

**Report of independent certified public accountants  
including Management's Report**

**QuiBids Holdings LLC**

**July 18, 2011**



## Report of Independent Certified Public Accountants

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### Management QuiBids Holdings LLC

We have examined management's assertions, included in the accompanying "Report of Management on QuiBids® Online Entertainment Retail Auctions", that, based on the criteria contained in Attachment A to that report, QuiBids Holdings LLC's ("QuiBids") controls surrounding its Online Entertainment Retail Auctions provide reasonable assurance, as of July 18, 2011, that bids on auctions are placed by bona fide users, that QuiBids does not manipulate the bidding process to inflate the bid price or affect who wins the auctions, and that winning auctions and "Buy Now" orders are fulfilled (i.e. shipped). QuiBids' management is responsible for these assertions. Our responsibility is to express an opinion on these 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 prevent, or detect and correct noncompliance with the specified criteria. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertions referred to above are fairly stated, in all material respects, based on the criteria specified by management in Attachment A to the accompanying "Report of Management on QuiBids® Online Entertainment Retail Auctions."

*Grant Thornton LLP*

Oklahoma City, Oklahoma  
August 10, 2011



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

QuiBids Holdings LLC (“QuiBids”) is responsible for operating the Online Entertainment Retail Auction website, QuiBids.com. With regard to our responsibility for operating the Online Entertainment Retail Auction website, management of QuiBids believes that as of July 18, 2011:

- 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 (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).

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.

QuiBids has assessed its controls over the Online Entertainment Retail Auction website. Based upon this assessment, QuiBids determined that, as of July 18, 2011, its controls related to the Online Entertainment Retail Auctions website were effective in providing reasonable assurance that the criteria contained in Attachment A supporting the assertions above were achieved.

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 (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.



## 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 only major company of its industry that has offered the “Buy Now” feature on every auction ever run 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 120 employees. Within a year and a half of operations, QuiBids had netted many accolades, including being the 4th 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, and QuiBids plans to launch international operations during 2011.

### 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 more than 1,000 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 how long the auction has already been in the final seconds. 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.
- QLive™ - A map feature on the auction page that shows where bids on the site are happening, when they happen.
- 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.
- Achievements - Such as 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 twelve 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, information technology, and accounting departments.