

## Report of Independent Certified Public Accountants

Audit - Tax - Advisory

Grant Thornton LLP  
211 N Robinson, Suite 1200N  
Oklahoma City, OK 73102-7148

T 405.218.2800

F 405.218.2801

[www.GrantThornton.com](http://www.GrantThornton.com)

### Management QuiBids Holdings LLC

We have examined management's assertions, included in QuiBids Holdings LLC ("QuiBids") accompanying "Report of Management on QuiBids® Online Entertainment Retail Auctions" ("Management's Report"). Management asserts the following as of July 31, 2012, based on the criteria contained in Attachment A of Management's Report:

- QuiBids maintains effective controls to provide reasonable assurance that bids are placed by bona fide users and does not manipulate the bidding process to inflate the bid price or affect who wins the auction (i.e., no use of bots, shill bidding, or bidding by employees).
- QuiBids maintains effective controls to provide reasonable assurance that winning auctions and "Buy Now" orders are fulfilled (i.e., shipped).
- QuiBids maintains effective controls to provide reasonable assurance that customers are provided with the "Buy Now" option for at least two hours after the conclusion of each auction, allowing customers to purchase the item with a discount based upon the real bids they used in the auction for that item.
- QuiBids maintains effective controls to provide reasonable assurance that the Online Entertainment Retail Auctions website displays to customers through the "check-out" page the only charges they will incur, which are for bids, products, shipping and handling, and applicable taxes.
- QuiBids maintains effective controls to provide reasonable assurance that customers are informed that QuiBids will not request customer password information other than during the registration, login, and password change processes.
- QuiBids maintains effective controls to provide reasonable assurance that the confidentiality of a customer's data is protected.
- QuiBids maintains effective controls to provide reasonable assurance that bids are processed in the order received (i.e., "first in first out") without the element of chance.

QuiBids' management is responsible for these assertions, including the completeness, accuracy, and method of presentation of the assertions; operating the Online Entertainment Retail Auctions; stating the criteria; and designing, implementing and effectively operating the



controls to achieve the stated criteria supporting management's assertions. Our responsibility is to express an opinion on these management assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertions and performing other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of their inherent limitations, the controls referred to above may not always operate effectively to achieve the specified criteria. Also, the projection of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate or fail. Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion are those described in Attachment A of Management's Report.

In our opinion, management's assertions referred to above are fairly stated, in all material respects, based on such criteria.

We do not express an opinion or any other form of assurance on Attachment B, "Description of the QuiBids® Online Entertainment Retail Auctions Environment."

This report is intended only for customers of QuiBids® Online Entertainment Retail Auctions who have a sufficient understanding to consider it, along with the criteria specified by management in Attachment A and other information obtained relevant to such website.

*Grant Thornton LLP*

Oklahoma City, Oklahoma  
September 12, 2012



## Report of Management on QuiBids® Online Entertainment Retail Auctions

QuiBids Holdings LLC (“QuiBids”) management is responsible for operating the Online Entertainment Retail Auction website, QuiBids.com and has assessed its controls over the Online Entertainment Retail Auction website. Based upon this assessment and the criteria contained in Attachment A, management has determined that as of July 31, 2012:

- QuiBids maintains effective controls to provide reasonable assurance that bids are placed by bona fide users and does not manipulate the bidding process to inflate the bid price or affect who wins the auction (i.e., no use of bots, shill bidding, or bidding by employees).
- QuiBids maintains effective controls to provide reasonable assurance that winning auctions and “Buy Now” orders are fulfilled (i.e., shipped).
- QuiBids maintains effective controls to provide reasonable assurance that customers are provided with the “Buy Now” option for at least two hours after the conclusion of each auction, allowing customers to purchase the item with a discount based upon the real bids they used in the auction for that item.
- QuiBids maintains effective controls to provide reasonable assurance that the Online Entertainment Retail Auctions website displays to customers through the “check-out” page the only charges they will incur, which are for bids, products, shipping and handling, and applicable taxes.
- QuiBids maintains effective controls to provide reasonable assurance that customers are informed that QuiBids will not request customer password information other than during the registration, login, and password change processes.
- QuiBids maintains effective controls to provide reasonable assurance that the confidentiality of a customer’s data is protected.
- QuiBids maintains effective controls to provide reasonable assurance that bids are processed in the order received (i.e., “first in first out”) without the element of chance.

Because of inherent limitations in any control, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even effective controls can provide only reasonable assurance with respect to the achievement of any objectives of controls. Further, because of changes in conditions, the effectiveness of controls may vary over time.

Refer also to Attachment B (“Description of the QuiBids® Online Entertainment Auctions Environment”) which summarizes those aspects of the QuiBids Online Entertainment Retail Auction website operating environment and company organization supporting our assertions.

CEO  
QuiBids Holdings LLC



## Attachment A – Management’s Criteria

For each assertion, QuiBids management has defined specific criteria indicating how QuiBids meets the assertions. These criteria are listed below:

### **Assertion #1**

QuiBids maintains effective controls to provide reasonable assurance that bids are placed by bona fide users and does not manipulate the bidding process to inflate the bid price or affect who wins the auction (i.e., no use of bots, shill bidding, or bidding by employees).

#### *Criteria*

1. Standard policies have been developed and implemented regarding employee conduct, awareness and responsibilities associated with bidding.
2. Procedures have been developed and are operating to restrict employees and non-registered users from bidding, in accordance with disclosed business practices.
3. Procedures have been developed and are operating to monitor the authenticity of bidding activity.
4. Procedures have been developed and are operating to investigate unusual bidding activities and take appropriate action when necessary.
5. Policies have been developed and disclosed to registered users regarding authenticity of user bids placed on auctions.

### **Assertion #2**

QuiBids maintains effective controls to provide reasonable assurance that winning auctions and “Buy Now” orders are fulfilled (i.e., shipped).

#### *Criteria*

1. Policies have been developed and disclosed to registered users regarding the shipment of items won via auction or “Buy Now” orders.
2. Policies have been developed and implemented that define employee responsibilities for the shipment of winning auctions or “Buy Now” orders.
3. Procedures have been developed and are operating to monitor winning auctions and “Buy Now” orders and to ship the items once payment has been verified.
4. Procedures have been developed and are operating to confirm items won via auction and “Buy Now” orders are shipped in accordance with the Company’s disclosed business practices.
5. Procedures have been developed and are operating to investigate and resolve customer complaints/issues that arise related to the shipment of items won via auction or “Buy Now” orders.



### **Assertion #3**

QuiBids maintains effective controls to provide reasonable assurance that customers are provided with the “Buy Now” option for at least two hours after the conclusion of each auction, allowing customers to purchase the item with a discount based upon the real bids they used in the auction for that item.

#### ***Criteria***

1. Policies have been developed and disclosed to registered users regarding the “Buy Now” process.
2. Policy has been implemented limiting the removal of the default “Buy Now” feature to only April Fools auctions (free promotional auctions that do not deduct bids from customer accounts).
3. Procedures have been developed and are operating to ensure the “Buy Now” feature is enabled for at least two hours on every auction (excluding April Fools auctions).

### **Assertion #4**

QuiBids maintains effective controls to provide reasonable assurance that the Online Entertainment Retail Auctions website displays to customers through the “check-out” page the only charges they will incur, which are for bids, products, shipping and handling, and applicable taxes.

#### ***Criteria***

1. Policies have been developed and disclosed to registered users regarding costs to be incurred.
2. Policies have been developed that define QuiBids’ responsibilities regarding charges to customers and specifies that no funds will be collected other than those noted above.
3. Procedures exist to communicate all charges to customers at the time of purchase and via confirmation e-mail upon purchase.

### **Assertion #5**

QuiBids maintains effective controls to provide reasonable assurance that customers are informed that QuiBids will not request customer password information other than during the registration, login, and password change processes.

#### ***Criteria***

1. Policies have been developed that define QuiBids’ responsibilities regarding informing customers that QuiBids will not request password information.
2. Procedures have been developed to disclose to registered users that QuiBids will not request password information via email.
3. The email template for communications with customers includes notification informing customers that QuiBids will never reach out to them requesting password information.



**Assertion #6**

QuiBids maintains effective controls to provide reasonable assurance that the confidentiality of a customer's data is protected.

***Criteria***

1. Policies have been developed and disclosed to registered users regarding the protection of a customer's data.
2. Policies have been developed that define employee responsibilities regarding the protection and handling of customer data
3. Information security procedures have been implemented in layers to protect customer data.
4. Procedures have been implemented to maintain compliance with the confidentiality policies.

**Assertion #7**

QuiBids maintains effective controls to provide reasonable assurance that bids are processed in the order received (i.e., "first in first out") without the element of chance.

***Criteria***

1. Policies have been developed that prohibit introducing program functionality that could impact the integrity of the bid and that each bid is processed in the order it was received at the QuiBids server farm.
2. Automated processes exist to assign each bid received a unique and sequential identification number and time stamp.
3. Automated systems exist to provide transparency into the bidding process and displaying the bidding queue to customers.
4. Automated procedures exist to process each bid in the order received.



## Attachment B – Description of the QuiBids® Online Entertainment Retail Auctions Environment

### Summary

QuiBids.com is an Online Entertainment Retail Auction website in that customers have the ability to bid on popular name brand products in an effort to win a great deal, and if they do not win, the customers can use the “Buy Now” feature to apply the value of their bids used on an auction towards the value price (retail price) of that auction item, essentially making QuiBids a retail model with an auction spin. QuiBids is the first major company of its industry that offered the “Buy Now” feature on every auction on its site, and this feature is one of the main reasons QuiBids is the industry leader.

### The Company

QuiBids, based in Oklahoma City, Oklahoma, was formed in August of 2009 with the purpose to make shopping more fun. The starting group of six employees launched QuiBids.com on October 23, 2009, and since then the Company has grown to a staff of more than 150 employees. QuiBids has netted many accolades, including being the 3rd Best Place to Work in Oklahoma for middle market companies, a 2011 American Business Awards® finalist in the category of “New Company of the Year”, a finalist for the Red Herring Top 100 Most Innovative Companies in North America, and Best In Class for the “Auction” category and Outstanding Achievement for both the “E-Commerce” and “Entertainment” categories by the Interactive Media Awards™. QuiBids is an Accredited Business with the Better Business Bureau. As of the date of this report, QuiBids has shipped millions of products to customers in the United States.

### Getting Started on QuiBids.com

To participate on QuiBids.com, customers need to first register on the site and then purchase an initial bid pack of 100 bids for \$60. Each bid effectively costs \$0.60 and is fully refundable until used. The Company has provided an information portal called QuiBids 101 along with a detailed Frequently Asked Questions section to help new customers learn about how the site works, and also, helpful pop-ups will appear while new customers participate on QuiBids.com to guide customers towards a successful experience.

### Bidding

After registering and purchasing bids, customers can select from a wide range of auctions on which to bid, as QuiBids.com offers hundreds of unique products every day. Once an auction is selected, the customer can simply click the “Bid” button to place a bid. When a bid is placed, a bid is deducted from the customer’s account, the auction price of the item goes up by a specific cent increment like a penny, and the timer resets to either 10, 15, or 20 seconds, depending on the number of bids already placed in the auction. When the timer reaches zero, the last bidder wins the right to purchase the item at the auction price, which is usually a substantial discount.

### “Buy Now” Feature

Every bid from bid pack purchases placed on an auction reduces the price at which a customer can purchase the auction item, regardless of whether that particular customer wins the auction. For example, if a customer places all 100 bids from his or her initial bid pack on a \$100 gift card auction and does not win, for two hours after the close of the auction the customer can purchase the \$100 gift card for \$40 (\$100 gift card less a \$60 bid rebate equals a \$40 price).



### **Other Features**

QuiBids has a wide variety of additional features to improve the customer experience, including:

- QBar™ - A quick access bar at the bottom of the page with easy access to major features on the site, such as purchasing bids, account information and customer support.
- Beginner Auctions - These auctions are only available for customers that have not won an auction.
- Win Limits - Customers are limited to a certain number and type of auction wins over a given time period to ensure that all customers have the opportunity to win on QuiBids.
- Badges - Customers are rewarded for their actions on QuiBids.
- Live Chat, Email, Phone - QuiBids' customer support department offers multiple ways for customers to contact QuiBids.

### **Company Organization, Policies and Procedures**

The organizational structure of QuiBids is designed to effectively take care of the customers of QuiBids and grow the business. Roles and responsibilities between QuiBids fifteen departments are defined and segregated as needed to promote adequate internal controls. QuiBids has developed and implemented a system of formal policies and procedures throughout the company, including the human resources, technology, and accounting departments.