition, and future prospects:

During Q3 Liquidity Services reported results in line with our revised guidance range provided on July 16, while also funding major investments in support of our long-term growth strategy. ***Margins in our core business expanded sequentially over Q2 as a result of operating leverage and efficiencies gained from a more streamlined and focused organization.***

We exited Q3 with zero debt and we continue to generate strong cash flows with an annual return on invested capital in excess of 50%. ***We have continued to make good progress repositioning our GoIndustry marketplace to focus on the key global Fortune 1000 relationships that we expect will drive sustained profitable growth.***

Fundamentally we are confident in our competitive position and our ability to achieve attractive organic growth over the next several years driven by our strong client service and continued

investments in innovation. Our recent organic growth rate does not reflect the full impact of the progress we're making with clients and prospects in the marketplace.

* * *

While we are not satisfied with our recent performance and our organic growth, we're making significant progress towards achieving our long-term growth goals. One, we continue to improve the quality and effectiveness of the sales organization, as well as the range of services we provide, resulting in new client wins and new programs with existing clients, many of which are global in nature due to the addition of capabilities from the GoIndustry acquisition.

While many of these programs have not ramped up as fast as we originally expected, the relationships that we are developing with these clients will drive strong results for shareholders over the long-term.

* * *

Colin, let me take the second part of the question which was the change in guidance for the fourth quarter. Really it is driven by two factors — one is the retail supply chain which I discussed in detail in my earlier comments; we also discussed that in detail in our pre-announcement call. But we are assuming that we will not see any substantial improvement in the fourth quarter over the third-quarter results, which obviously, as we talked about earlier, were below expectations.

I will tell you that we are seeing a change in the consumer electronics trend in the retail supply chain and I think things may be turning, but I'm just at this point not willing to put that into the forecast. The GSS data will be out either later today or early tomorrow, that data will show that there was a pick up in the retail business, particularly the consumer electronics side. But again, I'm not going to anticipate that occurring for the rest of the quarter.

The second piece is GoIndustry where, first off, there is a significant exposure to the European market. Bill indicated in his comments a lot of recent wins globally. And this is just a slow quarter for particularly non-US — the non-US segment primarily just due to holidays. So I am anticipating again a similar range of GMV in the GoIndustry side of our business.

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Well, I mean it's just the ebbs and flows of the Department of Defense. We have been working with that client for over a decade. Some quarters it is up some, some quarters it is down some. Scrap obviously has more volatility because not only are you subject to the property flows from the Department of Defense, but you are also subject to commodity pricing, which has changed a little bit this year.

I would say it's not down materially from last year. Again, as a reminder for folks, 60% to 70% of what we sell in the scrap piece of the Department of Defense is aluminum and steel. And so, those have been fairly consistent this year, albeit down some.

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Look, I think the reality is we have had — if you look over last two, two and a half years, we had substantial growth. And this was a difficult period of year-over-year comparisons with a lot of the progress we made one year ago. And we should continue to grow in the consumer electronics and technology sectors, the product lifecycle issues do require a marketplace to get in front of those curves and the pace of adding new programs is likely to improve over time. It was — it has been muted over the last four to six months and that is what has reduced the growth rate year over year.

But we have had significant progress and success. Some of the clients that we've talked about today are in the consumer electronics vertical. So we have a very attractive value proposition in that vertical; most of our clients have IT equipment, either operating assets inside their companies that need to be disposed of, or retailers that are dealing with returned inventory, seasonal inventory in the consumer electronics vertical. So it will continue to have a strong presence in a roll and, yes, we believe that it is a growth sector for us.

[Emphasis added.]

91. The statements outlined and discussed in ¶¶87-90 were materially false and misleading because Defendants misrepresented and omitted material information concerning Liquidity's present and future profitability and the Company's organic and wholesale growth potential. Further, Defendants also misrepresented and failed to fully disclose Liquidity's lack of

progress and performance in the Company's growth initiative and international markets. Defendants also misrepresented and failed to disclose the seriousness of competition in the industry and the effect it could have on the Company's short-term and long-term financial results and growth potential. Lastly, Defendants misrepresented or omitted material information concerning the long-term adverse effect of its declining DoD business because of changing product mix and the inability of its commercial and municipal business segments to offset those losses.

92. On this news and Defendants' misrepresentations, the Company's stock began to tick higher from its August 6, 2013, closing price of \$28.97 per share up to an August 15, 2013, closing price of \$32.56 per share.

93. On September 3, 2013, Liquidity was named to Fortune's 100 Fastest Growing Companies list. Liquidity debuted as #48 on the list, citing its 29% revenue growth, 64% EPS growth and 39% annualized total return over the three-year period ending June 28, 2013. On this news, the Company's stock price rose from a previous close of \$29.96 per share on September 6, 2013, to \$34.44 per share at close on September 9, 2013.

94. With the Company's stock price inflated, Defendant Argnick took advantage by engaging in mass insider trading. From September 9, 2013 through October 2, 2013, Defendant Argnick sold 626,270 shares of stock for proceeds of \$22,147,454.66.

H. Following Mass Insider Trading, the Company Struggles in the Fourth Fiscal Quarter of 2013

95. On approximately October 7, 2013, Liquidity announced gross sales volume for September, which fell far below analyst expectations. The Company reported gross sales for September of \$77.7 million, which was 10% below sales for the comparable period in the prior

year. On this news, the Company's stock declined from close of \$32.77 per share on October 4, 2013, to close at \$26.36 per share on October 10, 2013.

96. Thus, Defendant Argnick knowingly engaged in insider trading at a price that was inflated by his prior false misrepresentations and omissions of material information in the Company's previous reports.

97. On November 21, 2013, Liquidity issued a press release and filed its Form 10-K with the SEC announcing the Company's financial results for the fiscal year 2013 and fourth quarter of fiscal year 2013. Liquidity reported revenue of \$505.9 million for the year, an increase of approximately 6% from fiscal 2012, and revenue of \$129.1 million for the quarter, up 6% from the prior year's comparable period. Adjusted EBITDA for fiscal year 2013 was \$104.6 million, a 5% decrease from the prior year, and \$24.9 million for the quarter, a decrease of approximately 5% from the prior year's comparable period. The Company's GMV for fiscal 2013 was a record \$977.3 million, an increase of approximately 13% from fiscal 2012 and \$250.5 million for the quarter, up 4% from the prior year's comparable period. Liquidity also reported that its Adjusted Diluted EPS was \$1.75 per share for fiscal 2013 and for the quarter, Adjusted Diluted EPS was \$0.41, an increase of approximately 3% from the comparable period in the prior year.

98. In connection with the release of the Company's financial results, Defendant Angrick made the following statements: "Liquidity Services generated improved results during Q4-13 based on the expansion of our services with retail supply chain clients and strong growth in our public sector business highlighted by 33% growth in our GovDeals marketplace this quarter. *Both our retail supply chain and capital assets businesses grew sequentially during a seasonally low quarter for the Company and we continued to make progress with our*

integration of GoIndustry to deliver profitable growth going forward.” Additionally, Defendant Angrick stated: “There are compelling opportunities to more broadly extend our technology platform, buyer liquidity and marketplace data to existing and new customers and partners. During FY14 we will establish and fund a new directive focused on developing new on demand services in these areas to further penetrate and serve our target market. *We believe our continued investments in our people, technology platform and service offering position us well for long term profitable growth and market leadership. Liquidity Services remains focused on executing our long term growth strategy to ensure the Company is well positioned to drive attractive returns for shareholders.*” [Emphasis added.]

99. Liquidity also provided guidance for fiscal year 2014 and the first quarter of fiscal year 2014. The Company expected GMV for fiscal year 2014 to range from \$1.0 billion to \$1.075 billion and for the first quarter of fiscal year 2014 to range from \$200 million to \$225 million. Adjusted EBITDA was expected to range from \$100 million to \$108 million for fiscal year 2014 and \$14 million to \$17 million for the first quarter of fiscal year 2014. Adjusted Diluted EPS was expected to range from \$1.60 to \$1.76 per share for fiscal year 2014 and \$0.20 to \$0.24 for the first quarter of fiscal year 2014.

100. Also on November 21, 2013, the Company hosted a conference call to discuss its earnings. Therein, Defendants made the following statements concerning the Company’s growth initiative, the Company’s profitability and operating condition, and future prospects:

During Q4, Liquidity Services reported results in line with our guidance range while also funding major investments in support of our long-term growth strategy. Growth during the quarter was driven by the expansion of our services with retail supply chain clients and strong growth in our public sector business, highlighted by 33% growth in our GovDeals marketplace. *Both our retail supply chain and capital assets businesses grew sequentially during a seasonally low quarter for the company, and we*

continue to make progress with our integration of GoIndustry to deliver profitable growth going forward.

* * *

We remain focused on achieving our long-term target of \$2 billion in annual GMV and believe this will require a four- to five-year timeframe in the absence of material acquisitions. *In the near term, our outlook for the next quarter reflects a change in the mix of property being referred to us under our DoD Surplus Contract to lower value property which is more expensive to store, track, and manage relative to recent years under the program.*

* * *

We also saw significant sequential growth in our commercial capital assets marketplaces, primarily as a result of new programs from our GoIndustry global platform. We have completed the restructuring of the GoIndustry organization and are entering the second phase of the integration process during fiscal 2014, which is investing for growth. We will be combining the best attributes of the LSI technology platform with that of the GoIndustry technology platform while we continue to invest in the sales and marketing team to drive long-term growth.

* * *

GMV in our DoD Scrap marketplace increased to \$17 million, or 4.7%, for the fourth quarter and decreased to \$68.2 million, or 10.9%, for the year as a result of decreasing property flow from the DoD and a decrease in commodity prices. *As sales of DoD scrap have become less material, fluctuations in commodity prices are not materially affecting our financial performance.*

* * *

So, first, let me address the near term outlook as noted in my comments. There is a larger proportion of the property flow under the DoD surplus program that is lower value, more expensive to handle property, in effect a large amount of things like fasteners, springs, nuts and bolts and individual envelopes or plastic sleeves, which all need to be jointly inventoried and individually screened. *And I think this reflects the nature of the program changing to affect the DLA's overall missions around purging safety stock and the like. And that's I think a structural change that is likely to maintain itself through the year.*

* * *

The first one had to do with the lower first-quarter guidance due to changes in supply or mix under our DoD Surplus Contract. So, we have, as you know, been managing that contract for almost 13 years now. And during that period, we've had times where there has been pretty flow that is just lower value mix, as Bill indicated during his comments. So this property flow is a lot of smaller type items. Each of those items require us to be touched and dealt with under our compliance part of the contract and, again, is a lower value. So when you aggregate those products together, we are anticipating less revenue and margin from that business during the next quarter. That will continue to go through part of the year as well.

* * *

Again, actually in Bill's comments, and I made a little bit in mine as well, that *we are seeing a reduction in the gross profit of [the Department of Defense] business right now simply just because of product mix. So I have assumed a lower gross profit in that business in the guidance, frankly, from product mix at this point.* I would have no way to estimate any new contractual commitments because, again, that process is suspended. So, I haven't attempted to make a guess, to be frank.

* * *

So, the nature of these engagements in some cases are multiple quarters of rollout. *We've had some come online and the ramp has been more back-end loaded for this quarter. But we are seeing progress. We are excited by some new wins with the manufacturer side of the supply chain wanting more control over their brands in the secondary marketplace and asking us to be a partner in bringing consolidation and best practices to that. So, that I think will power potential upside as we get through the end of this quarter into next year.*

[Emphasis added.]

101. The statements outlined and discussed in ¶¶97-100 were false and misleading because Defendants misrepresented and omitted material information concerning Liquidity's present and future profitability and the Company's organic and wholesale growth potential. Further, Defendants also misrepresented and failed to fully disclose Liquidity's lack of progress

and performance in the Company's growth initiative and international markets. Defendants also misrepresented and failed to disclose the seriousness of competition in the industry and the effect it could have on the Company's short-term and long-term financial results and growth potential. Lastly, Defendants misrepresented or omitted material information concerning the long-term adverse effect of its declining DoD business because of changing product mix and the inability of its commercial and municipal business segments to offset those losses.

102. On this news, the Company's stock fell \$4.87 per share to \$21.13 per share from its previous close of \$26.00 per share on November 20, 2013.

103. The Company's stock price declined because of these underwhelming results, fiscal year 2014 guidance below analysts' estimates, and Liquidity's failure to meet EPS estimates of \$0.45 per share. Despite these negative results, Defendants maintained that the Company enhanced its positions across multiple business segments and that Liquidity's future was indeed bright.

I. The Company Is Awarded a DoD Follow-On Contract and Posts Better than Expected First Quarter 2014 Results

104. On January 20, 2014, Liquidity issued a press release announcing that the Company was awarded a follow-on contract with Defense Logistics Agency ("DLA") to extend the terms of its Surplus Contract for the disposition of usable surplus property from the DoD. Under the terms of the follow-on contract, which commences on February 14, 2014, Liquidity's performance has been extended by a base term of 10 months with two one-month additional options periods.

105. On this news, the Company's stock rose from its January 17, 2014, closing price of \$21.58 per share to \$23.71 per share at closing on January 22, 2014.

106. On February 7, 2014, Liquidity announced its financial results for the first quarter of fiscal year 2014 and filed its Form 10-Q with the SEC. The Company reported revenue for the first quarter of \$121.9 million, which was consistent with prior year's comparable period. Adjusted EBITDA for the quarter was \$20.0 million, a decrease of approximately 17% from the prior year's comparable period. GMV for the quarter was \$234.4 million, consistent with prior year's comparable period. The Company's Adjusted Diluted EPS was \$0.32 per share, down 22% from the prior year's comparable period.

107. In connection with the release of the Company's financial results, Mr. Angrick stated the following: "Liquidity Services generated better than expected financial results in Q1-FY14 driven by strong topline performance in our retail supply chain and municipal government businesses. Our retail supply chain business saw sequential growth in GMV as we helped more OEM and retail clients create strategic value in the secondary market for consumer goods through our marketplace channels and service offering. *These results were partially offset by a sharp decline in our DoD Surplus business due to changing property mix which has impacted margins.* During the quarter, we continued to expand our GovDeals municipal government business in both the U.S. and Canada driven by agencies' desire for more transparency, convenience and value in the sale of surplus assets. We also continued to invest in extending our technology platform, buyer liquidity and marketplace data with existing and new clients to unlock new opportunities during the quarter as our clients seek greater strategic value from the reverse supply chain. *We believe our continued investment in innovation and strong client service positions us well to drive long term shareholder value.*" [Emphasis added.]

108. Additionally, Mr. Angrick made the following statements concerning the follow-on contract with the DoD: "As previously announced, we are pleased to continue to provide

services to the U.S. Department of Defense (DoD) following the recent award of a sole source follow-on contract that extends the performance period of our Surplus contract by a base term of 10 months with two one-month option periods, resulting in a February 2015 expiry assuming the exercise of all options. ***The mix of property under the DoD Surplus contract has shifted to a higher volume of lower value, smaller size items, requiring us to rent more space, incur higher transportation and handling costs, and increase our staff size. We continue to provide a high level of service to our DoD client and plan to participate in the RFP process which is scheduled to conclude in April based on the DoD’s current schedule.*** [Emphasis added.]

109. Liquidity also affirmed its full year fiscal 2014 guidance and offered its guidance for the second fiscal quarter of 2014. For the second quarter of fiscal year 2014, the Company expected GMV to range from \$220 million to \$240 million; Adjusted EBITDA to range from \$20 million to \$23 million; and Adjusted Diluted EPS to range from \$0.33 to \$0.37 per share.

110. Also on February 7, 2014, the Company hosted a conference call to discuss its earnings release. Therein, Defendants made the following statements concerning the Company’s growth initiative, the Company’s profitability and operating condition, and future prospects:

Liquidity generated better-than-expected financial results in Q1, driven by strong top-line performance in our retail supply chain and municipal government businesses, which both generated organic growth of over 20% during the quarter.

* * *

These strong results were partially offset by a sharp decline in our DOD surplus business due to changing property mix, which has reduced growth and margins in this area of our business.

* * *

GMV in our commercial marketplaces decreased to \$145.6 million or 4.5%, principally as a result of a decrease in our GoIndustry marketplace, as this quarter reflects the first quarter with all restructuring activities complete. However, we made

significant progress in our retail vertical, resulting in over 20% growth, driven by new programs from existing clients.

* * *

Let me just first comment that *we have observed a trend in the DOD business that has reduced the top and bottom line in that business*. Second, there is significant seasonality in certain parts of our business. Certainly, our municipal government business is soft in the March quarter.

Second, *many verticals in our capital assets client sectors are very slow this time of year, particularly energy and transportation. Those are major drivers to the March-quarter guidance*.

* * *

Yes, Colin I'd also add – as you know, the March quarter is a big quarter for retail; but it's not going to offset everything going on with the federal business, as well as the capital assets that Bill indicated. *As far as upside to the year, we had a decent range in there for the year. We feel comfortable still with that range*.

We had a nice quarter this quarter. *And at this point in time, we are just – we're comfortable with those numbers*.

* * *

Well, let's be clear. *We have seen a deceleration in the DOD business, as Bill indicated. We've been seeing that for a couple of quarters now, as we have discussed*.

But all that was built into our full-year guidance when we originally gave that at the end of the fiscal year. So there's been no new information, if you would, since then, Colin.

* * *

So forecast is driven by individual programs, individual client wins that we're planning to roll out during the course of the year. I know that there's been a concerted effort to invest in our sales organization, our branding program, to drive awareness of our services; and that has led to a robust commercial pipeline, Jason.

And when you look at the type of business that we are signing, it's very impressive from our point of view—both relative to the

competition and relative to change in the behavior of some of the large Fortune 1000s that we call on.

* * *

Sure. *I think from the DoD perspective, perhaps some tapering off on the GMV side. We expect softness on margins.* Clearly more costs associated with the property that's being processed in that arena.

The pipeline, the nature of the programs, the visibility around those programs is giving the Company strong conviction it's to the range that we have, and in the fact that range should be unchanged during the full year.

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We've had robust growth, both in the December quarter, and we see that continuing on the commercial side and the opposite on the DOD surplus side.

* * *

So when you look at GoIndustry, as you know, we have spent the last 18 months, really – I'm not counting this quarter – restructuring that business, which was completed the last fiscal year. *We came out with a fresh quarter here in the beginning of fiscal year 2014. We are very please with what's going on in that business.*

So we would expect that business to be a run rate of around \$130 million to \$140 million, which in line with what we told people we'd do, and then *we would expect it to grow from there, with the addition of a lot of these new client wins that Bill discussed earlier.*

[Emphasis added.]

111. The statements outlined and discussed in ¶¶ 106-110 were false and misleading because they misrepresented and omitted material information concerning Liquidity's financial and operational condition, its lack of progress and performance in the Company's growth initiative and international markets, and the long-term adverse effect of its declining DoD

business because of changing product mix and the inability of its commercial and municipal business segments to offset those losses.

112. On this news, the Company's stock closed at \$24.07 per share on February 7, 2014, up \$2.78 per share from its previous close of \$21.29 per share on February 6, 2014. In the weeks that followed, Liquidity's stock would continue to tick higher closing at \$26.01 on March 31, 2014.

J. The Company Withdraws From Bidding on the Rolling-Stock DoD Contract

113. On April 1, 2014, it was announced that Liquidity was the apparent high bidder for the DoD non-rolling surplus contract with a term of two years followed by four one-year renewal options. The Company's bid was equivalent to 4.35% of the DoD's original acquisition value, which represents an increase of 142% over the current rate 1.8% paid on the original acquisition value. This bid was significantly higher than expected and caused the Company's stock to fall from a close of \$26.05 per share on March 31, 2014, to \$20.86 per share on April 2, 2014.

114. On April 3, 2014, Liquidity issued a press release announcing that it withdrew from the live auction bidding for the rolling stock contract. The Company represented that the bidding reached a level, where it would be economically unsustainable under a new contract. The Company further explained that while the higher cost of the non-rolling surplus contract and the loss of the rolling stock contract would significantly affect the Company's financial results in 2015, Liquidity's financial results for fiscal year 2014 would be unaffected. This result runs contrary to Defendants' repeated statements regarding the Company's competitive advantage, trust with existing clients and lack of serious competition in the industry.

115. On this news, Liquidity's stock price fell further from a close \$20.86 per share on April 2, 2014 down to \$18.36 per share on April 3, 2014.

K. The Truth Is Revealed: The Company Substantially Misses Its Financial Targets And Scales Back Guidance For Fiscal Year 2014

116. On May 7, 2014, Liquidity issued a press release and on May 8, 2014, filed its Form 10-Q with the SEC announcing its second quarter fiscal year 2014 earnings. The Company reported revenue of \$128.3 million for the quarter, a decrease of 1.5% from the prior year's comparable period. Adjusted EBITDA was \$16.7 million for quarter, a major decline of 43% from the prior year's comparable period. Liquidity's GMV was \$227.2 million, a decrease of 12% from the prior year's comparable period. Adjusted Diluted EPS was \$0.26 Adjusted Diluted EPS, which was down approximately 46% from the prior year's comparable period.

117. In connection with the release of the Company's financial results, Mr. Angrick made the following statements: "While GMV was within our expected results, *our Adjusted EBITDA and Adjusted EPS were lower than expected due to mix changes in our DoD surplus and retail businesses and delayed capital asset projects in both the U.S. and Europe. We also experienced unusual softness in our energy vertical due to an industry wide decline in line pipe and related equipment.* In addition, we continued to invest aggressively to integrate our marketplaces and global operations and develop new capabilities to achieve our long term goal of a diversified, multi-billion dollar commercial business that enables sellers and buyers of all sizes to easily manage, evaluate and monetize assets in the \$150 billion reverse supply chain based on their industry, location and channel preferences. At scale, Liquidity Services will provide shareholders with multiple high margin revenue streams that leverage our investments in game changing technology and global operations. *To achieve our future vision, we are undergoing a multi-year transformation of our business from independent marketplaces to an*

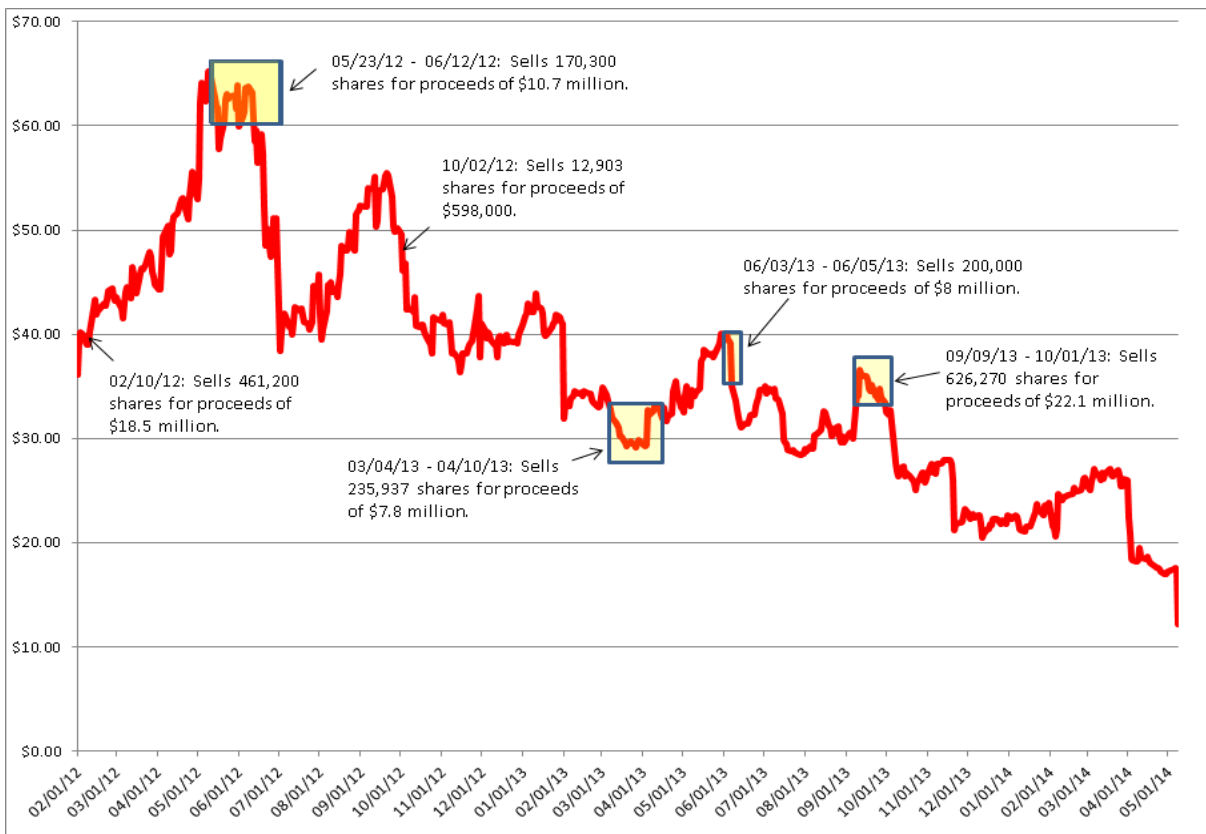
integrated global business and marketplace platform with a singular and superior user experience. As we execute our transformation plan and manage the multi-year transition of our DoD surplus contract, consolidated results will be less reflective of our progress. Therefore, investors should evaluate our progress based on our ability to grow the GMV and revenue of our commercial and municipal government business going forward.” [Emphasis added.]

118. As a result of these struggles, Liquidity was forced to substantially revise its forecast for the full fiscal year 2014. The Company reduced its GMV forecast for fiscal year 2014 to a range from \$930 million to \$975 million, down from its previous guidance of \$1.0 billion to \$1.075 billion. Liquidity was now expecting Adjusted EBITDA for fiscal year 2014 to range from \$70 million to \$80 million, down from its previous guidance of \$100 million to \$108 million. Adjusted Diluted EPS was revised for fiscal year 2014 to range from \$1.10 to \$1.27 from its previous guidance of \$1.60 to \$1.76. Plainly, Defendants greatly overstated the Company’s growth potential and its ability to generate new business.

119. On this news, Liquidity’s stock price plummeted 29.6% to close at \$12.17 per share on May 8, 2014, down from a closing price of \$17.31 per share on May 7, 2014. Defendant Angrick sold shares between June 3, 2013 and October 2, 2013, at prices ranging from as high as \$40.13 per share to as low as \$32.51 per share. All trades were made with the Company’s stock artificially inflated by the false and misleading statements issued by Defendants.

120. The chart below illustrates Defendant Angrick’s insider sales throughout the Class Period and how those sales repeatedly occurred prior to negative information being released to

the invest investing public. In total. Angick sold 1,706,610 shares during the Class Period for



proceeds of over \$67.8 million, none of which were pursuant to the any 10b-5 sales plan.

VI. UNDISCLOSED ADVERSE INFORMATION

121. At all relevant times, the market for Liquidity securities was open, well-developed and efficient. As a result of the materially false and misleading statements and failures to disclose described herein, Liquidity securities traded at artificially inflated prices during the Class Period. Plaintiff and the other members of the Class purchased or otherwise acquired Liquidity's securities relying upon the integrity of the market price of Liquidity's securities and market information related to Liquidity, and have been damaged thereby. If not for the materially misleading misrepresentations and omissions operating on the market, Liquidity's prevailing public stock price would have been substantially lower at all relevant times.

122. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Liquidity's securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Such statements and omissions were materially false and misleading in that they failed to disclose material, adverse, non-public information and misrepresented the truth about the Company, its business and operations, as alleged herein.

123. At all relevant times, the material misrepresentations and omissions particularized herein directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and the other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and misleading statements about the progress of the Company's growth initiative, the future prospects of the Company, the Company's ability to generate and maintain organic growth, the financial and operating condition of the Company and its declining DoD business and the Company's failure to offset those losses with gains in its business commercial and state and local government segments. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Liquidity and its business, prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

VII. NO SAFE HARBOR

124. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded herein. Furthermore, many of the statements pleaded herein were not identified as "forward-looking

statements” when made, or indicated that actual results “could differ materially from those projected.” Nor were there any meaningful cautionary statements identifying important factors that could cause actual results to differ materially from the statements made therein.

125. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Liquidity who knew that those statements were false when made.

VIII. SCIENTER ALLEGATIONS

126. As alleged herein, the Individual Defendants acted with scienter in that the Individual Defendants knew that the public documents and statements issued or disseminated in the name of the Company during the Class Period were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

127. The Individual Defendants permitted the Company to release these false and misleading statements and failed to file the necessary corrective disclosures to artificially inflate the value of the Company’s stock. Defendant Angrick used his inside knowledge and sold 1,706,610 shares to receive a windfall of \$67.8 million.

128. As set forth herein, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding Liquidity, their control over, receipt and/or modification of Liquidity’s allegedly materially misleading statements and omissions, and/or

their positions with the Company which made them privy to confidential information concerning Liquidity, participated in the fraudulent scheme alleged herein.

129. The ongoing fraudulent scheme described herein could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

IX. LOSS CAUSATION

130. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Liquidity's securities and operated as a fraud or deceit on Class Period purchasers of Liquidity's securities by failing to disclose to investors that the Company's financial results were materially misleading and misrepresented material information. When defendants' misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of Liquidity's securities fell precipitously as the prior inflation came out of the Company's stock price. As a result of their purchases of Liquidity's securities during the Class Period, Plaintiff and the other Class members suffered economic loss, i.e. damages, under the federal securities laws.

131. Because Defendants failed to disclose material facts concerning the Company's growth initiative, current and future profitability, and its difficulties in offsetting losses from its declining DoD business, investors were not aware of the true state of the Company's financial status. Therefore, Defendants presented a misleading picture of Liquidity's business and prospects. Defendant Angrick profited from this misleading picture by selling 1,706,610 shares at inflated prices for a return of over \$67.8 million. Thus, instead of truthfully disclosing during the Class Period the true state of the Company's business, defendants caused Liquidity to misrepresent and conceal the truth.

132. Defendants' false and misleading statements caused Liquidity's common stock to trade at artificially inflated levels throughout the Class Period. However, as a direct result of the Company's problems coming to light, Liquidity's common stock price fell precipitously from its Class Period high. The stock price drop discussed herein caused real economic loss to investors who purchased the Company's securities during the Class Period.

133. The decline in the price of Liquidity's common stock after the truth came to light was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Liquidity's stock price decline negates any inference that the loss suffered by Plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss suffered by Plaintiff and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the price of Liquidity's securities and the subsequent decline in the value of Liquidity's securities when defendants' prior misrepresentations and other fraudulent conduct were revealed.

**X. APPLICATION OF PRESUMPTION
OF RELIANCE:FRAUD ON THE MARKET**

134. Plaintiff will rely upon the presumption of reliance established by the fraud on the market doctrine in that, among other things:

- a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- b) The omissions and misrepresentations were material;
- c) The Company's stock traded in an efficient market;
- d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's stock; and

- e) Plaintiff and other members of the Class purchased the Company's common stock between the time Defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

135. At all relevant times, the market for Liquidity common stock was efficient for the following reasons, among others:

- f) As a regulated issuer, Liquidity filed periodic public reports with the SEC;
- g) Liquidity regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts, and other similar reporting services;
- h) Several hundreds of thousands of shares of Liquidity shares were traded on a weekly basis, demonstrating a strong presumption of an efficient market.
- i) Liquidity was followed by numerous analysts that issued reports about the Company.
- j) New company specific information was rapidly reflected in the Company's stock price.
- k) Dozens of market makers made a market in the Company's stock.

COUNT I

FOR VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 PROMULGATED THERE UNDER AGAINST DEFENDANTS

136. Plaintiff incorporates the above allegations as if fully set forth herein.

137. During the Class Period, Defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

138. Defendants violated § 10(b) of the Exchange Act and Rule 10b-5 in that they: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts

or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Liquidity common stock during the Class Period.

139. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Liquidity common stock. Plaintiff and the Class would not have purchased Liquidity common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

COUNT II

FOR VIOLATIONS OF SECTION 20(A) OF THE EXCHANGE ACT AGAINST THE INDIVIDUAL DEFENDANTS

140. Plaintiff incorporates the above allegations as if fully set forth herein.

141. The Individual Defendants acted as controlling persons of Liquidity within the meaning of §20(a) of the Exchange Act. By reason of their positions with the Company, and their ownership of Liquidity common stock, the Individual Defendants had the power and authority to cause Liquidity to engage in the wrongful conduct complained of herein. Liquidity controlled by the Individual Defendants and all of the Company's employees. By reason of such conduct, Individual Defendants are liable pursuant to §20(a) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- 1) Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiffs counsel as Lead Counsel;

- m) Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- n) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- o) Such other and further relief as the Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

DATED: July 10, 2014