

**LIQUIDITY SERVICES, INC**  
**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**  
**CHARTER**

**Section – One: Organization**

**1.1 Independence.** This charter governs the operations of the Audit Committee of Liquidity Services, Inc. (“LSI” or “the Company”). The Board of Directors of LSI (the “Board”) shall appoint an Audit Committee (the "Committee") of at least three members, consisting entirely of independent directors of the Board, and shall designate one member as chairperson or delegate the authority to designate a chairperson to the Committee. For purposes hereof, members shall be considered independent as long as they satisfy all of the independence requirements for Board members as set forth in the applicable stock exchange listing standards and Rule 10A-3 of the Securities Exchange Act of 1934 (the “Exchange Act”).

**1.2 Financial Expertise.** Each member of the Committee shall be financially literate, or become financially literate within a reasonable period of time after appointment to the Committee. At least one member of the Committee shall be an "audit committee financial expert," as defined by applicable laws, rules and regulations and the applicable stock exchange listing standards.

**1.3 Member Limitations.** Members shall not serve on more than three public company audit committees simultaneously.

**1.4 Meeting Requirements.** The Committee shall meet at least quarterly. The Committee shall meet separately and periodically with management, the personnel responsible for the internal audit function, and the independent auditor. The Committee shall report regularly to the Board of Directors with respect to its activities.

**Section – Two: Purpose**

**2.1 Oversight Requirements.** The purpose of the Committee shall be to provide assistance to the Board of Directors in fulfilling its oversight responsibility relating to: (i) the preparation and integrity of the Company's financial statements; (ii) the independent auditor's qualifications and independence; (iii) the Company’s internal controls and procedures; and (iv) the performance of the Company's internal audit function and independent auditors.

**2.2 Reporting Requirements.** As applicable, the Audit Committee shall prepare the report that the rules of the Securities and Exchange Commission (“SEC”) require to be included in the Company's annual proxy statement.

**2.3 Use of Outside Experts.** The Committee shall retain, and the Company shall compensate at the direction of the Committee, such outside legal, accounting, or other advisors, as the Committee considers necessary in discharging its oversight role.

**2.4 Communication.** The Committee may request any officer or employee of the Company, the Company's internal or outside legal counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. In addition, the Committee may meet with management, the independent auditor and others in separate private sessions to discuss any matter that the Committee, management, the independent auditor or such other persons believe should be discussed privately, and the Committee shall meet separately with such persons as may be required by applicable laws, the rules and regulations of the SEC or the applicable stock exchange listing standards. The Committee shall have direct access to management, internal staff, the independent auditor, the corporate compliance staff and the Company's internal and outside legal counsel, both at meetings and otherwise.

### **Section – Three: Duties and Responsibilities**

**3.1 Delegation of Duties.** The Board has delegated to the Committee the duties, responsibilities and powers set forth in this Charter. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements, for the appropriateness of the accounting principles and reporting policies that are used by the Company and for implementing and maintaining internal control over financial reporting. The independent auditors are responsible for auditing the Company's financial statements and internal control over financial reporting, and for reviewing the Company's unaudited interim financial statements.

**3.2 Corporate Tone.** The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee will take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

**3.3 Principal Duties.** The following shall be the principal duties and responsibilities of the Committee. The Board may supplement these duties and responsibilities as it deems appropriate.

**3.3.1 Independent Auditors.** The Committee shall be directly responsible for the appointment, compensation, retention, and oversight of the work of the independent auditors (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for LSI, and the independent auditors shall report directly to the Committee.

**3.3.2 Independent Auditors Qualifications.** At least annually, the Committee shall obtain and review a report by the independent auditors describing: (i) the firm's internal quality control procedure; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditors and the Company (to assess the auditors' independence). After reviewing the foregoing report and the independent auditors' work throughout the year, the Committee shall evaluate the auditors' qualifications, performance and independence. Such evaluation should include the review and evaluation of the lead partner of the independent auditors and take into account the opinions of management and the Company's personnel responsible for the internal audit function. The Committee shall determine that the independent audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account as required under the SEC independence rules (the lead audit partner may not serve in such capacity for more than five years).

**3.3.3 Independent Auditors Approval.** The Committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform non-audit services proscribed by law or regulation. The Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

**3.3.4 Audit Scope.** The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and budget or compensation.

**3.3.5 Audit Review Process.** The Committee shall regularly review with the independent auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the independent auditors' activities or access to requested information, and management's response. The Committee should review any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise); any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to the Company.

**3.3.6 Quarterly Review Process.** The Committee shall review and discuss the quarterly financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

**3.3.7 Annual Review Process.** The Committee shall review and discuss the annual audited financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, with management and the independent auditors prior to the filing of the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K). The Committee's review of the financial statements shall include: (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the company's selection or application of accounting principles, and major issues as to the adequacy of the company's internal controls and any specific remedial actions adopted in light of material control deficiencies; (ii) discussions with management and the independent auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments; (iii) consideration of the effect of regulatory accounting initiatives, as well as off-balance sheet structures on the financial statements; (iv) consideration of the judgment of both management and the independent auditors about the quality, not just the acceptability of accounting principles; and (v) the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under professional standards.

**3.3.8 Auditor Committee Report.** The Committee shall receive and review a report from the independent auditors, prior to the filing of the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), on all critical accounting policies and practices of the Company; all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor; and other material written communications between the independent auditors and management.

**3.3.9 Related Party Transactions.** The Committee shall review and approve all related party transactions. The term "related party transaction" as used in this Charter shall have the meaning set forth in Item 402 of Regulation S-K of the Securities Act of 1933.

**3.3.10 Press Releases.** The Committee shall review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

**3.3.11 Internal Controls.** The Committee shall review management's assessment of the effectiveness of internal control over financial reporting as of the end of the most recent fiscal year and the independent auditors' report on management's assessment. The Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management of the Company in connection with its required quarterly

certifications under Section 302 of the Sarbanes-Oxley Act. In addition, the Committee shall discuss with management, the internal auditors, and the independent auditors any significant changes in internal control over financial reporting that are disclosed, or considered for disclosures, in the Company's periodic filings with the SEC. The committee will also review the policies and procedures with respect to officer's expense accounts and perquisites, including use of corporate assets and consider the results of any review of these areas by the internal auditor or the independent auditor.

**3.3.12 Compliance Review.** The Committee shall review the Company's compliance programs with respect to legal and regulatory requirements and the Company's code of conduct to monitor compliance with such programs. The Committee shall conduct or authorize investigations into any matters within the Committee's scope of responsibilities.

**3.3.13 Risk Assessment.** The Committee shall review the Company's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee also shall review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

**3.3.14 Complaint Process.** The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

**3.3.15 Hiring Practices.** The Committee shall set hiring policies for employees or former employees of the independent auditors that meet the SEC regulations and stock exchange listing standards.

**3.3.16 Budget.** The Committee, shall determine the appropriate funding needed by the Committee for payment of: (1) compensation to the independent audit firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company; (2) compensation to any advisers employed by the Committee; and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

**3.3.17 Evaluation.** The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively. The Committee shall review and reassess its performance and the charter at least annually and submit proposed revisions, if any, for the approval of the Board of Directors.

\* \* \* \* \*

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with

generally accepted accounting principles. It is the responsibility of the Corporation's management to prepare consolidated financial statements that are complete and accurate and in accordance with generally accepted accounting principles, and it is the responsibility of the Corporation's independent accounting firm to audit those financial statements. The Committee's responsibility in this regard is one of oversight and review. The Committee does not provide any expert or other special assurance as to such financial statements concerning compliance with laws, regulations or generally accepted accounting principles. The Committee's authority, duties and responsibilities are discharged through evaluating reports given to the Committee, presentations made to the Committee and other significant financial reporting decisions reported to the Committee by management and the independent accounting firm.

\* \* \* \* \*

As adopted by the Board of Directors on January 23, 2006.