

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended June 30, 2017

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-13425



**Ritchie Bros. Auctioneers Incorporated**

(Exact Name of Registrant as Specified in its Charter)

**Canada**

(State or other jurisdiction of incorporation or organization)

**N/A**

(I.R.S. Employer Identification No.)

**9500 Glenlyon Parkway  
Burnaby, British Columbia, Canada**

(Address of Principal Executive Offices)

**V5J 0C6**

(Zip Code)

**(778) 331-5500**

(Registrant's Telephone Number, including Area Code)

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 107,101,433 common shares, without par value, outstanding as of August 4, 2017.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**  
**FORM 10-Q**  
**For the quarter ended June 30, 2017**

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## Cautionary Note Regarding Forward-Looking Statements

The information discussed in this Quarterly Report on Form 10-Q of Ritchie Bros. Auctioneers Incorporated (“Ritchie Bros.”, the “Company”, “we” or “us”) includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”) and Canadian securities laws. These statements are based on our current expectations and estimates about our business and markets, and include, among others, statements relating to:

- our future strategy, objectives, targets, projections, performance, and key enablers;
- our ability to drive shareholder value;
- market opportunities;
- our internet initiatives and the level of participation in our auctions by internet bidders, and the success of IronPlanet, EquipmentOne, and our other online marketplaces;
- our ability to grow our businesses, acquire new customers, enhance our sector reach, drive geographic depth, and scale our operations;
- the impact of our initiatives, services, investments, and acquisitions on us and our customers;
- the acquisition or disposition of properties;
- our ability to integrate our acquisitions;
- our ability to add new business and information solutions, including, among others, our ability to maximize and integrate technology to enhance our existing services and support additional value-added service offerings;
- the supply trend of equipment in the market and the anticipated price environment for late model equipment, as well as the resulting effect on our business and Gross Auction Proceeds (“GAP”) (defined under “Part I, Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q);
- fluctuations in our quarterly revenues and operating performance resulting from the seasonality of our business;
- our compliance with all laws, rules regulations and requirements that affect our business;
- effects of various economic, financial, industry, and market conditions or policies, including the supply and demand for property, equipment, or natural resources;
- the behavior of oil and gas equipment pricing;
- the relative percentage of GAP represented by straight commission or underwritten (guarantee and inventory) contracts, and its impact on revenues and profitability;
- our Revenue Rates (described under “Part I, Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q), the sustainability of those rates, the impact of our commission rate and fee changes, and the seasonality of GAP and revenues;
- our future capital expenditures and returns on those expenditures;
- the proportion of our revenues, operating expenses, and operating income denominated in currencies other than the United States (“U.S.”) dollar or the effect of any currency exchange and interest rate fluctuations on our results of operations;
- the grant and satisfaction of equity awards pursuant to our compensation plans;
- any future declaration and payment of dividends, including the tax treatment of any such dividends;
- financing available to us, our ability to refinance borrowings, and the sufficiency of our working capital to meet our financial needs; and
- our ability to satisfy our present operating requirements and fund future growth through existing working capital and credit facilities.

Forward-looking statements are typically identified by such words as “aim”, “anticipate”, “believe”, “could”, “continue”, “estimate”, “expect”, “intend”, “may”, “ongoing”, “plan”, “potential”, “predict”, “will”, “should”, “would”, “could”, “likely”, “generally”, “future”, “period to period”, “long-term”, or the negative of these terms, and similar expressions intended to identify forward-looking statements. Our forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict.

While we have not described all potential risks related to our business and owning our common shares, the important factors discussed in “Part II, Item 1A: Risk Factors” of this Quarterly Report on Form 10-Q and in “Part I, Item 1A: Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2016, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com), are among those that we consider may affect our performance materially or could cause our actual financial and operational results to differ significantly from our expectations. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly any forward-looking statements, even if our expectations have been affected by new information, future events or other developments. You should consider our forward-looking statements in light of the factors listed or referenced under “Risk Factors” herein and other relevant factors.

**PART I**

**ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS**

**Condensed Consolidated Income Statements**

(Expressed in thousands of United States dollars, except share and per share data)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenues (note 6)	\$ 166,186	\$ 158,805	\$ 290,685	\$ 290,750
Costs of services, excluding depreciation and amortization (note 7)	21,591	19,758	34,404	35,071
	<u>144,595</u>	<u>139,047</u>	<u>256,281</u>	<u>255,679</u>
Selling, general and administrative expenses (note 7)	74,377	73,992	144,952	141,102
Acquisition-related costs (note 7)	22,948	603	31,575	1,800
Depreciation and amortization expenses (note 7)	11,872	10,284	22,210	20,364
Gain on disposition of property, plant and equipment	(308)	(201)	(1,029)	(447)
Impairment loss (note 7)	8,911	-	8,911	-
Foreign exchange loss (gain)	(93)	734	(823)	51
	<u>26,888</u>	<u>53,635</u>	<u>50,485</u>	<u>92,809</u>
Operating income	26,888	53,635	50,485	92,809
Other income (expense):				
Interest income	987	487	1,942	985
Interest expense	(8,620)	(1,060)	(16,753)	(2,423)
Equity income (loss) (note 17)	4	477	(49)	996
Other, net	2,479	269	3,861	967
	<u>(5,150)</u>	<u>173</u>	<u>(10,999)</u>	<u>525</u>
Income before income taxes	21,738	53,808	39,486	93,334
Income tax expense (recovery) (note 8):				
Current	8,675	16,106	16,163	26,115
Deferred	(4,650)	(2,889)	(4,823)	(3,366)
	<u>4,025</u>	<u>13,217</u>	<u>11,340</u>	<u>22,749</u>
Net income	<u>\$ 17,713</u>	<u>\$ 40,591</u>	<u>\$ 28,146</u>	<u>\$ 70,585</u>
Net income attributable to:				
Stockholders	\$ 17,635	\$ 39,710	\$ 28,012	\$ 69,116
Non-controlling interests	78	881	134	1,469
	<u>\$ 17,713</u>	<u>\$ 40,591</u>	<u>\$ 28,146</u>	<u>\$ 70,585</u>
Earnings per share attributable to stockholders (note 9):				
Basic	\$ 0.16	\$ 0.37	\$ 0.26	\$ 0.65
Diluted	<u>\$ 0.16</u>	<u>\$ 0.37</u>	<u>\$ 0.26</u>	<u>\$ 0.65</u>
Weighted average number of shares outstanding (note 9):				
Basic	107,004,902	106,245,307	106,928,672	106,581,294
Diluted	108,238,660	106,979,810	108,014,228	107,069,410

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Comprehensive Income**

(Expressed in thousands of United States dollars)

(Unaudited)

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	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net income	\$ 17,713	\$ 40,591	\$ 28,146	\$ 70,585
Other comprehensive income (loss), net of income tax:				
Foreign currency translation adjustment	9,373	(4,795)	16,813	7,400
Total comprehensive income	<u>\$ 27,086</u>	<u>\$ 35,796</u>	<u>\$ 44,959</u>	<u>\$ 77,985</u>
Total comprehensive income attributable to:				
Stockholders	26,976	34,914	44,789	76,348
Non-controlling interests	110	882	170	1,637
	<u>\$ 27,086</u>	<u>\$ 35,796</u>	<u>\$ 44,959</u>	<u>\$ 77,985</u>

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Balance Sheets**

(Expressed in thousands of United States dollars, except share data)

(Unaudited)

	June 30, 2017	December 31, 2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 254,103	\$ 207,867
Restricted cash	113,391	50,222
Trade and other receivables	135,395	52,979
Inventory (note 12)	28,297	28,491
Advances against auction contracts	11,534	5,621
Prepaid expenses and deposits	14,971	19,005
Assets held for sale (note 13)	245	632
Income taxes receivable	16,576	13,181
	<u>574,512</u>	<u>377,998</u>
Property, plant and equipment (note 14)	524,212	515,030
Equity-accounted investments (note 17)	7,289	7,326
Restricted cash (note 10)	-	500,000
Deferred debt issue costs (note 18)	4,168	6,182
Other non-current assets	7,054	4,027
Intangible assets (note 15)	255,500	72,304
Goodwill (note 16)	667,573	97,537
Deferred tax assets	27,824	19,129
	<u>\$ 2,068,132</u>	<u>\$ 1,599,533</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Auction proceeds payable	\$ 303,712	\$ 98,873
Trade and other payables	127,738	124,694
Income taxes payable	876	5,355
Short-term debt (note 18)	14,110	23,912
Current portion of long-term debt (note 18)	16,618	-
	<u>463,054</u>	<u>252,834</u>
Long-term debt (note 18)	797,695	595,706
Share unit liabilities	1,867	4,243
Other non-current liabilities	16,091	14,583
Deferred tax liabilities	65,170	36,387
	<u>1,343,877</u>	<u>903,753</u>
Contingencies (note 21)		
Contingently redeemable performance share units (note 20)	7,706	3,950
Stockholders' equity (note 19):		
Share capital:		
Common stock; no par value, unlimited shares authorized, issued and outstanding shares: 107,078,512 (December 31, 2016: 106,822,001)	132,864	125,474
Additional paid-in capital	36,963	27,638
Retained earnings	592,169	601,071
Accumulated other comprehensive loss	(50,349)	(67,126)
Stockholders' equity	<u>711,647</u>	<u>687,057</u>
Non-controlling interest	4,902	4,773
	<u>716,549</u>	<u>691,830</u>
	<u>\$ 2,068,132</u>	<u>\$ 1,599,533</u>

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Changes in Equity**  
(Expressed in thousands of United States dollars, except where noted)  
(Unaudited)

	Attributable to stockholders					Non-controlling interest ("NCI")	Total equity	Contingently redeemable performance share units ("PSUs")
	Common stock		Additional paid-in capital ("APIC")	Retained earnings	Accumulated other comprehensive income (loss)			
	Number of shares	Amount						
Balance, December 31, 2016	106,822,001	\$ 125,474	\$ 27,638	\$ 601,071	\$ (67,126)	\$ 4,773	\$ 691,830	\$ 3,950
Net income	-	-	-	28,012	-	134	28,146	-
Other comprehensive income	-	-	-	-	16,777	36	16,813	-
	-	-	-	28,012	16,777	170	44,959	-
Stock option exercises	256,511	7,390	(1,357)	-	-	-	6,033	-
Stock option compensation expense (note 20)	-	-	8,076	-	-	-	8,076	-
Assumption of stock options on acquisition of IronPlanet (note 22)	-	-	2,330	-	-	-	2,330	-
Modification of PSUs (note 20)	-	-	-	(382)	-	-	(382)	1,803
Equity-classified PSU expense (note 20)	-	-	260	-	-	-	260	1,785
Equity-classified PSU dividend equivalents	-	-	16	(108)	-	-	(92)	92
Change in value of contingently redeemable equity-classified PSUs	-	-	-	(76)	-	-	(76)	76
Cash dividends paid (note 19)	-	-	-	(36,348)	-	(41)	(36,389)	-
Balance, June 30, 2017	107,078,512	\$ 132,864	\$ 36,963	\$ 592,169	\$ (50,349)	\$ 4,902	\$ 716,549	\$ 7,706

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Statements of Cash Flows**

(Expressed in thousands of United States dollars)

(Unaudited)

<b>Six months ended June 30,</b>	<b>2017</b>	<b>2016</b>
Cash provided by (used in):		
Operating activities:		
Net income	\$ 28,146	\$ 70,585
Adjustments for items not affecting cash:		
Depreciation and amortization expenses (note 7)	22,210	20,364
Inventory write down (note 12)	656	1,402
Impairment loss (note 7)	8,911	-
Stock option compensation expense (note 20)	8,076	2,470
Equity-classified PSU expense (note 20)	2,045	486
Deferred income tax recovery	(4,823)	(3,366)
Equity loss (income) less dividends received	49	(996)
Unrealized foreign exchange gain	(1,487)	(12)
Change in fair value of contingent consideration	(1,624)	-
Gain on disposition of property, plant and equipment	(1,029)	(447)
Debt issue cost amortization	1,057	-
Other, net	128	-
Net changes in operating assets and liabilities (note 10)	52,390	57,626
Net cash provided by operating activities	114,705	148,112
Investing activities:		
Acquisition of IronPlanet, net of cash acquired (note 22)	(674,080)	-
Acquisition of Mascus (note 22)	-	(28,123)
Acquisition of NCI (note 22)	-	(226)
Property, plant and equipment additions	(4,274)	(4,997)
Intangible asset additions	(10,124)	(6,693)
Proceeds on disposition of property, plant and equipment	2,451	1,428
Net cash used in investing activities	(686,027)	(38,611)
Financing activities:		
Issuances of share capital	6,033	18,057
Share repurchase (note 19)	-	(36,726)
Dividends paid to stockholders (note 19)	(36,348)	(34,176)
Dividends paid to NCI	(41)	(2,368)
Proceeds from short-term debt	6,850	31,336
Repayment of short-term debt	(17,208)	(24,156)
Proceeds from long-term debt	325,000	46,572
Repayment of long-term debt	(100,575)	(46,568)
Debt issue costs	(12,388)	-
Repayment of finance lease obligations	(858)	(907)
Other, net	(48)	268
Net cash provided by (used in) financing activities	170,417	(48,668)
Effect of changes in foreign currency rates on cash and cash equivalents	10,310	8,593
Cash, cash equivalents, and restricted cash:		
Increase (decrease)	(390,595)	69,426
Beginning of period	758,089	293,246
Cash, cash equivalents, and restricted cash, end of period (note 10)	\$ 367,494	362,672

See accompanying notes to the condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 1. General information

Ritchie Bros. Auctioneers Incorporated and its subsidiaries (collectively referred to as the “Company”) provide global asset management and disposition services, offering customers end-to-end solutions for buying and selling used industrial equipment and other durable assets through its unreserved auctions, online marketplaces, listing services, and private brokerage services. Ritchie Bros. Auctioneers Incorporated is a company incorporated in Canada under the Canada Business Corporations Act, whose shares are publicly traded on the Toronto Stock Exchange (“TSX”) and the New York Stock Exchange (“NYSE”).

### 2. Significant accounting policies

#### (a) Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with United States generally accepted accounting principles (“US GAAP”). They include the accounts of Ritchie Bros. Auctioneers Incorporated and its subsidiaries from their respective dates of formation or acquisition. All significant intercompany balances and transactions have been eliminated.

Certain information and footnote disclosure required by US GAAP for complete annual financial statements have been omitted and, therefore, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2016, included in the Company’s Annual Report on Form 10-K, filed with the Securities Exchange Commission (“SEC”). In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly, in all material respects, the Company’s consolidated financial position, results of operations, cash flows and changes in equity for the interim periods presented. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### (b) Revenue recognition

##### Revenues are comprised of:

- commissions earned at the Company’s auctions through the Company acting as an agent for consignors of equipment and other assets, as well as commissions on online marketplace sales, and
- fees earned in the process of conducting auctions, including online marketplace listing and inspection fees, fees from value-added services and make-ready activities, as well as fees paid by buyers on online marketplace sales.

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. For auction or online marketplace sales, revenue is recognized when the auction or online marketplace sale is complete and the Company has determined that the sale proceeds are collectible. Revenue is measured at the fair value of the consideration received or receivable and is shown net of value-added tax and duties.

Commissions from sales at the Company’s auctions represent the percentage earned by the Company on the gross auction proceeds from equipment and other assets sold at auction. The majority of the Company’s commissions are earned as a pre-negotiated fixed rate of the gross selling price. Other commissions from sales at the Company’s auctions are earned from underwritten commission contracts, when the Company guarantees a certain level of proceeds to a consignor or purchases inventory to be sold at auction. Commissions also include those earned on online marketplace sales.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

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### 2. Significant accounting policies (continued)

#### (b) Revenue recognition (continued)

##### *Commission and fee revenues from sales at auction*

The Company accepts equipment and other assets on consignment or takes title for a short period of time prior to auction, stimulates buyer interest through professional marketing techniques, and matches sellers (also known as consignors) to buyers through the auction or private sale process.

In its role as auctioneer, the Company matches buyers to sellers of equipment on consignment, as well as to inventory held by the Company, through the auction process. Following the auction, the Company invoices the buyer for the purchase price of the property, collects payment from the buyer, and where applicable, remits to the consignor the net sale proceeds after deducting its commissions, expenses, and applicable taxes. Commissions are calculated as a percentage of the hammer price of the property sold at auction. Fees earned in the process of conducting the Company's auctions include administrative, documentation, and advertising fees.

On the fall of the auctioneer's hammer, the highest bidder becomes legally obligated to pay the full purchase price, which is the hammer price of the property purchased and the seller is legally obligated to relinquish the property in exchange for the hammer price less any seller's commissions. Commission and fee revenue is recognized on the date of the auction sale upon the fall of the auctioneer's hammer, which is the point in time when the Company has substantially accomplished what it must do to be entitled to the benefits represented by the revenues. Subsequent to the date of the auction sale, the Company's remaining obligations for its auction services relate only to the collection of the purchase price from the buyer and the remittance of the net sale proceeds to the seller. These remaining service obligations are not an essential part of the auction services provided by the Company.

Under the standard terms and conditions of its auction sales, the Company is not obligated to pay a consignor for property that has not been paid for by the buyer, provided the property has not been released to the buyer. In the rare event where a buyer refuses to take title of the property, the sale is cancelled in the period in which the determination is made, and the property is returned to the consignor or placed in a later auction. Historically, cancelled sales have not been material in relation to the aggregate hammer price of property sold at auction.

Commission revenues are recorded net of commissions owed to third parties, which are principally the result of situations when the commission is shared with a consignor or with the counterparty in an auction guarantee risk and reward sharing arrangement. Additionally, in certain situations, commissions are shared with third parties who introduce the Company to consignors who sell property at auction.

Underwritten commission contracts can take the form of guarantee or inventory contracts. Guarantee contracts typically include a pre-negotiated percentage of the guaranteed gross proceeds plus a percentage of proceeds in excess of the guaranteed amount. If actual auction proceeds are less than the guaranteed amount, commission is reduced; if proceeds are sufficiently lower, the Company can incur a loss on the sale. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed. If a loss relating to a guarantee contract held at the period end to be sold after the period end is known or is probable and estimable at the financial statement reporting date, the loss is accrued in the financial statements for that period. The Company's exposure from these guarantee contracts fluctuates over time (note 21).

Revenues related to inventory contracts are recognized in the period in which the sale is completed, title to the property passes to the purchaser and the Company has fulfilled any other obligations that may be relevant to the transaction, including, but not limited to, delivery of the property. Revenue from inventory sales is presented net of costs within revenues on the consolidated income statement, as the Company takes title only for a short period of time and the risks and rewards of ownership are not substantially different than the Company's other underwritten commission contracts.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

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### 2. Significant accounting policies (continued)

#### (b) Revenue recognition (continued)

##### *Commissions and fees on online marketplace sales*

Through its online marketplaces, the Company typically sells equipment or other assets on consignment from sellers and stimulates buyer interest through sales and marketing techniques in order to match online marketplace sellers with buyers. Prior to offering an item for sale on its online marketplaces, the Company performs required inspections, title and lien searches, and make-ready activities to prepare the item for sale.

Online marketplace revenues are primarily driven by seller commissions, fees charged to sellers for listing and inspecting equipment, and amounts paid by buyers, including buyer transaction fees and buyer's premiums. The Company also generates revenue from related online marketplace services including make-ready activities, logistics coordination, storage, private auction hosting, and asset appraisals. Online marketplace sale commission and fee revenues are recognized when the sale is complete, which is generally at the conclusion of the marketplace transaction between the seller and buyer. This occurs when a buyer has become legally obligated to pay the purchase price and buyer transaction fee for an asset that the seller is obligated to relinquish in exchange for the sales price less seller commissions and listing fees. At that time, the Company has substantially performed what it must do to be entitled to receive the benefits represented by its commissions and fees.

Following the sale of the item, the Company invoices the buyer for the purchase price of the asset, taxes, and the buyer transaction fee or buyer's premium, collects payment from the buyer, and remits the proceeds – net of the seller commissions, listing fees, and applicable taxes – to the seller. The Company notifies the seller when the buyer payment has been received in order to clear release of the equipment or other asset to the seller. These remaining service obligations are not viewed to be an essential part of the services provided by the Company.

Under the Company's standard terms and conditions, it is not obligated to pay the seller for items in an online marketplace sale in which the buyer has not paid for the purchased item. If the buyer defaults on its payment obligation, the equipment or other assets may be returned to the seller or moved into a subsequent online marketplace event.

Online marketplace commission revenue is reduced by a provision for disputes, which is an estimate of disputed items that are expected to be settled at a cost to the Company, related to settlements of discrepancies under the Company's equipment condition certification program. The equipment condition certification refers to a written inspection report provided to potential buyers that reflects the condition of a specific piece of equipment offered for sale, and includes ratings, comments, and photographs of the equipment following inspection by one of the Company's equipment inspectors. The equipment condition certification provides that a buyer may file a written dispute claim during an eligible dispute period for consideration and resolution at the sole determination of the Company if the purchased equipment is not substantially in the condition represented in the inspection report. Typically disputes under the equipment condition certification program are settled with minor repairs or additional services, such as washing or detailing the item; the estimated costs of such items or services are included in the provision for disputes.

For guarantee contracts, if actual online marketplace sale proceeds are less than the guaranteed amount, the commission earned is reduced; if proceeds are sufficiently lower, the Company may incur a loss on the sale. If such consigned equipment sells above the minimum price, the Company may be entitled to a share of the excess proceeds as negotiated with the seller. The Company's share of the excess, if any, is recorded in revenue together with the related online marketplace sale commission. Losses, if any, resulting from guarantee contracts are recorded in revenue in the period in which the relevant online marketplace sale was completed. If a loss relating to a guarantee contract held at the period end to be sold after the period end is known or is probable and estimable at the financial statement reporting date, the loss is accrued in the financial statements for that period. The Company's exposure from these guarantee contracts fluctuates over time (note 21).

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 2. Significant accounting policies (continued)

#### (b) Revenue recognition (continued)

##### *Commissions and fees on online marketplace sales (continued)*

For inventory contracts related to online marketplace sales, revenue from the sale of inventory through the Company's online marketplaces are recorded net of acquisition costs because the acquisition of equipment in advance of an online marketplace sale is an ancillary component of the Company's business and, in general, the risks and rewards of ownership are not substantially different than the Company's other guarantee contracts. Since the online marketplace sale business is a net business, gross sales proceeds are not reported as revenue in the consolidated income statement. Rather, the net commission earned from online marketplace sales is reported as revenue, which reflects the Company's agency relationship between buyers and sellers of equipment.

##### *Other fees*

Fees from value-added services include financing and technology service fees. Fees are recognized in the period in which the service is provided to the customer.

#### (c) Costs of services, excluding depreciation and amortization expenses

Costs of services are comprised of expenses incurred in direct relation to conducting auctions ("direct expenses"), earning online marketplace revenues, and earning other fee revenues. Direct expenses include direct labour, buildings and facilities charges, and travel, advertising and promotion costs.

Costs of services incurred to earn online marketplace revenues include inspection costs, facilities costs, inventory management, referral, sampling, and appraisal fees. Inspections are generally performed at the seller's physical location. The cost of inspections include payroll costs and related benefits for the Company's employees that perform and manage field inspection services, the related inspection report preparation and quality assurance costs, fees paid to contractors who perform field inspections, related travel and incidental costs for the Company's inspection service organization, and office and occupancy costs for its inspection services personnel. Costs of earning online marketplace revenues also include costs for the Company's customer support, online marketplace operations, logistics, title and lien investigation functions, and lease and operations costs related to the Company's third-party data centers at which its websites are hosted.

Costs of services incurred in earning other fee revenues include direct labour (including commissions on sales), software maintenance fees, and materials. Costs of services exclude depreciation and amortization expenses.

#### (d) Share-based payments

The Company classifies a share-based payment award as an equity or liability payment based on the substantive terms of the award and any related arrangement.

##### *Equity-classified share-based payments*

The Company has three stock option compensation plans that provide for the award of stock options to selected employees, directors and officers of the Company. The cost of options granted is measured at the fair value of the underlying option at the grant date using the Black-Scholes option pricing model. The Company also has a senior executive performance share unit ("PSU") plan that provides for the award of PSUs to selected senior executives of the Company. The Company has the option to settle executive PSU awards in cash or shares and expects to settle them in shares. The cost of PSUs granted is measured at the fair value of the underlying PSUs at the grant date using a binomial model.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 2. Significant accounting policies (continued)

#### (d) Share-based payments (continued)

##### *Equity-classified share-based payments (continued)*

This fair value of awards expected to vest under these plans is expensed over the respective remaining service period of the individual awards, on an accelerated recognition basis, with the corresponding increase to APIC recorded in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in earnings, such that the consolidated expense reflects the revised estimate, with a corresponding adjustment to equity.

Any consideration paid on exercise of the stock options is credited to the common shares. Dividend equivalents on the senior executive plan PSUs are recognized as a reduction to retained earnings over the service period.

PSUs awarded under the senior executive and employee PSU plans (described in note 20) are contingently redeemable in cash in the event of death of the participant. The contingently redeemable portion of the senior executive PSU awards, which represents the amount that would be redeemable based on the conditions at the date of grant, to the extent attributable to prior service, is recognized as temporary equity. The balance reported in temporary equity increases on the same basis as the related compensation expense over the service period of the award, with any excess of the temporary equity value over the amount recognized in compensation expense charged against retained earnings. In the event it becomes probable an award is going to become eligible for redemption by the holder, the award would be reclassified to a liability award.

##### *Liability-classified share-based payments*

The Company maintains other share unit compensation plans that vest over a period of up to five years after grant. Under those plans, the Company is either required or expects to settle vested awards on a cash basis or by providing cash to acquire shares on the open market on the employee's behalf, where the settlement amount is determined using the volume weighted average price of the Company's common shares for the twenty days prior to the vesting date or, in the case of deferred share unit ("DSU") recipients, following cessation of service on the Board of Directors.

These awards are classified as liability awards, measured at fair value at the date of grant and re-measured at fair value at each reporting date up to and including the settlement date. The determination of the fair value of the share units under these plans is described in note 20. The fair value of the awards is expensed over the respective vesting period of the individual awards with recognition of a corresponding liability. Changes in fair value after vesting are recognized through compensation expense. Compensation expense reflects estimates of the number of instruments expected to vest.

The impact of forfeitures and fair value revisions, if any, are recognized in earnings such that the cumulative expense reflects the revisions, with a corresponding adjustment to the settlement liability. Liability-classified share unit liabilities due within 12 months of the reporting date are presented in trade and other payables while settlements due beyond 12 months of the reporting date are presented in non-current liabilities.

#### (e) Restricted cash

In certain jurisdictions, local laws require the Company to hold cash in segregated bank accounts, which are used to settle auction proceeds payable resulting from auctions and online marketplace sales conducted in those regions. In addition, the Company also holds cash generated from its EquipmentOne online marketplace sales in separate escrow accounts, for settlement of the respective online marketplace transactions as a part of its secured escrow service. Restricted cash balances also include funds held in accounts owned by the Company in support of short-term stand-by letters of credit to provide seller security.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 2. Significant accounting policies (continued)

#### (e) Restricted cash (continued)

During the period from December 21, 2016 through May 31, 2017, non-current restricted cash consisted of funds held in escrow pursuant to the offering of senior unsecured notes (note 18), which were only available when the Company received approval to acquire IronPlanet Holdings, Inc. (“IronPlanet”) and whose use was restricted to the funding of the IronPlanet acquisition (note 22).

#### (f) Inventories

Inventory consists of equipment and other assets purchased for resale in an upcoming Company auction or online marketplace event. Inventory is valued at the lower of cost and net realizable value where net realizable value represents the expected sale price upon disposition less make-ready costs and the costs of disposal and transportation. The significant elements of cost include the acquisition price of the inventory and make-ready costs to prepare the inventory for sale that are not selling expenses. The specific identification method is used to determine amounts removed from inventory. Write-downs to the carrying value of inventory are recorded in revenue in the consolidated income statement.

#### (g) Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition or development of the asset, net of any amounts received in relation to those assets, including scientific research and experimental development tax credits. Costs of internally developed software are amortized on a straight-line basis over the remaining estimated economic life of the software product. Costs related to software incurred prior to establishing technological feasibility or the beginning of the application development stage of software are charged to operations as such costs are incurred. Once technological feasibility is established or the application development stage has begun, directly attributable costs are capitalized until the software is available for use.

Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are:

Asset	Basis	Rate / term
Trade names and trademarks	Straight-line	3 - 15 years or indefinite-lived
Customer relationships	Straight-line	6 - 20 years
Software assets	Straight-line	3 - 7 years

Customer relationships includes relationships with buyers and sellers.

#### (h) Goodwill

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair value assigned to the assets acquired and liabilities assumed in a business combination. Goodwill is allocated to the Core Auction, IronPlanet, EquipmentOne, or Mascus reporting unit.

Goodwill is not amortized, but it is tested annually for impairment at the reporting unit level as of December 31 and between annual tests if indicators of potential impairment exist. The Company has the option of performing a qualitative assessment of a reporting unit to first determine whether the quantitative impairment test is necessary. This involves an assessment of qualitative factors to determine the existence of events or circumstances that would indicate whether it is more likely than not that the carrying amount of the reporting unit to which goodwill belongs is less than its fair value. If the qualitative assessment indicates it is not more likely than not that the reporting unit’s carrying amount is less than its fair value, a quantitative impairment test is not required.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 2. Significant accounting policies (continued)

#### (h) Goodwill (continued)

Where a quantitative impairment test is required, the procedure is to identify potential impairment by comparing the reporting unit's fair value with its carrying amount, including goodwill. The reporting unit's fair value is determined using various valuation approaches and techniques that involve assumptions based on what the Company believes a hypothetical marketplace participant would use in estimating fair value on the measurement date. An impairment loss is recognized as the difference between the reporting unit's carrying amount and its fair value. If the difference between the reporting unit's carrying amount and fair value is greater than the amount of goodwill allocated to the reporting unit, the impairment loss is restricted by the amount of the goodwill allocated to the reporting unit.

#### (i) Early adoption of new accounting pronouncements

- (i) In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates Step 2 from the goodwill impairment test. Entities still have the option of performing a qualitative assessment of a reporting unit to first determine whether the quantitative impairment test is necessary. Where an annual or interim quantitative impairment test is necessary, there is only one step, which is to compare the fair value of a reporting unit with its carrying value. An impairment loss is recognized as the difference between the reporting unit's carrying amount and its fair value to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

ASU 2017-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for interim and annual goodwill impairment tests performed on testing dates after January 1, 2017. The amendments are applied on a prospective basis. Because the amendments reduce the cost and complexity of goodwill impairment testing, the Company has early adopted ASU 2017-04 in the first quarter of 2017.

- (ii) Effective this quarter, the Company adopted ASU 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*. ASU 2017-09 clarifies that the effects of a modification should be accounted for unless all the following criteria are met:
1. The fair value (or calculated or intrinsic value, as appropriate) of the modified award is the same as the fair value (or calculated or intrinsic value, as appropriate) of the original award immediately before the modification. The value immediately before and after the modification does not have to be estimated if the modification does affect any of the inputs to the valuation technique used to value the award.
  2. The modified award's vesting conditions are the same as those of the original award immediately before the modification.
  3. The classification of the modified award as an equity or liability instrument is the same as the original award's classification immediately before the modification.

Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 2. Significant accounting policies (continued)

#### (j) New and amended accounting standards

- (i) Effective January 1, 2017, the Company adopted ASU 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*, which impacts entities that are issuers of or investors in debt instruments – or hybrid financial instruments determined to have a debt host – with embedded call (put) options. One of the criteria for bifurcating an embedded derivative is assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to those of their debt hosts. The amendments of ASU 2016-06 clarify the steps required in making this assessment for contingent call (put) options that can accelerate the payment of principal on debt instruments. Specifically, ASU 2016-06 requires the call (or put) options to be assessed solely in accordance with a four-step decision sequence. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the triggering event is related to interest rates or credit risks. The standard was applied on a modified retrospective basis to existing debt instruments as of January 1, 2017. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.
- (ii) Effective January 1, 2017, the Company adopted ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which requires an entity to recognize share-based payment (“SBP”) award income tax effects in the consolidated income statement when the awards vest or are settled. Consequently, the requirement for entities to track additional paid-in capital (“APIC”) pools is eliminated. Other amendments include:
- All excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) are recognized as income tax expense or benefit in the consolidated income statement. The tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur. Excess tax benefits are recognized regardless of whether the benefit reduces taxes payable in the current period. These amendments were applied prospectively.
  - Because excess taxes no longer flow through APIC, when applying the treasury stock method in calculating diluted earnings per share (“EPS”), the assumed proceeds will no longer include any estimated excess taxes. Excess tax benefits increase assumed proceeds, which results in more hypothetical shares being reacquired. The incremental number of dilutive shares for diluted EPS is calculated as the number of shares from the assumed exercise of the stock less the hypothetical shares reacquired. Therefore, removing excess tax benefits from the equation results in fewer hypothetical shares being reacquired, increasing the incremental number of dilutive shares.
  - Excess tax benefits are classified along with other income tax cash flows as an operating activity in the statement of cash flows. The Company elected to apply this amendment prospectively.
  - An entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. Since forfeiture rates of the Company's stock awards have historically been nominal and represent an insignificant assumption used in management's estimate of the fair value of those awards, the Company has elected to account for forfeitures as they occur. This accounting policy change was applied on a modified retrospective basis and did not have an impact on the Company's consolidated financial statements.
  - The threshold to qualify for equity classification permits withholding up to the maximum statutory tax rates in the applicable jurisdictions. This amendment was applied on a modified retrospective basis.
  - Cash paid by an employer when directly withholding shares for tax-withholding purposes is classified as a financing activity in the statement of cash flows. This amendment was applied prospectively.

Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

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### 2. Significant accounting policies (continued)

#### (k) Recent accounting standards not yet adopted

- (i) In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In particular, it moves away from the current industry and transaction specific requirements. ASU 2014-09 creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include:
1. Identifying the contract(s) with the customer,
  2. Identifying the separate performance obligations in the contract,
  3. Determining the transaction price,
  4. Allocating the transaction price to the separate performance obligations, and
  5. Recognizing revenue as each performance obligation is satisfied.

The amendments also contain extensive disclosure requirements designed to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB delayed the effective date of ASU 2014-09 by one year so that ASU 2014-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. ASU 2014-09 permits the use of either the retrospective or modified retrospective (cumulative effect) transition method.

In 2015, the Company established a global new revenue accounting standard adoption team, consisting of financial reporting and accounting advisory representatives from across all geographical regions and business operations (the "Team"). The Team developed an adoption framework that continues to be used as guidance in identifying the Company's significant contracts with customers. In 2016, the Team commenced its analysis, with the initial focus being on the impact of the amendments on accounting for the Company's straight commission contracts, underwritten (inventory and guarantee) commission contracts, and ancillary service contracts. The Team is currently in the process of identifying the appropriate changes to our business processes, systems, and controls required to adopt the amendments based on preliminary findings.

Since its inception, the Team has regularly reported the findings and progress of the adoption project to management and the Audit Committee. Based on these findings and analysis, management has determined that the Company will not early adopt ASU 2014-09. The Company will adopt ASU 2014-09 on its effective date of January 1, 2018 using a modified retrospective (cumulative-effect) method of adoption. The primary reason for not early adopting and for electing to use a modified retrospective method is that the Company completed its significant acquisition in IronPlanet Holdings, Inc. (note 22) on May 31, 2017. The Team will require the remaining time before ASU 2014-09 takes effect to assess the impact of the new standard on IronPlanet's significant contracts with customers. The IronPlanet acquisition adds complexity to applying the amendments retrospectively, and as such, the modified retrospective method of adoption was chosen. The Company also continues to evaluate recently issued guidance on practical expedients as part of the adoption method decision.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 2. Significant accounting policies (continued)

#### (k) Recent accounting standards not yet adopted (continued)

During the current quarter, the Team concluded that one of the most significant impacts of the adoption of ASU 2014-09 on pre-acquisition contracts (that is, excluding similar IronPlanet contracts, which are still in the discovery phase) will be a change in the presentation of revenue from inventory and ancillary service contracts as gross as a principal versus net as an agent. The Team's analysis of these significant pre-acquisition contracts with customers was aided by the FASB issuing ASU 2016-08, *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations, focusing on whether an entity controls a specified good or service before that good or service is transferred to a customer.

SEC Regulation S-X Rule 5-03.1 requires revenue from the sale of tangible products to be presented as a separate line item of the face of the consolidated income statement from revenues from services where income from one or both of those classes is more than 10 percent the sum of total revenues. Similarly, SEC Regulation Rule 5-03.2 requires the costs related to those revenue classes to be presented in the same manner. Based on historical information, the Team expects revenue from inventory contracts that are recognized gross as a principal selling tangible products to exceed 10 percent of total revenues. Presenting inventory contract revenues gross as a principal selling a tangible product versus net as an agent providing a service will significantly change the face of the Company's consolidated income statement. The difference between the current and expected presentation that, under the modified retrospective method of adopting ASU 2014-09, would have a prospective impact on the Company's consolidated income statement from January 1, 2018, is illustrated in the following table:

<u>Current presentation</u>	<u>Expected presentation after adoption of ASU 2014-09</u>
Revenues	Revenue from inventory sales
Costs of services, excluding depreciation and amortization	Service revenues
	Total revenues
	Cost of inventory sold
	Costs of services, excluding depreciation and amortization
Selling, general and administrative expenses	Selling, general and administrative expenses
Acquisition-related costs	Acquisition-related costs
Depreciation and amortization expenses	Depreciation and amortization expenses
Gain (loss) on disposition of property, plant and equipment	Gain (loss) on disposition of property, plant and equipment
Foreign exchange loss (gain)	Foreign exchange loss (gain)
Operating income	Operating income

Under the expected presentation after adoption, service revenues will exclude the revenue from inventory sales and the cost of inventory sold for inventory contracts recorded on a gross basis. Those amounts would instead be presented gross on separate line items on the face of the consolidated income statement in accordance with SEC Regulation S-X Rules 5-03.1 and 5-03.2. Ancillary service revenues would be captured within service revenues, but on a gross basis, with ancillary service costs presented separately within costs of services. The Team is currently working with management to determine the impact of the change in presentation on the key performance metrics used by the Company to evaluate operational performance of the Company.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 2. Significant accounting policies (continued)

#### (k) Recent accounting standards not yet adopted (continued)

The Team together with oversight from the Audit Committee will continue to closely monitor FASB activity related to ASU 2014-09 to conclude on specific interpretative issues. Over the remaining term until ASU 2014-09 takes effect, the Team will also focus on evaluating the impact of adoption on IronPlanet's significant contracts with customers, and in particular, the impact of adoption on the accounting for contract fulfillment costs as it pertains to IronPlanet's inspection services provided under the equipment condition certification program.

- (ii) In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize almost all leases, including operating leases, on the balance sheet through a right-of-use asset and a corresponding lease liability. For short-term leases, defined as those with a term of 12 months or less, the lessee is permitted to make an accounting policy election not to recognize the lease assets and liabilities, and instead recognize the lease expense generally on a straight-line basis over the lease term. The accounting treatment under this election is consistent with current operating lease accounting. No extensive amendments were made to lessor accounting, but amendments of note include changes to the definition of initial direct costs and accounting for collectability uncertainties in a lease.

ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Both lessees and lessors must apply ASU 2016-02 using a "modified retrospective transition", which reflects the new guidance from the beginning of the earliest period presented in the financial statements. However, lessees and lessors can elect to apply certain practical expedients on transition.

Management continues to perform a detailed inventory and analysis of all the Company's leases, of which there are approximately 360 operating and 65 finance leases for which the Company is a lessee at the reporting date. The most significant operating leases in terms of the amount of rental charges and duration of the contract are for various auction sites and offices located in North America, Europe, the Middle East, and Asia. However, in terms of the number of leases, the majority consist of leases for computer, automotive, and yard equipment. The Company continues to evaluate the new guidance to determine the impact it will have on its consolidated financial statements. Under the expectation that the majority, if not all, of the operating leases will be brought onto the Company's balance sheet on adoption of ASU 2016-02, management is also investigating the functionality within the Company's systems to automate the lease accounting process.

The adoption of ASU 2016-02 is expected to add complexity to the accounting for leases, as well as require extensive system and process changes to manage the large number of operating leases that the Company anticipates will be brought onto its balance sheet. As a result, management has determined that the Company will not early adopt ASU 2016-02, and will continue to evaluate the elections available to the Company involving the application of practical expedients on transition.

- (iii) In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. The amendments in ASU 2016-08 clarify the implementation guidance on principal versus agent considerations, focusing on whether an entity controls a specified good or service before that good or service is transferred to a customer. Where such control exists – i.e. where the entity is required to provide the specified good or service itself – the entity is a 'principal'. Where the entity is required to arrange for another party to provide the good or service, it is an agent.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 2. Significant accounting policies (continued)

#### (k) Recent accounting standards not yet adopted (continued)

The effective date and transition requirements of ASU 2016-08 are the same as for ASU 2014-09, which is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The impact of adoption of ASU 2016-08 on the Company's consolidated financial statements has been considered as part of the ASU 2014-09 adoption project discussed above.

- (iv) In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which replaces the 'incurred loss methodology' credit impairment model with a new forward-looking "methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates." ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is only permitted for fiscal years beginning after December 15, 2018, including interim periods within those years. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.
- (v) In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, whose amendments provide a screen to determine when an integrated set of assets and activities does not constitute a business as defined by Topic 805. Specifically, the amendments require that a set is not a business when substantially all the fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets. This screen reduces the number of transactions that need to be further evaluated and as such, it is anticipated that more acquisitions will be accounted for as asset acquisitions rather than business combinations. If the screen is not met, the amendments:
- 1) Require that the set must, at a minimum, include an input and a substantive process that together significantly contribute to the ability to create an output in order to be considered a business; and
  - 2) Remove the evaluation of whether a market participant could replace missing elements.

The amendments also provide a framework to assist in evaluating whether both an input and a substantive process are present, and this framework includes two sets of criteria to consider that depend on whether a set has outputs. Finally, the amendments narrow the definition of the term "output" so the term is consistent with how outputs are described in Topic 606 *Revenue from Contracts with Customers*.

ASU 2017-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The amendments are applied prospectively on or after the effective date. No disclosures are required at transition. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

- (vi) In February 2017, the FASB issued ASU 2017-05, *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*, which clarifies the scope of Subtopic 610-20 and adds clarity around accounting for partial sales of nonfinancial assets and the identification of, allocation of consideration to, and derecognition of distinct nonfinancial assets. The amendments also define 'in substance nonfinancial assets', which are within the scope of Subtopic 610-20, and clarify that nonfinancial assets within the scope of Subtopic 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 2. Significant accounting policies (continued)

#### (k) Recent accounting standards not yet adopted (continued)

ASU 2017-05 is effective at the same time as ASU 2014-09, which is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The amendments in ASU 2017-05 must be applied at the same time as the amendments in ASU 2014-09. Entities may elect to apply these amendments retrospectively to each period presented in the financial statements or using a modified retrospective basis as of the beginning of the fiscal year of adoption. The Company is evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

### 3. Significant judgments, estimates and assumptions

The preparation of financial statements in conformity with US GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Future differences arising between actual results and the judgments, estimates and assumptions made by the Company at the reporting date, or future changes to estimates and assumptions, could necessitate adjustments to the underlying reported amounts of assets, liabilities, revenues and expenses in future reporting periods.

Judgments, estimates and underlying assumptions are evaluated on an ongoing basis by management, and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstance and such changes are reflected in the assumptions when they occur. Significant estimates include the estimated useful lives of long-lived assets, as well as valuation of deferred tax assets, intangible assets, goodwill, underwritten commission contracts, and share-based compensation.

### 4. Seasonality of operations

The Company's operations are both seasonal and event driven. Revenues tend to be highest during the second and fourth calendar quarters. The Company generally conducts more auctions during these quarters than during the first and third calendar quarters. Late December through mid-February and mid-July through August are traditionally less active periods.

### 5. Segmented information

The Company's principal business activity is the sale of industrial equipment and other assets at auctions. The Company's operations are comprised of one reportable segment and other business activities that are not reportable as follows:

- Core Auction segment, a network of auction locations that conduct live, unreserved auctions with both on-site and online bidding; and
- Other includes the results of the Company's IronPlanet, EquipmentOne, and Mascus online services. On May 31, 2017, the Company acquired IronPlanet (note 22) and updated its segment reporting such that the results of IronPlanet, EquipmentOne and Mascus are reported as "Other". The Company is currently considering changes to the structure of its organization that may cause future changes to its reportable segments.

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**5. Segmented information (continued)**

	Three months ended June 30, 2017			Six months ended June 30, 2017		
	Core		Consolidated	Core		Consolidated
	Auction	Other		Auction	Other	
Revenues	\$ 148,028	\$ 18,158	\$ 166,186	\$ 265,800	\$ 24,885	\$ 290,685
Costs of services, excluding depreciation and amortization	(17,981)	(3,610)	(21,591)	(30,019)	(4,385)	(34,404)
Selling, general, and administrative ("SG&A") expenses	(64,763)	(9,614)	(74,377)	(130,333)	(14,619)	(144,952)
Depreciation and amortization expenses	(9,440)	(2,432)	(11,872)	(18,894)	(3,316)	(22,210)
Impairment loss	(3,444)	(5,467)	(8,911)	(3,444)	(5,467)	(8,911)
	<u>\$ 52,400</u>	<u>\$ (2,965)</u>	<u>\$ 49,435</u>	<u>\$ 83,110</u>	<u>\$ (2,902)</u>	<u>\$ 80,208</u>
Acquisition-related costs			(22,948)			(31,575)
Gain on disposition of property, plant and equipment			308			1,029
Foreign exchange gain			93			823
Operating income			<u>\$ 26,888</u>			<u>\$ 50,485</u>
Equity income (loss)			4			(49)
Other and income tax expenses			(9,179)			(22,290)
Net income			<u>\$ 17,713</u>			<u>\$ 28,146</u>

	Three months ended June 30, 2016			Six months ended June 30, 2016		
	Core		Consolidated	Core		Consolidated
	Auction	Other		Auction	Other	
Revenues	\$ 152,542	\$ 6,263	\$ 158,805	\$ 279,882	\$ 10,868	\$ 290,750
Costs of services, excluding depreciation and amortization	(19,438)	(320)	(19,758)	(34,223)	(848)	(35,071)
SG&A expenses	(68,848)	(5,144)	(73,992)	(133,362)	(7,740)	(141,102)
Depreciation and amortization expenses	(9,397)	(887)	(10,284)	(18,701)	(1,663)	(20,364)
	<u>\$ 54,859</u>	<u>\$ (88)</u>	<u>\$ 54,771</u>	<u>\$ 93,596</u>	<u>\$ 617</u>	<u>\$ 94,213</u>
Acquisition-related costs			(603)			(1,800)
Gain on disposition of property, plant and equipment			201			447
Foreign exchange loss			(734)			(51)
Operating income			<u>\$ 53,635</u>			<u>\$ 92,809</u>
Equity income			477			996
Other and income tax expenses			(13,521)			(23,220)
Net income			<u>\$ 40,591</u>			<u>\$ 70,585</u>

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**6. Revenues**

The Company's revenue from the rendering of services is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Commissions	\$ 120,380	\$ 118,180	\$ 212,324	\$ 217,973
Fees	45,806	40,625	78,361	72,777
	<u>\$ 166,186</u>	<u>\$ 158,805</u>	<u>\$ 290,685</u>	<u>\$ 290,750</u>

Net profits on inventory sales included in commissions are:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue from inventory sales	\$ 85,833	\$ 111,032	\$ 161,881	\$ 235,589
Cost of inventory sold	(76,822)	(104,978)	(140,223)	(216,514)
	<u>\$ 9,011</u>	<u>\$ 6,054</u>	<u>\$ 21,658</u>	<u>\$ 19,075</u>

**7. Operating expenses**

Certain prior period operating expenses have been reclassified to conform with current year presentation.

**Costs of services, excluding depreciation and amortization**

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Employee compensation expenses	\$ 8,813	\$ 8,880	\$ 14,289	\$ 15,138
Buildings, facilities and technology expenses	2,401	2,011	3,947	4,306
Travel, advertising and promotion expenses	7,426	7,359	12,082	13,296
Other costs of services	2,951	1,508	4,086	2,331
	<u>\$ 21,591</u>	<u>\$ 19,758</u>	<u>\$ 34,404</u>	<u>\$ 35,071</u>

**SG&A expenses**

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Employee compensation expenses	\$ 47,405	46,989	\$ 91,860	\$ 91,000
Buildings, facilities and technology expenses	13,319	12,969	25,594	24,205
Travel, advertising and promotion expenses	6,201	6,792	12,781	12,322
Professional fees	3,224	3,083	6,324	5,849
Other SG&A expenses	4,228	4,159	8,393	7,726
	<u>\$ 74,377</u>	<u>\$ 73,992</u>	<u>\$ 144,952</u>	<u>\$ 141,102</u>

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**7. Operating expenses (continued)****Acquisition-related costs**

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
IronPlanet: (note 22)				
Stock option compensation expense (note 20)	\$ 4,752	\$ -	\$ 4,752	\$ -
Legal costs	3,480	-	8,596	-
Other acquisition-related costs	13,955	-	16,530	-
Mascus: (note 22)				
Continuing employment costs	121	266	277	439
Other acquisition-related costs	23	32	23	750
Xcira:				
Continuing employment costs	284	305	666	611
Petrowsky: (note 22)				
Continuing employment costs	208	-	420	-
Other acquisition-related costs	4	-	4	-
Kramer: (note 22)				
Continuing employment costs	114	-	228	-
Other acquisition-related costs	7	-	79	-
	<u>\$ 22,948</u>	<u>\$ 603</u>	<u>\$ 31,575</u>	<u>\$ 1,800</u>

**Depreciation and amortization expenses**

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Depreciation expense	\$ 6,793	\$ 7,932	\$ 13,585	\$ 15,715
Amortization expense	5,079	2,352	8,625	4,649
	<u>\$ 11,872</u>	<u>\$ 10,284</u>	<u>\$ 22,210</u>	<u>\$ 20,364</u>

**Impairment loss**

During the three months ended June 30, 2017, management identified indicators of impairment on certain software and software under development intangible assets (the "technology assets"). The indicators consisted of decisions made after the acquisition of IronPlanet that adversely impacted the extent or manner in which certain technology assets would be utilized. As part of its integration activities the Company determined that it was more likely than not that certain technology assets would not be utilized or developed as originally intended and no longer had value. As a result, management performed an impairment test that resulted in the recognition of an impairment loss of \$8,911,000 on the technology assets.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 8. Income taxes

At the end of each interim period, the Company estimates the effective tax rate expected to be applicable for the full fiscal year. The estimate reflects, among other items, management's best estimate of operating results. It does not include the estimated impact of foreign exchange rates or unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

The Company's consolidated effective tax rate in respect of operations for the three and six months ended June 30, 2017 was 18.5% and 28.7%, respectively (2016: 24.6% and 24.4%).

### 9. Earnings per share attributable to stockholders

Basic earnings per share ("EPS") attributable to stockholders was calculated by dividing the net income attributable to stockholders by the weighted average ("WA") number of common shares outstanding. Diluted EPS attributable to stockholders was calculated by dividing the net income attributable to stockholders after giving effect to outstanding dilutive stock options and PSUs by the WA number of shares outstanding adjusted for all dilutive securities.

	Three months ended June 30, 2017			Six months ended June 30, 2017		
	Net income attributable stockholders	WA number of shares	Per amount	Net income attributable stockholders	WA number of shares	Per amount
Basic	\$ 17,635	107,004,902	\$ 0.16	\$ 28,012	106,928,672	\$ 0.26
Effect of dilutive securities:						
PSUs	(545)	534,849	-	(176)	399,203	-
Stock options	-	698,909	-	-	686,353	-
Diluted	\$ 17,090	108,238,660	\$ 0.16	\$ 27,836	108,014,228	\$ 0.26

	Three months ended June 30, 2016			Six months ended June 30, 2016		
	Net income attributable stockholders	WA number of shares	Per amount	Net income attributable stockholders	WA number of shares	Per amount
Basic	\$ 39,710	106,245,307	\$ 0.37	\$ 69,116	106,581,294	\$ 0.65
Effect of dilutive securities:						
Stock options	-	734,503	-	-	488,116	-
Diluted	\$ 39,710	106,979,810	\$ 0.37	\$ 69,116	107,069,410	\$ 0.65

In respect of PSUs awarded under the sign-on grant PSUs, and the senior executive and employee PSU plans (described in note 20), performance and market conditions, depending on their outcome at the end of the contingency period, can reduce the number of vested awards to nil or to a maximum of 200% of the number of outstanding PSUs. For the three and six months ended June 30, 2017, PSUs to purchase nil common shares were outstanding but excluded from the calculation of diluted EPS attributable to stockholders as they were anti-dilutive (2016: 441,368 and 441,368). For the three and six months ended June 30, 2017, stock options to purchase 853,803 and 426,902 common shares, respectively, were outstanding but excluded from the calculation of diluted EPS attributable to stockholders as they were anti-dilutive (2016: 28,318 and 1,504,394).

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**10. Supplemental cash flow information**

<b>Six months ended June 30,</b>	<b>2017</b>	<b>2016</b>
Trade and other receivables	(65,529)	(68,680)
Inventory	1,429	(15,871)
Advances against auction contracts	(1,107)	2,897
Prepaid expenses and deposits	5,668	(2,534)
Income taxes receivable	(3,225)	(4,845)
Auction proceeds payable	135,432	171,660
Trade and other payables	(11,734)	(13,152)
Income taxes payable	(4,118)	(9,385)
Share unit liabilities	(6,664)	2,606
Other	2,238	(5,070)
Net changes in operating assets and liabilities	<u>\$ 52,390</u>	<u>\$ 57,626</u>

<b>Six months ended June 30,</b>	<b>2017</b>	<b>2016</b>
Interest paid, net of interest capitalized	\$ 2,250	\$ 2,922
Interest received	1,943	984
Net income taxes paid	23,458	36,870

## Non-cash transactions:

Non-cash purchase of property, plant and equipment under capital lease	<u>3,483</u>	<u>756</u>
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On December 21, 2016, the Company prepaid interest of \$7,540,000 in to escrow. In the three months ended June 30, 2017 the Company prepaid interest of \$6,719,000 in to escrow. On May 31, 2017, prepaid interest of \$14,259,000 was released from escrow and returned to the Company. Interest for the period from December 21, 2016 to July 14, 2017 of \$15,229,000 is payable on July 15, 2017.

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Cash and cash equivalents	\$ 254,103	\$ 207,867
Restricted cash:		
Current	113,391	50,222
Non-current	-	500,000
Cash, cash equivalents, and restricted cash	<u>\$ 367,494</u>	<u>\$ 758,089</u>

On December 21, 2016, the Company completed the offering of \$500,000,000 aggregate principal amount of 5.375% senior unsecured notes due January 15, 2025 (note 18). Upon the closing of the offering, the gross proceeds from the offering were deposited in to an escrow account. The funds were released from escrow upon the closing of the acquisition of IronPlanet (note 22).

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**10. Supplemental cash flow information (continued)**

In the fourth quarter of 2016, Company early adopted ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*, which requires that the change in the total of cash, cash equivalents, and restricted cash during a reporting period be explained in the Statement of Cash Flows ("SCF"). Therefore, the Company has included its restricted cash balances when reconciling the total beginning and end of period amounts shown on the face of the SCF. The effect of this change is detailed below.

<b>Six months ended June 30,</b>	<b>2016</b>
Net changes in operating assets and liabilities:	
As reported	\$ (52,931)
Current presentation	57,626
Net cash provided by operating activities:	
As reported	37,555
Current presentation	148,112
Effect of changes in foreign currency rates on cash:	
As reported	6,077
Current presentation	8,593
Increase (decrease) in cash:	
As reported	(43,647)
Current presentation	69,426
Cash and cash equivalents	166,501
Total cash, cash equivalents and restricted cash	\$ 362,672

**11. Fair value measurement**

All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement or disclosure:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**11. Fair value measurement (continued)**

	Category	June 30, 2017		December 31, 2016	
		Carrying amount	Fair value	Carrying amount	Fair value
<i>Fair values disclosed, recurring:</i>					
Cash and cash equivalents	Level 1	\$ 254,103	\$ 254,103	\$ 207,867	\$ 207,867
Restricted cash	Level 1	113,391	113,391	550,222	550,222
Short-term debt (note 18)	Level 2	14,110	14,110	23,912	23,912
Long-term debt (note 18)					
Senior unsecured notes	Level 1	486,495	522,500	495,780	509,500
Revolving loans	Level 2	-	-	99,926	99,926
Delayed draw term loans	Level 2	327,818	332,363	-	-

The carrying value of the Company's cash and cash equivalents, restricted cash, trade and other receivables, advances against auction contracts, auction proceeds payable, trade and other payables, and revolving loans approximate their fair values due to their short terms to maturity. The carrying value of the delayed draw term loan, before deduction of deferred debt issue costs approximates its fair value as the interest rates on the loans were short-term in nature. The fair value of the senior unsecured notes is determined by reference to a quoted market price.

**12. Inventory**

At each period end, inventory is reviewed to ensure that it is recorded at the lower of cost and net realizable value. During the three and six months ended June 30, 2017, the Company recorded an inventory write-down of \$301,000 and \$656,000, respectively (2016: \$1,402,000 and \$1,402,000).

Of inventory held at June 30, 2017, 97% is expected to be sold prior to the end of September 2017 with the remainder sold by the end of December 2017 (December 31, 2016: 93% sold by the end of March 2017 with the remainder sold by the end of June 2017).

**13. Assets held for sale**

Balance, December 31, 2016	\$ 632
Disposal	(390)
Site preparation costs	3
Balance, June 30, 2017	<u>\$ 245</u>

During the six months ended June 30, 2017, the Company sold excess auction site acreage in Orlando, United States, for net proceeds of \$953,000 resulting in a gain of \$564,000.

As at June 30, 2017, the Company's assets held for sale consisted of excess auction site acreage located in Denver, United States. Management made the strategic decision to sell this excess acreage to maximize the Company's return on invested capital. This land asset belongs to the Core Auction reportable segment.

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

**13. Assets held for sale (continued)**

The property continues to be actively marketed for sale through an independent real estate broker, and management expects the sales to be completed within 12 months of June 30, 2017.

**14. Property, plant and equipment**

<b>As at June 30, 2017</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Land and improvements	\$ 372,966	\$ (64,957)	\$ 308,009
Buildings	262,153	(97,815)	164,338
Yard and automotive equipment	58,343	(39,349)	18,994
Computer software and equipment	64,951	(56,647)	8,304
Office equipment	24,427	(17,843)	6,584
Leasehold improvements	21,017	(13,837)	7,180
Assets under development	10,803	-	10,803
	<u>\$ 814,660</u>	<u>\$ (290,448)</u>	<u>\$ 524,212</u>

<b>As at December 31, 2016</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Land and improvements	\$ 362,283	\$ (60,576)	\$ 301,707
Buildings	256,168	(91,323)	164,845
Yard and automotive equipment	55,352	(38,560)	16,792
Computer software and equipment	66,265	(57,624)	8,641
Office equipment	22,963	(16,706)	6,257
Leasehold improvements	20,199	(12,541)	7,658
Assets under development	9,130	-	9,130
	<u>\$ 792,360</u>	<u>\$ (277,330)</u>	<u>\$ 515,030</u>

During the three and six months ended June 30, 2017, interest of \$22,000 and \$39,000, respectively was capitalized to the cost of assets under development (2016: \$11,000 and \$23,000). These interest costs relating to qualifying assets are capitalized at a weighted average rate of 2.40% (2016: 5.46%).

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**15. Intangible assets**

<b>As at June 30, 2017</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Trade names and trademarks	\$ 51,953	\$ (246)	\$ 51,707
Customer relationships	120,564	(3,213)	117,351
Software	92,649	(17,080)	75,569
Software under development	10,873	-	10,873
	<u>\$ 276,039</u>	<u>\$ (20,539)</u>	<u>\$ 255,500</u>

<b>As at December 31, 2016</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Trade names and trademarks	\$ 5,585	\$ (50)	\$ 5,535
Customer relationships	25,618	(1,072)	24,546
Software	36,566	(13,116)	23,450
Software under development	18,773	-	18,773
	<u>\$ 86,542</u>	<u>\$ (14,238)</u>	<u>\$ 72,304</u>

During the three months ended June 30, 2017, the Company recognized an impairment loss of \$8,911,000 due to the impairment of certain software and software under development (note 7).

During the three and six months ended June 30, 2017, interest of \$30,000 and \$66,000, respectively was capitalized to the cost of software under development (2016: \$97,000 and \$177,000). These interest costs relating to qualifying assets are capitalized at a weighted average rate of 2.40% (2016: 6.01%).

**16. Goodwill**

Balance, December 31, 2016	\$ 97,537
Additions (note 22)	567,410
Foreign exchange movement	2,626
Balance, June 30, 2017	<u>\$ 667,573</u>

The carrying value of goodwill has been allocated to reporting units for impairment testing purposes as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Core Auction	\$ 65,324	\$ 64,577
IronPlanet (note 22)	567,731	-
EquipmentOne	14,357	14,357
Mascus	20,161	18,603
	<u>\$ 667,573</u>	<u>\$ 97,537</u>

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**17. Equity-accounted investments**

The Company holds a 48% share interest in a group of companies detailed below (together, the Cura Classis entities), which have common ownership. The Cura Classis entities provide dedicated fleet management services in three jurisdictions to a common customer unrelated to the Company. The Company has determined the Cura Classis entities are variable interest entities and the Company is not the primary beneficiary, as it does not have the power to make any decisions that significantly affect the economic results of the Cura Classis entities. Accordingly, the Company accounts for its investments in the Cura Classis entities following the equity method.

A condensed summary of the Company's investments in and advances to equity-accounted investees are as follows (in thousands of U.S. dollars, except percentages):

	<b>Ownership percentage</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Cura Classis entities	48%	\$ 4,662	\$ 4,594
Other equity investments	32%	2,627	2,732
		<u>7,289</u>	<u>7,326</u>

As a result of the Company's investments, the Company is exposed to risks associated with the results of operations of the Cura Classis entities. The Company has no other business relationships with the Cura Classis entities. The Company's maximum risk of loss associated with these entities is the investment carrying amount.

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**18. Debt**

	Carrying amount	
	June 30, 2017	December 31, 2016
Short-term debt	\$ 14,110	\$ 23,912
Long-term debt:		
Revolving loans:		
Denominated in Canadian dollars, unsecured, bearing interest at a weighted average rate of 2.380%, due in monthly installments of interest only, with the committed, revolving credit facility available until October 2021	-	69,926
Denominated in United States dollars, unsecured, bearing interest at a weighted average rate of 2.075%, due in monthly installments of interest only, with the committed, revolving credit facility available until October 2021	-	30,000
Delayed draw term loan:		
Denominated in Canadian dollars, secured, bearing interest at a weighted average rate of 2.350%, due in monthly installments of interest only and quarterly installments of principal, with the committed credit facility, available until October 2021	184,113	-
Denominated in United States dollars, secured, bearing interest at a weighted average rate of 2.551%, due in monthly installments of interest only and quarterly installments of principal, with the committed credit facility, available until October 2021	148,250	
Less: unamortized debt issue costs	(4,545)	
Senior unsecured notes:		
Bearing interest at 5.375% due in semi-annual installments, with the full amount of principal due in January 2025	500,000	500,000
Less: unamortized debt issue costs	(13,505)	(4,220)
	<u>814,313</u>	<u>595,706</u>
Total debt	<u>\$ 828,423</u>	<u>\$ 619,618</u>
Long-term debt:		
Current portion	\$ 16,618	\$ -
Non-current portion	797,695	595,706
	<u>\$ 814,313</u>	<u>\$ 595,706</u>

On October 27, 2016, the Company entered into a credit agreement (the "Credit Agreement") with a syndicate of lenders, and Bank of America, N.A. ("BofA"), as administrative agent which provides the Company with:

- Multicurrency revolving facilities of up to \$675,000,000 (the "Multicurrency Facilities");
- A delayed draw term loan facility of up to \$325,000,000 (the "Delayed-Draw Facility"); and together with the Multicurrency Facilities, the ("Syndicated Facilities") and
- At the Company's election and subject to certain conditions, including receipt of related commitments, incremental term loan facilities and/or increases to the Multicurrency Facilities in an aggregate amount of up to \$50,000,000.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 18. Debt (continued)

The Company may use the proceeds from the Multicurrency Facilities for general corporate purposes. The amount available pursuant to the Delayed-Draw Facility is only available to finance the acquisition of IronPlanet and will not be available for other corporate purposes upon repayment of amounts borrowed under that facility. On May 31, 2017, the Company borrowed \$325,000,000 under the Delayed-Draw Facility to finance the acquisition of IronPlanet. The Delayed-Draw Facility amortizes in equal quarterly installments in an annual amount of 5% for the first two years and 10% in the third through fifth years, with the balance payable at maturity. Upon the closing of the acquisition the Syndicated Facilities became secured by the assets of the Company and certain of its subsidiaries in Canada and the United States. The Syndicated Facilities may become unsecured again, subject to the Company meeting specified credit rating or leverage ratio conditions.

The Company has incurred debt issue costs of \$9,529,000 in connection with the Syndicated Facilities, of which \$4,691,000 was allocated to the Multicurrency Facilities and \$4,838,000 was allocated to the Delayed-Draw Facility. As the former allocation is not related to specific draws, the costs have been capitalized as other non-current assets and are being amortized over the term of the Syndicated Facilities. For the later allocation, the costs have been capitalized and reduce the carrying value of the delayed draw term loans to which they relate. At June 30, 2017, the Company had unamortized deferred debt issue costs relating to the Multicurrency Facilities of \$4,168,000 (December 31, 2016: \$6,182,000 relating to the Syndicated Facilities) and unamortized deferred debt issue costs of \$4,545,000 relating to the delayed draw term loans.

On December 21, 2016, the Company completed the offering of \$500,000,000 aggregate principal amount of 5.375% senior unsecured notes due January 15, 2025 (the "Notes"). Interest on the Notes is payable semi-annually. The proceeds from the offering were held in escrow until completion of the acquisition of IronPlanet. On May 31, 2017, the funds were released from escrow to finance the acquisition of IronPlanet. The Notes are jointly and severally guaranteed on an unsecured basis, subject to certain exceptions, by each of the Company's subsidiaries that is a borrower or guarantees indebtedness under the Credit Agreement. IronPlanet and certain of its subsidiaries were added as additional guarantors in connection with the acquisition of IronPlanet.

The Company has incurred debt issue costs of \$13,883,000 in connection with the offering of the Notes. At June 30, 2017, the Company had unamortized deferred debt issue costs relating to the Notes of \$13,505,000 (December 31, 2016: \$4,220,000)

Short-term debt at June 30, 2017 is comprised of drawings in different currencies on the Company's committed revolving credit facilities and have a weighted average interest rate of 2.4% (December 31, 2016: 2.2%).

As at June 30, 2017, the Company had available committed revolving credit facilities aggregating \$658,122,000 of which \$646,926,000 is available until October 27, 2021.

### 19. Equity and dividends

#### Share capital

##### *Preferred stock*

Unlimited number of senior preferred shares, without par value, issuable in series.

Unlimited number of junior preferred shares, without par value, issuable in series.

All issued shares are fully paid. No preferred shares have been issued.

##### *Share repurchase*

There were no common shares repurchased during the three and six months ended June 30, 2017 (March 2016: 1,460,000 repurchased common shares, which were cancelled on March 15, 2016).

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**19. Equity and dividends (continued)****Dividends****Declared and paid**

The Company declared and paid the following dividends during the three and six months ended June 30, 2017 and 2016:

	<b>Declaration date</b>	<b>Dividend per share</b>	<b>Record date</b>	<b>Total dividends</b>	<b>Payment date</b>
<b>Six months ended June 30, 2017:</b>					
Fourth quarter 2016	January 23, 2017	\$ 0.1700	February 10, 2017	\$ 18,160	March 3, 2017
First quarter 2017	May 4, 2017	0.1700	May 23, 2017	18,188	June 13, 2017
<b>Six months ended June 30, 2016:</b>					
Fourth quarter 2015	January 15, 2016	\$ 0.1600	February 12, 2016	\$ 17,154	March 4, 2016
First quarter 2016	May 9, 2016	0.1600	May 24, 2016	17,022	June 14, 2016

**Declared and undistributed**

Subsequent to June 30, 2017, the Company's Board of Directors declared a quarterly dividend of \$0.17 cents per common share, payable on September 15, 2017 to stockholders of record on August 25, 2017. This dividend payable has not been recognized as a liability in the financial statements. The payment of this dividend will not have any tax consequence for the Company.

**Foreign currency translation reserve**

Foreign currency translation adjustments include intra-entity foreign currency transactions that are of a long-term investment nature, which generated net gains of \$7,817,000 and \$11,484,000 for the three and six months ended June 30, 2017, respectively (2016: net losses of \$271,000 and net gains of \$8,611,000).

**20. Share-based payments**

Share-based payments consist of the following compensation costs:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Stock option compensation expense:</b>				
SG&A expenses	\$ 2,012	1,400	\$ 3,324	\$ 2,470
Acquisition-related costs	4,752	-	4,752	-
<b>Share unit expense (recovery):</b>				
Equity-classified PSUs	1,033	486	2,045	486
Liability-classified share units	(165)	5,508	(572)	6,780
Employee share purchase plan - employer contributions	447	396	883	749
	<u>\$ 8,079</u>	<u>\$ 7,790</u>	<u>\$ 10,432</u>	<u>\$ 10,485</u>

Share unit expense (recovery) and employer contributions to the employee share purchase plan are recognized in SG&amp;A expenses.

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**20. Share-based payments (continued)****Stock option plan**

The Company has three stock option plans that provide for the award of stock options to selected employees, directors and officers of the Company: the a) 1999 Employee Stock Purchase Plan, as amended February 17, 2017, b) IronPlanet 1999 Stock Plan, and c) IronPlanet 2015 Stock Plan. The IronPlanet 1999 Stock Plan and IronPlanet 2015 Stock Plan were assumed by the Company as part of the acquisition of IronPlanet (note 22).

Stock option activity for the six months ended June 30, 2017 is presented below:

	Common shares under option	WA exercise price	WA remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, December 31, 2016	3,366,714	\$ 24.02	7.5	\$ 33,601
Granted	768,136	32.15		
Assumed in acquisition (note 22)	737,358	14.26		
Exercised	(256,511)	23.52		\$ 2,234
Forfeited	(76,522)	18.78		
Outstanding, June 30, 2017	<u>4,539,175</u>	<u>\$ 23.93</u>	<u>7.7</u>	<u>\$ 24,741</u>
Exercisable, June 30, 2017	<u>1,839,149</u>	<u>\$ 23.33</u>	<u>6.3</u>	<u>\$ 10,048</u>

The fair value of the stock option grants is estimated on the date of the grant using the Black-Scholes option pricing model. The weighted average grant date fair value of options granted during the six months ended June 30, 2017 was \$7.61. The significant assumptions used to estimate the fair value of stock options granted during the six months ended June 30, 2017 and 2016 are presented in the following table on a weighted average basis:

<b>Six months ended June 30,</b>	<b>2017</b>	<b>2016</b>
Risk free interest rate	2.1%	1.2%
Expected dividend yield	2.05%	2.66%
Expected lives of the stock options	5 years	5 years
Expected volatility	27.9%	26.5%

The fair value of the assumed stock options is estimated on the IronPlanet acquisition date using the Black-Scholes option pricing model. The weighted average fair value of the assumed options was \$16.93. The significant assumptions used to estimate the fair value of these assumed stock options are presented in the following table on a weighted average basis:

<b>Six months ended June 30,</b>	<b>2017</b>
Risk free interest rate	0.8%
Expected dividend yield	2.19%
Expected lives of the stock options	0.4 years
Expected volatility	32.1%

As at June 30, 2017, the unrecognized stock-based compensation cost related to the non-vested stock options was \$10,928,000, which is expected to be recognized over a weighted average period of 2.4 years.

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

**20. Share-based payments (continued)**

**Share unit plans**

Share unit activity for the six months ended June 30, 2017 is presented below:

	Equity-classified awards		PSUs (1)		Liability-classified awards		Restricted share units ("RSUs")		DSUs	
	PSUs		PSUs (1)		Restricted share units ("RSUs")		DSUs			
	Number	WA grant date value	Number	WA grant date value	Number	WA grant date fair value	Number	WA grant date value	Number	WA grant date value
Outstanding, December 31, 2016	243,968	\$ 27.48	311,329	\$ 23.96	160,009	\$ 23.37	73,520	\$ 25.41		
Granted	95,212	31.67	89,643	31.67	801	32.66	8,624	32.19		
Reclassification on modification	81,533	24.47	(81,533)	24.66	-	-	-	-		
Vested and settled	-	-	(49,873)	23.64	(151,591)	23.24	-	-		
Forfeited	(5,106)	27.48	(14,845)	26.09	-	-	-	-		
Outstanding, June 30, 2017	<u>415,607</u>	<u>\$ 27.85</u>	<u>254,721</u>	<u>\$ 26.39</u>	<u>9,219</u>	<u>\$ 26.40</u>	<u>82,144</u>	<u>\$ 26.12</u>		

(1) Liability-classified PSUs include PSUs awarded under the employee PSU plan and the previous 2013 PSU plan, in place prior to 2015 that are cash-settled and not subject to market vesting conditions.

As at June 30, 2017, the unrecognized share unit expense related to equity-classified PSUs was \$6,456,000, which is expected to be recognized over a weighted average period of 1.9 years. The unrecognized share unit expense related to liability-classified PSUs was \$4,667,000, which is expected to be recognized over a weighted average period of 2.0 years. The unrecognized share unit expense related to liability-classified RSUs was \$83,000, which is expected to be recognized over a weighted average period of 1.1 years. There is no unrecognized share unit expense related to liability-classified DSUs as they vest immediately upon grant.

**Senior executive and employee PSU plans**

The Company grants PSUs under a senior executive PSU plan and an employee PSU plan (the "new plans"). Under the new plans, the number of PSUs that vest is conditional upon specified market, service, and performance vesting conditions being met.

PSUs awarded under the new plans are subject to market vesting conditions. The fair value of the liability-classified PSUs awarded under the employee PSU plan is estimated on the date of grant and at each reporting date using a binomial model. The significant assumptions used to estimate the fair value of the liability-classified PSUs awarded under the employee PSU plan during the six months ended June 30, 2017 and 2016 are presented in the following table on a weighted average basis:

Six months ended June 30,	2017	2016
Risk free interest rate	1.4%	1.2%
Expected dividend yield	1.92%	2.49%
Expected lives of the PSUs	3 years	3 years
Expected volatility	28.2%	29.9%
Average expected volatility of comparable companies	37.0%	37.0%

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

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### 20. Share-based payments (continued)

#### Share unit plans (continued)

##### *Sign-on grant PSUs*

On August 11, 2014, the Company awarded 102,375 one-time sign-on grant PSUs (the “SOG PSUs”). The SOG PSUs were cash-settled and subject to market vesting conditions related to the Company’s share performance over rolling two, three, four, and five-year periods.

Prior to May 1, 2017, the Company was only able to settle the SOG PSU award in cash, and as such, the plan was classified as a liability award. On May 1, 2017 (the “modification date”), the shareholders approved amendments to the SOG PSU grant, allowing the Company to choose whether to settle the award in cash or in shares. With respect to settling in shares, the new settlement options allow the Company to issue a number of shares equal to the number of units that vest. The shareholders authorized 150,000 shares to be issued for settlement of the PSUs.

On the modification date, the SOG PSU award was reclassified to equity award, based on the Company’s settlement intentions. The weighted average fair value of the SOG PSU award outstanding on the modification date was \$24.47. The share unit liability, representing the portion of the fair value attributable to past service, was \$1,421,000, which was reclassified to equity on that date. No incremental compensation was recognized as a result of the modification. Unrecognized compensation expense based on the fair value of the SOG PSU award on the modification date will be amortized over the remaining service period.

Because the PSUs awarded under the new plans are contingently redeemable in cash in the event of death of the participant, on the modification date, the Company reclassified \$1,803,000 to temporary equity, representing the portion of the contingent redemption amount of the SOG PSUs as if redeemable on May 1, 2017, to the extent attributable to prior service.

The fair value of the equity-classified SOG PSUs is estimated on modification date and on the date of grant using a binomial model. The significant assumptions used to estimate the fair value of the equity-classified PSUs for the six months ended June 30, 2017 are presented in the following table on a weighted average basis:

<b>Six months ended June 30,</b>	<b>2017</b>
Risk free interest rate	1.6%
Expected dividend yield	2.54%
Expected lives of the PSU	4 years
Expected volatility	28.6%

### 21. Contingencies

#### Legal and other claims

The Company is subject to legal and other claims that arise in the ordinary course of its business. Management does not believe that the results of these claims will have a material effect on the Company’s consolidated balance sheet or consolidated income statement.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 21. Contingencies (continued)

#### Guarantee contracts

In the normal course of business, the Company will in certain situations guarantee to a consignor a minimum level of proceeds in connection with the sale at auction of that consignor's equipment.

At June 30, 2017 there was \$40,024,000 of industrial assets guaranteed under contract, of which 87% is expected to be sold prior to the end of September 2017, with the remainder relating to guarantees issued by IronPlanet to be sold by September 2018 (December 31, 2016: \$3,813,000 of which 100% was expected to be sold prior to the end of March 2017).

At June 30, 2017 there was \$23,292,000 of agricultural assets guaranteed under contract, of which 90% is expected to be sold prior to the end of September 2017, with the remainder to be sold by the end of November 2017 (December 31, 2016: \$11,415,000 of which 100% was expected to be sold prior to the end of July 2017).

The outstanding guarantee amounts are undiscounted and before estimated proceeds from sale at auction.

### 22. Business combinations

#### (a) IronPlanet acquisition

On May 31, 2017 (the "IronPlanet Acquisition Date"), the Company acquired 100% of the issued and outstanding shares of IronPlanet for a total fair value consideration of \$776,562,000. As at the acquisition date, cash consideration of \$772,706,000 has been paid to the former shareholders, vested option holders and warrant holders of IronPlanet. In addition to the cash consideration, non-cash consideration of \$2,330,000 was issued attributable to the assumption of outstanding IronPlanet options, \$1,859,000 is payable in cash related to customary adjustments after 90 days of closing, and \$333,000 was related to settlement of intercompany payable transactions.

A summary of the net cash flows and purchase price are detailed below:

	<b>May 31, 2017</b>
Cash consideration paid to former equity holders	\$ 723,810
Settlement of IronPlanet's debt	36,313
Settlement of IronPlanet's transaction costs	12,583
Cash consideration paid on closing	772,706
Less: cash and cash equivalents acquired	(95,626)
Less: restricted cash acquired	(3,000)
Acquisition of IronPlanet, net of cash acquired	\$ 674,080
Cash consideration paid on closing	\$ 772,706
Replacement stock option awards attributable to pre-combination services	4,926
Stock option compensation expense from accelerated vesting of awards attributable to post-combination services	(2,596)
Cash consideration payable within 90 days of acquisition date	1,859
Settlement of pre-existing intercompany balances	(333)
Purchase price	\$ 776,562

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

### 22. Business combinations (continued)

#### (a) IronPlanet acquisition (continued)

As part of the acquisition of IronPlanet, the Company assumed IronPlanet's existing 1999 and 2015 Stock Option Plans under the same terms and conditions. The fair value of IronPlanet's stock options at the date of acquisition was determined using the Black-Scholes pricing model. Of the total fair value, \$51,678,000 has been attributed as pre-combination service and included as part of the total acquisition consideration. The post-combination attribution of \$10,154,000 is made up of two components, 1) \$4,752,000 related to acceleration of options upon closing of the transaction which was immediately recognized in acquisition-related costs, and 2) \$5,402,000 related to the remaining unvested options which will be recognized as compensation expense over the vesting period.

IronPlanet is a leading online marketplace for selling and buying used equipment and other durable assets and an innovative participant in the multi-billion dollar used equipment market. The acquisition expands the breadth and depth of equipment disposition and management solutions the Company can offer its customers.

The acquisition was accounted for in accordance with ASC 805, *Business Combinations*. The assets acquired and liabilities assumed were recorded at their estimated fair values at the IronPlanet Acquisition Date. Goodwill of \$567,410,000 was calculated as the fair value of consideration over the estimated fair value of the net assets acquired.

#### *IronPlanet provisional purchase price allocation*

	<b>May 31, 2017</b>
Purchase price	\$ 776,562
Assets acquired:	
Cash and cash equivalents	\$ 95,626
Restricted cash	3,000
Trade and other receivables	13,021
Inventory	1,012
Advances against auction contracts	4,623
Prepaid expenses and deposits	1,233
Income taxes receivable	170
Property, plant and equipment	2,381
Other non-current assets	2,551
Deferred tax assets	1,497
Intangible assets ~	188,000
Liabilities assumed:	
Auction proceeds payable	63,616
Trade and other payables	14,423
Income taxes payable	55
Deferred tax liabilities	25,868
Fair value of identifiable net assets acquired	209,152
Goodwill acquired on acquisition	\$ 567,410

~ Intangible assets consist of indefinite-lived trade names and trademarks, customer relationships with estimated useful lives of ranging from six to 13 years, and a technology platform with an estimated useful life of 7 years.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 22. Business combinations (continued)

#### (a) IronPlanet acquisition (continued)

The amounts included in the IronPlanet provisional purchase price allocation are preliminary in nature and are subject to adjustment as additional information is obtained about the facts and circumstances that existed as of the IronPlanet Acquisition Date. The final determination of the fair values of certain assets and liabilities will be completed within the measurement period of up to one year from the IronPlanet Acquisition Date, and will be finalized upon the determination of closing working capital and deferred tax impact together with the finalization of the valuation report. Adjustments to the preliminary values during the measurement period will be recorded in the operating results of the period in which the adjustments are determined. Changes to the amounts recorded as assets and liabilities will result in a corresponding adjustment to goodwill.

#### Goodwill

Goodwill has been allocated entirely to "Other" for segmented information purposes and is based on an analysis of the fair value of net assets acquired. The main drivers generating goodwill are the anticipated synergies from (1) the Company's auction expertise and transactional capabilities to IronPlanet's existing customer base, (2) IronPlanet providing existing technology to the Company's current customer base, and (3) future growth from international expansion and new Caterpillar dealers. Other factors generating goodwill include the acquisition of IronPlanet's assembled work force and their associated technical expertise.

#### Contributed revenue and net income

The results of IronPlanet's operations are included in these consolidated financial statements from IronPlanet Acquisition Date. IronPlanet's contribution to the Company's revenues and net income, excluding intercompany transactions for the period from May 31, 2017 to June 30, 2017 was \$10,880,000 and \$292,000, respectively.

The following table includes the unaudited condensed pro forma financial information that presents the combined results of operations as if the transactions relating to the IronPlanet acquisition and the financing required to fund the acquisition had occurred on January 1, 2016. These transactions include adjustments in each applicable period presented for recurring charges related to amortization of intangible assets acquired, interest expense related to the acquisition financing, changes in fair value of convertible preferred stock warrant liability, certain stock option compensation expenses, and taxes, as well as adjustments to the diluted weighted average number of shares outstanding. In addition, these transactions also include pre-tax adjustments related to non-recurring charges totalling \$54,360,000 incurred between the third quarter of 2016 and the second quarter of 2017 that were presented as if the transactions occurred on January 1, 2016. The non-recurring transactions include certain acquisition-related costs, stock option compensation expenses, and severance costs, together with the related income tax recovery. The unaudited pro forma condensed combined financial information does not purport to represent what the Company's results of operations or financial condition would have been had the IronPlanet acquisition and related transactions occurred on the dates indicated, and it does not purport to project the Company's results of operations or financial condition for any future period or as of any future date.

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenue	\$ 185,485	\$ 187,089	\$ 340,029	\$ 349,893
Net income	25,775	28,403	43,825	28,373
Basic earnings per share	0.24	0.26	0.41	0.25
Diluted earnings per share	0.23	0.26	0.40	0.25

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

### 22. Business combinations (continued)

#### *Transactions recognized separately from the acquisition of assets and assumptions of liabilities*

##### Acquisition-related costs

Expenses totalling \$29,878,000 for legal fees, continuing employment costs, and other acquisition-related costs are included in the consolidated income statement for the period ended June 30, 2017.

##### **(b) Kramer acquisition**

On November 15, 2016 (the “Kramer Acquisition Date”), the Company purchased the assets of Kramer Auctions Ltd. for cash consideration of Canadian dollar 15,300,000 (\$11,361,000) comprised of Canadian dollar 15,000,000 (\$11,138,000) paid at acquisition date and Canadian dollar 300,000 (\$223,000) deferred payments over three years. In addition to cash consideration, consideration of up to Canadian dollar 2,500,000 (\$1,856,000) is contingent on Kramer achieving certain operating performance targets over the three-year period following acquisition.

Kramer is a leading Canadian agricultural auction company with exceptionally strong customer relationships in central Canada. This acquisition is expected to significantly strengthen Ritchie Bros.’ penetration of Canada’s agricultural sector and add key talent to our Canadian Agricultural sales and operations team.

The acquisition was accounted for in accordance with ASC 805 *Business Combinations*. The assets acquired were recorded at their estimated fair values at the Kramer Acquisition Date. Goodwill of \$6,822,000 was calculated as the fair value of consideration over the estimated fair value of the net assets acquired.

##### *Kramer provisional purchase price allocation*

	<b>November 15, 2016</b>
Purchase price	\$ 11,138
Deferred purchase note consideration	223
Fair value of contingent consideration	538
Total fair value at Petrowsky Acquisition Date	<u>11,899</u>
Assets acquired:	
Property, plant and equipment	\$ 399
Intangible assets ~	4,678
Fair value of identifiable net assets acquired	<u>5,077</u>
Goodwill acquired on acquisition	<u>\$ 6,822</u>

~ Consists of customer relationships and trade names with estimated useful lives of 10 and three years, respectively.

The amounts included in the Kramer provisional purchase price allocation are preliminary in nature and are subject to adjustment as additional information is obtained about the facts and circumstances that existed as of the Kramer Acquisition Date. The final determination of the fair values of certain assets and liabilities will be completed within the measurement period of up to one year from the Kramer Acquisition Date. Adjustments to the preliminary values during the measurement period will be recorded in the operating results of the period in which the adjustments are determined. Changes to the amounts recorded as assets and liabilities will result in a corresponding adjustment to goodwill.

##### *Assets acquired*

At the date of acquisition, the Company determined the fair value of the assets acquired using appropriate valuation techniques.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 22. Business combinations (continued)

#### (b) Kramer acquisition (continued)

##### *Goodwill*

Goodwill has been allocated entirely to the Company's Core Auction segment and is based on an analysis of the fair value of net assets acquired. Kramer is a highly complementary business that will broaden the Company's base in the agriculture sector in Canada, one of the main drivers generating goodwill.

##### *Contingent consideration*

As part of the acquisition, contingent consideration of up to Canadian dollar 2,500,000 (\$1,856,000) is payable to Kramer Auctioneers if certain revenue growth targets are achieved. The contingent consideration is based on the cumulative revenue growth during a three-year period ending November 15, 2019. The Company recognized a liability equal to the estimated fair value of the contingent consideration of Canadian dollar 769,000 (\$593,000) on June 30, 2017 (December 31, 2016: Canadian dollar 725,000 (\$538,000)). The liability is remeasured on each reporting date at its estimated fair value, which is determined using actual results up to the reporting date and forecasted results over the remainder of the performance period. Changes in the fair value are recognized in other income or expense in the consolidated income statement, as applicable.

##### *Transactions recognized separately from the acquisition of assets and assumptions of liabilities*

###### Acquisition-related costs

Expenses totalling \$307,000 for legal fees, continuing employment costs, and other acquisition-related costs are included in the consolidated income statements for the period ended June 30, 2017.

###### Employee compensation in exchange for continued services

The Company may pay an additional amount not exceeding Canadian dollar 1,000,000 (\$743,000) over a three-year period based on the continuing employment of four key leaders of Kramer Auctions with the Company.

#### (c) Petrowsky acquisition

On August 1, 2016 (the "Petrowsky Acquisition Date"), the Company acquired the assets of Petrowsky for cash consideration of \$6,250,000. An additional \$750,000 was paid for the retention of certain key employees. In addition to cash consideration, consideration of up to \$3,000,000 is contingent on Petrowsky achieving certain revenue growth targets over the three-year period following acquisition.

Based in North Franklin, Connecticut, Petrowsky caters largely to equipment sellers in the construction and transportation industries. Petrowsky also serves customers selling assets in the underground utility, waste recycling, marine, and commercial real estate industries. The business operates one permanent auction site, in North Franklin, which will continue to hold auctions, and also specializes in off-site auctions held on the land of the consignor.

The acquisition was accounted for in accordance with ASC 805 *Business Combinations*. The assets acquired were recorded at their estimated fair values at the Petrowsky Acquisition Date. Full goodwill of \$4,308,000 was calculated as the fair value of consideration over the estimated fair value of the net assets acquired.

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)  
(Unaudited)

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**22. Business combinations (continued)****(c) Petrowsky acquisition (continued)***Petrowsky provisional purchase price allocation*

	<b>August 1, 2016</b>
Purchase price	\$ 6,250
Fair value of contingent consideration	1,433
<b>Total fair value at Petrowsky Acquisition Date</b>	<b>7,683</b>
<b>Assets acquired:</b>	
Property, plant and equipment	\$ 441
Intangible assets ~	2,934
Fair value of identifiable net assets acquired	3,375
<b>Goodwill acquired on acquisition</b>	<b>\$ 4,308</b>

~Consists of customer relationships with estimated useful lives of 10 years.

The amounts included in the Petrowsky provisional purchase price allocation are preliminary in nature and are subject to adjustment as additional information is obtained about the facts and circumstances that existed as of the Petrowsky Acquisition Date. The final determination of the fair values of certain assets and liabilities will be completed within the measurement period of up to one year from the Petrowsky Acquisition Date.

Adjustments to the preliminary values during the measurement period will be recorded in the operating results of the period in which the adjustments are determined. Changes to the amounts recorded as assets and liabilities will result in a corresponding adjustment to goodwill.

***Assets acquired and liabilities assumed***

At the date of the acquisition, the carrying amounts of the assets and liabilities acquired approximated their fair values, except customer relationships, whose fair value was determined using appropriate valuation techniques.

***Goodwill***

Goodwill has been allocated entirely to the Company's Core Auction segment and based on an analysis of the fair value of assets acquired. Petrowsky is a highly complementary business that will broaden the Company's base of equipment sellers, one of the main drivers generating goodwill. Petrowsky's sellers are primarily in the construction and transportation industries, which are also well aligned with the Company's sector focus.

***Contingent consideration***

As part of the acquisition, contingent consideration of up to \$3,000,000 is payable to Petrowsky if certain revenue growth targets are achieved. The contingent consideration is based on the cumulative revenue growth during a three-year period ending July 31, 2019. The liability is remeasured on each reporting date at its estimated fair value, which is determined using actual results up to the reporting date and forecasted results over the remainder of the performance period. Changes in the fair value are recognized in other income or expense in the consolidated income statement, as applicable. In the three and six months ending June 30, 2017 the Company recognized other income of \$1,050,000 and \$1,457,000, respectively, associated with the change in fair value. At June 30, 2017, the Company did not recognize a liability as the estimated fair value of the contingent consideration was nil (December 31, 2016: \$1,433,000).

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 22. Business combinations (continued)

#### (c) Petrowsky acquisition (continued)

##### *Transactions recognized separately from the acquisition of assets and assumptions of liabilities*

###### Acquisition-related costs

Expenses totalling \$424,000 for continuing employment, and other acquisition-related costs are included in the condensed consolidated income statement for the period ended June 30, 2017.

###### Employee compensation in exchange for continued services

As noted above, \$750,000 was paid on the Petrowsky Acquisition Date in exchange for the continuing services of certain key employees. In addition, the Company may pay an amount not exceeding \$1,000,000 over a three-year period based on the founder of Petrowsky's continuing employment with the Company.

#### (d) Mascus acquisition

On February 19, 2016 (the "Mascus Acquisition Date"), the Company acquired 100% of the issued and outstanding shares of Mascus for cash consideration of €26,553,000 (\$29,580,000). In addition to cash consideration, consideration of up to €3,198,000 (\$3,563,000) is contingent on Mascus achieving certain operating performance targets over the three-year period following acquisition. Mascus is based in Amsterdam and provides an online equipment listing service for used heavy machines and trucks. The acquisition expands the breadth and depth of equipment disposition and management solutions the Company can offer its customers.

The acquisition was accounted for in accordance with ASC 805, *Business Combinations*. The assets acquired and liabilities assumed were recorded at their estimated fair values at the Mascus Acquisition Date. Goodwill of \$19,664,000 was calculated as the fair value of consideration over the estimated fair value of the net assets acquired.

**Notes to the Condensed Consolidated Financial Statements**

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

**22. Business combinations (continued)****(d) Mascus acquisition (continued)***Mascus purchase price allocation*

	<b>February 19, 2016</b>
Purchase price	\$ 29,580
Fair value of contingent consideration	3,431
Non-controlling interests <sup>(1)</sup>	596
Total fair value at Mascus Acquisition Date	<u>33,607</u>
Fair value of assets acquired:	
Cash and cash equivalents	\$ 1,457
Trade and other receivables	1,290
Prepaid expenses	528
Property, plant and equipment	104
Intangible assets <sup>(2)</sup>	14,817
Fair value of liabilities assumed:	
Trade and other payables	1,533
Other non-current liabilities	37
Deferred tax liabilities	2,683
Fair value of identifiable net assets acquired	<u>13,943</u>
Goodwill acquired on acquisition	<u>\$ 19,664</u>

(1) The Company acquired 100% of Mascus and within the Mascus group of entities there were two subsidiaries that were not wholly-owned, one domiciled in the United States and one domiciled in Denmark. As such, the Company acquired non-controlling interests. The fair value of each non-controlling interest was determined using an income approach based on cash flows of the respective entities that were attributable to the non-controlling interest. On May 27, 2016, Ritchie Bros. Holdings (America) Inc. acquired the remaining issued and outstanding shares of the Mascus subsidiary domiciled in the United States for cash consideration of \$226,000.

(2) Intangible assets consist of customer relationships with estimated useful lives of 17 years, indefinite-lived trade names, and software assets with estimated useful lives of five years.

**Goodwill**

Goodwill has been allocated entirely to the Mascus reporting unit based on an analysis of the fair value of assets acquired. The main drivers generating goodwill are the anticipated synergies from (1) the Company's core auction expertise and transactional capabilities to Mascus' existing customer base, and (2) Mascus' providing existing technology to the Company's current customer base. Other factors generating goodwill include the acquisition of Mascus' assembled work force and their associated technical expertise.

## Notes to the Condensed Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, except where noted)

(Unaudited)

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### 22. Business combinations (continued)

#### (d) Mascus acquisition (continued)

##### *Contingent consideration*

The Company may pay an additional amount not exceeding €3,198,000 (\$3,563,000) contingent upon the achievement of certain operating performance targets over the next three-year period. During the six months ended June 30, 2017 the Company paid €1,215,000 (\$1,302,000) for achievement of certain targets. At June 30, 2017 the estimated fair value of the contingent consideration was €1,608,000 (\$1,837,000) (December 31, 2016: €3,080,000 (\$3,431,000)). The liability is remeasured on each reporting date at its estimated fair value, which is determined using actual results up to the reporting date and forecasted results over the remainder of the performance period. Changes in the fair value are recognized in other income or expense in the consolidated income statement, as applicable. During the six months ended June 30, 2017 the Company recognized €178,000 (\$193,000) in other income associated with the change in fair value.

##### *Transactions recognized separately from the acquisition of assets and assumptions of liabilities*

###### Acquisition-related costs

Expenses totalling \$300,000 for continuing employments costs, and other acquisition-related costs are included in the condensed consolidated income statement for the period ended June 30, 2017 (2016: \$1,189,000).

###### Employee compensation in exchange for continued services

The Company may pay additional amounts not exceeding €1,625,000 (\$1,849,000) over three-year periods based on key employees' continuing employment with Mascus. The company paid €393,000 (\$419,000) in this regard during the six months ended June 30, 2017.

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### About Us

Ritchie Bros. Auctioneers Incorporated (“Ritchie Bros.,” the “Company,” “we,” or “us”) (NYSE & TSX: RBA) is a world leader in asset management and disposition of used industrial equipment and other durable assets, selling \$2.2 billion of used equipment and other assets during the first half of 2017. Our expertise, unprecedented global reach, market insight, and trusted portfolio of brands provide us with a unique position in the used equipment market. We primarily sell used equipment for our customers through live, unreserved auctions at 45 auction sites worldwide, which are simulcast online to reach a global bidding audience. On May 31, 2017, we completed our acquisition of IronPlanet Holdings, Inc. (“IronPlanet”), a leading online marketplace for heavy equipment and other durable assets. These complementary used equipment brand solutions, together with EquipmentOne, an online-only used equipment marketplace we launched in 2013, provide different value propositions to equipment owners and allow us to meet the needs and preferences of a wide spectrum of equipment sellers and buyers. In the past three years, we have also added a private brokerage service (Ritchie Bros. Private Treaty) and an online listing service (Mascus).

Through our unreserved auctions, online marketplaces, and private brokerage services, we sell a broad range of used and unused equipment, including earthmoving equipment, truck trailers, and other industrial assets. Construction and heavy machinery comprise the majority of the equipment sold through our multiple brand solutions. Customers selling equipment through our sales channels include end users (such as construction companies), equipment dealers, and other equipment owners (such as rental companies). Our customers participate in a variety of sectors, including heavy construction, transportation, agriculture, energy, and mining.

Our Gross Auction Proceeds<sup>1</sup> (“GAP”) represent the total proceeds from all items sold at our auctions and online marketplaces. Our GAP was \$2.2 billion for the six months ended June 30, 2017, representing a 6% decrease from the same period in 2016. Of the total GAP sold in the first six months of 2017, \$1.1 billion – or just over half of what we sold in the first half of 2017 – transacted through our online solutions; through online simulcast auction participation, through IronPlanet, or through EquipmentOne.

We operate globally with locations in more than 20 countries, including the United States, Canada, Australia, United Arab Emirates, and the Netherlands, and employ more than 2,100 full time employees worldwide.

On May 15, 2012, we purchased AssetNation, an online marketplace and solutions provider for surplus and salvage assets based in the United States. Leveraging AssetNation’s technology and e-commerce expertise, we commercially launched our online marketplace, EquipmentOne, in early 2013.

On November 4, 2015, we acquired a 75% interest in Xcira LLC (“Xcira”), a proven leader in simulcast auction technology that provides a seamless customer experience for integrated on site and online auctions. Through this acquisition, we secured Xcira’s bidding technology, which represents a significant and growing portion of all bidding conducted at our auctions.

On February 19, 2016, we acquired 100% of the equity interests in Mascus International Holding B.V. (“Mascus”). Mascus is based in Amsterdam and operates a global online listing service to advertise equipment and other assets for sale. Unlike other sales channels offered by Ritchie Bros., Mascus currently does not process transactions through its website; rather, sales facilitated through Mascus are conducted directly between the seller and buyer.

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<sup>1</sup> GAP is a measure of operational performance and not a measure of financial performance, liquidity, or revenue. It is not presented in our consolidated financial statements.

On July 12, 2016, we acquired the remaining minority interest of Ritchie Bros. Financial Services (“RBFS”), providing us with full ownership of this growing business. RBFS provides financing and leasing options to equipment purchasers, as a brokerage business, through several bank relationships. RBFS does not leverage our balance sheet for the loans it originates.

On August 1, 2016, we acquired Petrowsky Auctioneers (“Petrowsky”), a leading regional industrial auctioneer in the Northern United States. Similar to Ritchie Bros. Auctioneers, Petrowsky offers live on site and simulcast live online auctions.

On November 15, 2016, we acquired substantially all the assets of Kramer Auctions Ltd. and Kramer Auctions — Real Estate Division Inc. (together, “Kramer”), a Canadian agricultural auction company with strong customer relationships in central Canada. Operating for more than 65 years, Kramer operates in Saskatchewan, Alberta and Manitoba as a premier agricultural auctioneer, offering both on-the-farm and on site live auctions for customers selling equipment, livestock and real-estate in the agricultural sector.

On May 31, 2017, we completed the acquisition of a 100% interest in IronPlanet (the “Merger”) pursuant to the Agreement and Plan of Merger we entered into on August 29, 2016. IronPlanet operates online equipment sales platforms under a number of brands, which are discussed in more detail below.

Our alliance with Caterpillar Inc. (“Caterpillar”), pursuant to the Strategic Alliance and Remarketing Agreement (the “Alliance”) that we entered into on August 29, 2016, became effective upon the consummation of the Merger on May 31, 2017. As discussed in more detail below, under the Alliance, we became Caterpillar’s preferred global partner for live on site and online auctions for used Caterpillar equipment.

### Our Service Offering

We offer equipment sellers and buyers multiple distinct, complementary, multi-channel brand solutions that address the range of customer needs. Our global customer base has a variety of transaction options, breadth of services, and the widest selection of used equipment available to them. The channels and formats with which our customers can choose to dispose and/or buy equipment based on their individual needs are illustrated in the following table:

Channels	Brand Solutions	Description of Offering
Integrated On Site / Online Auction Network		■ Live unreserved on site with live simulcast online auctions
		■ Event-based sales of used construction and heavy equipment held in the Caterpillar dealer geographies
		■ Event-based sales of used energy equipment
Online Marketplaces		■ Online marketplace for selling and buying used equipment
		■ Online reserve marketplace
		■ Online marketplace for the sale of government and military assets
		■ Online truck and trailer marketplace
Online Listing Service		■ Online equipment listing service and B2B dealer portal
Brokerage Service		■ Confidential, negotiated sales

## **Asset distribution (transactional) services**

### ***Integrated on site/online auction network***

#### Ritchie Bros. Auctioneers

Ritchie Bros. Auctioneers is one of our core businesses and provides live unreserved auction services to equipment sellers and buyers. Adherence to the unreserved auction process is one of our founding principles and we believe one of our most significant competitive advantages.

Our bidders participate in our live auctions in person, through real-time online bidding, or by proxy. During the six months ended June 30, 2017, approximately half of all equipment buyers at our live auctions made their purchases through online bidding. Equipment to be sold in Ritchie Bros.' auctions is held at one of our secure auctions sites worldwide, and a significant percentage of online bidders visit our physical auction sites prior to the auction or send a mechanic or third party inspector in advance, to test and inspect the equipment being sold.

Our ability to consistently draw significant numbers of local and international bidders, most of whom are end users rather than resellers, from many different regions to our auctions ensures our consignors receive global market value for their equipment. Higher consignment volumes attract more bidders, which in turn attract more consignments, in a self-reinforcing process that has helped us to achieve a history of significant GAP growth and momentum.

#### Cat® Auctions

Cat Auctions is an alliance for event-based sales of used Caterpillar construction and heavy equipment sold by independent Cat® dealers and typically hosted on their yards. Cat Auctions offers a live, event-based auction with simultaneous online bidding, as well as a single-seller format. For these dealer-based sales, we utilize an innovative leaderboard, inspection reports, comprehensive photos and videos, equipment protection plans, and equipment financing. The Alliance provides that Caterpillar will designate us as a "preferred" but nonexclusive provider for on site and online auctions and marketplaces in the countries where we do business in exchange for access to certain data and information.

#### Kruse Energy

Kruse Energy & Equipment Auctioneers, LLC ("Kruse Energy") is our brand for live, event-based sales dedicated to used energy equipment, including oil and gas. This brand offers live auctions with simultaneous online bidding, as well as a single-seller format. Kruse Energy has conducted energy auctions in the United States for the past 25 years. In addition to its skilled auction team, Kruse Energy offers private sales and appraisal services.

### ***Online marketplaces***

#### IronPlanet

IronPlanet is our premier brand for online-only sales of used construction and heavy equipment. IronPlanet offers weekly unreserved auctions, as well as reserve price, buy now, make offer, and private-label formats. Between its inception in 1999 and 2016, IronPlanet sold over \$5 billion of used heavy equipment online and registered more than 1.5 million users worldwide. Through this business model, sellers do not need to move equipment to a physical auction site. IronPlanet connects sellers and buyers of used equipment with its equipment condition certification program – the exclusive IronClad Assurance program – which ensures the inspection report delivered to potential buyers is a fair representation of the equipment, enabling buyers to make purchases with a high degree of confidence. IronPlanet focuses largely on the needs of corporate accounts, original equipment manufacturers, dealers and government entities.

#### EquipmentOne

Ritchie Bros. launched EquipmentOne to cater to a complementary segment of the used equipment transaction market that prefers to retain control over the sales process, while potentially taking on more effort. Through EquipmentOne, equipment sellers can list their equipment on the online marketplace, receive and accept offers, and complete and settle their sale. This brand solution also effectively meets the needs of large fleet owners who want to transact when they want, and only if a certain price point is achieved.

EquipmentOne is a secure online marketplace that equipment sellers can navigate independently, while still leveraging our trusted brand and transaction processing. EquipmentOne facilitates the completion of sales through a settlement process managed by EquipmentOne that protects both the seller and the buyer. In February 2016, we expanded our EquipmentOne offering from the United States into Canada.

#### GovPlanet

GovPlanet is our online marketplace dedicated to buying and selling used government surplus, federal, state and municipal assets. Through GovPlanet, government sellers are provided the ability to maximize revenue through various remarketing channels, while buyers gain access to global government surplus inventories. Sellers and buyers can manage their fleet assets more cost effectively and efficiently than via traditional physical auctions, and do so on their own timelines. GovPlanet is the primary marketplace for the sale of U.S. Department of Defense rolling stock surplus assets.

#### TruckPlanet

TruckPlanet is our premier online marketplace for buying and selling used commercial trucks and trailers. TruckPlanet offers truck fleet managers a consistent and flexible solution for quickly dispersing fleets without the time and costs associated with traditional physical auctions. Inspection reports issued under our equipment condition certification program enable buyers to make purchases with a high degree of confidence. Sellers achieve profitable sales through low transaction costs and better price realization with a global audience of buyers.

#### Ritchie Bros. Private Treaty

In 2015, Ritchie Bros. launched our private brokerage service for highly specialized assets, wherein we act as a private sales agent/broker, leveraging our global customer base and extensive heavy industry knowledge to conduct negotiated sales of specialized and high-value equipment items between sellers and buyers (our “Private Treaty” business). Under this service offering, the seller sets the price and the completion timeline. To earn our commission from rendering private brokerage services, we manage the sales process in accordance with the seller’s terms, including marketing the equipment to a small pool of highly targeted likely buyers and settling the sale. With over 50 years of experience, Ritchie Bros. has the connections and expertise to identify and target the most qualified buyers from around the world for sellers’ assets. Our Private Treaty business transacts primarily on our online marketplaces.

#### **Other services**

##### ***Online listing service***

#### Mascus

Mascus is an online equipment listing service for used heavy machinery and trucks, with a global presence and a leading market position in Europe. Mascus offers subscriptions to equipment dealers, brokers, exporters and equipment manufacturers to list equipment available for sale at a listed price. Through Mascus, we provide online advertising services, business tools and solutions to many of the world’s leading equipment dealerships and equipment manufacturers. Unlike other solutions provided by Ritchie Bros., Mascus does not transact sales and, as such, does not generate GAP; rather, it earns a listing fee for the equipment it lists on its site.

##### ***Support businesses***

#### Ritchie Bros. Financial Services

RBFS originates loans for equipment buyers in the United States and Canada, including those purchasing equipment through our auctions and other sales formats. This business acts as a loan originator via a brokerage model — matching loan applicants with appropriate financial lending institutions (we do not act as a lender or otherwise utilize our balance sheet for RBFS loans). RBFS generates revenue through both brokerage fees – the net present value of the spread between wholesale rates offered to us and the retail rates provided to customers – and administrative fees.

### Xcira

Xcira, now 75% owned by Ritchie Bros., is a long-time supplier of ours. Xcira supplies us with its technology platform and its online auction simulcast technology, an integral part of our auction services. Xcira also licenses its technology solutions and platforms to other (non-industrial) auction companies, such as Christie's and Insurance Auto Auctions. Xcira's revenue is generated through contracts for services with these and many other auction companies.

### Asset Appraisal Services

Through our Asset Appraisal Services business, we offer unbiased, certified appraisal services across all asset classes, as well as truck and lease return inspection services. In addition, our sales force and pricing team provide sellers with pricing estimates based on current market conditions, as well as with marketplace data, as analyzed by our proprietary pricing database and analytics tool.

### **Overview**

The following discussion and analysis summarizes significant factors affecting our consolidated operating results and financial condition for the three and six months ended June 30, 2017 and 2016. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those expressed or implied in any forward-looking statements as a result of various factors, including those set forth in "Part II, Item 1A: Risk Factors" of this Quarterly Report on Form 10-Q and in "Part I, Item 1A: Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2016, which is available on our website at [www.rbaction.com](http://www.rbaction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com).

This discussion and analysis should be read in conjunction with the "Cautionary Note Regarding Forward-Looking Statements" and the consolidated financial statements and the notes thereto included in "Part I, Item 1: Consolidated Financial Statements" of this Quarterly Report on Form 10-Q. The following discussion should also be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016. None of the information on our website, EDGAR, or SEDAR is incorporated by reference into this document by this or any other reference.

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles ("US GAAP"). Except for GAP, Gross Transaction Value ("GTV") (described below), and Gross Merchandise Volume ("GMV") (described below) – which are measures of operational performance and not measures of financial performance, liquidity, or revenue – the amounts discussed below are based on our consolidated financial statements and are presented in U.S. dollars. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of dollars.

We make reference to various non-GAAP financial and performance measures throughout this discussion and analysis. These measures do not have a standardized meaning, and are therefore unlikely to be comparable to similar measures presented by other companies.

### **Consolidated Highlights**

Key second quarter 2017 financial results include:

- Second quarter 2017 revenues increased 5% to \$166.2 million compared to the second quarter of 2016, primarily due to the acquisition of IronPlanet
- Record second quarter 2017 Revenue Rate (described below) of 13.22%, driven mostly by the Merger and the performance of our value-added service offerings

- Diluted earnings per share (“EPS”) attributable to stockholders of \$0.16 in the second quarter of 2017; diluted adjusted EPS attributable to stockholders<sup>2</sup> (non-GAAP measure) of \$0.33
- \$114.7 million of net cash provided by operating activities in the first half of 2017
- Declared quarterly dividend of \$0.17 per common share
- Second quarter 2017 GAP of \$1.3 billion, a 1% decrease compared to the second quarter of 2016

## Strategy

Our strategy is to become a one-stop, multichannel company where customers can buy, sell, or list equipment, when, how, and where they choose. The following discussion highlights the areas of focus of our 2017 strategic drivers, *Grow, Drive, and Optimize*:

### GROW Revenues and Net Income

Our revenues are comprised of:

- commissions earned at our auctions where we act as an agent for consignors of equipment and other assets, as well as commissions on online marketplace sales; and
- fees earned in the process of conducting auctions, including online marketplace listing and inspection fees, fees from value-added services and make-ready activities, as well as fees paid by buyers on online marketplace sales.

Commissions from sales at our auctions represent the percentage we earn on GAP. GAP represents the total proceeds from all items sold at our auctions and the GTV<sup>3</sup> and GMV<sup>4</sup> of all items sold through our online marketplaces. GTV represents total proceeds from all items sold at our EquipmentOne online marketplaces, as well as a buyer’s premium component applicable only to our EquipmentOne online marketplace transactions. GMV represents total proceeds from all items sold at our IronPlanet online marketplaces. The majority of commissions are earned as a pre-negotiated fixed rate of the gross selling price. Other commissions are earned from underwritten commission contracts, when we guarantee a certain level of proceeds to a consignor or purchase inventory to be sold at auction. We believe that revenues are best understood by considering their relationship to GAP. We use Revenue Rate, which is calculated by dividing revenues by GAP, to determine the amount of GAP changes that flow through to our revenues.

Our revenues in the first half of 2017 remained consistent with those in the first half of 2016, primarily due to the Merger, with IronPlanet contributing \$10.9 million of revenues from May 31, 2017 through June 30, 2017. Excluding IronPlanet’s contribution to revenues, our revenues for the first half of 2017 decreased 4% compared to the first half of 2016, primarily due to a decrease in GAP over the same comparative period. This decrease was partially offset by our record first half Revenue Rate in 2017. Changes in our Revenue Rate are driven by fluctuations in the commissions we charge on GAP, the volume of our underwritten business, and our fee revenues, which are not directly linked to GAP. The increase in Revenue Rate of 81 basis points (“bps”) from 12.67% in the first half of 2016 to 13.48% in the first half of 2017 was primarily the result of the Merger and the performance of our value-added services’.

- 2 Diluted adjusted EPS attributable to stockholders is a non-GAAP financial measure. We believe that comparing diluted adjusted EPS attributable to stockholders for different financial periods provides useful information about the growth or decline of our diluted EPS attributable to stockholders for the relevant financial period, and eliminates the financial impact of adjusting items we do not consider to be part of our normal operating results. Diluted adjusted EPS attributable to stockholders is calculated by dividing adjusted net income attributable to stockholders (non-GAAP measure) (described in footnote 7), net of the effect of dilutive securities, by the weighted average number of dilutive shares outstanding. Diluted adjusted EPS attributable to stockholders is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.
- 3 We refer to GAP generated through our EquipmentOne online marketplaces (including SalvageSale) as GTV. In addition to the total value of the items sold in online marketplace transactions, GTV includes a buyers’ premium component applicable only to our EquipmentOne online marketplace transactions. As is the case with GAP, GTV is a measure of operational performance and not a measure of our financial performance, liquidity or revenue. GTV is not presented in our consolidated income statements.
- 4 We refer to GAP generated through IronPlanet online marketplaces (including GovPlanet and TruckPlanet) as GMV. As is the case with GAP, GMV is a measure of operational performance and not a measure of our financial performance, liquidity or revenue. GMV is not presented in our consolidated income statements.

On a U.S. dollar basis, the proportion of GAP earned in the United States (55% of total GAP) grew in the first half of 2017 compared to the first half of 2016 (50% of total GAP) primarily due to the Merger. The proportion of revenues attributable to the United States also grew by 290 bps to 52% in the first half of 2017 compared to 49% the first half of 2016. Foreign exchange rates had a negative impact on our first half 2017 operating income. Refer to the table under “Translational impact of foreign exchange rates” under “Year-to-Date Performance” below for details of the foreign exchange rate impact.

We are committed to pursuing growth initiatives that will further enhance our sector reach, drive geographic depth, meet a broader set of customer needs, and add scale to our operations. These growth initiatives include:

- Integrating IronPlanet’s operations following completion of the Merger to expand the disposition channels for sellers;
- Growing our international business with the promotion of Karl Werner, effective April 1, 2017, to President, International to oversee all regions outside of North America and Latin America;
- Continuing to build our Private Treaty capability;
- Growing our agricultural sector by holding our first on-the-farm auctions in the United States;
- Expanding the volume of EquipmentOne’s Enterprise Software Solution and IronPlanet’s Asset Management Portal;
- Providing customers with a single view across our multichannel offerings to enhance their experience; and
- Expanding our financial services business, RBFS, into other geographies and to a broader customer base accessible through the brand solutions we gained with the Merger.

#### ***Mergers and acquisitions (“M&A”)***

Over the last several years, we have undertaken a meaningful strategic transformation, through both organic and acquisitive growth initiatives, to broaden our service offering and the value propositions we provide to different segments of the used asset and equipment market. Through the Merger, we are accelerating this strategy and taking positive and meaningful steps towards meeting our stated M&A objectives, which include:

- adding multi-channel solutions for equipment sellers;
- adding scale and sales volume to our core businesses; and
- securing a ‘needle-moving’ transaction that could significantly bolster the scope and offering of our business.

The Merger is a ‘needle-moving’ transaction that is helping us expand our equipment sales platform to better serve customers globally by enabling customers with varying preferences to choose from a variety of auction formats. We believe the integration of IronPlanet will provide us with increased earnings and growth through:

- global expansion of IronPlanet’s unique online sale solutions;
- the Cat Auctions brand combined with the Alliance;
- the offering of online reserved auction services, which appeal to a different set of buyers and sellers than our traditional selling format;
- increased access to sectors we have not traditionally targeted, such as government surplus and energy; and
- our ability to expand our financial services business, RBFS, to a broader customer base.

#### ***Caterpillar strategic alliance***

During the second quarter of 2017, the Alliance – which is for an initial period of five years – took effect. Under the Alliance, we became Caterpillar’s preferred global partner for live on site and online auctions for used Caterpillar equipment, which we expect will help us achieve growth in our revenues and net income. We will provide Caterpillar and its dealers with access to proprietary, global auction and marketplace platforms, software, and other value-added services, enhancing the exchange of information and services between customers, dealers, and suppliers. We will also continue to coordinate and manage Caterpillar auctions in respective Caterpillar dealer geographies.

## **DRIVE Efficiencies and Effectiveness**

In the first half of 2017, we successfully launched another ‘quick win’ project that was a collaborative effort between our operations, finance, and information technology personnel. The result was further integration of our operation and finance systems with respect to processing invoices, enabling us to deliver an improved customer experience. The project qualified as a ‘quick win’ due to the minimal capital expenditure that was required, the short implementation timeframe, and the significant efficiencies gained in our post-sale processes.

Also during the first half of 2017, we continued evaluating the returns generated at each of our permanent and regional auction sites we operate to assess whether each site and related site capital investments are generating returns that meet predetermined targets. During the second quarter of 2017, we terminated our lease in Panama and began exploring alternative future uses of our auction site land and buildings in Japan beyond a sale of the property.

We continued to be diligent in our valuation of equipment and approach towards entering into underwritten commission contracts during the first half of 2017, especially in sectors that continue to experience pressure, including oil and gas and transportation.

Immediately following the Merger, we combined the sales forces of Ritchie Bros. and IronPlanet in the United States, Canada, and Europe, in line with our strategy to provide customers with a one-stop, multichannel experience. Territory and Strategic Account Managers are now positioned as solution sellers, offering customers three main product offerings: Ritchie Bros. Auctioneers integrated unreserved on site auctions, IronPlanet weekly featured auctions, and reserved online auctions.

We will continue to take advantage of opportunities to improve the overall effectiveness of our organization by enhancing sales productivity, modernizing and integrating our legacy information technology systems, and optimizing business processes. With respect to sales productivity, we are driving for:

- Improved tools to track opportunities and pipeline
- Improved lead generation
- Improved sales management reporting to assist with performance management
- Execution of our ‘CLAW’ strategy as it pertains to customers: *Convert, Loyalty, Acquire, and Win-back*
- Territory optimization

### ***Marketplace E***

Later this year, we will combine our online EquipmentOne brand with the IronPlanet DailyMarketplace, creating a harmonized brand offering called Marketplace E that gives customers more ways to set reserve pricing and expands our growth capabilities in the oil and gas and government sectors.

## **OPTIMIZE our Balance Sheet**

We paid dividends during the first half of 2017, returning \$36.3 million to stockholders as we executed on our capital allocation strategy. We also managed our net capital spending such that it remains well below our target of 10% of our revenues on a trailing 12-month basis. We calculate the GAAP measure, net capital spending, directly from consolidated statement of cash flows by adding property, plant and equipment additions to intangible asset additions, and subtracting proceeds on disposition of property, plant and equipment.

During the second quarter of 2017, we executed a series of cash management strategies that enabled us to effectively manage our debt levels while funding the Merger and paying dividends.

## Used Equipment Market Update

### Supply volume

During the first half of 2017, we experienced used equipment market supply volume pressure, particularly in the United States and Western Canada. High levels of construction activity in the United States resulted in owners holding onto their equipment, various dealers being understock, and rental business volumes reaching peak levels. Likewise, commodity price improvements lead to fewer disposals of oil and gas assets in Western Canada. We believe these supply volume constraints contributed to our decrease in GAP and volume of underwritten commission contracts in the first half of 2017 compared to the first half of 2016.

### Age of equipment

With owners and dealers utilizing and/or holding onto their equipment in response to the macro-economic conditions discussed above, we saw a deterioration in the overall age of equipment coming to market relative to recent years. We observed increases in the age of equipment across all asset sectors and geographies.

### Pricing

Overall, we saw improvement in used equipment market pricing during the first half of 2017; a continuation of the marginal improvement that we first observed at the end of the third quarter, and throughout the fourth quarter, of 2016. This pricing performance varied among asset sectors and geographies.

Construction assets continued to perform well during the first half of 2017, with late model equipment experiencing the most pricing improvement, representative of the tightening equipment supply in North America. Transportation assets rebounded slightly from 2016, with lower mileage truck tractors experiencing the most lift. Agricultural equipment experienced some pricing weakness in the United States during the first half of 2017. However, in Canada, agricultural tractors experienced some meaningful pricing improvement. We believe the difference in used agricultural equipment pricing between Canada and the United States is due mostly to the types of machinery used in farming practices, the kinds of crops being harvested, and the Canadian dollar relative to the value of the U.S. dollar, which new equipment is often priced at. Some oil and gas equipment experienced price improvement for the first time in many quarters, indicating that oil and gas equipment pricing may have bottomed in the second half of 2016.

Regionally, North America continued to be our strongest geographical region for equipment values during the first half of 2017, responding most favorably to changes in commodity pricing and the overall economic environment. Australia responded favorably to the commodity price improvement that occurred in the latter half of 2016 and continued into the first half of 2017, experiencing some uplift in the value of assets tied to commodities.

**Results of Operations**  
**Second Quarter Update**

**Financial overview**

	<b>Three months ended June 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>Change 2017 over 2016</b>
<b>(in U.S. \$000's, except EPS)</b>			
Revenues	\$ 166,186	\$ 158,805	5%
Costs of services, excluding depreciation and amortization	21,591	19,758	9%
Selling, general and administrative expenses	74,377	73,992	1%
Acquisition-related costs	22,948	603	3706%
Depreciation and amortization expenses	11,872	10,284	15%
Gain on disposal of property, plant and equipment	(308)	(201)	53%
Impairment loss	8,911	-	100%
Foreign exchange loss (gain)	(93)	734	(113)%
Operating income	26,888	53,635	(50)%
Operating income margin	16.2%	33.8%	-1760bps
Other income (expense)	(5,150)	173	(3077)%
Income tax expense	4,025	13,217	(70)%
Net income attributable to stockholders	17,635	39,710	(56)%
Diluted EPS attributable to stockholders	\$ 0.16	\$ 0.37	(57)%
Effective tax rate	18.5%	24.6%	-610bps
GAP	\$ 1,257,430	\$ 1,275,682	(1)%
Revenue Rate	13.22%	12.45%	77bps

**Gross Auction Proceeds**

GAP was \$1.3 billion for the three months ended June 30, 2017, a 1% decrease over the second quarter of 2016. Included in our second quarter 2017 GAP is \$76.8 million of GMV from IronPlanet and \$55.3 million of GTV from our EquipmentOne online marketplaces. The second quarter 2017 EquipmentOne GTV represents a 33% increase over GTV of \$41.6 million in the second quarter of 2016.

Second quarter 2017 GMV includes \$3.1 million of assets that transacted on a dealer-to-dealer basis through IronPlanet post-acquisition. Revenues earned on those dealer-to-dealer transactions were \$0.1 million in the second quarter of 2017, post-acquisition. Second quarter 2017 GTV includes \$10.7 million of assets that transacted on a dealer-to-dealer basis on EquipmentOne's online marketplaces, compared to \$7.4 million in the second quarter of 2016. Revenues earned on these dealer-to-dealer transactions were \$0.3 million in the second quarter of 2017 compared to \$0.2 million in the second quarter of 2016.

During the second quarter of 2017, 76% of our GAP was attributable to auctions held at our permanent and regional auction sites, including those located in frontier regions, compared to 81% in the second quarter of 2016. We held 157 on site auctions in the second quarter of 2017, compared to 143 in the second quarter of 2016. The proportion of GAP earned at those sites decreased over the same comparative period.

The decrease in GAP during the second quarter of 2017 compared to the second quarter of 2016 is primarily due to a decrease in the number of Core Auction reportable segment (industrial and agricultural auction) lots over the same comparative period. The total number of Core Auction segment lots decreased 2% to 125,800 in the second quarter of 2017 from 128,300 in the second quarter of 2016. In addition, Core Auction segment GAP (which is total GAP excluding IronPlanet's GMV and EquipmentOne's GTV), decreased 7% on a per-lot basis to \$9,000 in the second quarter of 2017 from \$9,700 in the second quarter of 2016.

GAP, on a U.S. dollar basis, decreased in Canada in the second quarter of 2017 compared to the second quarter of 2016, primarily due to continued pressure on used equipment market supply volume and performance of the agricultural business. GAP in the United States remained consistent over the same comparative period, primarily due to the addition of GMV through the Merger. Although GAP grew in Europe in the second quarter of 2017 compared to the second quarter of 2016, this growth was partially offset by reductions in GAP in the rest of the world over the same comparative period. Foreign exchange rates did not have a significant impact on GAP in the second quarter of 2017.

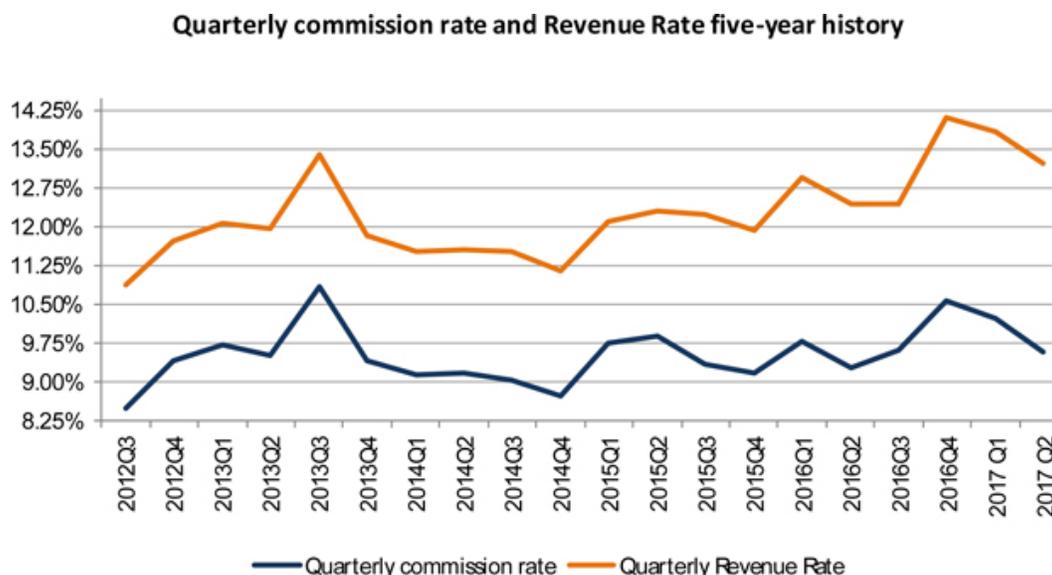
During the second quarter of 2017, we continued to actively pursue the use of underwritten commission contracts from a strategic perspective, and when the opportunity arose, only entering such contracts when the risk/reward profile of the terms were agreeable. The volume of underwritten commission contracts decreased to 17% of our GAP in the second quarter of 2017 from 26% in the second quarter of 2016, primarily due to the pressure on used equipment market supply volume. The tight supply of used equipment resulted in less opportunity for us to pursue underwritten commission contracts. Straight commission contracts continue to account for the majority of our GAP.

### Revenues and Revenue Rate

(in U.S. \$000's)

	Three months ended June 30,		
	2017	2016	Better/(Worse) 2017 over 2016
United States	\$ 74,257	\$ 68,724	8%
Canada	62,057	63,307	(2)%
Europe	17,634	14,861	19%
Other	12,238	11,913	3%
Revenues	\$ 166,186	\$ 158,805	5%

Our commission rate and overall Revenue Rate are presented in the graph below:



The distribution of our revenues across the geographic regions in which we operate was as follows, where the geographic location of revenues corresponds to the location in which the sale occurred, or in the case of online sales, where the company earning the revenues is incorporated:

Revenue distribution	Canada	Outside of Canada	United States	Europe	Other
Three months ended June 30, 2017	37%	63%	45%	11%	7%
Three months ended June 30, 2016	40%	60%	43%	9%	8%

Revenues increased 5% in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the Merger and IronPlanet’s contribution of \$10.9 million of consolidated revenues in June 2017. Excluding IronPlanet revenues, revenues decreased 2% in the second quarter of 2017 compared to the second quarter of 2016, primarily due to lower auction volumes and GAP. This decrease was partially offset by a stronger Revenue Rate over the same comparative period. Included in second quarter 2017 revenues were \$5.0 million of revenues from EquipmentOne, which represents an 18% increase over EquipmentOne revenues of \$4.2 million in the second quarter of 2016.

Our Revenue Rate increased 77 bps to 13.22% in the second quarter of 2017 compared to 12.45% in the second quarter of 2016. The increase in Revenue Rate was primarily due to the Merger and IronPlanet’s contributed GMV and revenue, as well as performance of our value-added service offerings.

Our second quarter 2017 overall average commission rate was 9.57%, compared to 9.26% in the second quarter of 2016. This increase was primarily due to the Merger and the healthy commission rate performance contributed by IronPlanet, as well as the continued strong performance of our straight and underwritten contract commission rates during the three months ended June 30, 2017 compared to the same period in 2016.

Fee revenue earned in the second quarter of 2017 represented 3.64% of GAP compared to 3.18% of GAP in the second quarter of 2016. The increase was primarily due to the Merger and fee revenue from IronPlanet online marketplace sales, as well as an increase in financing and other fees resulting from improved performance of our value-added service offerings. This increase was partially offset by a decrease in auction fees resulting from the mix of equipment sold at our auctions. IronPlanet contributed \$5.4 million of fee revenue in June 2017. Financing fees from RBFS increased 33% to \$4.8 million in the second quarter of 2017 from \$3.6 million in the second quarter of 2016. Subscription, license, and other fee revenues from Mascus increased 13% to \$2.3 million in the second quarter of 2017 from \$2.0 million in the second quarter of 2016.

Revenue grew in the United States and Europe during the three months ended June 30, 2017 compared to the same period in 2016, primarily due to the Merger for the United States growth and due to GAP growth and a strong Revenue Rate in Europe. Comparatively, revenues in Canada decreased in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the decrease in GAP in that region. Revenue grew in the rest of the world during the three months ended June 30, 2017 compared to the same period in 2016, primarily due to strong Revenue Rates. Foreign exchange rates did not have a significant impact on revenues in the second quarter of 2017.

#### Costs of services

Costs of services are comprised of expenses incurred in direct relation to conducting auctions (“direct expenses”), earning online marketplace revenues, and earning other fee revenues. Direct expenses include direct labour, buildings and facilities charges, and travel, advertising and promotion costs. Typically, agricultural auctions and auctions located in frontier regions are costlier than auctions held at our permanent and regional auction sites as they do not benefit from economies of scale and frequency.

Costs of services incurred to earn online marketplace revenues include inspection costs, facilities costs, and inventory management, referral, sampling, and appraisal fees. Costs of services incurred in earning other fee revenues include direct labour (including commissions on sales), software maintenance fees, and materials. Costs of services exclude depreciation and amortization expenses.

Costs of services increased \$1.8 million or 9% in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the Merger. Excluding IronPlanet’s contribution, costs of services decreased 5% over the same comparative period. Costs of services related to our Core Auction segment were \$18.0 million, or 1.60% of Core Auction segment GAP in the second quarter of 2017 compared to \$19.4 million, or 1.58% of Core Auction segment GAP, in the second quarter of 2016. This decrease is primarily due to an increase in our Private Treaty business, which requires less costs to generate revenues compared to our traditional on site auction business, combined with a decrease in the number of lots in the second quarter of 2017 compared to the second quarter of 2016.

#### Selling, general and administrative expenses

Selling, general and administrative (“SG&A”) expenses by nature are presented below:

(in U.S. \$000's)

	Three months ended June 30,		
	2017	2016	% Change 2017 over 2016
Employee compensation	\$ 47,405	\$ 46,989	1%
Buildings, facilities and technology	13,319	12,969	3%
Travel, advertising and promotion	6,201	6,792	(9)%
Professional fees	3,224	3,083	5%
Other SG&A expenses	4,228	4,159	2%
	<u>\$ 74,377</u>	<u>\$ 73,992</u>	<u>1%</u>

Our SG&A expenses increased \$0.4 million, or 1%, in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the Merger and the resulting \$5.4 million of SG&A expenses contributed by IronPlanet in June 2017. Excluding IronPlanet, SG&A expenses decreased 7% over the same comparative period. Foreign exchange rates did not have a significant impact on SG&A expenses in the second quarter of 2017.

Employee compensation expenses increased \$0.4 million in the second quarter of 2017 compared to the second quarter of 2016, primarily due to the \$3.6 million contributed by IronPlanet in June 2017. Excluding IronPlanet, employee compensation costs decreased \$3.2 million over the same comparative period. The primary driver of the decrease was a \$4.5 million decrease in SG&A expense share-based payments, partially offset by the 5% net growth of our headcount – excluding Xcira, Mascus, and IronPlanet employees – between June 30, 2016 and June 30, 2017.

The decrease in SG&A expense share-based payments over the same comparative period was primarily due to a \$4.6 million mark-to-market fair value decrease in our liability-classified share units. The mark-to-market fair value decrease was driven by the performance of our common share price over the previous reporting period. Our share price closed at \$28.74 per common share on June 30, 2017, a decrease from the \$32.90 per common share on March 31, 2017. Comparatively, our share price closed at \$33.78 per common share on June 30, 2016, an increase from the \$27.08 per common share on March 31, 2016. \$1.6 million of the mark-to-market fair value decrease relates to the performance share units awarded to Ravichandra Saligram, our Chief Executive Officer, in 2014 (the “CEO SOG PSUs”) as part of a grant agreement dated August 11, 2014 between the Company and Mr. Saligram (the “Sign-On Grant Agreement”). The CEO SOG PSUs were modified on May 1, 2017 from liability-classified to equity-classified. Post-modification, these awards are no longer subject to quarterly mark-to-market fair value fluctuations.

Travel, advertising and promotion decreased \$0.6 million in the second quarter of 2017 compared to the second quarter of 2016. This decrease was primarily due to a 2016 strategic increase in advertising and promotional expenditure targeted at our larger auction events, including our participation in a triennial tradeshow in the second quarter of 2016. The decrease was partially offset by the Merger, with IronPlanet contributing \$0.8 million of costs in June 2017.

#### **Acquisition-related costs**

Acquisition-related costs consist of operating expenses directly incurred as part of a business combination, due diligence and integration planning – including those related to the Merger – and continuing employment costs that are recognized separately from our business combinations. Business combination, due diligence, and integration operating expenses include advisory, legal, accounting, valuation, and other professional or consulting fees, as well as stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Merger, and travel and securities filing fees.

Second quarter 2017 acquisition-related costs consisted of \$22.2 million associated with the Merger, which consist primarily of \$9.1 million of non-recurring acquisition and finance structure advisory fees, \$4.8 million of stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Merger, \$3.5 million of legal fees related to the regulatory approval process and closing of the transaction, \$1.4 million of severance and retention costs that followed the Merger in the resulting corporate reorganization, and various integration costs.

#### **Impairment loss**

During the three months ended June 30, 2017, management identified indicators of impairment on certain software and software under development intangible assets (the “technology assets”). The indicators consisted of decisions made after the acquisition of IronPlanet that resulted in a significant adverse change in the extent or manner in which the technology assets would be used or continue to be developed in the future, as well as expectations that it was more likely than not that we would discontinue use of the technology assets before the end of their previously estimated useful lives. Accordingly, management performed an impairment test and concluded that those technology assets should be written off in their entirety, which resulted in the recognition of an impairment loss of \$8.9 million.

## Operating income

Operating income decreased \$26.7 million, or 50%, to \$26.9 million in the second quarter of 2017 compared to \$53.6 million in the second quarter of 2016. This decrease was primarily due to the increase in acquisition-related costs and the impairment loss, partially offset by the increase in revenues over the same comparative period. Adjusted operating income<sup>5</sup> (non-GAAP measure) decreased \$2.6 million, or 5%, to \$51.1 million in the second quarter of 2017 compared to \$53.6 million in the second quarter of 2016.

Foreign exchange rates did not have a significant impact on operating income in the second quarter of 2017.

Primarily for the same reasons noted above, operating income margin, which is our operating income divided by revenues, decreased 1760 bps to 16.2% in the second quarter of 2017 compared to 33.8% in the second quarter of 2016. Adjusted operating income margin<sup>6</sup> (non-GAAP measure) decreased 310 bps to 30.7% in the second quarter of 2017 from 33.8% in the second quarter of 2016.

## Other income (expense)

Other income (expense) is comprised of the following:

(in U.S. \$000's)

	Three months ended June 30,		% Change 2017 over 2016
	2017	2016	
Interest income	\$ 987	\$ 487	103%
Interest expense	(8,620)	(1,060)	713%
Equity income	4	477	(99)%
Other, net	2,479	269	822%
Other income (expense)	\$ (5,150)	\$ 173	(3077)%

We incurred substantial indebtedness in connection with the Merger. As of June 30, 2017, our debt was \$828.4 million, consisting of \$14.1 million in revolving loans, \$332.4 million in delayed draw term loans reduced by \$4.5 million of unamortized debt issue costs, and \$500.0 million of senior unsecured notes (the "Notes") reduced by \$13.5 million of unamortized debt issue costs.

When we completed our offering of the Notes on December 21, 2016, the proceeds from the offering were held in escrow until completion of the IronPlanet acquisition. On that date, we prepaid \$6.7 million of interest on the Notes then being held in escrow, which represented interest for the first quarter of 2017. That interest was also held in escrow with the proceeds from the offering.

<sup>5</sup> Adjusted operating income is a non-GAAP measure. We use income statement and balance sheet performance scorecards to align our operations with our strategic priorities. We concentrate on a limited number of metrics to ensure focus and to facilitate quarterly performance discussions. Our income statement scorecard includes the performance metric, adjusted operating income. We believe that comparing adjusted operating income for different financial periods provides useful information about the growth or decline of operating income for the relevant financial period. We calculate adjusted operating income by eliminating from operating income the pre-tax effects of significant non-recurring items that we do not consider to be part of our normal operating results, such as acquisition-related costs, management reorganization costs, severance, retention, gains/losses on sale of certain property, plant and equipment, impairment losses, and certain other items, which we refer to as 'adjusting items'. Adjusted operating income is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.

<sup>6</sup> Our income statement scorecard includes the performance metric, adjusted operating income margin, which is a non-GAAP measure. We believe that comparing adjusted operating income margin for different financial periods provides useful information about the growth or decline of our operating income for the relevant financial period. We calculate adjusted operating income margin by dividing adjusted operating income (non-GAAP measure) by revenues. Adjusted operating income margin is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.

On May 31, 2017, the proceeds and prepaid interest on the Notes were released from escrow. The proceeds from the offering were used to finance the Merger. The prepaid interest on the Notes that was returned to us was deposited into an interest-bearing bank account and held in that bank account until the interest on the Notes fell due on July 15, 2017.

The increase in interest income in the second quarter of 2017 compared to the second quarter of 2016 was primarily due to the interest earned on the funds released from escrow that were held in an interest-bearing bank account from May 31, 2017 until June 30, 2017. The increase in interest expense in the second quarter of 2017 compared to the second quarter of 2016 is primarily due to \$6.8 million of interest on the Notes. Refer to “Liquidity and Capital Resources” below for a more detailed discussion of the Notes.

\$1.2 million of the increase in ‘other, net’ in the second quarter of 2017 compared to the second quarter of 2016 is due to changes in the fair value of contingent consideration associated with our Petrowsky and Mascus acquisitions.

### **Income tax expense and effective tax rate**

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year. The estimate reflects, among other items, our best estimate of operating results. It does not include the estimated impact of foreign exchange rates or unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

For the three months ended June 30, 2017, income tax expense was \$4.0 million, compared to an income tax expense of \$13.2 million for the same period in 2016. Our effective tax rate was 18.5% in the second quarter of 2017, compared to 24.6% in the second quarter of 2016. The decrease in effective tax rate over this comparative period was primarily due to a greater proportion of earnings taxed in jurisdictions with lower tax rates.

### **Net income**

Net income attributable to stockholders decreased \$22.1 million, or 56%, to \$17.6 million in the second quarter of 2017 compared to \$39.7 million in the second quarter of 2016. This decrease is primarily due to the increase in acquisition-related costs, the impairment loss, and interest expense, partially offset by the decrease in income tax expense and increase in revenues over the same comparative period. Adjusted net income attributable to stockholders<sup>7</sup> (non-GAAP measure) decreased \$3.3 million, or 8%, to \$36.4 million in the second quarter of 2017 from \$39.7 million in the second quarter of 2016.

Primarily for the same reasons noted above, net income decreased \$22.9 million, or 56%, to \$17.7 million in the second quarter of 2017 from \$40.6 million in the second quarter of 2016. Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”)<sup>8</sup> (non-GAAP measure) increased \$0.8 million, or 1%, to \$65.4 million in the second quarter of 2017 from \$64.7 million in the second quarter of 2016.

<sup>7</sup> Adjusted net income attributable to stockholders is a non-GAAP financial measure. We believe that comparing adjusted net income attributable to stockholders for different financial periods provides useful information about the growth or decline of our net income attributable to stockholders for the relevant financial period, and eliminates the financial impact of adjusting items we do not consider to be part of our normal operating results. Adjusted net income attributable to stockholders represents net income attributable to stockholders excluding the effects of adjusting items and is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

<sup>8</sup> Adjusted EBITDA is a non-GAAP financial measure that we believe provides useful information about the growth or decline of our net income when compared between different financial periods. Adjusted EBITDA was also an element of the performance criteria for certain performance share units that we granted our employees and officers in 2013 and 2014. Adjusted EBITDA is calculated by adding back depreciation and amortization expenses, interest expense, and current income tax expense, and subtracting interest income and deferred income tax recovery from net income excluding the pre-tax effects of adjusting items. Adjusted EBITDA is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

Primarily for the same reasons noted above, net income margin, which is our net income divided by our revenues, decreased 1490 bps to 10.7% in the second quarter of 2017 from 25.6% in the second quarter of 2016. Adjusted EBITDA margin<sup>9</sup> (non-GAAP measure) decreased 130 bps to 39.4% in the second quarter of 2017 from 40.7% in the second quarter of 2016.

#### **Diluted EPS**

Diluted EPS attributable to stockholders decreased 57% to \$0.16 per share in the second quarter of 2017 from \$0.37 per share in the second quarter of 2016. This decrease is primarily due to the decrease in net income attributable to stockholders, combined with a 1,258,850 increase in the weighted average number of dilutive shares outstanding over the same comparative period. The increase in the weighted average number of dilutive shares is primarily due to the assumption of IronPlanet stock options, as well as the modification of certain share units from liability-classified to equity-classified in May 2016 and the modification of the CEO SOG PSUs in May 2017. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) decreased 11% to \$0.33 per share in the second quarter of 2017 from \$0.37 per share in the second quarter of 2016.

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<sup>9</sup> Adjusted EBITDA margin is a non-GAAP financial measure that we believe provides useful information about the growth or decline of our net income when compared between different financial periods. Adjusted EBITDA margin presents adjusted EBITDA (non-GAAP measure) as a multiple of revenues. Adjusted EBITDA margin is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

## Year-to-Date Performance

### Financial overview

(in U.S. \$000's, except EPS)	Six months ended June 30,		
	2017	2016	Change 2017 over 2016
Revenues	\$ 290,685	\$ 290,750	-
Costs of services, excluding depreciation and amortization	34,404	35,071	(2)%
Selling, general and administrative expenses	144,952	141,102	3%
Acquisition-related costs	31,575	1,800	1654%
Depreciation and amortization expenses	22,210	20,364	9%
Gain on disposal of property, plant and equipment	(1,029)	(447)	130%
Impairment loss	8,911	-	100%
Foreign exchange loss (gain)	(823)	51	(1714)%
Operating income	50,485	92,809	(46)%
Operating income margin	17.4%	31.9%	-1450bps
Other income (expense)	(10,999)	525	(2195)%
Income tax expense	11,340	22,749	(50)%
Net income attributable to stockholders	28,012	69,116	(59)%
Diluted EPS attributable to stockholders	\$ 0.26	\$ 0.65	(60)%
Effective tax rate	28.7%	24.4%	430bps
GAP	\$ 2,156,840	\$ 2,295,604	(6)%
Revenue Rate	13.48%	12.67%	81bps

### Gross Auction Proceeds

GAP was \$2.2 billion for the first half of 2017, a 6% decrease over the first half of 2016. Included in our first half 2017 GAP is \$76.8 million of GMV from IronPlanet and \$93.9 million of GTV from our EquipmentOne online marketplaces. The first half 2017 EquipmentOne GTV represents a 44% increase over GTV of \$65.3 million in the first half of 2016.

First half 2017 GMV includes \$3.1 million of assets that transacted on a dealer-to-dealer basis through IronPlanet post-acquisition. Revenues earned on those dealer-to-dealer transactions were \$0.1 million in the first half of 2017, post-acquisition. First half 2017 GTV includes \$21.3 million of assets that transacted on a dealer-to-dealer basis on EquipmentOne's online marketplaces, compared to \$7.4 million in the first half of 2016. This increase was primarily due to EquipmentOne's Enterprise Software Solution not being launched until April 2016. Revenues earned on these dealer-to-dealer transactions were \$0.4 million in the first half of 2017 compared to \$0.2 million in the first half of 2016.

During the first half of 2017, 82% of our GAP was attributable to auctions held at our permanent and regional auction sites, including those located in frontier regions, compared to 86% in the first half of 2016. We held 218 on site auctions in the first half of 2017, compared to 194 in the first half of 2016. The proportion of GAP earned at those sites decreased over the same comparative period.

The decrease in GAP during the first half of 2017 compared to the first half of 2016 is primarily due to a decrease in the number of Core Auction segment lots and changes in our auction calendar over the same comparative period. The total number of Core Auction segment lots decreased 5% to 214,900 in the first half of 2017 from 225,500 in the first half of 2016. In addition, Core Auction segment GAP decreased 6% on a per-lot basis to \$9,300 in the first half of 2017 from \$9,900 in the first half of 2016. With respect to auction calendar changes, we held the largest-ever auction in Grande Prairie, Canada, in March 2016, which generated more than \$46.0 million (62.0 million Canadian dollars) of GAP, with no similar auction on the calendar in the first half of 2017.

GAP, on a U.S. dollar basis, decreased in Canada – and most significantly in Western Canada – in the first half of 2017 compared to the first half of 2016, primarily due to the aforementioned auction calendar changes and pressure on used equipment market supply volume. Although GAP grew in the United States and Europe in the first half of 2017 compared to the first half of 2016, this growth was offset by reductions in GAP in the rest of the world over the same comparative period. Foreign exchange rates did not have a significant impact on GAP in the first half of 2017.

The volume of underwritten commission contracts decreased to 16% of our GAP in the first half of 2017 from 25% in the first half of 2016, primarily due to the pressure on used equipment market supply volume. The tight supply of used equipment resulted in less opportunity for us to pursue underwritten commission contracts. Straight commission contracts continue to account for the majority of our GAP.

## Revenues and Revenue Rate

(in U.S. \$000's)

	Six months ended June 30,		Better/(Worse) 2017 over 2016
	2017	2016	
United States	\$ 151,917	\$ 143,492	6%
Canada	87,603	95,554	(8)%
Europe	30,296	26,404	15%
Other	20,869	25,300	(18)%
Revenues	<u>\$ 290,685</u>	<u>\$ 290,750</u>	<u>-</u>

The distribution of our revenues across the geographic regions in which we operate was as follows, where the geographic location of revenues corresponds to the location in which the sale occurred, or in the case of online sales, where the company earning the revenues is incorporated:

Revenue distribution	Canada	Outside of Canada	United States	Europe	Other
Six months ended June 30, 2017	30%	70%	52%	10%	8%
Six months ended June 30, 2016	33%	67%	49%	9%	9%

Revenues remained consistent in the first half of 2017 compared to the first half of 2016, primarily due to the Merger and IronPlanet's contribution of \$10.9 million of consolidated revenues in June 2017. Excluding IronPlanet revenues, revenues decreased 4% in the first half of 2017 compared to the first half of 2016, primarily due to lower auction volumes and GAP. This decrease was partially offset by a stronger Revenue Rate over the same comparative period. Included in first half 2017 revenues were \$9.5 million of revenues from EquipmentOne, which represents a 26% increase over EquipmentOne revenues of \$7.6 million in the first half of 2016.

Our Revenue Rate increased 81 bps to 13.48% in the first half of 2017 compared to 12.67% in the first half of 2016. The increase in Revenue Rate was primarily due to the Merger and IronPlanet's contributed GMV and revenue, as well as performance of our value-added service offerings.

Our overall average commission rate was 9.84% for the first half of 2017, compared to 9.50% in the first half of 2016. This increase was primarily due to the Merger and the healthy commission rate performance contributed by IronPlanet, as well as the continued strong performance of our straight and underwritten contract commission rates during the six months ended June 30, 2017 compared to the same period in 2016.

Fee revenue earned in the first half of 2017 represented 3.63% of GAP compared to 3.17% of GAP in the first half of 2016. The increase was primarily due to the Merger and fee revenue from IronPlanet online marketplace sales, as well as an increase in financing and other fees resulting from improved performance of our value-added service offerings. This increase was partially offset by a decrease in auction fees resulting from the mix of equipment sold at our auctions. IronPlanet contributed \$5.4 million of fee revenue in June 2017. Financing fees from RBFS increased 33% to \$8.1 million in the first half of 2017 from \$6.1 million in the first half of 2016. Subscription, license, and other fee revenues from Mascus increased 35% to \$4.5 million in the first half of 2017 from \$3.3 million in the first half of 2016.

Revenue grew in the United States and Europe in the first half of 2017 compared to the first half of 2016, primarily due to the Merger for the United States growth and due to GAP growth and a strong Revenue Rate in Europe. Comparatively, revenues in Canada and the rest of the world decreased in the first half of 2017 compared to the first half of 2016, primarily due to the decreases in GAP in those regions. Foreign exchange rates did not have a significant impact on revenues in the first half of 2017.

#### Costs of services

Costs of services decreased \$0.7 million or 2% in the first half of 2017 compared to the first half of 2016. Excluding IronPlanet's contribution, costs of services decreased 10% over the same comparative period. Costs of services related to our Core Auction segment were \$30.0 million, or 1.51% of Core Auction segment GAP, in the first half of 2017 compared to \$34.2 million, or 1.53% of Core Auction segment GAP, in the first half of 2016. This decrease is primarily due to an increase in our Private Treaty business, which requires less costs to generate revenues compared our traditional on site auction business, combined with a decrease in the number of lots in the first half of 2017 compared to the first half of 2016.

#### Selling, general and administrative expenses

SG&A expenses by nature are presented below:

(in U.S. \$000's)

	Six months ended June 30,		% Change 2017 over 2016
	2017	2016	
Employee compensation	\$ 91,860	\$ 91,000	1%
Buildings, facilities and technology	25,594	24,205	6%
Travel, advertising and promotion	12,781	12,322	4%
Professional fees	6,324	5,849	8%
Other SG&A expenses	8,393	7,726	9%
	<u>\$ 144,952</u>	<u>\$ 141,102</u>	<u>3%</u>

Our SG&A expenses increased \$3.9 million, or 3%, in the first half of 2017 compared to the first half of 2016, primarily due to the Merger and the resulting \$5.4 million of SG&A expenses contributed by IronPlanet in June 2017. Excluding IronPlanet, SG&A expenses decreased 1% over the same comparative period. Foreign exchange rates did not have a significant impact on SG&A expenses in the first half of 2017.

Employee compensation expenses increased \$0.9 million in the first half of 2017 compared to the first half of 2016, primarily due to the \$3.6 million contributed by IronPlanet in June 2017. Excluding IronPlanet, employee compensation costs decreased \$2.8 million over the same comparative period. The primary driver of the decrease was a \$4.8 million decrease in SG&A expense share-based payments, partially offset by the 5% net growth of our headcount – excluding Xcira, Mascus, and IronPlanet employees – between June 30, 2016 and June 30, 2017.

The decrease in SG&A expense share-based payments over the same comparative period was primarily due to a \$6.6 million mark-to-market fair value decrease in our liability-classified share units. The mark-to-market fair value decrease was driven by the performance of our common share price over the previous reporting period. Our share price closed at \$28.74 per common share on June 30, 2017, a decrease from the \$34.00 per common share on December 31, 2016. Comparatively, our share price closed at \$33.78 per common share on June 30, 2016, an increase from the \$24.11 per common share on December 31, 2015. \$2.0 million of the mark-to-market fair value decrease relates to the CEO SOG PSUs that were modified on May 1, 2017 from liability-classified to equity-classified. Post-modification, these awards are no longer subject to quarterly mark-to-market fair value fluctuations.

Buildings, facilities and technology costs increased \$1.4 million in the first half of 2017 compared to the first half of 2016. This increase was primarily due to higher technology costs, including software license fees, associated with maintenance of our servers and networks, as well as development of a new disaster recovery centre. The increase is also attributable to the Merger, with IronPlanet contributing \$0.5 million in June 2017.

Travel, advertising and promotion increased \$0.5 million in the first half of 2017 compared to the first half of 2016. This increase was primarily due to the Merger, with IronPlanet contributing \$0.8 million in June 2017. The increase was partially offset by a reduction in costs resulting from a 2016 strategic increase in advertising and promotional expenditure targeted at our larger auction events, including our participation in a triennial tradeshow in the second quarter of 2016.

Professional fees increased \$0.5 million in the first half of 2017 compared to the first half of 2016, primarily due to the Merger, with IronPlanet contributing \$0.2 million in June 2017.

Other SG&A expenses increased \$0.7 million in the first half of 2017 compared to the first half of 2016, primarily due to bank commitment fee increases resulting from our fourth quarter 2016 debt restructuring, which increased our total credit facilities from \$0.6 billion at June 30, 2016 to \$1.0 billion at June 30, 2017. This increase was partially offset by a decrease in yard supplies at our auction sites, which was driven by the reduction in volume of equipment on our yards in the first half of 2017 compared to the first half of 2016.

#### **Acquisition-related costs**

Acquisition-related costs for the first half of 2017 totalled \$31.6 million and consisted primarily of \$29.9 million associated with the Merger. IronPlanet acquisitions costs for the first half of 2017 included \$9.1 million of non-recurring acquisition and finance structure advisory fees, \$8.6 million of legal fees related to the regulatory approval process and closing of the transaction, \$4.8 million of stock option compensation expenses resulting from accelerated vesting of options assumed as part of the Merger, \$1.4 million of severance and retention costs that followed the Merger in the resulting corporate reorganization, and various integration costs.

#### **Impairment loss**

During the first half of 2017, we recognized an impairment loss of \$8.9 million on certain technology assets.

#### **Operating income**

Operating income decreased \$42.3 million, or 46%, to \$50.5 million in the first half of 2017 compared to \$92.8 million in the first half of 2016. This decrease was primarily due to the increase in acquisition-related costs, the impairment loss, and the increase in SG&A expense over the same comparative period. Adjusted operating income (non-GAAP measure) decreased \$18.2 million, or 20%, to \$74.7 million in the first half of 2017 compared to \$92.8 million in the first half of 2016.

Foreign exchange rates had a negative impact on operating income in the first half of 2017. Refer to the table under “Translational impact of foreign exchange rates” below for details of the foreign exchange rate impact.

Primarily for the same reasons noted above, operating income margin, which is our operating income divided by revenues, decreased 1450 bps to 17.4% in the first half of 2017 compared to 31.9% in the first half of 2016. Adjusted operating income margin (non-GAAP measure) decreased 620 bps to 25.7% in the first half of 2017 from 31.9% in the first half of 2016.

#### Other income (expense)

Other income (expense) is comprised of the following:

(in U.S. \$000's)

	Six months ended June 30,		% Change 2017 over 2016
	2017	2016	
Interest income	\$ 1,942	\$ 985	97%
Interest expense	(16,753)	(2,423)	(591)%
Equity income (loss)	(49)	996	(105)%
Other, net	3,861	967	299%
Other income (expense)	\$ (10,999)	\$ 525	(2195)%

The increase in interest income in the first half 2017 compared to the first half of 2016 was primarily due to the interest earned on the funds released from escrow that were held in an interest-bearing bank account from May 31, 2017 until June 30, 2017. The increase in interest expense in the first half of 2017 compared to the first half of 2016 is primarily due to \$13.5 million of interest on the Notes. Refer to "Liquidity and Capital Resources" below for a more detailed discussion of the Notes.

\$1.6 million of the increase in 'other, net' in the first half of 2017 compared to the first half of 2016 is due to changes in the fair value of contingent consideration associated with our Petrowsky, Mascus, and Kramer acquisitions, as well as our acquisition of the non-controlling interests in RBFS.

#### Income tax expense and effective tax rate

Income tax expense was \$11.3 million in the first half of 2017, compared to \$22.7 million in the first half of 2016. Our effective tax rate was 28.7% in the first half of 2017, compared to 24.4% in the first half of 2016. The increase in the effective tax rate over this comparative period was primarily due to a \$2.3 million expense related to an increase in uncertain tax positions. We increased our uncertain tax position in the first quarter of 2017 due to an unfavourable outcome of a tax dispute in one of our European operating jurisdictions.

#### Net income

Net income attributable to stockholders decreased \$41.1 million, or 59%, to \$28.0 million in the first half of 2017 compared to \$69.1 million in the first half of 2016. This decrease is primarily due to the increase in acquisition-related costs, interest expense, the impairment loss, and SG&A expenses, partially offset by the decrease in income tax expense over the same comparative period. Adjusted net income attributable to stockholders (non-GAAP measure) decreased \$20.0 million, or 29%, to \$49.1 million in the first half of 2017 from \$69.1 million in the first half of 2016.

For these same reasons, net income decreased \$42.4 million, or 60%, to \$28.1 million in the first half of 2017 from \$70.6 million in the first half of 2016. Adjusted EBITDA (non-GAAP measure) decreased \$14.5 million, or 13%, to \$100.7 million, in the first half of 2017 from \$115.1 million in the first half of 2016.

Primarily for the same reasons noted above, net income margin decreased 1460 bps to 9.7% in the first half of 2017 from 24.3% in the first half of 2016. Adjusted EBITDA margin (non-GAAP measure) decreased 500 bps to 34.6% in the first half of 2017 from 39.6% in the first half of 2016.

Debt at June 30, 2017 represented 16.2 times net income for the 12 months ended June 30, 2017. This compares to debt at June 30, 2016, which represented 0.9 times net income for the 12 months ended June 30, 2016. The increase in this debt/net income multiplier is primarily due to a net increase in long-term debt from June 30, 2016 to June 30, 2017, combined with a decrease in net income for the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016, as discussed above. The increase in debt is primarily due to the issuance of the Notes and proceeds from the delayed draw term loans to fund the Merger. Adjusted net debt/adjusted EBITDA<sup>10</sup> (non-GAAP measure) was 2.9 as at and for the 12 months ended June 30, 2017 compared to -0.2 as at and for the 12 months ended June 30, 2016.

#### **Diluted EPS**

Diluted EPS attributable to stockholders decreased 60% to \$0.26 per share in the first half of 2017 from \$0.65 per share in the first half of 2016. This decrease is primarily due to the decrease in net income attributable to stockholders, combined with a 944,818 increase in the weighted average number of dilutive shares outstanding over the same comparative period. The increase in the weighted average number of dilutive shares is primarily due to the assumption of IronPlanet stock options, as well as the modification of certain share units from liability-classified to equity-classified in May 2016 and the modification of the CEO SOG PSUs in May 2017. Diluted adjusted EPS attributable to stockholders (non-GAAP measure) decreased 31% to \$0.45 per share in the first half of 2017 from \$0.65 per share in the first half of 2016.

#### **Foreign exchange loss and effect of exchange rate movement on income statement components**

We conduct operations around the world in a number of different currencies, but our presentation currency is the U.S. dollar. In the first six months of 2017, approximately 45% of our revenues and 56% of our operating expenses were denominated in currencies other than the U.S. dollar, compared to 46% and 57%, respectively in the first six months of 2016.

##### ***Transactional impact of foreign exchange rates***

We recognized \$0.8 million of transactional foreign exchange gains in the first six months of 2017, compared to \$0.1 million of transactional foreign exchange losses in the first six months of 2016. Foreign exchange losses and gains are primarily the result of settlement of non-functional currency-denominated monetary assets and liabilities.

##### ***Translational impact of foreign exchange rates***

Since late 2014, there has been significant weakening of the Canadian dollar and the Euro relative to the U.S. dollar. This weakening of the Canadian dollar and Euro has affected our reported operating income when non-U.S. dollar amounts were translated into U.S. dollars for financial statement reporting purposes.

Constant Currency amounts and Translational FX Impact are non-GAAP financial measures. We calculate our Constant Currency amounts by applying prior period foreign exchange rates to current period transactional currency amounts. We define Translational FX Impact as the amounts we report under GAAP, less Constant Currency amounts.

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<sup>10</sup> Adjusted net debt/adjusted EBITDA is a non-GAAP financial measure. We believe that comparing adjusted net debt/adjusted EBITDA on a trailing 12-month basis for different financial periods provides useful information about the performance of our operations as an indicator of the amount of time it would take us to settle both our short and long-term debt. We do not consider this to be a measure of our liquidity, which is our ability to settle only short-term obligations, but rather a measure of how well we fund liquidity. Measures of liquidity are discussed further below under “liquidity and capital resources”. We calculate adjusted net debt/adjusted EBITDA by dividing adjusted net debt (non-GAAP measure) by adjusted EBITDA (non-GAAP measure). Adjusted net debt (non-GAAP measure) is calculated by subtracting cash and cash equivalents and long-term debt held in escrow from debt. Adjusted net debt/adjusted EBITDA is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below. In prior periods, we calculated this metric as adjusted debt (non-GAAP measure) divided by adjusted EBITDA (non-GAAP measure) and called it ‘adjusted debt/adjusted EBITDA (non-GAAP measure)’. In the second quarter of 2017, we changed the title, definition, and calculation of this non-GAAP measure to more closely align with our Evergreen Model performance metric, which reduces debt for cash and cash equivalents. The change has been applied retrospectively.

We believe that presenting Constant Currency amounts and Translational FX Impact, and comparing Constant Currency amounts to prior period results, provides useful information regarding the potential effect of changes in foreign exchange rates on our performance and the growth or decline in our operating income by eliminating the financial impact of items we do not consider to be part of our normal operating results.

The following tables present our Constant Currency results and Translational FX Impact for the three and six months, respectively, ended June 30, 2017 and 2016, as well as reconcile those metrics to revenues, costs of services, SG&A expenses, acquisition-related costs, depreciation and amortization expenses, gain on disposition of property, plant and equipment, foreign exchange loss (gain), and operating income, which are the most directly comparable GAAP measures in our consolidated financial statements:

(in U.S. \$000's)	Six months ended June 30,				2017 over 2016		Constant	
	2017			2016 as reported	reported change		Currency change	
	As reported	Translational FX Impact	Constant Currency		\$	%	\$	%
GAP	\$ 2,156,840	\$ 28,014	\$ 2,184,854	\$ 2,295,604	\$ (138,764)	(6)%	\$ (110,750)	(5)%
Revenues	290,685	3,871	294,556	\$ 290,750	\$ (65)	-	\$ 3,806	1%
Costs of services, excluding depreciation and amortization	34,404	436	34,840	35,071	(667)	(2)%	(231)	(1)%
SG&A expenses	144,952	952	145,904	141,102	3,850	3%	4,802	3%
Acquisition- related costs	31,575	-	31,575	1,800	29,775	1654%	29,775	1654%
Depreciation and amortization expenses	22,210	15	22,225	20,364	1,846	9%	1,861	9%
Gain on disposition of property, plant and equipment	(1,029)	(1)	(1,030)	(447)	(582)	130%	(583)	130%
Impairment loss	8,911	-	8,911	-	8,911	100%	8,911	100%
Foreign exchange loss (gain)	(823)	80	(743)	51	(874)	(1714)%	(794)	(1557)%
Operating income	\$ 50,485	\$ 2,389	\$ 52,874	\$ 92,809	\$ (42,324)	(46)%	\$ (39,935)	(43)%

(in U.S. \$000's)	Six months ended June 30,				2016 over 2015		Constant	
	2016			2015 as reported	reported change		Currency change	
	As reported	Translational FX Impact	Constant Currency		\$	%	\$	%
GAP	\$ 2,295,604	\$ 49,578	\$ 2,345,182	\$ 2,217,729	\$ 77,875	4%	\$ 127,453	6%
Revenues	290,750	6,236	296,986	\$ 271,095	\$ 19,655	7%	\$ 25,891	10%
Costs of services, excluding depreciation and amortization	35,071	510	35,581	28,636	6,435	22%	6,945	24%
SG&A expenses	141,102	3,985	145,087	128,995	12,107	9%	16,092	12%
Acquisition- related costs	1,800	-	1,800	-	1,800	100%	1,800	100%
Depreciation and amortization expenses	20,364	685	21,049	21,385	(1,021)	(5)%	(336)	(2)%
Gain on disposition of property, plant and equipment	(447)	(3)	(450)	(966)	519	(54)%	516	(53)%
Foreign exchange loss (gain)	51	353	404	(2,769)	2,820	(102)%	3,173	(115)%
Operating income	\$ 92,809	\$ 706	\$ 93,515	\$ 95,814	\$ (3,005)	(3)%	\$ (2,299)	(2)%

U.S. dollar exchange rate comparison

Value of one U.S. dollar

	Six months ended June 30,		
	2017	2016	% Change 2017 over 2016
Period-end exchange rate			
Canadian dollar	\$ 1.2966	\$ 1.2925	-
Euro	0.8752	0.9003	(3)%
Average exchange rate			
Canadian dollar	\$ 1.3340	\$ 1.3317	-
Euro	0.9239	0.8963	3%

Operations Update

The majority of our business continues to be generated by our Core Auction segment operations. During the first half of 2017, we conducted 111 unreserved industrial auctions at locations in North America, Europe, the Middle East, Australia, New Zealand, and Asia, compared to 109 during the first half of 2016. We also held 107 unreserved agricultural auctions in the first half of 2017, compared to 85 in the first half of 2016.

Our key industrial auction metrics<sup>11</sup> are shown below:

	Six months ended June 30,		
	2017	2016	% Change 2017 over 2016
Bidder registrations	278,000	276,000	1%
Consignments	28,050	26,350	6%
Buyers	69,550	70,150	(1)%
Lots	192,000	203,500	(6)%

We saw decreases in industrial auction buyers and lots in the first half of 2017 compared to the first half of 2016, primarily due to changes in our auction calendar combined with the performance of the used equipment market, which experienced supply volume pressure over the same comparative period. Regarding auction calendar changes, we held the largest-ever auction in Grande Prairie, Canada, in the first quarter of 2016 that generated more than \$46.0 million (62.0 million Canadian dollars) of GAP, with no similar auction on the calendar in the first half of 2017.

Although our auctions vary in size, our average industrial auction results on a trailing 12-month basis are described in the following table:

	12 months ended June 30,		
	2017	2016	Change 2017 over 2016
GAP	\$ 15.8 million	\$ 17.0 million	\$ -1.2 million
Bidder registrations	2,345	2,322	1%
Consignors	235	225	4%
Lots	1,648	1,698	(3)%

<sup>11</sup> For a breakdown of these key industrial auction metrics by month, please refer to our website at [www.rbauction.com](http://www.rbauction.com). None of the information in our website is incorporated by reference into this document by this or any other reference.

For the same reasons discussed above, we saw a decrease in the average number of lots for the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016.

### Website metrics<sup>12</sup>

The Ritchie Bros. website ([www.rbauction.com](http://www.rbauction.com)) is a gateway to our online bidding system that allows bidders to participate in our auctions over the internet and showcases upcoming auctions and equipment to be sold. This online bidding service gives our auction customers the choice of how they want to do business with us and access to both live and online auction participation. In July 2016, we launched our mobile bidding app to allow bidders to access our website for online bidding through their mobile devices.

Internet bidders comprised 67% of the total bidder registrations at our industrial auctions in the first half of 2017, compared to 64% in the first half of 2016. This increase in the level of internet bidders continues to demonstrate our ability to drive multichannel participation at our auctions.

Our IronPlanet websites [www.ironplanet.com](http://www.ironplanet.com), [www.govplanet.com](http://www.govplanet.com), and [www.truckplanet.com](http://www.truckplanet.com), and our EquipmentOne websites [www.equipmentone.com](http://www.equipmentone.com), [www.salvagesale.com](http://www.salvagesale.com), [www.salvagesale.uk.com](http://www.salvagesale.uk.com), and [www.mexico.assetnation.com](http://www.mexico.assetnation.com) provide access to our online marketplaces. Our website, [www.mascus.com](http://www.mascus.com), provides access to our online listing service.

Traffic across all our websites increased 7% in the first half of 2017 compared to the first half of 2016, with the addition of IronPlanet traffic accounting for 370 of the 690 bps increase. In July 2016, we launched our mobile app that enables users to bid at our live auctions. Since its introduction, we have seen a dramatic increase in the number of sessions on our mobile app.

### Online bidding and equipment marketplace purchase metrics

We continue to see an increase in the popularity of our online bidding system. During the first half of 2017, we attracted record first half online bidder registrations for our live auctions. In addition, primarily due to the Merger, we saw an increase in the use of our online bidding system and online marketplaces, selling \$1.1 billion of equipment, trucks, and other assets to online auction bidders and online marketplace customers during the first half of 2017, an increase of 2% compared to the first half of 2016.

### Productivity

We measure Sales Force Productivity as trailing 12-month Core Auction segment GAP per Revenue Producer<sup>13</sup>. It is an operational statistic that we believe provides a gauge of the effectiveness of Revenue Producers in increasing our GAP, and ultimately our net income. For purposes of the following discussion, IronPlanet's 94 Revenue Producers have been excluded from the Sales Force Productivity calculation as IronPlanet's GMV is excluded from the Core Auction segment GAP total.

Sales Force Productivity, excluding IronPlanet results, decreased to \$11.4 million per Revenue Producer at June 30, 2017 from \$12.0 million per Revenue Producer at June 30, 2016. This decrease was primarily due to a 6% Core Auction segment GAP decrease during the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016, partially offset by a 1% decrease in the number of Revenue Producers (excluding IronPlanet) between June 30, 2016 and June 30, 2017. The decrease in Core Auction segment GAP was primarily due to a decrease in the number of lots sold over the comparative period, combined with a decrease in Core Auction segment GAP on a per-lot basis. We believe the declines in volume and Core Auction segment GAP on a per-lot basis were primarily due to used equipment market supply constraints, as well as due to the mix of equipment sold at our auctions.

<sup>12</sup> None of the information in our websites is incorporated by reference into this document by this or any other reference.

<sup>13</sup> Revenue Producers is a term used to describe our revenue-producing sales personnel. This definition is comprised of Regional Sales Managers and Territory Managers.

Our headcount statistics, which include IronPlanet and exclude Xcira and Mascus employees, are presented below as at the end of each period:

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Total full-time employees	2,114	1,659	1,649	1,641	1,600	1,559	1,522	1,513
Regional Sales Managers	62	52	51	50	45	49	46	48
Territory Managers	379	301	301	304	304	296	296	307
Revenue Producers	441	353	352	354	349	345	342	355
Trainee Territory Managers	21	20	23	22	28	26	31	26
Other sales personnel	166	107	109	110	103	99	95	88
Sales personnel	628	480	484	486	480	470	468	469

Total headcount (excluding Xcira and Mascus employees) increased by net 465 between December 31, 2016 and June 30, 2017, of which 428 represented full-time IronPlanet employees. Excluding IronPlanet, the number of administrative and operational personnel increased by net 42, which included net 17 from RBFS<sup>14</sup> to support the growth of that business, as well as net nine and net eight through our acquisitions of Petrowsky and Kramer, respectively. IronPlanet added 149 sales personnel and 279 administrative and operational personnel as of June 30, 2017.

Xcira had a total headcount of 58 full time employees at June 30, 2017, which has increased by net six since December 31, 2016. Mascus had a total headcount of 49 at June 30, 2017 and December 31, 2016.

### Outstanding Share Data

We are a public company and our common shares are listed under the symbol “RBA” on the New York Stock Exchange (“NYSE”) and the Toronto Stock Exchange (“TSX”). On August 4, 2017, we had 107,101,433 common shares issued and outstanding, 587,684 share units awarded under our senior executive and employee performance share unit (“PSU”) plans, 81,973 CEO SOG PSUs, and stock options outstanding to purchase a total of 4,483,282 common shares. No preferred shares have been issued or are outstanding. The outstanding stock options had a weighted average exercise price of \$24.01 per share and a weighted average remaining term of 7.6 years. In respect of PSUs awarded under the senior executive and employee PSU plans, performance and market conditions, depending on their outcome at the end of the contingency period, can reduce the number of vested awards to nil or to a maximum of 200% of the number of outstanding PSUs. In respect of the CEO SOG PSUs, market conditions, depending on their outcome at the end of the contingency period, can reduce the number of vested awards to nil or to a maximum of 200% of the number of outstanding CEO SOG PSUs. Certain of our PSUs have been cash-settled, whereas others may be settled, at our discretion, in either cash or equity. Equity settlements can be settled through either the issuance of shares or, at our discretion, subject to certain exceptions, by open market purchases of shares.

### Share repurchase program

Our normal course issuer bid (“NCIB”) that was approved by the TSX on March 1, 2016 expired on March 2, 2017 and was not renewed. No share purchases were made pursuant to the NCIB, or by any other means, during the six months ended June 30, 2017. To conserve cash, we allowed our NCIB to expire and did not repurchase any shares in the first half of 2017. We reprioritized our capital management strategy to utilize cash to make scheduled interest and principal payments on debt, to repay debt to lower our debt levels, and to grow dividends.

<sup>14</sup> RBFS account managers generate financing fee revenue but do not produce GAP. As such, they are excluded from our definition of Revenue Producers and the measurement of Sales Force Productivity, which is based on Core Auction segment GAP.

## Liquidity and Capital Resources

### Working capital

(in U.S. \$000's)	June 30, 2017	December 31, 2016	% Change
Cash and cash equivalents	\$ 254,103	\$ 207,867	22%
Current restricted cash	\$ 113,391	\$ 50,222	126%
Current assets	\$ 574,512	\$ 377,998	52%
Current liabilities	463,054	252,834	83%
Working capital	\$ 111,458	\$ 125,164	(11)%

We believe that working capital is a more meaningful measure of our liquidity than cash alone. Our working capital decreased during the six months ended June 30, 2017, primarily due to the payment of dividends of \$36.4 million and partially offset by net income generated during the period.

### Cash flows

(in U.S. \$000's)	Six months ended June 30,		% Change
	2017	2016	2017 over 2016
Cash provided by (used in):			
Operating activities	\$ 114,705	\$ 148,112	(23)%
Investing activities	(686,027)	(38,611)	1677%
Financing activities	170,417	(48,668)	450%
Effect of changes in foreign currency rates	10,310	8,593	20%
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (390,595)	\$ 69,426	(663)%

#### Operating activities

Cash provided by operating activities can fluctuate significantly from period to period due to factors such as differences in the timing, size, and number of auctions during the period, the volume of our underwritten contracts, the timing of the receipt of auction proceeds from buyers and of the payment of net amounts due to consignors, as well as the location of the auction with respect to restrictions on the use of cash generated therein.

Cash provided by operating activities decreased \$33.4 million, or 23%, during the first half of 2017 compared to the first half of 2016. This decrease was primarily due to the decrease in net income, which included cash payments for most acquisition-related costs and interest expenses, as well as changes in certain of our operating assets and liabilities, including auction proceeds payable over the same comparative period. This decrease was partially offset by changes in inventory, a \$14.3 million increase in adjustments for items not affecting cash, and changes in prepaid expense and refundable deposits during the first half of 2017 compared to the first half of 2016.

Cash provided by operating activities decreased \$6.8 million, or 5%, during the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016, primarily due to an \$88.1 million decrease in net income and changes in certain of our operating assets and liabilities, including auction proceeds payable, over the same comparative period. This decrease was partially offset by changes in inventory and a \$54.3 million increase in adjustments for items not affecting cash, including \$37.2 million of impairment losses, during the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016. Net capital spending increased \$12.3 million, or 64%, during the 12 months ended June 30, 2017 compared to the 12 months ended June 30, 2016, primarily due to a \$10.0 million increase in intangible asset additions over the same comparative period.

The increase in intangible asset additions period-over-period is primarily due to the capitalization of costs to assets under development. Significant software development projects during the 12 months ended June 30, 2017 include those related to computer system transformation, customer experience and process improvements, website enhancement, adaptation of our website to mobile devices including creation of a mobile bidding app, Xcira's next-generation auction bidding platforms, enhanced Wi-Fi access at many of our auction sites, and disaster recovery preparedness. The decrease in cash provided by operating activities combined with the increase in net capital spending resulted in a decrease in operating free cash flow ("OFCF")<sup>15</sup> (non-GAAP measure) of \$19.1 million, or 14%, to \$112.7 million during the 12 months ended June 30, 2017 from \$131.8 million during the 12 months ended June 30, 2016.

#### **Investing activities**

Net cash used in investing activities increased \$647.4 million, or 1677%, during the first half of 2017 compared to the first half of 2016. This increase was primarily due to the acquisition of IronPlanet for \$674.1 million, net of cash acquired, in the first half of 2017, partially offset by the acquisition of Mascus for \$28.1 million during the first half of 2016.

CAPEX intensity presents net capital spending as a percentage of revenue. We believe that comparing CAPEX intensity on a trailing 12-month basis for different financial periods provides useful information as to the amount of capital expenditure that we require to generate revenues.

(in U.S. \$ millions)

	12 months ended June 30,		Change 2017 over 2016
	2017	2016	
Property, plant and equipment additions	\$ 18.2	\$ 22.4	(19)%
Intangible asset additions	21.0	11.0	91%
Proceeds on disposition of property plant and equipment	(7.7)	(14.2)	(46)%
Net capital spending	\$ 31.5	\$ 19.2	64%
Revenues	\$ 566.3	\$ 535.5	6%
CAPEX intensity	5.6%	3.6%	200bps

CAPEX intensity for the 12 months ended June 30, 2017 increased compared to CAPEX intensity for the 12 months ended June 30, 2016, primarily due to the net capital spending increase of 64% exceeding the revenue increase of 6% period-over-period.

#### **Financing activities**

Net cash provided by financing activities increased \$219.1 million, or 450%, in the first half of 2017 compared to the first half of 2016. This increase was primarily due to a \$278.4 million increase in proceeds from long-term debt and a \$36.7 million decrease in share repurchases over the same comparative period. This increase was partially offset by a \$54.0 million increase in repayment of long-term debt, a \$24.5 million decrease in proceeds from short-term debt, payment of debt issue costs of \$12.4 million, and a \$12.0 million decrease in issuance of share capital in the first half of 2017 compared to the first half of 2016.

<sup>15</sup> OFCF is non-GAAP financial measure that we believe, when compared on a trailing 12-month basis to different financial periods provides an effective measure of the cash generated by our business and provides useful information regarding cash flows remaining for discretionary return to stockholders, mergers and acquisitions, or debt reduction. Our balance sheet scorecard includes the performance metric, OFCF. OFCF is also an element of the performance criteria for certain annual short-term incentive awards we grant to our employees and officers. We calculate OFCF by subtracting net capital spending from cash provided by operating activities. OFCF is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under "Non-GAAP Measures" below.

We declared and paid regular cash dividends of \$0.17 per common share for the quarters ended June 30, 2016, September 30, 2016, December 31, 2016, and March 31, 2017. We have declared, but not yet paid, a dividend of \$0.17 per common share for the quarter ended June 30, 2017.

Total dividend payments during the six months ended June 30, 2017 were \$36.3 million to stockholders and \$40.8 thousand to non-controlling interests. This compares to total dividend payments of \$34.2 million to stockholders and \$2.4 million to non-controlling interests during the six months ended June 30, 2016. All dividends we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

Our dividend payout ratio, which we calculate as dividends paid to stockholders divided by net income attributable to stockholders, increased 9300 bps to 143.2% for the 12 months ended June 30, 2017 from 50.2% for the 12 months ended June 30, 2016. This increase is primarily the result of the decrease in net income attributable to stockholders combined with the increase in our dividends paid to stockholders over the same comparative period. Our adjusted dividend payout ratio<sup>16</sup> (non-GAAP measure) increased 1380 bps to 70.3% for the 12 months ended June 30, 2017 from 56.5% for the 12 months ended June 30, 2016.

Our return on average invested capital is calculated as net income attributable to stockholders divided by our average invested capital. We calculate average invested capital over a trailing 12-month period by adding the average long-term debt over that period to the average stockholders’ equity over that period. Return on average invested capital decreased 1270 bps to 4.3% during the 12 months ended June 30, 2017 from 17.0% during the 12 months ended June 30, 2016. This decrease is primarily due to a \$364.7 million, or a 45%, increase in average invested capital period-over-period, which was primarily the result of the issuance of the Notes in the fourth quarter of 2016 and the delayed draw term loans borrowed in the second quarter of 2017. Also contributing to the decrease in return on average invested capital over this comparative period was an \$85.8 million, or 63%, decrease in net income attributable to stockholders. Return on invested capital (“ROIC”)<sup>17</sup> (non-GAAP measure) decreased 630 bps to 8.8% during the 12 months ended June 30, 2017 from 15.1% during the 12 months ended June 30, 2016.

#### **Debt and credit facilities**

At June 30, 2017, our short-term debt of \$14.1 million consisted of borrowings under our committed revolving credit facilities and had a weighted average annual interest rate of 2.4%. This compares to current borrowings of \$23.9 million as at December 31, 2016 with a weighted average annual interest rate of 2.2%.

As at June 30, 2017, we had a total of \$814.3 million long-term debt with a weighted average annual interest rate of 4.2%. This compares to long-term debt of \$595.7 million as at December 31, 2016 with a weighted average annual interest rate of 4.9%.

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<sup>16</sup> Adjusted dividend payout ratio is non-GAAP financial measure. We believe that comparing the adjusted dividend payout ratio for different financial periods provides useful information about how well our net income supports our dividend payments. Adjusted dividend payout ratio is calculated by dividing dividends paid to stockholders by adjusted net income attributable to stockholders (non-GAAP measure). Adjusted dividend payout ratio is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

<sup>17</sup> ROIC is a non-GAAP financial measure that we believe, by comparing on a trailing 12-month basis for different financial periods provides useful information about the after-tax return generated by our investments. Our balance sheet scorecard includes the performance metric ROIC. ROIC was also an element of the performance criteria for certain PSUs that we granted our employees and officers in 2013 and 2014. We calculate ROIC as net income attributable to stockholders excluding the effects of adjusting items divided by average invested capital. Average invested capital is a GAAP measure calculated as the average long-term debt (including current and non-current portions) and stockholders’ equity over a trailing 12-month period. ROIC is reconciled to the most directly comparable GAAP measures in our consolidated financial statements under “Non-GAAP Measures” below.

Future scheduled principal and interest payments over the next five years relating to our long-term debt outstanding at June 30, 2017 are as follows:

(in U.S. \$000's)	Scheduled payments by due period					
	In 2017	In 2018	In 2019	In 2020	In 2021	Thereafter
On long-term debt:						
Principal	\$ 8,309	\$ 16,618	\$ 24,927	\$ 33,236	\$ 249,273	\$ 500,000
Interest	19,446	34,990	34,539	33,770	31,900	94,063

**Syndicated credit facility**

On October 27, 2016, we closed a five-year credit agreement (the “Credit Agreement”) with a syndicate of lenders, including Bank of America, N.A. (“BofA”) and Royal Bank of Canada, that provides us with:

- 1) Multicurrency revolving facilities of up to \$675.0 million (the “Multicurrency Facilities”);
- 2) A delayed-draw term loan facility of up to \$325.0 million (the “Delayed-Draw Facility” and together with the Multicurrency Facilities, the “Syndicated Facilities”); and
- 3) At our election and subject to certain conditions, including receipt of related commitments, incremental term loan facilities and/or increases to the Multicurrency Facilities in an aggregate amount of up to \$50 million.

We may use the proceeds from the Multicurrency Facilities for general corporate purposes. During the second quarter of 2017, the full amount of the Delayed-Draw Facility was drawn to finance the Merger.

The Syndicated Facilities are secured by the assets of Ritchie Bros. Auctioneers Incorporated and certain of its subsidiaries in Canada and the United States. The Syndicated Facilities may become unsecured again, subject to Ritchie Bros. meeting specified credit rating or leverage ratio conditions. The Syndicated Facilities mature five years after the closing date of the Credit Agreement. The Delayed-Draw Facility is amortized in equal quarterly installments in an annual amount of 5% for the first two years after the closing of the Merger, and 10% in the third through fifth years after the closing of the Merger, with the balance payable at maturity.

Borrowings under the Credit Agreement bear floating rates of interest, which, at our option, are based on either a base rate (or Canadian prime rate for certain Canadian dollar borrowings) or LIBOR (or such customary floating rate customarily used by BofA for currencies other than U.S. dollars). In either case, an applicable margin is added to the rate. The applicable margin ranges from 0.25% to 1.50% for base rate loans, and 1.25% to 2.50% for LIBOR (or the equivalent of such currency) loans, depending on our leverage ratio at the time of borrowing. We must also pay quarterly in arrears a commitment fee equal to the daily amount of the unused commitments under the Syndicated Facilities multiplied by an applicable percentage per annum (which ranges from 0.25% to 0.50% depending on our leverage ratio).

We incurred debt issuance costs of \$9.5 million in connection with the Credit Agreement, of which \$4.7 million was allocated to the Multicurrency Facilities and \$4.8 million was allocated to the Delayed-Draw Facility. As the former allocation is not related to specific draws, the costs have been capitalized as other non-current assets and are being amortized over the term of the Syndicated Facilities. For the latter allocation, the costs have been capitalized and reduce the carrying value of the delayed draw term loans to which they relate. At June 30, 2017, the unamortized deferred debt issuance costs relating to the Multicurrency Facilities and delayed draw term loans were \$4.2 million and \$4.5 million, respectively.

**Senior unsecured notes**

On December 21, 2016, we completed the offering of the Notes for an aggregate principal amount of \$500.0 million. The Notes bear interest at a rate of 5.375% per annum and have a maturity date of January 15, 2025. The Notes were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and outside the United States, only to non-U.S. investors pursuant to Regulation S under the Securities Act. The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent an effective registration statement or an applicable exemption from registration requirements or a transaction not subject to the registration requirements of the Securities Act or any state securities laws.

The proceeds of the offering were used to finance the Merger. Upon the closing of the offering, the gross proceeds from the offering together with certain additional amounts including prepaid interest were deposited in to an escrow account. The funds were held in escrow until the Merger was completed on May 31, 2017.

Until the release of the proceeds in the escrow account, the Notes were secured by a first priority security interest in the escrow account. Upon the completion of the Merger, the Notes became senior unsecured obligations. The Notes are jointly and severally guaranteed on an unsecured basis, subject to certain exceptions, by each of our subsidiaries that is a borrower or guarantees indebtedness under the Credit Agreement. IronPlanet and certain of its subsidiaries were added as additional guarantors in connection with the Merger.

We incurred debt issuance costs of \$13.9 million in connection with the offering of the Notes. At June 30, 2017, we had unamortized deferred debt issuance costs relating to the Notes of \$13.5 million.

***Other credit facilities***

As at June 30, 2017, we also have \$12.0 million in committed, revolving credit facilities, in certain foreign jurisdictions, which expire on May 31, 2018.

***Debt covenants***

The Credit Agreement contains certain covenants that could limit the ability of the Company and certain of its subsidiaries to, among other things and subject to certain significant exceptions: (i) incur, assume or guarantee additional indebtedness; (ii) declare or pay dividends or make other distributions with respect to, or purchase or otherwise acquire or retire for value, equity interests; (iii) make loans, advances or other investments; (iv) incur liens; (v) sell or otherwise dispose of assets; and (vi) enter into transactions with affiliates. The Credit Agreement also provides for certain events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding under the Credit Agreement to be declared immediately due and payable.

The Notes were issued pursuant to an indenture, dated December 21, 2016, with U.S. Bank National Association, as trustee (the "Indenture"). The Indenture contains covenants that limit our ability, and the ability of certain of our subsidiaries to, among other things and subject to certain significant exceptions: (i) incur, assume or guarantee additional indebtedness; (ii) declare or pay dividends or make other distributions with respect to, or purchase or otherwise acquire or retire for value, equity interests; (iii) make any principal payment on, or redeem or repurchase, subordinated debt; (iv) make loans, advances or other investments; (v) incur liens; (vi) sell or otherwise dispose of assets; and (vii) enter into transactions with affiliates. The Indenture also provides for certain events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Notes under the applicable indenture to be declared immediately due and payable.

At inception of the Credit Agreement and the Indenture, all parties anticipated the increase in indebtedness that followed the Merger. As such, covenants pertaining to our leverage ratio provide for a six-quarter expansion of debt levels, after which the leverage ratio settles to a moderately higher tier than pre-Merger conditions.

We were in compliance with all financial and other covenants applicable to our credit facilities at June 30, 2017.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, financial performance, liquidity, capital expenditures or capital resources.

## **Critical Accounting Policies, Judgments, Estimates and Assumptions**

Aside from those discussed below, there were no material changes in our critical accounting policies, judgments, estimates and assumptions from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016, which is available on our website at [www.rbaction.com](http://www.rbaction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com), or in the notes to our consolidated financial statements included in “Part I, Item 1: Consolidated Financial Statements” in this Quarterly Report on Form 10-Q.

### **Recoverability of goodwill**

We perform impairment tests on goodwill on an annual basis in accordance with US GAAP, or more frequently if events or changes in circumstances indicate that those assets might be impaired. Goodwill is tested for impairment at a reporting unit level, which is at the same level or one level below an operating segment.

On January 1, 2017, we early adopted ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which eliminates Step 2 from the goodwill impairment test. Under ASU 2017-04, we still have the option of performing a qualitative assessment of a reporting unit to first determine whether the quantitative impairment test is necessary. We exercise judgment in performing our qualitative assessment of whether indicators of impairment exist.

When we determine that an annual or interim quantitative impairment test is necessary, we now only perform one step in order to identify potential impairment, which is to compare the reporting unit’s fair value with its carrying amount, including goodwill. The reporting unit’s fair value is determined using various valuation approaches and techniques that involve assumptions based on what we believe a hypothetical marketplace participant would use in estimating fair value on the measurement date. An impairment loss is recognized as the difference between the reporting unit’s carrying amount and its fair value to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

We measure the fair value of our reporting units using a blended analysis of the earnings valuation approach, which employs a discounted cash flow valuation technique, and the market valuation approach, which employs a multiple of earnings valuation technique. We believe that using a blended valuation approach compensates for the inherent risks associated with each technique if used on a stand-alone basis. In applying these valuation approaches, management is required to make significant estimates and assumptions about the timing and amount of future cash flows, revenue growth rates, and discount rates, which requires a significant amount of judgment. Accordingly, actual results may differ from those used in the goodwill impairment test.

### **Changes in Accounting Policies**

Aside from the early adoption of ASU 2017-09 *Compensation—Stock Compensation (Topic 718), Scope Modification Accounting*, which did not have a significant impact on the Company’s financial statements, there have been no changes in our significant accounting policies during the three months ended June 30, 2017.

### **Non-GAAP Measures**

We make reference to various non-GAAP measures throughout this Quarterly Report on Form 10-Q. These measures do not have a standardized meaning and are, therefore, unlikely to be comparable to similar measures presented by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with generally accepted accounting principles.

The following tables present our adjusted operating income (non-GAAP measure) and adjusted operating income margin (non-GAAP measure) results for the three and six months, respectively, ended June 30, 2017 and 2016, as well as reconcile those metrics to operating income, revenues, and operating income margin, which are the most directly comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's)

	Three months ended June 30,		
	2017	2016	Change 2017 over 2016
Operating income	\$ 26,888	\$ 53,635	(50)%
Pre-tax adjusting item:			
Accelerated vesting of assumed options	4,752	-	100%
Acquisition and finance structure advisory	9,063	-	100%
Severance and retention	1,447	-	100%
Impairment loss	8,911	-	100%
Adjusted operating income (non-GAAP measure)	51,061	53,635	(5)%
Revenues	\$ 166,186	\$ 158,805	5%
Operating income margin	16.2%	33.8%	-1760bps
Adjusted operating income margin (non-GAAP measure)	30.7%	33.8%	-310bps

(in U.S. \$000's)

	Six months ended June 30,		
	2017	2016	Change 2017 over 2016
Operating income	\$ 50,485	\$ 92,809	(46)%
Pre-tax adjusting items:			
Accelerated vesting of assumed options	4,752	-	100%
Acquisition and finance structure advisory	9,063	-	100%
Severance and retention	1,447	-	100%
Impairment loss	8,911	-	100%
Adjusted operating income (non-GAAP measure)	74,658	92,809	(20)%
Revenues	\$ 290,685	\$ 290,750	-
Operating income margin	17.4%	31.9%	-1450bps
Adjusted operating income margin (non-GAAP measure)	25.7%	31.9%	-620bps

The second quarter and first half 2017 adjusting items were \$4.8 million (\$4.8 million after tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger, \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs, \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and an \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets. There were no second quarter or first half 2016 adjusting items.

The following tables present our adjusted net income attributable to stockholders (non-GAAP measure) and diluted adjusted EPS attributable to stockholders (non-GAAP measure) results for the three and six months, respectively, ended June 30, 2017 and 2016, as well as reconcile those metrics to net income attributable to stockholders, the effect of dilutive securities, the weighted average number of dilutive shares outstanding, and diluted EPS attributable to stockholders, which are the most directly comparable GAAP measures in our consolidated income statements:

(in U.S. \$000's, except share and per share data)

	Three months ended June 30,		
	2017	2016	Change 2017 over 2016
Net income attributable to stockholders	\$ 17,635	\$ 39,710	(56)%
Pre-tax adjusting items:			
Accelerated vesting of assumed options	4,752	-	100%
Acquisition and finance structure advisory	9,063	-	100%
Severance and retention	1,447	-	100%
Impairment loss	8,911	-	100%
Current income tax effect of adjusting items:			
Acquisition and finance structure advisory	(2,447)	-	100%
Severance and retention	(564)	-	100%
Deferred income tax effect of adjusting items:			
Impairment loss	(2,361)	-	100%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 36,436	\$ 39,710	(8)%
Effect of dilutive securities	\$ (545)	\$ -	(100)%
Weighted average number of dilutive shares outstanding	108,238,660	106,979,810	1%
Diluted EPS attributable to stockholders	\$ 0.16	\$ 0.37	(57)%
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$ 0.33	\$ 0.37	(11)%

(in U.S. \$000's, except share and per share data)

	Six months ended June 30,		
	2017	2016	Change 2017 over 2016
Net income attributable to stockholders	\$ 28,012	\$ 69,116	(59)%
Pre-tax adjusting items:			
Accelerated vesting of assumed options	4,752	-	100%
Acquisition and finance structure advisory	9,063	-	100%
Severance and retention	1,447	-	100%
Impairment loss	8,911	-	100%
Current income tax effect of adjusting items:			
Acquisition and finance structure advisory	(2,447)	-	100%
Severance and retention	(564)	-	100%
Deferred income tax effect of adjusting items:			
Impairment loss	(2,361)	-	100%
Current income tax adjusting item:			
Change in uncertain tax provision	2,290	-	100%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 49,103	\$ 69,116	(29)%
Effect of dilutive securities	\$ (176)	\$ -	(100)%
Weighted average number of dilutive shares outstanding	108,014,228	107,069,410	1%
Diluted EPS attributable to stockholders	\$ 0.26	\$ 0.65	(60)%
Diluted adjusted EPS attributable to stockholders (non-GAAP measure)	\$ 0.45	\$ 0.65	(31)%

The second quarter and first half 2017 adjusting items were \$4.8 million (\$4.8 million before tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger, \$6.6 million (\$9.1 million before tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs, \$0.9 million (\$1.4 million before tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and a \$6.6 million (\$8.9 million before tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets during the second quarter of 2017. In addition, there was a \$2.3 million (\$2.3 million before tax, or \$0.02 per diluted share) charge related to the change in uncertain tax provisions incurred in the first quarter of 2017. There were no second quarter or first half 2016 adjusting items.

The following tables present our adjusted EBITDA (non-GAAP measure) and adjusted EBITDA margin (non-GAAP measure) results for the three and six months, respectively, ended June 30, 2017 and 2016, as well as reconcile those metrics to net income, revenues, and net income margin, which are the most directly comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's)

	Three months ended June 30,		
	2017	2016	Change 2017 over 2016
Net income	\$ 17,713	\$ 40,591	(56)%
<i>Add: depreciation and amortization expenses</i>	11,872	10,284	15%
<i>Less: interest income</i>	(987)	(487)	103%
<i>Add: interest expense</i>	8,620	1,060	713%
<i>Add: current income tax expense</i>	8,675	16,106	(46)%
<i>Less: deferred income tax recovery</i>	(4,650)	(2,889)	61%
Pre-tax adjusting items:			
Accelerated vesting of assumed options	4,752	-	100%
Acquisition and finance structure advisory	9,063	-	100%
Severance and retention	1,447	-	100%
Impairment loss	8,911	-	100%
Adjusted EBITDA (non-GAAP measure)	65,416	64,665	1%
Revenues	\$ 166,186	\$ 158,805	5%
Net income margin	10.7%	25.6%	-1490bps
Adjusted EBITDA margin (non-GAAP measure)	39.4%	40.7%	-130bps

(in U.S. \$000's)

	Six months ended June 30,		
	2017	2016	Change 2017 over 2016
Net income	\$ 28,146	\$ 70,585	(60)%
<i>Add: depreciation and amortization expenses</i>	22,210	20,364	9%
<i>Less: interest income</i>	(1,942)	(985)	97%
<i>Add: interest expense</i>	16,753	2,423	591%
<i>Add: current income tax expense</i>	16,163	26,115	(38)%
<i>Add: deferred income tax recovery</i>	(4,823)	(3,366)	43%
Pre-tax adjusting items:			
Accelerated vesting of assumed options	4,752	-	100%
Acquisition and finance structure advisory	9,063	-	100%
Severance and retention	1,447	-	100%
Impairment loss	8,911	-	100%
Adjusted EBITDA (non-GAAP measure)	100,680	115,136	(13)%
Revenues	\$ 290,685	\$ 290,750	-
Net income margin	9.7%	24.3%	-1460bps
Adjusted EBITDA margin (non-GAAP measure)	34.6%	39.6%	-500bps

The second quarter and first half 2017 adjusting items were \$4.8 million (\$4.8 million after tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger, \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs, \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and an \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets during the second quarter of 2017. There were no second quarter or first half 2016 adjusting items.

The following table presents our adjusted net debt/adjusted EBITDA (non-GAAP measures) results on a trailing 12-month basis, as well as reconciles that metric to debt, net income, and debt as a multiple of net income, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)

	As at and for the 12 months ended June 30,		
	2017	2016	Change 2017 over 2016
Short-term debt	\$ 14.1	\$ 22.4	(37)%
Long-term debt	814.3	102.7	693%
Debt	828.4	125.1	562%
Less: cash and cash equivalents	(254.1)	(166.5)	53%
Adjusted net debt (non-GAAP measure)	574.3	(41.4)	(1487)%
Net income	\$ 51.1	\$ 139.2	(63)%
Add: depreciation and amortization expenses	42.8	41.0	4%
Less: interest income	(2.8)	(2.1)	33%
Add: interest expense	19.9	4.8	315%
Add: current income tax expense	30.4	38.5	(21)%
Less: deferred income tax recovery	(4.8)	(4.7)	2%
Pre-tax adjusting items:			
Accelerated vesting of assumed options	4.8	-	100%
Acquisition and finance structure advisory	9.1	-	100%
Severance and retention	1.4	-	100%
Debt extinguishment costs	6.8	-	100%
Gain on sale of excess property	-	(8.4)	(100)%
Impairment loss	37.2	-	100%
Adjusted EBITDA (non-GAAP measure)	\$ 195.9	\$ 208.3	(6)%
Debt/net income	16.2x	0.9x	1700%
Adjusted net debt/adjusted EBITDA (non-GAAP measure)	2.9x	-0.2x	(1550)%

There was no long-term debt held in escrow at June 30, 2017 or June 30, 2016.

The net income adjusting items for the 12 months ended June 30, 2017 were:

Recognized in the second quarter of 2017

- \$4.8 million (\$4.8 million after tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger,
- \$9.1 million (\$6.6 million after tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs,
- \$1.4 million (\$0.9 million after tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and
- An \$8.9 million (\$6.6 million after tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets.

Recognized in the fourth quarter of 2016

- A \$6.8 million (\$5.0 million after tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt.

Recognized in the third quarter of 2016

- A \$28.2 million (\$26.4 million after tax, or \$0.25 per diluted share) impairment loss on the Company's EquipmentOne reporting unit goodwill and customer relationships.

The adjusting item for the 12 months ended June 30, 2016 was an \$8.4 million (\$7.3 million after tax, or \$0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada, recognized in the fourth quarter of 2015.

The following table presents our OFCF (non-GAAP measure) results on a trailing 12-month basis, and reconciles that metric to cash provided by operating activities and net capital spending, which are the most directly comparable GAAP measures in, or calculated from, our consolidated statements of cash flows:

(in U.S. \$ millions)

	12 months ended June 30,		Change 2017 over 2016
	2017	2016	
Cash provided by operating activities	\$ 144.2	\$ 151.0	(5)%
Property, plant and equipment additions	18.2	22.4	(19)%
Intangible asset additions	21.0	11.0	91%
Proceeds on disposition of property plant and equipment	(7.7)	(14.2)	(46)%
Net capital spending	\$ 31.5	\$ 19.2	64%
OCF (non-GAAP measure)	\$ 112.7	\$ 131.8	(14)%

The following table presents our adjusted net income attributable to stockholders (non-GAAP measure) and adjusted dividend payout ratio (non-GAAP measure) results on a trailing 12-month basis, and reconciles those metrics to dividends paid to stockholders, net income attributable to stockholders, and dividend payout ratio, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)

	12 months ended June 30,		
	2017	2016	Change 2017 over 2016
Dividends paid to stockholders	\$ 72.6	\$ 68.5	6%
Net income attributable to stockholders	\$ 50.7	\$ 136.5	(63)%
Pre-tax adjusting items:			
Accelerated vesting of assumed options	4.8	-	100%
Acquisition and finance structure advisory	9.1	-	100%
Severance and retention	1.4	-	100%
Debt extinguishment costs	6.8	-	100%
Gain on sale of excess property	-	(8.4)	(100)%
Impairment loss	37.2	-	100%
Current income tax effect of adjusting items:			
Acquisition and finance structure advisory	(2.4)	-	100%
Severance and retention	(0.6)	-	100%
Debt extinguishment costs	(1.8)	-	100%
Gain on sale of excess property	-	1.1	(100)%
Deferred income tax effect of adjusting items:			
Impairment loss	(4.2)	-	100%
Current income tax adjusting item:			
Change in uncertain tax provision	2.3	-	100%
Deferred tax adjusting item:			
Tax loss utilization	-	(7.9)	(100)%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 103.3	\$ 121.3	(15)%
Dividend payout ratio	143.2%	50.2%	9300bps
Adjusted dividend payout ratio (non-GAAP measure)	70.3%	56.5%	1380bps

The adjusting items for the 12 months ended June 30, 2017 were:

Recognized in the second quarter of 2017

- \$4.8 million (\$4.8 million before tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger,
- \$6.6 million (\$9.1 million before tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs,
- \$0.9 million (\$1.4 million before tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and
- A \$6.6 million (\$8.9 million before tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets.

Recognized in the first quarter of 2017

- A \$2.3 million (\$2.3 million before tax, or \$0.02 per diluted share) charge related to the change in uncertain tax provisions.

Recognized in the fourth quarter of 2016

- A \$5.0 million (\$6.8 million before tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt.

Recognized in the third quarter of 2016

- A \$26.4 million (\$28.2 million before tax, or \$0.25 per diluted share) impairment loss on the Company's EquipmentOne reporting unit goodwill and customer relationships.

The adjusting items for the 12 months ended June 30, 2016 were a \$7.3 million (\$8.4 million before tax, or \$0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada, recognized in the fourth quarter of 2015, and \$7.9 million (\$7.9 million before tax, or \$0.07 per diluted share) of tax savings generated by tax loss utilization recognized in the fourth quarter of 2015.

The following table presents our ROIC (non-GAAP measure) results on a trailing 12-month basis, and reconciles that metric to net income attributable to stockholders, long-term debt, stockholders' equity, and return on average invested capital, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

(in U.S. \$ millions)

	As at and for the 12 months ended June 30,		
	2017	2016	Change 2017 over 2016
Net income attributable to stockholders	\$ 50.7	\$ 136.5	(63)%
Pre-tax adjusting items:			
Accelerated vesting of assumed options	4.8	-	100%
Acquisition and finance structure advisory	9.1	-	100%
Severance and retention	1.4	-	100%
Debt extinguishment costs	6.8	-	100%
Gain on sale of excess property	-	(8.4)	(100)%
Impairment loss	37.2	-	100%
Current income tax effect of adjusting items:			
Acquisition and finance structure advisory	(2.4)	-	100%
Severance and retention	(0.6)	-	100%
Debt extinguishment costs	(1.8)	-	100%
Gain on sale of excess property	-	1.1	(100)%
Deferred income tax effect of adjusting items:			
Impairment loss	(4.2)	-	100%
Current income tax adjusting item:			
Change in uncertain tax provision	2.3	-	100%
Deferred tax adjusting item:			
Tax loss utilization	-	(7.9)	(100)%
Adjusted net income attributable to stockholders (non-GAAP measure)	\$ 103.3	\$ 121.3	(15)%
Opening long-term debt	\$ 102.7	\$ 105.2	(2)%
Ending long-term debt	814.3	102.7	693%
Average long-term debt	\$ 458.5	\$ 104.0	341%
Opening stockholders' equity	\$ 709.0	\$ 691.1	3%
Ending stockholders' equity	711.6	709.0	-
Average stockholders' equity	710.3	700.1	1%
Average invested capital	\$ 1,168.8	\$ 804.1	45%
Return on average invested capital <sup>(1)</sup>	4.3%	17.0%	-1270bps
ROIC (non-GAAP measure) <sup>(2)</sup>	8.8%	15.1%	-630bps

(1) Calculated as net income attributable to stockholders divided by average invested capital.

(2) Calculated as adjusted net income attributable to stockholders (non-GAAP measure) divided by average invested capital.

The net income attributable to stockholders adjusting items for the 12 months ended June 30, 2017 were:

Recognized in the second quarter of 2017

- \$4.8 million (\$4.8 million before tax, or \$0.04 per diluted share) of stock option compensation expense related to the accelerated vesting of certain IronPlanet stock options assumed as part of the Merger,
- \$6.6 million (\$9.1 million before tax, or \$0.06 per diluted share) of acquisition and finance structure advisory costs,
- \$0.9 million (\$1.4 million before tax, or \$0.01 per diluted share) of severance and retention costs in a corporate reorganization that followed the Merger, and
- A \$6.6 million (\$8.9 million before tax, or \$0.06 per diluted share) impairment loss recognized on various technology assets.

Recognized in the first quarter of 2017

- A \$2.3 million (\$2.3 million before tax, or \$0.02 per diluted share) charge related to the change in uncertain tax provisions.

Recognized in the fourth quarter of 2016

- A \$5.0 million (\$6.8 million before tax, or \$0.05 per diluted share) charge related to the early termination of pre-existing debt.

Recognized in the third quarter of 2016

- A \$26.4 million (\$28.2 million before tax, or \$0.25 per diluted share) impairment loss on the Company's EquipmentOne reporting unit goodwill and customer relationships.

The net income attributable to stockholders adjusting items for the 12 months ended June 30, 2016 were a \$7.3 million (\$8.4 million before tax, or \$0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada, recognized in the fourth quarter of 2015, and \$7.9 million (\$7.9 million before tax, or \$0.07 per diluted share) of tax savings generated by tax loss utilization recognized in the fourth quarter of 2015.

There were no adjustments to debt at June 30, 2017 or June 30, 2016 as there was no long-term debt held in escrow at those reporting dates.

### **ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to the Company's market risk during the three months ended June 30, 2017 from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **ITEM 4: CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Management of the Company, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures as at June 30, 2017. The term "disclosure controls and procedures" means controls and other procedures established by the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC's") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation of the Company's disclosure controls and procedures, the CEO and the CFO concluded that the disclosure controls are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

The Company closed the acquisition of IronPlanet on May 31, 2017. As at and for the six months ended June 30, 2017, IronPlanet's total assets and revenues constituted 42% and 4%, respectively, of the Company's consolidated total assets and revenues as shown on the Company's consolidated financial statements. As the Merger occurred in the second quarter of 2017, management excluded the internal control over financial reporting of IronPlanet from the scope of its assessment of the effectiveness of the Company's disclosure controls and procedures. This exclusion is in accordance with the general guidance issued by the Staff of the Securities and Exchange Commission that an assessment of a recently-acquired business may be omitted from the scope in the year of acquisition, if specified conditions are satisfied.

The Company, including its CEO and CFO, does not expect that its internal controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

#### **Changes in Internal Control over Financial Reporting**

Management, with the participation of the CEO and CFO, concluded that there were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II

### ITEM 1: LEGAL PROCEEDINGS

The Company has no material legal proceedings pending, other than ordinary routine litigation incidental to the business, and management does not know of any material proceedings contemplated by governmental authorities.

### ITEM 1A: RISK FACTORS

Our business is subject to a number of risks and uncertainties, and our past performance is no guarantee of our performance in future periods. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risks and uncertainties discussed in “Part I, Item 1A: Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2016, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com), before purchasing our common shares. Our business could also be affected by additional risks not currently known to us or that we currently deem to be immaterial. If any of the risks actually occur, our business, financial condition and results of operations could materially suffer. As a result, the trading price of our common shares could decline, and you may lose all or part of your investment.

Management anticipated that the acquisition of IronPlanet would result in a change to the Company’s risk factors. As such, during the fourth quarter of 2016, the Company’s risk factors were revised to apply to our post-Merger, combined business; particularly risk factors associated with the acquisition, financing, and integration of IronPlanet. These revised risk factors were disclosed in “Part I, Item 1A: Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2016. Other than those risk factors related to the potential non-completion or delay of the IronPlanet acquisition (which closed on May 31, 2017), there were no material changes in risk factors during the three months ended June 30, 2017.

### ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

At the Company’s Annual and Special Meeting of Shareholders (the “Meeting”) held on May 1, 2017, the shareholders ratified, confirmed and approved certain amendments to the Company’s 2013 Performance Share Unit Plan and the Sign-On Grant Agreement (together, the “2013 PSU Plan Amendment”) approved and adopted by the Board in February of 2017, including provisions permitting the Company to pay vested CEO SOG PSUs under the Sign-On Grant Agreement either in cash or by issuing common shares, as opposed to payment only in cash, and setting the aggregate maximum number of the Company’s common shares reserved for issuance pursuant to the Sign-On Grant Agreement at 150,000 common shares. Immediately following the Meeting on May 1, 2017, the Company and Mr. Saligram executed and entered into the 2013 PSU Plan Amendment.

The Sign-On Grant Agreement had provided for the grant to Mr. Saligram of approximately 102,375 CEO SOG PSUs, which became eligible for vesting at a rate of 25% per year starting on the second anniversary of the grant date, with the actual number of units to vest to be determined based on achievement of pre-established performance criteria as set out therein. Additional terms, conditions, privileges and restrictions under the Sign-On Grant Agreement, as amended, are further described in the Company’s Schedule 14A proxy statement filed with the Securities and Exchange Commission on March 20, 2017.

The Company did not receive any proceeds from the execution and entering into the 2013 PSU Plan Amendment and will not receive any proceeds from the vesting of CEO SOG PSUs or any issuance of common shares as payment for vested CEO SOG PSUs under the Sign-On Grant Agreement. The CEO SOG PSUs were, and any common shares will be, issued for compensatory purposes.

To the extent that the execution and entering into the 2013 PSU Plan Amendment, the vesting of CEO SOG PSUs or any issuance of common shares as payment for vested CEO SOG PSUs under the Sign-On Grant Agreement constitutes a “sale” of securities, the Company relies on the exemption under Section 4(a)(2) of the Securities Act. Section 4(a)(2) generally provides an exemption from registration for transactions by an issuer not involving any public offering. Mr. Saligram is the Company’s CEO and an accredited investor as defined in Rule 501 under the Securities Act. No sales involved the use of an underwriter and no commissions were paid in connection with the sale of any securities.

**ITEM 6: EXHIBITS**

**Exhibits**

The exhibits listed in below are filed as part of this Quarterly Report on Form 10-Q and incorporated herein by reference.

<b>Exhibit Number</b>	<b>Document</b>
10.1	Amendment No. 1 to Grant Agreement and Amendment No. 1 to Performance Share Unit Plan, dated May 1, 2017
10.2	IronPlanet, Inc. 1999 Stock Plan (incorporated by reference to Exhibit 4.1 to the Company’s registration statement on Form S-8 filed on June 1, 2017)
10.3	Form of Stock Option Agreement for IronPlanet, Inc. 1999 Stock Plan
10.4	IronPlanet Holdings, Inc. 2015 Stock Plan (incorporated by reference to Exhibit 4.2 to the Company’s registration statement on Form S-8 filed on June 1, 2017)
10.5	Form of Stock Option Agreement for IronPlanet Holdings, Inc. 2015 Stock Plan
10.6	Form of Ritchie Bros. Auctioneers Incorporated Stock Option Assumption Notice
10.7	Employment Agreement between Ritchie Bros. Auctioneers (America) Inc. and Douglas Feick, dated August 29, 2016
10.8	Employment Agreement between Ritchie Bros. Auctioneers (America) Inc. and James Jeter, dated August 28, 2016
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Dated: August 8, 2017

By: /s/ Ravichandra K. Saligram  
Ravichandra K. Saligram  
*Chief Executive Officer*

Dated: August 8, 2017

By: /s/ Sharon R. Driscoll  
Sharon R. Driscoll  
*Chief Financial Officer*

**AMENDMENT NO. 1 TO GRANT AGREEMENT  
AND  
AMENDMENT NO. 1 TO PERFORMANCE SHARE UNIT PLAN**

This amendment dated as of May 1, 2017 (the "Amendment") consists of (i) Amendment No. 1 to the Grant Agreement dated August 11, 2014 (the "Sign-On Grant Agreement") by and between Ritchie Bros. Auctioneers Incorporated (the "Corporation") and Ravichandra Saligram (the "Participant") and (ii) Amendment No. 1 to the Ritchie Bros. Auctioneers Incorporated Performance Share Unit Plan that was approved and adopted by the Corporation in January 2013 (the "Plan") solely as the Plan is applied to the Sign-On Grant Agreement.

The Corporation and Participant wish to amend the Sign-On Grant Agreement, and the Corporation wishes to amend the Plan and Participant consents to such amendments, to permit the Corporation to pay the Participant for vested PSUs either in cash or by issuing Common Shares.

Accordingly, subject to and effective only upon the approval of this Amendment by the shareholders of the Corporation on or before June 30, 2017, the parties agree as follows:

1. Amendments to the Plan. The Plan is amended to add Appendix A to this Amendment as Appendix A to the Plan, which Appendix A will be incorporated in and form a part of the Plan.

2. Amendments to the Sign-On Grant Agreement.

a. Representations and Warranties. A new Section 10 is hereby added to the Sign-On Grant Agreement as follows:

"10. (a) Participant acknowledges that neither the Performance Share Units nor any of the common shares of the Corporation (the "Common Shares") that may be issued upon payment of the Performance Share Units have been or will be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or applicable state securities laws. Participant acknowledges that neither the Performance Share Units nor the Common Shares may be offered, sold, pledged or transferred, and agrees not to offer, sell, pledge or transfer any of such securities, unless exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws are available and have been demonstrated to the Corporation's satisfaction.

(b) Participant acknowledges that the Corporation makes no representations or warranties with respect to the Plan, the Performance Share Units or the Common Shares.

(c) Participant has such knowledge, skill and experience in financial, investment and business matters as to be capable of evaluating the merits and risks of holding the Performance Share Units and any Common Shares that may be issued hereunder and accepts all risks associated with the holding of Performance Share Units and any such Common Shares, including without limitation a decline in the market price of the Common Shares."

b. Legend. A new Section 11 is hereby added to the Sign-On Grant Agreement as follows:

“11. All certificates representing Common Shares shall bear a legend substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR THE SECURITIES ACT OF ANY STATE OF THE UNITED STATES. THESE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED OR ASSIGNED UNLESS THEY ARE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED OR ASSIGNED PURSUANT TO REGISTRATION OR AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS AFTER PROVIDING A SATISFACTORY LEGAL OPINION OR OTHER EVIDENCE OF EXEMPTION SATISFACTORY TO THE CORPORATION.”

c. Any references in the Sign-On Grant Agreement to any Article of the Plan or any of the sections within any Article of the Plan shall be interpreted as references to that Article or section as amended by Appendix A to the Plan.

3. Remaining Provisions. All other provisions of the Plan and the Sign-On Grant Agreement remain in full force and effect, unmodified by this Amendment.

4. Miscellaneous. Capitalized terms used herein without definitions have the meanings given to them in the Plan, except where the context requires otherwise. This Amendment may be signed and delivered in counterparts.

IN WITNESS WHEREOF, the parties have signed this Amendment as of the date first set forth above.

**RITCHIE BROS. AUCTIONEERS INCORPORATED, as the  
Corporation and as agent for the Employer**

*/s/ Darren Watt*

By: Darren Watt

Title: SVP, General Counsel and Corporate Secretary

**PARTICIPANT**

*/s/ Ravichandra Saligram*

By: Ravichandra Saligram

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## APPENDIX A

### ADDITIONAL TERMS APPLICABLE TO SIGN-ON GRANT AGREEMENT

The following terms and conditions are applicable solely to the awards granted to Ravichandra Saligram under that certain Grant Agreement dated August 11, 2014 by and between Corporation and Ravichandra Saligram, as amended (the “Sign-On Grant Agreement”). With respect to the awards under the Sign-On Grant Agreement, any references in the Plan to any Article of the Plan or any of the sections within any Article of the Plan shall be interpreted as references to that Article or section as amended by this Appendix A, and any references in the Plan to Section 6.1 shall be interpreted as references to Appendix A Section 2. The provisions of this Appendix A shall govern the awards under the Sign-On Grant Agreement notwithstanding any other provision of the Plan to the contrary.

**1. Definitions.** In and for the purposes of this Appendix A, except as otherwise expressly provided:

“**Employee Performance Share Unit Plan**” means the Employee Performance Share Unit Plan of the Corporation adopted and approved by the Board on March 9, 2015, as the same may from time to time be amended.

“**Insider**” means an “insider” of the Corporation within the meaning of that term as found in the Securities Act (Ontario) who are “reporting insiders” (as defined in National Instrument 55-104 – Insider Reporting Requirements and Exemptions), and includes “associates” (which has the meaning as found in the Securities Act (Ontario)) and “affiliates” (which has the same meaning as “affiliated companies” as found in the Securities Act (Ontario) and also includes those issuers that are similarly related, whether or not any of the issuers are corporations, companies, partnerships, limited partnerships, trusts, income trusts or investment trusts or any other organized entity issuing securities) of the insider and “issued to Insiders” includes direct or indirect issuances.

“**Securities Compensation Arrangement**” means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the Corporation, including a share purchase from treasury that is financially assisted by the Corporation by way of a loan, guarantee or otherwise.

“**Senior Executive Performance Share Unit Plan**” means the Senior Executive Performance Share Unit Plan of the Corporation adopted and approved by the Board on March 9, 2015, as the same may from time to time be amended.

“**Sign-On Grant Agreement**” means the Grant Agreement dated August 11, 2014 by and between Corporation and Ravichandra Saligram, as amended.

“**Stock Option Plan**” means the amended and restated Stock Option Plan of the Corporation, as the same may from time to time be amended.

## **2. Payment Following Vesting – Sign-on Grant.**

(a) In lieu of any payment under Section 6.1, solely with respect to the PSUs granted under the Sign-On Grant Agreement that had not yet vested as of June 30, 2017, including PSUs that vest pursuant to section 2(d) of Exhibit I of the Sign-On Grant Agreement after the original date for vesting of such PSUs, and PSUs referred to in Section 4.2 of the Plan in respect of such PSUs, and, if applicable, additional PSUs contemplated in Section 5.2 of the Plan in respect of such PSUs, and subject to Section 6.4 and Article 7 of the Plan, following vesting of any such PSU recorded in the Participant's PSU Account (collectively, the "Sign-on PSUs"), the Corporation will pay the Participant a payment in an amount equal to the number of such Vested PSUs (the "Vested Sign-on PSUs") multiplied by the Fair Market Value of one Common Share as at the date of vesting, payable or to be satisfied, as determined by the Committee:

- (i) by a lump sum payment in cash, net of all Applicable Tax Withholdings; or
- (ii) subject to the rules, policies or requirements of any stock exchange on which the Common Shares are listed or quoted, by the issuance from treasury to the Participant of Common Shares in accordance with Appendix A Section 3.

(b) Subject to Section 6.4 of the Plan, notwithstanding the foregoing, if at the date of vesting of any Sign-on PSUs, the Participant or the Corporation may be in possession of undisclosed material information regarding the Corporation, or on such date of vesting, pursuant to any insider or securities trading policy of the Corporation, the ability of the Participant or the Corporation to trade in securities of the Corporation may be restricted, the Committee may, in its discretion, determine that the payment to be paid to the Participant in respect of any Vested Sign-on PSUs shall be an amount equal to the number of Vested Sign-on PSUs multiplied by the Fair Market Value of one Common Share as at such date (the "**Valuation Date**"), following the date of vesting, which is after the later of (i) the date on which the Participant or the Corporation is no longer in possession of material undisclosed information and (ii) the date on which the ability of the Participant or the Corporation to trade in securities of the Corporation is not restricted, as may be determined by the Committee.

(c) The Committee may, at the time of any award or grant of Sign-on PSUs under the Plan, or at any time thereafter, determine, subject to the provisions of Appendix A Sections 2(a) and 3(a), and without prejudice to the discretion of the Committee pursuant to Appendix A Section 3(g), or otherwise in the Plan, whether payment of the amount referred to in Appendix A Section 2(a) is to be paid or satisfied (i) as contemplated in Appendix A Section 2(a)(i) or (ii) as contemplated in Appendix A Section 2(a)(ii) and may from time to time after any such determination, change such determination.

(d) For greater certainty, and without limiting any other provisions of the Plan, including Section 9.9, the Corporation shall be entitled to withhold, or cause to be withheld, and deduct, or cause to be deducted, from the amount payable pursuant to Appendix A Section 2(a) an amount that the Corporation estimates is equal to Applicable Tax Withholdings in respect of such payment, prior to the determination of the amount of such Applicable Tax Withholding, and pay or satisfy the balance of such payment to be applied in accordance with Appendix A Section 2 or Appendix A Section 3, as applicable.

### **3. Issuance of Common Shares – Sign-on Grant.**

(a) Notwithstanding Appendix A Section 2(a), and the other provisions of this Appendix A Section 3, no Common Shares shall be issued pursuant to this Appendix A Section 3, unless the number of Common Shares to be issued will not result in the restrictions referred to in Appendix A Section 3(i), (l) or (m) being contravened.

(b) Subject to Appendix A Section 3(a) and notwithstanding Section 6.2 of the Plan, the payment referred to in Appendix A Section 2(a)(ii), net of Applicable Tax Withholdings, is to be paid or satisfied by the application of the amount referred to in Appendix A Section 2(a)(ii), net of Applicable Tax Withholdings (the “**Net Payment Amount**”) to the subscription by the Participant for, and issuance by the Corporation to the Participant of, Common Shares at an issue price per share equal to the Fair Market Value of one Common Share as at the date of vesting (or, if Appendix A Section 2(b) is applicable, the Fair Market Value of one Common Share as at the Valuation Date determined pursuant to Appendix A Section 2(b)). The number of Common Shares to be so issued shall be equal to the whole number of Common Shares that is determined by dividing the Net Payment Amount by the Fair Market Value of one Common Share as contemplated in this Appendix A Section 3(b). Where dividing the Net Payment Amount by such Fair Market Value would otherwise result in a fraction of a Common Share potentially being required to be issued, the number of Common Shares to be issued shall be rounded down to the next whole number of Common Shares. No fractional Common Shares shall be issued and any fractional share entitlement will be satisfied by a cash payment to the Participant in an amount equal to such fractional share entitlement multiplied by the Fair Market Value of one Common Share as contemplated in this Appendix A Section 3

(b). Common Shares issued by the Corporation pursuant to this Appendix A Section 3 shall be considered fully paid in consideration of application of the Net Payment Amount, less any cash payment in respect of any fractional share entitlement as contemplated in this Appendix A Section 3(b), to the subscription by the Participant for Common Shares issued at an issue price equal to the Fair Market Value of one Common Share as contemplated in this Appendix A Section 3(b).

(c) Subject to the provisions of Appendix A Sections 3(a) and (b), Common Shares issued pursuant to this Appendix A Section 3 are to be issued in such manner, and to be held on such terms, as the Committee may from time to time determine or approve.

(d) Without limiting the generality of the foregoing, such manner, and terms, referred to in Appendix A Section 3(c) may (but need not) include providing for any requirements that may be applicable under any Applicable Laws, including any requirement that may restrict the transferability of any Common Shares issued pursuant to this Appendix A Section 3 and held by or on behalf of the Participant.

(e) Notwithstanding Appendix A Sections 3(c) and (d), unless the Committee otherwise determines, the Corporation will not be responsible for brokerage fees and other administration or transaction costs relating to the transfer, sale or other disposition of Common Shares held by or on behalf of the Participant that have been issued pursuant to Appendix A Section 3.

(f) Unless the Committee otherwise determines, Common Shares issued pursuant to this Appendix A Section 3 shall be issued to the Participant (or, if applicable, the Participant's Beneficiary) and one or more certificates representing the Common Shares so issued shall be delivered to the Participant (or, if applicable, the Participant's Beneficiary), or, if the Participant (or, if applicable, the Participant's Beneficiary) may so direct, to the investment dealer for the Participant (or, if applicable, the Participant's Beneficiary) as the Participant (or, if applicable, the Participant's Beneficiary) may direct, which is acceptable to the Corporation, acting reasonably.

(g) Notwithstanding Appendix A Section 2(a) and the foregoing provisions of this Appendix A Section 3, the Committee may, in its discretion, determine that a payment referred to in Appendix A Section 2(a)(ii) shall not be paid or satisfied by the issuance of Common Shares, pursuant to this Appendix A Section 3, including, without limitation, if the Committee is not satisfied that such issuance will be exempt from all registration or qualification requirements of any applicable securities laws of Canada (including the provinces thereof) or of the United States of America (including the states thereof) or any other foreign jurisdiction and applicable by-laws, rules or regulations of any stock exchange on which the Common Shares may be listed or posted for trading. If the Committee makes such a determination, notwithstanding Appendix A Section 2(a), the payment required pursuant to Appendix A Section 2(a)(ii) shall be payable by a lump sum payment in cash, net of all Applicable Tax Withholdings.

(h) Notwithstanding the other provisions of this Appendix A Section 3, in the event Common Shares issued pursuant to this Appendix A Section 3 are to be held by any trustee, administrator, administrative agent or other person on behalf of any Participant, the trustee, administrator, administrative agent or other person will receive and hold such Common Shares as nominee and agent on behalf of the Participant, and such Common Shares, and distributions which may be received in respect thereof, shall be the property of the Participant and be held by such person as nominee and agent on behalf of the Participant as the Participant's property, and subject to the Participant's direction.

(i) The aggregate maximum number of Common Shares that may be issued pursuant to the Plan, is 150,000 Common Shares, subject to the adjustment of such maximum number by the Committee in connection with an event described in Section 4.3(a) of the Plan.

(j) The Board will reserve for allotment from time to time out of the authorized but unissued Common Shares sufficient Common Shares to provide for issuance of all Common Shares which are issuable under this Appendix A Section 3 and may from time to time reserve for allotment out of the unissued Common Shares such number of Common Shares as the Committee may from time to time estimate or determine is the number of Common Shares that may be issued under this Appendix A Section 3.

(k) For greater certainty, nothing in the Plan shall be construed as to confer on the Participant any rights as a shareholder of the Corporation with respect to any Common Shares which may be reserved for issuance under this Appendix A Section 3. The Participant will only have rights as a shareholder of the Corporation with respect to Common Shares that are issued to the Participant pursuant to and in accordance with the provisions of this Appendix A Section 3.

(l) The number of Common Shares issuable to Insiders, at any time, pursuant to (i) the Plan, or (ii) any other Securities Compensation Arrangement, including (A) the Employee Performance Share Unit Plan, (B) the Senior Executive Performance Share Unit Plan and (C) the Stock Option Plan, cannot exceed 10% of the issued and outstanding Common Shares.

(m) The number of Common Shares issuable to Insiders, within any one year period, under the Plan, and (ii) any other Securities Compensation Arrangement, including (A) the Employee Performance Share Unit Plan, (B) the Senior Executive Performance Share Unit Plan and (C) the Stock Option Plan, cannot exceed 10% of the issued and outstanding Common Shares.

(n) For greater certainty, no Common Shares may be issued or reserved for issuance under the Plan to any non-employee director of the Corporation.

#### **4. Death.**

Notwithstanding Appendix A Section 2, and subject to Section 6.4 of the Plan, in respect of all Sign-on PSUs recorded in such Participant's PSU Account as at the date of death that had vested as at the date of death, and all Sign-on PSUs recorded in the Participant's PSU Account as at the date of death (and, if applicable, any PSUs referred to in Section 4.2 or Section 5.2 of the Plan credited to the Participant's PSU Account after the date of death in relation to any Sign-on PSUs recorded in such Participant's PSU Account as at the date of death) that vest after the date of death, the Participant will be entitled to receive a cash payment in an amount equal to the number of such Vested Sign-on PSUs multiplied by the Fair Market Value of one Common Share as at the date of vesting, subject to the provisions of Appendix A Section 2(b), payable by a lump sum payment in cash, net of all Applicable Tax Withholdings.

#### **5. Legal Compliance.**

The issuance of Common Shares pursuant to the provisions of Appendix A Section 3 shall be subject to compliance with Applicable Laws. The issuance of any Common Shares pursuant to the provisions of the Plan shall be subject to the requirement that, if at any time the Committee, or legal counsel to the Corporation, determines that the registration, listing or qualification of Common Shares to be issued pursuant to the provisions of the Plan upon any securities exchange or under any Canadian or foreign federal, state, provincial, local or other law, or the consent or approval of any governmental regulatory body, or securities exchange, is necessary or desirable as a condition of, or in connection with, the award of any Sign-on PSUs, the issuance of any Common Shares pursuant to Appendix A Section 3, or any transfer of Common Shares which may be held by or on behalf of a Participant, the Committee may, by notice to the Participant, impose a requirement that no Common Shares may be issued pursuant to Appendix A Section 3, or that no Common Shares which may be issued pursuant to Appendix A Section 3 in connection with any Sign-on PSUs may be sold or transferred, unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Committee. If Common Shares may not be issued pursuant to Appendix A Section 3 as provided in this Appendix A Section 5, then the payment required to be made pursuant to Appendix A Section 2 that is not satisfied by the issuance of Common Shares pursuant to Appendix A Section 3, shall be paid by a lump sum payment in cash, net of Applicable Tax Withholding. The Corporation may from time to time take such steps as the Committee may from time to time determine are necessary or desirable to restrict transferability of any Common Shares that may be issued pursuant to Appendix A Section 3, in order to ensure compliance with Applicable Laws, including the endorsement of a legend on any certificate representing Common Shares so acquired or issued to the effect that the transferability of such Common Shares is restricted. Nothing herein shall be deemed to require the Corporation to take any action, or refrain from taking any action or to apply for or to obtain any registration, listing, qualification, consent or approval in order to comply with any condition of any law or regulation applicable to the issuance of any Common Shares under Appendix A Section 3.

**6. Compliance with Income Tax Requirements.**

(a) The Participant shall be responsible for reporting and paying all income and other taxes applicable to or payable in respect of transactions involving Common Shares issued pursuant to Appendix A Section 3 and held by any trustee, administrator, broker or other person on the Participant's behalf, or distributions in respect thereof, including, without limitation, any taxes payable on (i) any transfer of the Common Shares held by or on behalf of Participant, (ii) distributions paid on Common Shares held by or on behalf of Participant, and (iii) the sale or other disposition of Common Shares held by or on behalf of the Participant.

(b) Without limiting the generality of Section 9.9(f) of the Plan, if the Board or Committee or any executive officer of the Corporation so determines, the Corporation shall have the right to require that any certificate representing Common Shares to which a Participant is entitled upon issuance of Common Shares pursuant to Appendix A Section 3 be delivered to the Corporation as security for the payment of any obligation contemplated in section 9.9 of the Plan.

**7. Amendment, Suspension, Termination**

(a) Amendments to the Plan that affect the issuance or potential issuance of Common Shares from treasury, including, without limitation, amendments to Appendix A Section 3, must be approved by at least a majority of the Board.

(b) Notwithstanding Section 9.11(d) of the Plan:

- (i) in the event that any Common Shares have been issued pursuant to Appendix A Section 3 and are held by or on behalf of a Participant and are subject to any terms or conditions determined or approved by the Committee pursuant to Appendix A Section 3, such terms or conditions shall survive termination of the Plan and continue in force and effect notwithstanding such termination; and
- (ii) the full powers of the Board and of the Committee as provided for in the Plan will survive the termination of the Plan until any Common Shares issued pursuant to Appendix A Section 3 that are held by or on behalf of a Participant which are subject to any terms or conditions determined or approved pursuant to Appendix A Section 3 are no longer subject to such terms or conditions.

(c) Notwithstanding the foregoing, any amendment of the Plan to:

- (i) reduce the issue or purchase price for Common Shares issuable under the Plan;
- (ii) extend the term of any Sign-on PSUs held under the Plan where such Sign-on PSUs entitle or potentially entitle the holder to be issued Common Shares from treasury under the Plan;
- (iii) amend or remove the limits set out in Appendix A Sections 3(l) or (m);
- (iv) increase the maximum number of Common Shares issuable as set out in Appendix A Section 3(i) or (l);
- (v) permit non-employee directors to participate in the Plan and be entitled or potentially entitled to be issued Common Shares from treasury under the Plan;
- (vi) permit assignment or transfer of rights or interests under the Plan to be entitled or potentially entitled to be issued Common Shares from treasury under the Plan (subject to the right of a Participant to designate one or more Beneficiaries entitled to receive benefits under the Plan following the death of the Participant);
- (vii) amend this Appendix A Section 7(c); or
- (viii) amend other matters that require shareholder approval under the rules or policies of any stock exchange on which the Common Shares may be listed or posted for trading;

may not be made without approval of shareholders of the Corporation.

8. **Other**

All payments with respect to Sign-on PSUs that are governed by the Sign-On Grant Agreement are intended to be exempt from Section 409A as short term deferrals pursuant to Treasury Reg. Section 1.409A-1(b)(4). The Plan and the Sign-On Grant Agreement will be construed and administered accordingly. Consistent with the terms of the Plan, all payments with respect to Sign-on PSUs awarded under the Sign-On Grant Agreement will be made no later than the 15<sup>th</sup> day of the third month after the taxation year of the Corporation in which such Sign-on PSUs no longer are subject to a substantial risk of forfeiture.



## NOTICE OF STOCK OPTION GRANT

«Name»

**Plan:** 1999 Stock Plan

Dear «Name»:

You have been granted an option to purchase Common Stock of IronPlanet, Inc. (the “**Company**”) as follows:

<b>Date of Grant:</b>	«Grant_Date»
<b>Exercise Price per Share:</b>	US «Exercise_Price_share»
<b>Total Number of Shares Granted:</b>	«No_Of_Shares_»
<b>Total Exercise Price:</b>	US «Total_Exercise_Price»
<b>Type of Option</b>	«Type»
<b>Expiration Date:</b>	«Expiration_Date»
<b>Vesting Commencement Date</b>	«Vesting_Commencement_Date»
<b>Vesting Schedule:</b>	So long as your Continuous Status as an Employee or Consultant continues, the Shares underlying this Option shall vest and become exercisable in accordance with the following schedule: 25% of the Shares subject to the Option shall vest and become exercisable on the twelfth month anniversary of the Vesting Commencement Date and 1/48th of the total number of Shares subject to the Option shall vest and become exercisable on the same day of each month thereafter, such that the Option shall be fully vested at the end of four (4) years following the Vesting Commencement Date.
<b>Termination Period:</b>	This Option may be exercised for ninety (90) days after termination of your Continuous Status as an Employee or Consultant except as set out in Section 5 of the Stock Option Agreement (but in no event later than the Expiration Date). Optionee is responsible for keeping track of these exercise periods following termination for any reason of his or her service relationship with the Company. The Company will not provide further notice of such periods.

By electronically signing the document, you and the Company agree that this Option is granted under and governed by the terms and conditions of this Notice of Stock Option Grant (the “**Notice**”), the IronPlanet, Inc. 1999 Stock Plan (the “**Plan**”) and the Stock Option Agreement, both of which are attached and made a part of this document.

By electronically signing the Notice, I agree and acknowledge the following:

(a) I have been able to access and view this Notice, the Plan, the Stock Option Agreement, and any ancillary documents and understand that all rights and obligations with respect to the Option and the shares subject to this Option are set forth in this Notice, the Plan, the Stock Option Agreement, and any ancillary documents;

(b) I agree to all terms and conditions contained in this Notice, the Plan, the Stock Option Agreement, and any ancillary documents;

(c) I agree and acknowledge that my rights to any Shares underlying the Option will be earned only as I provide services to the Company over time, that the grant of the Option is not as consideration for services I rendered to the Company prior to my date of hire, and that nothing in this Notice or the attached documents confers upon me any right to continue my employment or consulting relationship with the Company or any parent, subsidiary, or affiliate of the Company for any period of time, nor does it interfere in any way with my right or the Company's right to terminate that relationship at any time, for any reason, with or without cause; and

(d) to the extent applicable, the Exercise Price Per Share has been set at the fair market value of the Shares on the Date of Grant in good faith compliance with the applicable guidance issued by the IRS under Section 409A of the Code in order to avoid the Option being treated as deferred compensation under Section 409A of the Code and applicable tax laws. However, there is no guarantee that the IRS and other tax authorities will agree with the valuation and, by electronically signing the Notice, I agree and acknowledge that the Company, its Board, officers, employees, agents and stockholders shall not be held liable for any applicable costs, taxes, or penalties associated with the Option if, in fact, the IRS, or any other tax authorities or any other person (including, without limitation, a successor corporation or an acquirer in a change of control) were to determine that the Option constitutes deferred compensation under Section 409A of the Code or any other Applicable Laws. I agree that I should consult with my own tax advisor concerning the tax consequences of such a determination by the IRS and other tax authorities. For purposes of this paragraph, the term "Company" will be interpreted to include any Parent, Subsidiary or Affiliate.

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**IRONPLANET, INC.\*:**

**OPTIONEE:\***

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By: Douglas P. Feick  
Title: SVP, Corporate Development and  
General Counsel

\* Signed by Optionee and Company by electronic signature.

IRONPLANET, INC.

1999 STOCK PLAN

STOCK OPTION AGREEMENT

1. **Grant of Option.** IronPlanet, Inc., a Delaware corporation (the “Company”), hereby grants to the person (“Optionee”) named in the Notice of Stock Option Grant (the “Notice”), an option (the “Option”) to purchase the total number of shares of Common Stock (the “Shares”) set forth in the Notice, at the exercise price per Share set forth in the Notice (the “Exercise Price”) subject to the terms, definitions and provisions of the IronPlanet, Inc. 1999 Stock Plan (the “Plan”) adopted by the Company, which is incorporated in this Stock Option Agreement (this “Agreement”) by reference. Unless otherwise defined in this Agreement, the terms used in this Agreement or the Notice shall have the meanings defined in the Plan.

2. **Designation of Option.** This Option is intended to be an Incentive Stock Option as defined in Section 422 of the Code only to the extent so designated in the Notice, and to the extent it is not so designated or to the extent the Option does not qualify as an Incentive Stock Option, it is intended to be a Nonstatutory Stock Option.

Notwithstanding the above, if designated as an Incentive Stock Option, in the event that the Shares subject to this Option (and all other Incentive Stock Options granted to Optionee by the Company or any Parent or Subsidiary, including under other plans of the Company) that first become exercisable in any calendar year have an aggregate fair market value (determined for each Share as of the date of grant of the option covering such Share) in excess of \$100,000, the Shares in excess of \$100,000 shall be treated as subject to a Nonstatutory Stock Option, in accordance with Section 5(c) of the Plan.

3. **Exercise of Option.** This Option shall be exercisable during its term in accordance with the Vesting/Exercise Schedule set out in the Notice and with the provisions of Section 10 of the Plan as follows:

(a) **Right to Exercise.**

(i) This Option may not be exercised for a fraction of a share.

(ii) In the event of Optionee’s termination of Continuous Status as an Employee or Consultant due to death, disability or other termination of Continuous Status as an Employee or Consultant, the exercisability of the Option is governed by Section 5 below, subject to the limitations contained in this Section 3.

(iii) In no event may this Option be exercised after the Expiration Date of the Option as set forth in the Notice.

(b) **Method of Exercise.**

(i) This Option shall be exercisable by execution and delivery of the Exercise Notice and Restricted Stock Purchase Agreement attached hereto as Exhibit A (the “Exercise Agreement”) or of any other form of written notice approved for such purpose by the Company which shall state Optionee’s election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder’s investment intent with respect to such Shares as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by Optionee and shall be delivered to the Company by such means as are determined by the Plan Administrator in its discretion to constitute adequate delivery. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

(ii) As a condition to the exercise of this Option and as further set forth in Section 12 of the Plan, Optionee agrees to make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the vesting or exercise of the Option, or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.

(iii) The Company is not obligated, and will have no liability for failure, to issue or deliver any Shares upon exercise of the Option unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 221 of Title 12 of the Code of Federal Regulations as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by the Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which the Option is exercised with respect to such Shares.

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4. **Method of Payment.** Payment of the Exercise Price shall be by any of the following, or a combination of the following, at the election of Optionee:

(a) cash or check;

(b) prior to the date, if any, upon which the Common Stock becomes a Listed Security, by surrender of other shares of Common Stock of the Company that have an aggregate Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised. In the case of shares acquired directly or indirectly from the Company, such shares must have been owned by Optionee for more than six (6) months on the date of surrender (or such other period of time as is necessary to avoid the Company's incurring adverse accounting charges); or

(c) following the date, if any, upon which the Common Stock is a Listed Security, delivery of a properly executed exercise notice together with irrevocable instructions to a broker approved by the Company to deliver promptly to the Company the amount of sale or loan proceeds required to pay the exercise price.

5. **Termination of Relationship.** Following the date of termination of Optionee's Continuous Status as an Employee or Consultant for any reason (the "**Termination Date**"), Optionee may exercise the Option only as set forth in the Notice and this Section 5. To the extent that Optionee is not entitled to exercise this Option as of the Termination Date, or if Optionee does not exercise this Option within the Termination Period set forth in the Notice or the termination periods set forth below, the Option shall terminate in its entirety. In no event, may any Option be exercised after the Expiration Date of the Option as set forth in the Notice.

(a) **Termination.** In the event of termination of Optionee's Continuous Status as an Employee or Consultant other than as a result of Optionee's disability or death, Optionee may, to the extent otherwise so entitled at the date of such termination (the "**Termination Date**"), exercise this Option during the Termination Period set forth in the Notice.

(b) **Other Terminations.** In connection with any termination other than a termination covered by Section 5(a), Optionee may exercise the Option only as described below:

(i) **Termination upon Disability of Optionee.** In the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of Optionee's disability, Optionee may, but only within twelve months from the Termination Date, exercise this Option to the extent Optionee was entitled to exercise it as of such Termination Date.

(ii) **Death of Optionee.** In the event of the death of Optionee (a) during the term of this Option and while an Employee or Consultant of the Company and having been in Continuous Status as an Employee or Consultant since the date of grant of the Option, or (b) within thirty (30) days after Optionee's Termination Date, the Option may be exercised at any time within six (6) months following the date of death by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent Optionee was entitled to exercise the Option as of the Termination Date.

6. **Non-Transferability of Option.** This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by him or her. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

7. **Tax Consequences.** Below is a brief summary as of the date of this Option of certain of the federal tax consequences of exercise of this Option and disposition of the Shares under the laws in effect as of the Date of Grant. THIS SUMMARY IS INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) **Incentive Stock Option.**

(i) **Tax Treatment upon Exercise and Sale of Shares.** If this Option qualifies as an Incentive Stock Option, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject Optionee to the alternative minimum tax in the year of exercise. If Shares issued upon exercise of an Incentive Stock Option are held for at least one year after exercise and are disposed of at least two years after the Option grant date, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal income tax purposes. If Shares issued upon exercise of an Incentive Stock Option are disposed of within such one-year period or within two years after the Option grant date, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the difference between the Exercise Price and the lesser of (i) the fair market value of the Shares on the date of exercise, or (ii) the sale price of the Shares.

(ii) **Notice of Disqualifying Dispositions.** With respect to any Shares issued upon exercise of an Incentive Stock Option, if Optionee sells or otherwise disposes of such Shares on or before the later of (i) the date two years after the Option grant date, or (ii) the date one year after the date of exercise, Optionee shall immediately notify the Company in writing of such disposition. Optionee acknowledges and agrees that he or she may be subject to income tax withholding by the Company on the compensation income recognized by Optionee from the early disposition by payment in cash or out of the current earnings paid to Optionee.

(b) **Nonstatutory Stock Option.** If this Option does not qualify as an Incentive Stock Option, there may be a regular federal (and state) income tax liability upon the exercise of the Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise. If Shares issued upon exercise of a Nonstatutory Stock Option are held for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes.

8. **Lock-Up Agreement.** In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Optionee hereby agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however and whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

9. **Miscellaneous.**

(a) **Effect of Agreement.** Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof (and has had an opportunity to consult counsel regarding the Option terms), and hereby accepts this Option and agrees to be bound by its contractual terms as set forth herein and in the Plan. Optionee hereby agrees to accept as binding, conclusive and final all decisions and interpretations of the Plan Administrator regarding any questions relating to the Option. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of the Notice and this Agreement, the Plan terms and provisions shall prevail. The Notice, this Agreement and the Plan constitute the entire agreement between Optionee and the Company on the subject matter hereof and supersedes all proposals, written or oral, and all other communications between the parties relating to such subject matter.

(b) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts for the United States for the Northern District of California and no other courts.

(c) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Laws, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms.

(d) **Mode of Communications.** Optionee agrees, to the fullest extent permitted by Applicable Law, in lieu of receiving documents in paper format, to accept electronic delivery of any documents that the Company may deliver in connection with this grant and any other grants offered by the Company, including prospectuses, grant notifications, account statements, annual or quarterly reports, and other communications. Electronic delivery of a document may be made via the Company's email system or by reference to a location on the Company's intranet or website. To the extent Option has been provided with a copy of this Agreement, the Plan, or any other documents relating to the grant in a language other than English, the English language documents will prevail in case of any ambiguities or divergences as a result of translation.

(e) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by fax or forty-eight (48) hours after being deposited in the mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's headquarters and to Optionee at the last address provided by Optionee to the Company.

(f) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

(g) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Optionee under this Agreement may only be assigned with the prior written consent of the Company.

**EXHIBIT A**

**IRONPLANET, INC.**

**1999 STOCK PLAN**

**EXERCISE NOTICE AND RESTRICTED STOCK PURCHASE AGREEMENT**

This Agreement (“Agreement”) is made as of \_\_\_\_\_, by and between IronPlanet, Inc., a Delaware corporation (the “Company”), and \_\_\_\_\_ (“Purchaser”). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the 1999 Stock Plan.

1. **Exercise of Option.** Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase \_\_\_\_\_ shares of the Common Stock (the “Shares”) of the Company under and pursuant to the Company’s 1999 Stock Plan (the “Plan”) and the Stock Option Agreement dated \_\_\_\_\_ (the “Option Agreement”). The purchase price for the Shares shall be \$ \_\_\_\_\_ per Share for a total purchase price of \$ \_\_\_\_\_. The term “Shares” refers to the purchased Shares and all securities received in replacement of the Shares or as stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which Purchaser is entitled by reason of Purchaser’s ownership of the Shares.

2. **Time and Place of Exercise.** The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution and delivery of this Agreement in accordance with the provisions of Section 2(b) of the Option Agreement. On such date, the Company will deliver to Purchaser a certificate representing the Shares to be purchased by Purchaser (which shall be issued in Purchaser’s name) against payment of the exercise price therefor by Purchaser by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to Purchaser, (c) delivery of shares of the Common Stock of the Company in accordance with Section 3 of the Option Agreement, or (d) by a combination of the foregoing.

3. **Limitations on Transfer.** In addition to any other limitation on transfer created by applicable securities laws, Purchaser shall not assign, encumber or dispose of any interest in the Shares except in compliance with the provisions below and applicable securities laws.

(a) **Right of First Refusal.** Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the “Holder”) may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 3(a) (the “Right of First Refusal”).

(i) **Notice of Proposed Transfer.** The Holder of the Shares shall deliver to the Company a written notice (the “Notice”) stating: (i) the Holder’s bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee (“Proposed Transferee”); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the terms and conditions of each proposed sale or transfer. The Holder shall offer the Shares at the same price (the “Offered Price”) and upon the same terms (or terms as similar as reasonably possible) to the Company or its assignee(s).

(ii) **Exercise of Right of First Refusal.** At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (iii) below.

(iii) **Purchase Price.** The purchase price (“Purchase Price”) for the Shares purchased by the Company or its assignee(s) under this Section 3(a) shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(iv) **Payment.** Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness, or by any combination thereof within 30 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

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(v) **Holder's Right to Transfer.** If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 3(a), then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 60 days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Section 3 shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(vi) **Exception for Certain Family Transfers.** Anything to the contrary contained in this Section 3(a) notwithstanding, the transfer of any or all of the Shares during Purchaser's lifetime or on Purchaser's death by will or intestacy to Purchaser's Immediate Family or a trust for the benefit of Purchaser's Immediate Family shall be exempt from the provisions of this Section 3(a). "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 3.

(b) **Involuntary Transfer.**

(i) **Company's Right to Purchase upon Involuntary Transfer.** In the event, at any time after the date of this Agreement, of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 3(a)(vi) above) of all or a portion of the Shares by the record holder thereof, the Company shall have an option to purchase all of the Shares transferred at the greater of the purchase price paid by Purchaser pursuant to this Agreement or the Fair Market Value of the Shares on the date of transfer. Upon such a transfer, the person acquiring the Shares shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of thirty (30) days following receipt by the Company of written notice by the person acquiring the Shares.

(ii) **Price for Involuntary Transfer.** With respect to any stock to be transferred pursuant to Section 3(b)(i), the price per Share shall be a price set by the Board of Directors of the Company that will reflect the current value of the stock in terms of present earnings and future prospects of the Company. The Company shall notify Purchaser or his or her executor of the price so determined within thirty (30) days after receipt by it of written notice of the transfer or proposed transfer of Shares. However, if the Purchaser does not agree with the valuation as determined by the Board of Directors of the Company, the Purchaser shall be entitled to have the valuation determined by an independent appraiser to be mutually agreed upon by the Company and the Purchaser and whose fees shall be borne equally by the Company and the Purchaser.

(c) **Assignment.** The right of the Company to purchase any part of the Shares may be assigned in whole or in part to any shareholder or shareholders of the Company or other persons or organizations.

(e) **Restrictions Binding on Transferees.** All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement. Any sale or transfer of the Company's Shares shall be void unless the provisions of this Agreement are satisfied.

(f) **Termination of Rights.** The right of first refusal granted the Company by Section 3(a) above and the option to repurchase the Shares in the event of an involuntary transfer granted the Company by Section 3(b) above shall terminate upon the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"). Upon termination of the right of first refusal described in Section 3(a) above, a new certificate or certificates representing the Shares not repurchased shall be issued, on request, without the legend referred to in Section 6(a)(ii) herein and delivered to Purchaser.

4. **Investment and Taxation Representations.** In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing these securities for investment for his or her own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or under any applicable provision of state law. Purchaser does not have any present intention to transfer the Shares to any person or entity.

(b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.

(c) Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the securities. Purchaser understands that the certificate(s) evidencing the securities will be imprinted with a legend which prohibits the transfer of the securities unless they are registered or such registration is not required in the opinion of counsel for the Company.

(d) Purchaser is familiar with the provisions of Rules 144 and 701, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer of the securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions. Purchaser understands that the Company provides no assurances as to whether he or she will be able to resell any or all of the Shares pursuant to Rule 144 or Rule 701, which rules require, among other things, that the Company be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, that resales of securities take place only after the holder of the Shares has held the Shares for certain specified time periods, and under certain circumstances, that resales of securities be limited in volume and take place only pursuant to brokered transactions. Notwithstanding this paragraph (d), Purchaser acknowledges and agrees to the restrictions set forth in paragraph (e) below.

(e) Purchaser further understands that in the event all of the applicable requirements of Rule 144 or 701 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

(f) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

5. **Restrictive Legends and Stop-Transfer Orders.**

(a) **Legends.** The certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by applicable state and federal corporate and securities laws):

- (i) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.
- (ii) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(b) **Stop-Transfer Notices.** Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) **Refusal to Transfer.** The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

6. **No Employment Rights.** Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent or subsidiary of the Company, to terminate Purchaser's employment or consulting relationship, for any reason, with or without cause.

7. **Lock-Up Agreement.** In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Purchaser agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however or whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

8. **Miscellaneous.**

(a) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts for the United States for the Northern District of California and no other courts.

(b) **Entire Agreement; Enforcement of Rights.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(f) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

(h) **California Corporate Securities Law.** THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

The parties have executed this Exercise Notice and Restricted Stock Purchase Agreement as of the date first set forth above.

**COMPANY:**

**IRONPLANET, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PURCHASER:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Address: \_\_\_\_\_  
\_\_\_\_\_

I, \_\_\_\_\_, spouse of Purchaser, have read and hereby approve the foregoing Agreement. In consideration of the Company's granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement and further agree that any community property or other such interest shall hereby be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

\_\_\_\_\_  
Spouse of Purchaser

**RECEIPT**

The undersigned hereby acknowledges receipt of Certificate No. \_\_\_\_\_ for \_\_\_\_\_ shares of Common Stock of IronPlanet, Inc.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

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**RECEIPT**

IronPlanet, Inc. (the "Company") hereby acknowledges receipt of (check as applicable):

\_\_\_\_\_ A check in the amount of \$ \_\_\_\_\_

\_\_\_\_\_ The cancellation of indebtedness in the amount of \$ \_\_\_\_\_

\_\_\_\_\_ Certificate No. \_\_\_\_\_ representing \_\_\_\_\_ shares of the Company's Common Stock with a fair market value of \$ \_\_\_\_\_

given by Purchaser as consideration for Certificate No. \_\_\_\_\_ for \_\_\_\_\_ shares of Common Stock of the Company.

Dated: \_\_\_\_\_

IRONPLANET, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_  
(print)

Title: \_\_\_\_\_

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IRONPLANET, INC.

1999 STOCK PLAN

(as amended by the Board on August 25, 2011 and ratified by the Stockholders on November 1, 2012)

1. **Purposes and Term of the Plan.**

(a) **Purposes of the Plan.** The purposes of this 1999 Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options (as defined under Section 422 of the Code) or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code, as amended, and the regulations promulgated thereunder. Stock purchase rights may also be granted under the Plan.

(b) **Term of the Plan.** The Plan, as amended and restated herein, shall become effective on the date of its adoption by the Board, subject to the approval of the Company's stockholders as described in Section 19. The Plan shall terminate automatically 10 years after the later of (i) the date when the Board adopted the Plan or (ii) the date when the Board approved the most recent increase in the number of Shares reserved under Section 3 that was also approved by the Company's stockholders. The Plan may be terminated on any earlier date pursuant to Section 15 below

2. **Definitions.** As used herein, the following definitions shall apply:

(a) **"Administrator"** means the Board or any of its Committees appointed pursuant to Section 4 of the Plan.

(b) **"Affiliate"** means an entity other than a Subsidiary (as defined below) in which the Company owns an equity interest.

(c) **"Applicable Laws"** means the legal requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any Stock Exchange and the applicable laws of any other country or jurisdiction where Options are granted under the Plan.

(d) **"Board"** means the Board of Directors of the Company.

(e) **"Change in Control"** means a sale of all or substantially all of the Company's assets, or a merger, consolidation or other capital reorganization of the Company with or into another corporation; provided however that a merger, consolidation or other capital reorganization in which the holders of more than 50% of the shares of capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by the voting securities remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company, or such surviving entity, outstanding immediately after such transaction shall not constitute a Change in Control.

(f) **"Code"** means the Internal Revenue Code of 1986, as amended.

(g) **"Committee"** means the Committee appointed by the Board of Directors to administer the Plan in accordance with Section 4 below.

(h) **"Common Stock"** means the Common Stock of the Company.

(i) **"Company"** means IronPlanet, Inc., a Delaware corporation.

(j) **"Consultant"** means any person, including an advisor, who renders services to the Company, or any Parent, Subsidiary or Affiliate, and is compensated for such services, and any director of the Company whether compensated for such services or not.

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(k) **“Continuous Status as an Employee or Consultant”** means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) family leave (iv), any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (v) in the case of transfers between locations of the Company or between the Company, its Parent(s), Affiliates, Subsidiaries or their respective successors. For purposes of this Plan, a change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute an interruption of Continuous Status as an Employee or Consultant.

(l) **“Director”** means a member of the Board.

(m) **“Employee”** means any person, including officers and directors, employed by the Company or any Parent, Subsidiary or Affiliate of the Company, with the status of employment determined based upon such minimum number of hours or periods worked as shall be determined by the Administrator in its discretion, subject to any requirements of the Code. The payment by the Company of a director’s fee to a director shall not be sufficient to constitute “employment” of such director by the Company.

(n) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

(o) **“Fair Market Value”** means, as of any date, the fair market value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system including without limitation the National Market of the National Association of Securities Dealers, Inc. Automated Quotation (“Nasdaq”) System, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported), as quoted on such system or exchange, or the exchange with the greatest volume of trading in Common Stock for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the Nasdaq System (but not on the National Market thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(p) **“Incentive Stock Option”** means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, as designated in the applicable written Option Agreement.

(q) **“Listed Security”** means any security of the Company which is listed or approved for listing on a national securities exchange or designated or approved for designation as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.

(r) **“Nonstatutory Stock Option”** means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable written Option Agreement.

(s) **“Option”** means a stock option granted pursuant to the Plan.

(t) **“Option Agreement”** means a written agreement between an Optionee and the Company reflecting the terms of an Option granted under the Plan and includes any documents attached to such Option Agreement, including, but not limited to, a notice of stock option grant and a form of exercise notice.

(u) **“Option Exchange Program”** means a program whereby outstanding Options are exchanged for Options with a lower exercise price.

(v) **“Optioned Stock”** means the Common Stock subject to an Option or a Stock Purchase Right.

(w) **“Optionee”** means an Employee or Consultant who receives an Option or a Stock Purchase Right.

(x) **“Parent”** means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code, or any successor provision.

- (y) **“Plan”** means this 1999 Stock Plan.
- (z) **“Reporting Person”** means an officer, director, or greater than 10% shareholder of the Company within the meaning of Rule 16a-2 under the Exchange Act, who is required to file reports pursuant to Rule 16a-3 under the Exchange Act.
- (aa) **“Restricted Stock”** means shares of Common Stock acquired pursuant to a grant of a Stock Purchase Right under Section 10 below.
- (bb) **“Restricted Stock Purchase Agreement”** means a written agreement between a holder of a Stock Purchase Right and the Company reflecting the terms of a Stock Purchase Right granted under the Plan and includes any documents attached to such agreement.
- (cc) **“Rule 16b-3”** means Rule 16b-3 promulgated under the Exchange Act, as the same may be amended from time to time, or any successor provision.
- (dd) **“Share”** means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.
- (ee) **“Stock Exchange”** means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.
- (ff) **“Stock Purchase Right”** means the right to purchase Common Stock pursuant to Section 10 below.
- (gg) **“Subsidiary”** means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code, or any successor provision.

3. **Stock Subject to the Plan.** Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares that may be sold under the Plan is 20,728,018 Shares of Common Stock (the “Reserved Shares”). The Shares may be authorized, but unissued, or reacquired Common Stock. If an Option expires or becomes unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. In addition, any Shares of Common Stock that are retained by the Company upon exercise of an Option or Stock Purchase Right in order to satisfy the exercise or purchase price for such Option or Stock Purchase Right or any withholding taxes due with respect to such exercise shall be treated as not issued and shall continue to be available under the Plan. Effective as of the date of adoption of this Plan, Shares issued under the Plan and later repurchased by the Company pursuant to any repurchase right that the Company may have shall be available for future grant under the Plan; provided that the total number of Shares issued (counting each reissuance of a Share that was previously issued and then forfeited or repurchased by the Company as a separate issuance) under the Plan upon exercise of Incentive Stock Options shall not exceed two times the Reserved Shares (subject to adjustment under Section 12(a)) over the term of the Plan.

4. **Administration of the Plan.**

- (a) **Initial Plan Procedure.** Prior to the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered by the Board or a Committee appointed by the Board.
- (b) **Plan Procedure After the Date, if any, Upon Which the Company Becomes Subject to the Exchange Act.**
  - (i) **Multiple Administrative Bodies.** If permitted by Rule 16b-3, grants under the Plan may be made by different bodies with respect to Directors, non-Director officers and Employees or Consultants who are not Reporting Persons.
  - (ii) **Administration With Respect to Reporting Persons.** With respect to grants of Options or Stock Purchase Rights to Employees who are Reporting Persons, such grants shall be made by (A) the Board if the Board may make grants to Reporting Persons under the Plan in compliance with Rule 16b-3, or (B) a Committee designated by the Board to make grants to Reporting Persons under the Plan, which Committee shall be constituted in such a manner as to permit grants under the Plan to comply with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly make grants to Reporting Persons under the Plan, all to the extent permitted by Rule 16b-3.

(iii) **Administration With Respect to Consultants and Other Employees.** With respect to grants of Options or Stock Purchase Rights to Employees or Consultants who are not Reporting Persons, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws.

(c) **Powers of the Administrator.** Subject to the provisions of the Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any Stock Exchange, the Administrator shall have the authority, in its discretion:

- (i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(o) of the Plan;
  - (ii) to select the Consultants and Employees to whom Options and Stock Purchase Rights or any combination thereof may from time to time be granted hereunder;
  - (iii) to determine whether and to what extent Options and Stock Purchase Rights or any combination thereof are granted hereunder;
  - (iv) to determine the number of shares of Common Stock to be covered by each such award granted hereunder;
  - (v) to approve forms of agreement for use under the Plan;
  - (vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder, which terms and conditions include but are not limited to the exercise or purchase price, the time or times when Options or Stock Purchase Rights may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option, Optioned Stock, Stock Purchase Right or Restricted Stock, based in each case on such factors as the Administrator, in its sole discretion, shall determine;
  - (vii) to determine whether and under what circumstances an Option may be settled in cash under Section 9(g) instead of Common Stock;
  - (viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option shall have declined since the date the Option was granted;
  - (ix) to determine the terms and restrictions applicable to Stock Purchase Rights and the Restricted Stock purchased by exercising such Stock Purchase Rights;
  - (x) to initiate an Option Exchange Program;
  - (xi) to construe and interpret the terms of the Plan and awards granted under the Plan; and
  - (xii) in order to fulfill the purposes of the Plan and without amending the Plan, to modify grants of Options or Stock Purchase Rights to participants who are foreign nationals or employed outside of the United States in order to recognize differences in local law, tax policies or customs.
- (d) **Effect of Administrator's Decision.** All decisions, determinations and interpretations of the Administrator shall be final and binding on all holders of Options or Stock Purchase Rights.

5. **Eligibility.**

(a) **Recipients of Grants.** Nonstatutory Stock Options and Stock Purchase Rights may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees; provided however that Employees of Affiliates shall not be eligible to receive Incentive Stock Options. An Employee or Consultant who has been granted an Option or Stock Purchase Right may, if he or she is otherwise eligible, be granted additional Options or Stock Purchase Rights.

(b) **Type of Option.** Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares subject to an Incentive Stock Option shall be determined as of the date of the grant of such Option.

(c) **At-Will Relationship.** The Plan shall not confer upon the holder of any Option or Stock Purchase Right any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with such holder's right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. **Term of Plan.** The Plan shall become effective upon its adoption by the Board. It shall continue in effect for a term of ten years unless sooner terminated under Section 15 of the Plan.

7. **Term of Option.** The term of each Option shall be the term stated in the Option Agreement; provided, however, that the term shall be no more than ten years from the date of grant thereof or such shorter term as may be provided in the Option Agreement. However, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. **Option Exercise Price and Consideration.**

(a) The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Board and set forth in the Option Agreement, but shall be subject to the following:

(i) In the case of an Incentive Stock Option that is:

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option that is intended to qualify as performance-based compensation under Section 162(m) of the Code and is granted on or after the date, if ever, on which the Common Stock becomes a Listed Security, the per Share exercise price shall be no less than 100% of the Fair Market Value on the date of grant; and

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash, (2) check, (3) promissory note, (4) cancellation of indebtedness, (5) other Shares that (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender or such other period as may be required to avoid a charge to the Company's earnings, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (6) authorization for the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised, (7) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price and any applicable income or employment taxes, (8) delivery of an irrevocable subscription agreement for the Shares that irrevocably obligates the option holder to take and pay for the Shares not more than twelve months after the date of delivery of the subscription agreement, (9) any combination of the foregoing methods of payment, or (10) such other consideration and method of payment for the issuance of Shares to the extent permitted under the Applicable Laws. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. **Exercise of Option.**

(a) **Procedure for Exercise; Rights as a Shareholder.** Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator and reflected in the Option Agreement, which may include vesting requirements and/or performance criteria with respect to the Company and/or the Optionee. In the event that any of the Shares issued upon exercise of an Option (which exercise occurs prior to the date, if any, upon which the Common Stock becomes a Listed Security) should be subject to a right of repurchase in the Company's favor, which will lapse according to the terms approved by the Administrator. The Administrator shall have the discretion to determine whether and to what extent the vesting of Options shall be tolled during any leave of absence.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and the Company has received full payment for the Shares with respect to which the Option is exercised. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, not withstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 12 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) **Termination of Employment or Consulting Relationship.** Subject to Section 9(c) below, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant with the Company, such Optionee may, but only within three months (or such other period of time not less than 30 days as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option and not exceeding three months) after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent that the Optionee was entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan. No termination shall be deemed to occur and this Section 9(b) shall not apply if (i) the Optionee is a Consultant who becomes an Employee, or (ii) the Optionee is an Employee who becomes a Consultant.

(c) **Disability of Optionee.**

(i) Notwithstanding Section 9(b) above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her total and permanent disability (within the meaning of Section 22(e)(3) of the Code), such Optionee may, but only within twelve months from the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan.

(ii) In the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of a disability which does not fall within the meaning of total and permanent disability (as set forth in Section 22(e)(3) of the Code), such Optionee may, but only within six months from the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. However, to the extent that such Optionee fails to exercise an Option which is an Incentive Stock Option (within the meaning of Section 422 of the Code) within three months of the date of such termination, the Option will not qualify for Incentive Stock Option treatment under the Code. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within six months from the date of termination, the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan.

(d) **Death of Optionee.** In the event of the death of an Optionee during the period of Continuous Status as an Employee or Consultant since the date of grant of the Option, or within 30 days following termination of the Optionee's Continuous Status as an Employee or Consultant, the Option may be exercised, at any time within twelve months following the date of death (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), by such Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of death or, if earlier, the date of termination of the Optionee's Continuous Status as an Employee or Consultant. To the extent that the Optionee was not entitled to exercise the Option at the date of death or termination, as the case may be, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan.

(e) **Extension of Exercise Period.** The Administrator shall have full power and authority to extend the period of time for which an Option is to remain exercisable following termination of an Optionee's Continuous Status as an Employee or Consultant from the periods set forth in Sections 10(b), 10(c) and 10(d) above or in the Option Agreement to such greater time as the Board shall deem appropriate, provided, that in no event shall such option be exercisable later than the date of expiration of the term of such Option as set forth in the Option Agreement.

(f) **Rule 16b-3.** Options granted to Reporting Persons shall comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption for Plan transactions.

(g) **Buy-Out Provisions.** The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time such offer is made.

#### 10. **Stock Purchase Rights.**

(a) **Rights to Purchase.** Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid (which shall be as determined by the Administrator, subject to Applicable Laws, including any applicable securities laws), and the time within which such person must accept such offer, which shall in no event exceed 30 days from the date upon which the Administrator made the determination to grant the Stock Purchase Right. The offer shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) **Repurchase Option.** Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or disability). The purchase price for Shares repurchased pursuant to the Restricted Stock Purchase Agreement shall be the original purchase price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine.

(c) **Other Provisions.** The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Purchase Agreements need not be the same with respect to each purchaser.

(d) **Rights as a Shareholder.** Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a shareholder, and shall be a shareholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 12 of the Plan.

11. **Stock Withholding to Satisfy Withholding Tax Obligations.** At the discretion of the Administrator, Optionees may satisfy withholding obligations as provided in this paragraph. When an Optionee incurs tax liability in connection with an Option or Stock Purchase Right, which tax liability is subject to tax withholding under applicable tax laws, and the Optionee is obligated to pay the Company an amount required to be withheld under applicable tax laws, the Optionee may satisfy the minimum withholding tax obligation by one or some combination of the following methods: (a) by cash or check payment, (b) out of the Optionee's current compensation, (c) if permitted by the Administrator, in its discretion, by surrendering to the Company Shares that (i) in the case of Shares previously acquired from the Company, have been owned by the Optionee for more than six months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to or less than the amount required to be withheld, or (d) by electing to have the Company withhold from the Shares to be issued upon exercise of the Option, or the Shares to be issued in connection with the Stock Purchase Right, if any, that number of Shares having a Fair Market Value equal to the amount required to be withheld. For this purpose, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

Any surrender by a Reporting Person of previously owned Shares to satisfy tax withholding obligations arising upon exercise of this Option must comply with the applicable provisions of Rule 16b-3.

All elections by an Optionee to have Shares withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

- (a) the election must be made on or prior to the applicable Tax Date;
- (b) once made, the election shall be irrevocable as to the particular Shares of the Option or Stock Purchase Right as to which the election is made; and
- (c) all elections shall be subject to the consent or disapproval of the Administrator.

In the event the election to have Shares withheld is made by an Optionee and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Optionee shall receive the full number of Shares with respect to which the Option or Stock Purchase Right is exercised but such Optionee shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

12. **Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions.**

(a) **Changes in Capitalization.** Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option or Stock Purchase Right, and the number of shares of Common Stock that have been authorized for issuance under the Plan but as to which no Options or Stock Purchase Rights have yet been granted or that have been returned to the Plan upon cancellation or expiration of an Option or Stock Purchase Right, as well as the price per share of Common Stock covered by each such outstanding Option or Stock Purchase Right, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option or Stock Purchase Right.

(b) **Dissolution or Liquidation.** In the event of the proposed dissolution or liquidation of the Company, the Board shall notify the Optionee at least 15 days prior to such proposed action. To the extent it has not been previously exercised, the Option or Stock Purchase Right will terminate immediately prior to the consummation of such proposed action.

(c) **Change in Control.** In the event of a Change in Control, each outstanding Option or Stock Purchase Right shall be assumed or an equivalent option or right shall be substituted by the successor corporation or a Parent or Subsidiary of such successor corporation, unless such successor corporation does not agree to assume the outstanding Options or Stock Purchase Rights or to substitute equivalent options or rights, in which case such Options or Stock Purchase Rights shall terminate upon the consummation of the transaction.

For purposes of this Section 12(c), an Option or a Stock Purchase Right shall be considered assumed, without limitation, if, at the time of issuance of the stock or other consideration upon such Change in Control, each holder of an Option or Stock Purchase Right would be entitled to receive upon exercise of the Option or Stock Purchase Right the same number and kind of shares of stock or the same amount of property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to such transaction, the holder of the number of Shares of Common Stock covered by the Option or the Stock Purchase Right at such time (after giving effect to any adjustments in the number of Shares covered by the Option or Stock Purchase Right as provided for in this Section 12); provided however that if such consideration received in the Change in Control was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the Option to be solely common stock of the successor corporation or its Parent equal to the Fair Market Value of the per Share consideration received by holders of Common Stock in the transaction.

(d) **Certain Distributions.** In the event of any distribution to the Company's shareholders of securities of any other entity or other assets (other than dividends payable in cash or stock of the Company) without receipt of consideration by the Company, the Administrator may, in its discretion, appropriately adjust the price per Share of Common Stock covered by each outstanding Option or Stock Purchase Right to reflect the effect of such distribution.

13. **Non-Transferability of Options and Stock Purchase Rights.** Options and Stock Purchase Rights may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised or purchased during the lifetime of the Optionee or the holder of Stock Purchase Rights only by the Optionee or holder of Stock Purchase Rights; provided however that, after the date, if any, upon which the Common Stock becomes a Listed Security, the Administrator may in its discretion grant transferable Nonstatutory Stock Options pursuant to Option Agreements specifying (i) the manner in which such Nonstatutory Stock Options are transferable and (ii) that any such transfer shall be subject to the Applicable Laws. The designation of a beneficiary by an Optionee will not constitute a transfer. An Option or Stock Purchase Right may be exercised, during the lifetime of the holder of the Option or Stock Purchase Right, only by such holder or a transferee permitted by this Section 13.

14. **Time of Granting Options and Stock Purchase Rights.** The date of grant of an Option or Stock Purchase Right shall, for all purposes, be the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other date as is determined by the Board; provided, however, that in the case of any Incentive Stock Option, the grant date shall be the later of the date on which the Administrator makes the determination granting such Incentive Stock Option or the date of commencement of the Optionee's employment relationship with the Company. Notice of the determination shall be given to each Employee or Consultant to whom an Option or Stock Purchase Right is so granted within a reasonable time after the date of such grant.

15. **Amendment and Termination of the Plan.**

(a) **Authority to Amend or Terminate.** The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made that would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of any Stock Exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) **Effect of Amendment or Termination.** No amendment or termination of the Plan shall adversely affect Options already granted, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

16. **Conditions Upon Issuance of Shares.** Shares shall not be issued pursuant to the exercise of an Option or Stock Purchase Right unless the exercise of such Option or Stock Purchase Right and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any Stock Exchange.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by law.

17. **Reservation of Shares.** The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. **Agreements.** Options and Stock Purchase Rights shall be evidenced by written Option Agreements and Restricted Stock Purchase Agreements, respectively, in such form(s) as the Administrator shall approve from time to time.

19. **Shareholder Approval.** Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and the rules of any Stock Exchange upon which the Common Stock is listed. All Options and Stock Purchase Rights issued under the Plan shall become void in the event such approval is not obtained.

20. **Information and Documents to Optionees and Purchasers.**

(a) The Company shall provide financial statements at least annually to each Optionee and to each individual who acquired Shares pursuant to the Plan, during the period such Optionee or purchaser has one or more Options or Stock Purchase Rights outstanding, and in the case of an individual who acquired Shares pursuant to the Plan, during the period such individual owns such Shares. The Company shall not be required to provide such information if (i) the issuance of Options or Stock Purchase Rights under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information or (ii) the Plan or any agreement complies with all conditions of Rule 701 of the Securities Act of 1933, as amended; provided that for purposes of determining such compliance, any registered domestic partner shall be considered a "family member" as that term is defined in Rule 701. The requirements in this Section 20(a) shall only apply to individuals or entities whose Option or Restricted Stock is issued in reliance on Section 25102(o) of the California Corporations Code.

(b) At the time of issuance of any securities under the Plan, the Company shall provide to the Optionee or the purchaser a copy of the Plan and any agreement(s) pursuant to which securities granted under the Plan are issued.



## NOTICE OF STOCK OPTION GRANT

«Name»

**Plan:** 2015 Stock Plan

Dear «First\_Name»

You have been granted an option to purchase Common Stock of IronPlanet Holdings, Inc. (the “**Company**”) as follows:

**Date of Grant:** «Grant\_Date»

**Exercise Price per Share:** «Exercise\_Price\_share»

**Total Number of Shares Granted:** «No\_Of\_Shares\_»

**Total Exercise Price:** «Total\_Exercise\_Price»

**Type of Option** «Type»

**Expiration Date:** «Expiration\_Date»

**Vesting Commencement Date** «Vesting\_Commencement\_Date»

**Vesting Schedule:** So long as your Continuous Service Status continues, the Shares underlying this Option shall vest and become exercisable in accordance with the following schedule: 25% of the Shares subject to the Option shall vest and become exercisable on the twelfth month anniversary of the Vesting Commencement Date and 1/48th of the total number of Shares subject to the Option shall vest and become exercisable on the same day of each month thereafter, such that the Option shall be fully vested at the end of four (4) years following the Vesting Commencement Date.

**Termination Period:** This Option may be exercised for three (3) months after termination of your Continuous Service Status except as set out in Section 5 of the Stock Option Agreement (but in no event later than the Expiration Date). You are responsible for keeping track of these exercise periods following the termination of your Continuous Service Status for any reason. The Company will not provide further notice of such periods.

**Transferability:** You may not transfer this Option except as set forth in Section 6 of the Stock Option Agreement. You must obtain Company and/or Board approval prior to any transfer of the Shares received upon exercise of this Option.

By electronically signing the document, you and the Company agree that this Option is granted under and governed by the terms and conditions of this Notice of Stock Option Grant (the “**Notice**”), the IronPlanet Holdings, Inc. 2015 Stock Plan (the “**Plan**”) and the Stock Option Agreement, both of which are attached and made a part of this document.

By electronically signing the Notice, I agree and acknowledge the following:

(a) I have been able to access and view this Notice, the Plan, the Stock Option Agreement, and any ancillary documents and understand that all rights and obligations with respect to the Option and the shares subject to this Option are set forth in this Notice, the Plan, the Stock Option Agreement, and any ancillary documents;;

(b) I agree to all terms and conditions contained in this Notice, the Plan, the Stock Option Agreement, and any ancillary documents;

(c) I agree and acknowledge that my rights to any Shares underlying the Option will be earned only as I provide services to the Company over time, that the grant of the Option is not as consideration for services I rendered to the Company prior to my date of hire, and that nothing in this Notice or the attached documents confers upon me any right to continue my employment or consulting relationship with the Company or any parent, subsidiary, or affiliate of the Company for any period of time, nor does it interfere in any way with my right or the Company's right to terminate that relationship at any time, for any reason, with or without cause; and

(d) to the extent applicable, the Exercise Price Per Share has been set at the fair market value of the Shares on the Date of Grant in good faith compliance with the applicable guidance issued by the IRS under Section 409A of the Code. However, there is no guarantee that the IRS and other tax authorities will agree with the valuation and, by electronically signing the Notice, I agree and acknowledge that the Company, its Board, officers, employees, agents and stockholders shall not be held liable for any applicable costs, taxes, or penalties associated with the Option if, in fact, the IRS, or any other tax authorities or any other person (including, without limitation, a successor corporation or an acquirer in a change of control) were to determine that the Option constitutes deferred compensation under Section 409A of the Code or any other Applicable Laws. I agree that I should consult with my own tax advisor concerning the tax consequences of such a determination by the IRS and other tax authorities. For purposes of this paragraph, the term "Company" will be interpreted to include any Parent, Subsidiary or Affiliate.

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**IRONPLANET HOLDINGS, INC.**

**OPTIONEE:\***

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By: Douglas P. Feick  
Title: SVP, Corporate Development and  
General Counsel

\* Signed by Optionee and Company by electronic signature.

Signature Page to IronPlanet Holdings, Inc. Notice of Stock Option Grant

IRONPLANET HOLDINGS, INC.

2015 STOCK PLAN

STOCK OPTION AGREEMENT

1. **Grant of Option.** IronPlanet Holdings, Inc., a Delaware corporation (the "Company"), hereby grants to the person ("Optionee") named in the Notice of Stock Option Grant (the "Notice"), an option (the "Option") to purchase the total number of shares of Common Stock (the "Shares") set forth in the Notice, at the exercise price per Share set forth in the Notice (the "Exercise Price") subject to the terms, definitions and provisions of the IronPlanet Holdings, Inc. 2015 Stock Plan (the "Plan") adopted by the Company, which is incorporated in this Stock Option Agreement (this "Agreement") by reference. Unless otherwise defined in this Agreement, the terms used in this Agreement or the Notice shall have the meanings defined in the Plan.

2. **Designation of Option.** This Option is intended to be an Incentive Stock Option as defined in Section 422 of the Code only to the extent so designated in the Notice, and to the extent it is not so designated or to the extent this Option does not qualify as an Incentive Stock Option, it is intended to be a Nonstatutory Stock Option.

Notwithstanding the above, if designated as an Incentive Stock Option, in the event that the Shares subject to this Option (and all other incentive stock options granted to Optionee by the Company or any Parent or Subsidiary, including under other plans) that first become exercisable in any calendar year have an aggregate fair market value (determined for each Share as of the date of grant of the option covering such Share) in excess of \$100,000, the Shares in excess of \$100,000 shall be treated as subject to a nonstatutory stock option, in accordance with Section 5(c) of the Plan.

3. **Exercise of Option.** This Option shall be exercisable during its term in accordance with the Vesting/Exercise Schedule set out in the Notice and with the provisions of Section 7(c) of the Plan as follows:

(a) **Right to Exercise.**

(i) This Option may not be exercised for a fraction of a share.

(ii) In the event of Optionee's death, Disability or other termination of Continuous Service Status, the exercisability of this Option is governed by Section 5 below, subject to the limitations contained in this Section 3.

(iii) In no event may this Option be exercised after the Expiration Date set forth in the Notice.

(b) **Method of Exercise.**

(i) This Option shall be exercisable by execution and delivery of the Exercise Agreement attached hereto as Exhibit A or of any other form of written notice approved for such purpose by the Company which shall state Optionee's election to exercise this Option, the number of Shares in respect of which this Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such Shares as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by Optionee and shall be delivered to the Company by such means as are determined by the Company in its discretion to constitute adequate delivery. The written notice shall be accompanied by payment of the aggregate Exercise Price for the purchased Shares.

(ii) As a condition to the exercise of this Option and as further set forth in Section 9 of the Plan, Optionee agrees to make adequate provision for federal, state or other applicable tax, withholding, required deductions or other payments, if any, which arise upon the grant, vesting or exercise of this Option, or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise, as determined by the Company in its sole discretion.

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(iii) The Company is not obligated, and will have no liability for failure, to issue or deliver any Shares upon exercise of this Option unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. This Option may not be exercised until such time as the Plan has been approved by the holders of capital stock of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such Shares would constitute a violation of any Applicable Laws, including any applicable U.S. federal or state securities laws or any other law or regulation, including any rule under Part 221 of Title 12 of the Code of Federal Regulations as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by the Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which this Option is exercised with respect to such Shares.

(iv) Subject to compliance with Applicable Laws, this Option shall be deemed to be exercised upon receipt by the Company of the appropriate written notice of exercise accompanied by the Exercise Price and the satisfaction of any applicable obligations described in Section 3(b)(ii) above.

4. **Method of Payment.** Payment of the Exercise Price shall be by cash or check or, following the date, if any, upon which the Common Stock is a Listed Security, by Cashless Exercise pursuant to which the Optionee delivers an irrevocable direction to a securities broker (on a form prescribed by the Company and according to a procedure established by the Company).

5. **Termination of Relationship.** Following the date of termination of Optionee's Continuous Service Status for any reason (the "**Termination Date**"), Optionee may exercise this Option only as set forth in the Notice and this Section 5. If Optionee does not exercise this Option within the Termination Period set forth in the Notice or the termination periods set forth below, this Option shall terminate in its entirety. In no event, may any Option be exercised after the Expiration Date of this Option as set forth in the Notice.

(a) **General Termination.** In the event of termination of Optionee's Continuous Service Status other than as a result of Optionee's Disability or death or Optionee's termination for Cause, Optionee may, to the extent Optionee is vested in the Optioned Stock, exercise this Option during the Termination Period set forth in the Notice.

(b) **Termination upon Disability of Optionee.** In the event of termination of Optionee's Continuous Service Status as a result of Optionee's Disability, Optionee may, but only within 12 months following the Termination Date, exercise this Option to the extent Optionee is vested in the Optioned Stock.

(c) **Death of Optionee.** In the event of termination of Optionee's Continuous Service Status as a result of Optionee's death, or in the event of Optionee's death within 3 months following Optionee's Termination Date, this Option may be exercised at any time within 12 months following the Termination Date, or if later, 12 months following the date of death by any beneficiaries designated in accordance with Section 16 of the Plan or, if there are no such beneficiaries, by the Optionee's estate, or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent Optionee is vested in the Optioned Stock.

(d) **Termination for Cause.** In the event of termination of Optionee's Continuous Service Status for Cause, this Option (including any vested portion thereof) shall immediately terminate in its entirety upon first notification to Optionee of such termination for Cause. If Optionee's Continuous Service Status is suspended pending an investigation of whether Optionee's Continuous Service Status will be terminated for Cause, all Optionee's rights under this Option, including the right to exercise this Option, shall be suspended during the investigation period.

6. **Non-Transferability of Option.** This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by him or her. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

7. **Lock-Up Agreement.** If so requested by the Company or the underwriters in connection with the initial public offering of the Company's securities registered under the Securities Act of 1933, as amended, Optionee shall not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however or whenever acquired (except for those being registered) without the prior written consent of the Company or such underwriters, as the case may be, for 180 days from the effective date of the registration statement, plus such additional period, to the extent required by FINRA rules, up to a maximum of 216 days from the effective date of the registration statement, and Optionee shall execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of such offering.

8. **Effect of Agreement.** Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof (and has had an opportunity to consult counsel regarding the Option terms), and hereby accepts this Option and agrees to be bound by its contractual terms as set forth herein and in the Plan. Optionee hereby agrees to accept as binding, conclusive and final all decisions and interpretations of the Administrator regarding any questions relating to this Option. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of the Notice and this Agreement, the Plan terms and provisions shall prevail.

9. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Optionee's participation in the Plan, on this Option and the Shares subject to this Option and on any other Award or Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Applicable Laws or facilitate the administration of the Plan. Optionee agrees to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, Optionee acknowledges that the Applicable Laws of the country in which Optionee is residing or working at the time of grant, holding, vesting, and exercise of the Option or the holding or sale of Shares received pursuant to the Option (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject Optionee to additional procedural or regulatory requirements that Optionee is and will be solely responsible for and must fulfill.

10. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to Optionee's current or future participation in the Plan, this Option, the Shares subject to this Option, any other Company Securities or any other Company-related documents, by electronic means. By accepting this Option, whether electronically or otherwise, Optionee hereby (i) consents to receive such documents by electronic means, (ii) consents to the use of electronic signatures, and (iii) if applicable, agrees to participate in the Plan and/or receive any such documents through an on-line or electronic system established and maintained by the Company or a third party designated by the Company, including but not limited to the use of electronic signatures or click-through electronic acceptance of terms and conditions.

11. **Miscellaneous.**

(a) **Governing Law.** The validity, interpretation, construction and performance of this Agreement, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the state of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts of the United States located in California and no other courts.

(b) **Entire Agreement.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.

(c) **Amendments and Waivers.** No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance.

(d) **Successors and Assigns.** Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company may assign any of its rights and obligations under this Agreement. No other party to this Agreement may assign, whether voluntarily or by operation of law, any of its rights and obligations under this Agreement, except with the prior written consent of the Company.

(e) **Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.

(f) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Laws, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(g) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(h) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.

**EXHIBIT A**

**IRONPLANET HOLDINGS, INC.**

**2015 STOCK PLAN**

**EXERCISE AGREEMENT**

This Exercise Agreement (this "**Agreement**") is made as of \_\_\_\_\_, by and between IronPlanet Holdings, Inc., a Delaware corporation (the "**Company**"), and \_\_\_\_\_ ("**Purchaser**"). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Company's 2015 Stock Plan (the "**Plan**") and the Option Agreement (as defined below).

1. **Exercise of Option.** Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase \_\_\_\_\_ shares of the Common Stock (the "**Shares**") of the Company under and pursuant to the Plan, the Notice of Stock Option Grant and the Stock Option Agreement granted \_\_\_\_\_ (the "**Option Agreement**"). The purchase price for the Shares shall be \$ \_\_\_\_\_ per Share for a total purchase price of \$ \_\_\_\_\_. The term "**Shares**" refers to the purchased Shares and all securities received in connection with the Shares pursuant to stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other property to which Purchaser is entitled by reason of Purchaser's ownership of the Shares.

2. **Time and Place of Exercise.** The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution and delivery of this Agreement, the payment of the aggregate exercise price by any method listed in Section 4 of the Option Agreement, and the satisfaction of any applicable tax, withholding, required deductions or other payments, all in accordance with the provisions of Section 3 (b) of the Option Agreement. The Company shall issue the Shares to Purchaser by entering such Shares in Purchaser's name as of such date in the books and records of the Company or, if applicable, a duly authorized transfer agent of the Company, against payment of the exercise price therefor by Purchaser. The Company will deliver to Purchaser a stock certificate or, in the case of uncertificated securities, upon request, a notice of issuance, for the Shares as soon as practicable following such date.

3. **Limitations on Transfer.** Purchaser acknowledges and agrees that the Shares purchased under this Agreement are subject to (i) the transfer restrictions set forth in Section 12 of the Plan and (ii) any other limitation or restriction on transfer created by Applicable Laws. Purchaser shall not assign, encumber or dispose of any interest in the Shares except to the extent permitted by, and in compliance with, Section 12 of the Plan, Applicable Laws and the provisions below.

(a) **Transfer Restrictions; Right of First Refusal.** Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the "**Holder**") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company shall first have the right to approve such sale or transfer, in full or in part, and shall then have the right to purchase all or any part of the Shares proposed to be sold or transferred, in each case, in its sole and absolute discretion (the "**Right of First Refusal**"). If the Holder would like to sell or transfer any Shares, the Holder must provide the Company or its assignee(s) with a Notice (as defined below) requesting approval to sell or transfer the Shares and offering the Company or its assignee(s) a Right of First Refusal on the terms and conditions set forth in this Section 3(a). The Company may either (1) exercise its Right of First Refusal in full or in part and purchase such Shares pursuant to this Section 3(a), (2) decline to exercise its Right of First Refusal in full or in part and permit the sale or transfer of such Shares to the Proposed Transferee (as defined below) in full or in part, or (3) decline to exercise its Right of First Refusal in full or in part and decline the request to sell or transfer the Shares in full or in part.

(i) **Notice of Proposed Transfer.** The Holder of the Shares shall deliver to the Company a written notice (the "**Notice**") stating: (A) the Holder's desire to sell or otherwise transfer such Shares; (B) the name of each proposed purchaser or other transferee ("**Proposed Transferee**"); (C) the number of Shares to be sold or transferred to each Proposed Transferee; (D) the terms and conditions of each proposed sale or transfer, including (without limitation) the purchase price for such Shares (the "**Purchase Price**"); and (E) the Holder's offer to the Company or its assignee(s) to purchase the Shares at the Purchase Price and upon the same terms (or terms that are no less favorable to the Company).

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(ii) **Exercise of Right of First Refusal.** At any time within 30 days after receipt of the Notice, the Company and/or its assignee(s) shall deliver a written notice to the Holder indicating whether the Company and/or its assignee(s) elect to permit or reject the proposed sale or transfer, in full or in part, and/or elect to accept or decline the offer to purchase any or all of the Shares proposed to be sold or transferred to any one or more of the Proposed Transferees, at the Purchase Price, provided that if the Purchase Price consists of no legal consideration (as, for example, in the case of a transfer by gift), the purchase price will be the fair market value of the Shares as determined in good faith by the Company. If the Purchase Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Company in good faith.

(iii) **Payment.** Payment of the Purchase Price shall be made, at the election of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness, or by any combination thereof within 60 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(iv) **Holder's Right to Transfer.** If any of the Shares proposed in the Notice to be sold or transferred to a given Proposed Transferee are both (A) not purchased by the Company and/or its assignee(s) as provided in this Section 3(a) and (B) approved by the Company to be sold or transferred, then the Holder may sell or otherwise transfer any such Shares to the applicable Proposed Transferee at the Purchase Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice; provided that any such sale or other transfer is also effected in accordance with the transfer restrictions set forth in the Plan and any Applicable Laws and the Proposed Transferee agrees in writing that the Plan and the provisions of the Option Agreement and this Agreement, including this Section 3 and the waiver of statutory information rights in Section 8, shall continue to apply to the Shares in the hands of such Proposed Transferee. The Company, in consultation with its legal counsel, may require the Holder to provide an opinion of counsel evidencing compliance with Applicable Laws. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company and/or its assignees shall again have the right to approve such transfer and be offered the Right of First Refusal.

(v) **Exception for Certain Family Transfers.** Anything to the contrary contained in this Section 3(a) notwithstanding, the transfer of any or all of the Shares during Holder's lifetime or on Holder's death by will or intestacy to Holder's Immediate Family or a trust for the benefit of Holder's Immediate Family shall be exempt from the provisions of this Section 3(a). "Immediate Family" as used herein shall mean lineal descendant or antecedent, spouse (or spouse's antecedents), father, mother, brother or sister (or their descendants), stepchild (or their antecedents or descendants), aunt or uncle (or their antecedents or descendants), brother-in-law or sister-in-law (or their antecedents or descendants) and shall include adoptive relationships. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of the Plan and the provisions of the Option Agreement and this Agreement, including this Section 3 and Section 8, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 3 and the Plan.

(b) **Company's Right to Purchase upon Involuntary Transfer.** In the event of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 3(a)(v) above) of all or a portion of the Shares by the record holder thereof, the Company shall have an option to purchase any or all of the Shares transferred at the Fair Market Value of the Shares on the date of transfer (as determined by the Company in its sole discretion). Upon such a transfer, the Holder shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of 30 days following receipt by the Company of written notice from the Holder.

(c) **Assignment.** The right of the Company to purchase any part of the Shares may be assigned in whole or in part to any holder or holders of capital stock of the Company or other persons or organizations.

(d) **Restrictions Binding on Transferees.** All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the Plan and the provisions of the Option Agreement and this Agreement, including, without limitation, Section 7 of the Option Agreement, Sections 3 and 8 of this Agreement and Section 12 of the Plan. Any sale or transfer of the Shares shall be void unless the provisions of this Agreement are satisfied.

(e) **Termination of Rights.** The transfer restrictions set forth in Section 3(a) above and Section 12 of the Plan, the Right of First Refusal granted the Company by Section 3(a) above and the option to repurchase the Shares in the event of an involuntary transfer granted the Company by Section 3(b) above shall terminate upon (i) the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act (other than a registration statement relating solely to the issuance of Common Stock pursuant to a business combination or an employee incentive or benefit plan) or (ii) any transfer or conversion of Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations if the common stock of the surviving corporation or any direct or indirect parent corporation thereof is registered under the Exchange Act. Upon termination of such transfer restrictions, the Company will remove any stop-transfer notices referred to in Section 6(b) below and related to the restrictions in this Section 3 and a new stock certificate or, in the case of uncertificated securities, notice of issuance, for the Shares not repurchased shall be issued, on request, without the legend referred to in Section 6(a)(ii) below and delivered to Holder.

(f) **Lock-Up Agreement.** The lock-up provisions set forth in Section 7 of the Option Agreement shall apply to the Shares issued upon exercise of the Option hereunder and Purchaser reaffirms Purchaser's obligations set forth therein.

4. **Investment and Taxation Representations.** In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for Purchaser's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or under any applicable provision of state law. Purchaser does not have any present intention to transfer the Shares to any other person or entity.

(b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.

(c) Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the securities.

(d) Purchaser is familiar with the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer of the securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions. Purchaser understands that the Company provides no assurances as to whether he or she will be able to resell any or all of the Shares pursuant to Rule 144, which rule requires, among other things, that the Company be subject to the reporting requirements of the Exchange Act, that resales of securities take place only after the holder of the Shares has held the Shares for certain specified time periods, and under certain circumstances, that resales of securities be limited in volume and take place only pursuant to brokered transactions. Notwithstanding this Section 4(d), Purchaser acknowledges and agrees to the restrictions set forth in Section 4(e) below.

(e) Purchaser further understands that in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

(f) Purchaser represents that Purchaser is not subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (attached hereto as Annex I).

(g) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

5. **Voting Provisions.** As a condition precedent to entering into this Agreement, at the request of the Company, Purchaser shall become a party to any voting agreement to which the Company is a party at the time of Purchaser's execution and delivery of this Agreement, as such voting agreement may be thereafter amended from time to time (the "Voting Agreement"), by executing an adoption agreement or counterpart signature page agreeing to be bound by and subject to the terms of the Voting Agreement and to vote the Shares in the capacity of a "Common Holder" and a "Stockholder," as such terms may be defined in the Voting Agreement.

6. **Restrictive Legends and Stop-Transfer Orders.**

(a) **Legends.** Any stock certificate or, in the case of uncertificated securities, any notice of issuance, for the Shares shall bear the following legends (as well as any legends required by the Company or applicable state and federal corporate and securities laws):

(i) "THE SECURITIES REFERENCED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

(ii) "THE SECURITIES REFERENCED HEREIN MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH AND MAY BE OBTAINED FROM THE SECRETARY OF THE COMPANY AT NO CHARGE."

(iii) "THE TRANSFER OF THE SECURITIES IS SUBJECT TO CERTAIN TRANSFER RESTRICTIONS SET FORTH IN THE COMPANY'S STOCK PLAN, COPIES OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS. THE COMPANY SHALL NOT REGISTER OR OTHERWISE RECOGNIZE OR GIVE EFFECT TO ANY PURPORTED TRANSFER OF SECURITIES THAT DOES NOT COMPLY WITH SUCH TRANSFER RESTRICTIONS."

(iv) Any legend required by the Voting Agreement, as applicable.

(b) **Stop-Transfer Notices.** Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) **Refusal to Transfer.** The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or the Plan or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

(d) **Required Notices.** Purchaser acknowledges that the Shares are issued and shall be held subject to all the provisions of this Section 6, the Certificate of Incorporation and the Bylaws of the Company and any amendments thereto, copies of which are on file at the principal office of the Company. A statement of all of the rights, preferences, privileges and restrictions granted to or imposed upon the respective classes and/or series of shares of stock of the Company and upon the holders thereof may be obtained by any stockholder upon request and without charge, at the principal office of the Company, and the Company will furnish any stockholder, upon request and without charge, a copy of such statement. Purchaser acknowledges that the provisions of this Section 6 shall constitute the notices required by Sections 151(f) and 202(a) of the Delaware General Corporation Law and the Purchaser hereby expressly waives the requirement of Section 151(f) of the Delaware General Corporation Law that it receive the written notice provided for in Sections 151(f) and 202(a) of the Delaware General Corporation Law within a reasonable time after the issuance of the Shares.

7. **No Employment Rights.** Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent, subsidiary or affiliate of the Company, to terminate Purchaser's employment or consulting relationship, for any reason, with or without cause.

8. **Waiver of Statutory Information Rights.** Purchaser acknowledges and understands that, but for the waiver made herein, Purchaser would be entitled, upon written demand under oath stating the purpose thereof, to inspect for any proper purpose, and to make copies and extracts from, the Company's stock ledger, a list of its stockholders, and its other books and records, and the books and records of subsidiaries of the Company, if any, under the circumstances and in the manner provided in Section 220 of the Delaware General Corporation Law (any and all such rights, and any and all such other rights of Purchaser as may be provided for in Section 220, the "Inspection Rights"). In light of the foregoing, until the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended, Purchaser hereby unconditionally and irrevocably waives the Inspection Rights, whether such Inspection Rights would be exercised or pursued directly or indirectly pursuant to Section 220 or otherwise, and covenants and agrees never to directly or indirectly commence, voluntarily aid in any way, prosecute, assign, transfer, or cause to be commenced any claim, action, cause of action, or other proceeding to pursue or exercise the Inspection Rights. The foregoing waiver applies to the Inspection Rights of Purchaser in Purchaser's capacity as a stockholder and shall not affect any rights of a director, in his or her capacity as such, under Section 220. The foregoing waiver shall not apply to any contractual inspection rights of Purchaser under any written agreement with the Company.

9. **Miscellaneous.**

(a) **Governing Law.** The validity, interpretation, construction and performance of this Agreement, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the state of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts of the United States located in California and no other courts.

(b) **Entire Agreement.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.

(c) **Amendments and Waivers.** No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance.

(d) **Successors and Assigns.** Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company may assign any of its rights and obligations under this Agreement. No other party to this Agreement may assign, whether voluntarily or by operation of law, any of its rights and obligations under this Agreement, except with the prior written consent of the Company.

(e) **Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.

(f) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(g) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(h) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.

(i) **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to this Agreement or any notices required by applicable law or the Company's Certificate of Incorporation or Bylaws by email or any other electronic means. Purchaser hereby consents to (i) conduct business electronically (ii) receive such documents and notices by such electronic delivery and (iii) sign documents electronically and agrees to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

(j) **California Corporate Securities Law.** THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

[Signature Page Follows]

The parties have executed this Exercise Agreement as of the date first set forth above.

**COMPANY:**

**IRONPLANET HOLDINGS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PURCHASER:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Address: \_\_\_\_\_  
\_\_\_\_\_

I, \_\_\_\_\_, spouse of \_\_\_\_\_ (“Purchaser”), have read and hereby approve the foregoing Agreement. In consideration of the Company’s granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be bound irrevocably by the Agreement and further agree that any community property or other such interest that I may have in the Shares shall hereby be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

\_\_\_\_\_  
Spouse of Purchaser

ANNEX I

Rule 506(d)(1)(i) to (viii) under the Securities Act of 1933, as amended

(i) Has been convicted, within ten years before such sale (or five years, in the case of issuers, their predecessors and affiliated issuers), of any felony or misdemeanor:

- (A) In connection with the purchase or sale of any security;
- (B) Involving the making of any false filing with the Commission; or
- (C) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(ii) Is subject to any order, judgment or decree of any court of competent jurisdiction, entered within five years before such sale, that, at the time of such sale, restrains or enjoins such person from engaging or continuing to engage in any conduct or practice:

- (A) In connection with the purchase or sale of any security;
- (B) Involving the making of any false filing with the Commission; or
- (C) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(iii) Is subject to a final order of a state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations, or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); an appropriate federal banking agency; the U.S. Commodity Futures Trading Commission; or the National Credit Union Administration that:

- (A) At the time of such sale, bars the person from:
  - (1) Association with an entity regulated by such commission, authority, agency, or officer;
  - (2) Engaging in the business of securities, insurance or banking; or
  - (3) Engaging in savings association or credit union activities; or

(B) Constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct entered within ten years before such sale;

(iv) Is subject to an order of the Commission entered pursuant to section 15(b) or 15B(c) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(b) or 78o-4(c)) or section 203(e) or (f) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3(e) or (f)) that, at the time of such sale:

- (A) Suspends or revokes such person's registration as a broker, dealer, municipal securities dealer or investment adviser;
- (B) Places limitations on the activities, functions or operations of such person; or
- (C) Bars such person from being associated with any entity or from participating in the offering of any penny stock;

(v) Is subject to any order of the Commission entered within five years before such sale that, at the time of such sale, orders the person to cease and desist from committing or causing a violation or future violation of:

- (A) Any scienter-based anti-fraud provision of the federal securities laws, including without limitation section 17(a)(1) of the Securities Act of 1933 (15 U.S.C. 77q(a)(1)), section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)) and 17 CFR 240.10b-5, section 15(c)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(c)(1)) and section 206(1) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-6(1)), or any other rule or regulation thereunder; or
- (B) Section 5 of the Securities Act of 1933 (15 U.S.C. 77e).

(vi) Is suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(vii) Has filed (as a registrant or issuer), or was or was named as an underwriter in, any registration statement or Regulation A offering statement filed with the Commission that, within five years before such sale, was the subject of a refusal order, stop order, or order suspending the Regulation A exemption, or is, at the time of such sale, the subject of an investigation or proceeding to determine whether a stop order or suspension order should be issued; or

(viii) Is subject to a United States Postal Service false representation order entered within five years before such sale, or is, at the time of such sale, subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

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RITCHIE BROS. AUCTIONEERS INCORPORATED  
STOCK OPTION ASSUMPTION NOTICE

Dear

As you know, on May 31, 2017 (the "Closing Date") Ritchie Bros. Auctioneers Incorporated ("Ritchie") acquired IronPlanet Holdings, Inc. ("IronPlanet") (the "Merger"), pursuant to the Agreement and Plan of Merger by and among Ritchie, IronPlanet, Topaz Mergersub, Inc. and Fortis Advisors LLC, as the representative of the indemnifying securityholders of IronPlanet, dated as of August 29, 2016 (the "Merger Agreement"). On the Closing Date, you held one or more outstanding options to purchase shares of common stock of IronPlanet (the "IronPlanet Options") set forth on Exhibit A attached hereto (the "Option Schedule"), each of which was granted to you pursuant to the IronPlanet 2015 Stock Plan and/or the IronPlanet, Inc. 1999 Stock Plan, as amended (together, the "Plans") and an applicable stock option agreement and any amendments entered into by and between you and IronPlanet or IronPlanet, Inc. (collectively, the "Option Agreement"). Pursuant to the Merger Agreement, on the Closing Date, Ritchie assumed all obligations of IronPlanet under the unvested portion of your IronPlanet Options.

This Stock Option Assumption Notice (the "Notice") evidences the terms of Ritchie's assumption of the unvested portion of the IronPlanet Options as set forth on the Option Schedule. Prior to the Merger, each IronPlanet Option was documented by the applicable Plan and Option Agreement.

Each IronPlanet Option was assumed by Ritchie as of the Closing Date on the same terms and conditions as prior to the Merger, subject to the following adjustments:

1. Prior to the Merger, the unvested portion of the IronPlanet Option was potentially exercisable, subject to vesting, to acquire up to that number of unvested shares as set forth on the Option Schedule at an exercise price per share as set forth on the Option Schedule. After giving effect to the Merger, each IronPlanet Option is potentially exercisable, subject to vesting, to acquire up to that number of common shares of Ritchie as set forth on the Option Schedule at an exercise price per share as set forth on the Option Schedule. The same vesting schedule shall continue to apply, with the number of shares subject to each tranche of vesting adjusted accordingly.
  2. Unless the context otherwise requires, each reference in the Plan or the Option Agreement to: (i) the "Company" means Ritchie, (ii) "Common Stock" means Ritchie common shares, and (iii) the "Committee" or the "Administrator" initially means the Compensation Committee of the Board of Directors of Ritchie.
  3. The form of exercise notice attached to your Option Agreement is no longer applicable. To exercise your assumed IronPlanet Option, you will need to complete the exercise procedures prescribed by Ritchie's stock option plan administrator, Solium. You will be provided shortly with separate instructions on how to access your Solium account and to exercise your options within the Solium system.
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4. With respect to any IronPlanet Option granted under the 2015 Stock Plan, Ritchie hereby consents, solely for purposes of Section 12 of the Plan and not for any other purpose, to any lawful transfer of the Ritchie common shares acquired upon exercise of the IronPlanet Options.

5. If you were on a leave of absence on the Closing Date, the vesting of any IronPlanet Option is tolled until you rejoin Ritchie or its subsidiaries.

If you have any questions regarding this Notice or your assumed IronPlanet Options, please contact [stock@ironplanet.com](mailto:stock@ironplanet.com).

RITCHIE BROS. AUCTIONEERS INCORPORATED

By:   
Darren Watt  
Corporate Secretary

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**EXHIBIT A**

**OPTION SCHEDULE  
IRONPLANET OPTIONS**

<b>Equity Incentive Plan</b>	<b>Grant Date</b>	<b>Total Number of Shares Subject to IronPlanet Option</b>	<b>Total Number of Unvested IronPlanet Shares Subject to IronPlanet Option</b>	<b>Exercise Price Per Share of IronPlanet Option</b>	<b>Total Number of Unvested Ritchie Shares Subject to New Ritchie Option</b>	<b>Exercise Price Per Share of New Ritchie Option</b>
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**EMPLOYMENT AGREEMENT**

By and Among:

**DOUGLAS P. FEICK**

(the "Executive")

And:

**RITCHIE BROS. AUCTIONEERS (AMERICA) INC.,**  
a corporation incorporated under the laws of Washington (the "Company")

And:

**IRONPLANET INC.,**  
a Delaware corporation (the "Employer")

**WHEREAS:**

- A. The Company, its parent (Ritchie Bros. Auctioneers Incorporated ("Parent")) and the Parent's other subsidiaries (together, the "Group") are in the business of facilitating the exchange, buying, selling and auctioneering of industrial equipment; and
- B. Pursuant to an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), Parent will acquire one hundred percent (100%) of the issued and outstanding capital stock of IronPlanet Holdings, Inc., the parent of the Employer, upon the Closing (as such term is defined in the Merger Agreement); and
- C. The Employer and the Executive wish to continue their employment relationship on the terms and conditions as described in this Agreement, commencing upon, subject to and contingent upon the occurrence of the Closing; and
- D. The Executive's entry into this Agreement is a condition to the Parent's willingness to enter into the Merger Agreement, and the effectiveness of this Agreement in accordance with the terms and conditions hereof as of the Closing is an express condition to the Parent's obligation to consummate the transactions contemplated by the Merger Agreement;

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged by the parties, the Company, the Employer and the Executive agree as follows:

**1. EMPLOYMENT**

- a. Subject to, and from and after the Closing, the Employer agrees to continue to employ the Executive pursuant to the terms and conditions described in this Agreement, including the appendix to this Agreement, and the Executive hereby accepts and agrees to such employment.

- b. Effective as of the Closing, the Executive will (1) have duties and responsibilities that are substantially similar to the Executive's duties and responsibilities with the Employer as of the date hereof, provided that the Executive understands and agrees that his duties and responsibilities following the Closing may be limited to the Employer and may not extend to other members of the Group, (2) have a title determined by the Company in good faith that is consistent with the titles held by substantially similar employees within the Group and (3) report to such individual or individuals as is determined by the Company in good faith and consistent with the Executive's role with the Employer.
- c. The Executive's employment with the Employer in this new role will commence on the date upon which the Closing occurs (the "Commencement Date"), and the Executive's employment hereunder will continue for an indefinite period of time until terminated in accordance with the terms of this Agreement or applicable law (the "Term"). In the event that the Closing does not occur, this Agreement will be null and void and of no force or effect.
- d. During the Term, the Executive will at all times:
  - i. well and faithfully serve the Employer, and act honestly and in good faith in the best interests of the Employer;
  - ii. devote all of the Executive's business time, attention and abilities, and provide his best efforts, expertise, skills and talents, to the business of the Employer, except as may be permitted pursuant to Section 2.b.;
  - iii. adhere to all generally applicable written policies of the Employer, and obey and observe to the best of the Executive's abilities all lawful orders and directives, whether verbal or written, of the Employer's Board of Directors;
  - iv. act lawfully and professionally, and exercise the degree of care, diligence and skill that an executive employee would exercise in comparable circumstances; and
  - v. to the best of the Executive's abilities perform the duties and exercise the responsibilities required of the Executive under this Agreement.

## **2. PRIOR COMMITMENTS AND OUTSIDE ACTIVITIES**

- a. The Executive represents and warrants to the Employer that the Executive has no existing common law, contractual or statutory obligations to a former employer or to any other person that will conflict with the Executive's duties and responsibilities under this Agreement.
- b. During the Term, the Executive will not be engaged directly or indirectly in any outside business activities, whether for profit or not-for-profit, as principal, partner, director, officer, active shareholder, advisor, employee or otherwise, without first having obtained the written permission of the Employer.

## **3. POLICIES**

- a. The Executive agrees to comply with all generally applicable written policies applying to the Employer's staff that may reasonably be issued by the Employer from time to time. The Executive agrees that the introduction, amendment and administration of such generally applicable written policies are within the sole discretion of the Employer. If the Employer introduces, amends or deletes such generally applicable written policies, such introduction, deletion or amendment will not constitute an event of Good Reason, constructive dismissal or breach of this Agreement. If there is a direct conflict between this Agreement and any such policy, this Agreement will prevail to the extent of the inconsistency.

4. **COMPENSATION**

- a. Upon the Commencement Date, and continuing during the Term, the Executive will earn or be eligible for, as the case may be, the following annual compensation, less applicable statutory and regular payroll deductions and withholdings:

<b>Compensation Element</b>	<b>Amount</b>
Annual Base Salary	<b>USD \$310,000 (the "Base Salary")</b>
Annual Short-Term Incentive	<b>50% of Base Salary at Target (the "STI Bonus")</b> (0% - 200% of STI Bonus at Target, based on actual performance)
Annual Long-Term Incentive Grant	<b>Targeted at 100% of Base Salary (the "LTI Grant")</b>

The Employer shall review the Executive's compensation package for increase no less frequently than annually, commencing in 2017. LTI grants are typically made in March of each year.

- b. The structure of the STI Bonus and LTI Grant will be consistent with those granted to the Parent's other executives, and is subject to amendments from time to time by the Employer. Currently, LTI grants for executives are provided as follows:
- i. 50% in stock options, with a maximum ten-year term, with all such options vesting in equal one-third parts after the first, second and third anniversaries of the grant date, subject to continued employment;
  - ii. 50% in performance share units, vesting on the third anniversary of the grant date based on meeting pre-established performance criteria, with the number of share units that ultimately vest ranging from 0% to 200% of target based on actual performance.
- c. The specific terms and conditions for LTI Grants (including but not limited to the provisions upon termination of employment) will be based on the relevant plan documents and may be subject to amendments from time to time by the Parent.
- d. STI will commence in 2017, even if the Commencement Date occurs in 2016. Notwithstanding anything herein to the contrary, the provisions of this Agreement shall not adversely affect the Executive's rights under the 2016 annual bonus plan of the Employer.

- e. The Executive shall be entitled to receive a full LTI grant for the year in which the Commencement Date occurs, regardless of when such date occurs.
- f. Notwithstanding any other provisions in this Agreement to the contrary, the Executive will be subject to any clawback/recoupment policy of the Parent or the Employer in effect from time-to-time, allowing the recovery of incentive compensation previously paid or payable to the Executive in cases of misconduct or material financial restatement, whether pursuant to the requirements of Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of any national securities exchange on which common stock of the Parent is listed, or otherwise.
- g. In the event of a restatement of the financial results of the Parent (other than due to a change in applicable accounting rules or interpretations), the Board of Directors of Parent (the "Parent Board") shall determine whether any performance-based compensation (pursuant to both short-term and long-term incentive compensation plans) paid or awarded to the Executive during the three years preceding such restatement (the "Awarded Compensation"), would have been a lower amount had it been calculated based on such restated financial statement (such lower amount being referred to herein as the "Adjusted Compensation"). If the Board determines that the Awarded Compensation exceeds the Adjusted Compensation, then the Board may demand from the Executive the recovery of any excess of the Awarded Compensation over the Adjusted Compensation, and the Executive shall immediately forfeit and/or repay, as applicable, any such amount.

**5. BENEFITS**

- a. The Executive will be eligible to participate in the Company's US group benefit plans, subject to the terms and conditions of said plans and the applicable policies of the Company and applicable benefits providers. Transition to the Company's US group benefit plan is anticipated to occur within a reasonable time period, but no later than January 1, 2018.

The liability of the Employer with respect to the Executive's employment benefits is limited to the premiums or portions of the premiums the Employer regularly pays on behalf of the Executive in connection with said employee benefits. The Executive agrees that the Employer is not, and will not be deemed to be, the insurer and, for greater certainty, the Employer will not be liable for any decision of a third-party benefits provider or insurer, including any decision to deny coverage or any other decision that affects the Executive's benefits or insurance.

**6. EXPENSES**

- a. The Employer will reimburse the Executive, in accordance with the Employer's policies, for all authorized travel and other out-of-pocket expenses actually and properly incurred by the Executive in the course of carrying out the Executive's duties and responsibilities under this Agreement.

**7. HOURS OF WORK AND OVERTIME**

- a. Given the management nature of the Executive's position, the Executive is required to work additional hours from time to time, and is not eligible for overtime pay. The Executive acknowledges and agrees that the compensation provided under this Agreement represents full compensation for all of the Executive's working hours and services, including overtime.

**8. VACATION**

- a. The Executive will earn up to four (4) weeks (or twenty (20) business days) of paid vacation per annum, pro-rated for any partial year of employment, in accordance with the Employer's vacation policy.
- b. The Executive will take vacation subject to business needs, and in accordance with the Employer's vacation policy in effect from time to time.
- c. Annual vacation must be taken and may not be accrued, deferred or banked without the Employer's written approval, in accordance with the Employer's vacation policy in effect from time to time.

**9. CHANGE OF CONTROL**

- a. In consideration of the Executive's employment by the Employer, the Executive and the Company hereby agree to enter into and execute, contemporaneously with this Agreement, the change of control agreement in **Appendix "A"** to this Agreement (the "Change of Control Agreement").

**10. TERMINATION OF EMPLOYMENT**

- a. Termination for cause: The Employer may terminate the Executive's employment at any time for Cause, after providing Executive with at least 30 days' notice of such proposed termination and 15 days to remedy the alleged defect. In this Agreement, "Cause" means the wilful and continued failure by the Executive to substantially perform, or otherwise properly carry out, the Executive's duties on behalf of Parent or an affiliate, or to follow, in any material respect, the lawful policies, procedures, instructions or directions of the Employer or any applicable affiliate (other than any such failure resulting from the Executive's disability or incapacity due to physical or mental illness), or the Executive wilfully or intentionally engaging in illegal or fraudulent conduct, financial impropriety, intentional dishonesty, breach of duty of loyalty or any similar intentional act which is materially injurious to Parent or an affiliate, or which may have the effect of materially injuring the reputation, business or business relationships of the Employer or an affiliate, or any other act or omission constituting cause for termination of employment without notice or pay in lieu of notice at common law. For the purposes of this definition, no act, or failure to act, on the part of an Executive shall be considered "wilful" unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omissions were in, or not opposed to, the best interests of the Employer and its affiliates.

In the event of termination for Cause, all unvested stock options or other awards granted to the Executive pursuant to the terms of the Parent's Stock Option Plan (the "Option Plan") will immediately be void on the date the Employer notifies the Executive of such termination.

In the event of termination for Cause, the rights of the Executive with respect to any performance share units ("PSUs") granted pursuant to the Parent's Performance Share Unit Plan (the "PSU Plan") will be governed pursuant to the PSU Plan.

- b. Termination for Good Reason: The Executive may terminate his employment with the Employer for Good Reason by delivery of written notice to the Employer within the sixty (60) day period commencing upon the occurrence of Good Reason including the basis for such Good Reason (with such termination effective thirty (30) days after such written notice is delivered to the Employer and only in the event that the Employer fails or is unable to cure such Good Reason within such thirty (30) day period). In the event of a termination of the Executive's employment for Good Reason, the Executive will receive pay and benefits as if terminated by the Employer without Cause under Section 10 c., below, and the termination shall be regarded as a termination without Cause for purposes of the Option Plan and the PSU Plan. In this Agreement, "Good Reason" means a material adverse change by Parent or an affiliate, without the Executive's consent, to (1) the Executive's position, authority, duties and responsibilities as in effect immediately following the Commencement Date, (2) a relocation of the Executive's current place of employment by more than fifty miles, or (3) a material reduction in the Base Salary or in the potential short-term or long-term incentive bonus the Executive is eligible to earn, but does not include (a) any changes that are made to the Executive's title, duties, authorities, responsibilities, reporting structure, signing authority or other terms and conditions of employment in connection with the Closing or related integration matters, so long as such changes are in accordance with Section 1.b. of this Agreement, (b) a change in the Executive's duties and/or responsibilities arising from a change in the scope or nature of the Parent's business operations, provided such change does not materially and adversely affect the Executive's position or authority, or (c) any across the board change to compensation affecting similar executives in a similar fashion.
- c. Termination without Cause: The Employer may terminate the Executive's employment at any time, without Cause and, in the event of such a termination shall provide the Executive with the following:
- i. Six (6) months' continued payment of the Executive's Base Salary and an amount equal to 50% of the STI Bonus at Target, plus an additional one (1) months' Base Salary and 12% of the STI Bonus at Target per year of service up to a maximum of twelve (12) months' Base Salary and 100% of the STI Bonus at Target (paid ratably over the applicable period in accordance with the Employer's payroll practices);
  - ii. continuation of all applicable PSU rights held by the Executive in accordance with the PSU grant agreement, and the terms and conditions of the PSU Plan;
  - iii. immediate accelerated vesting of all unvested stock options, with the Executive having 90 days from the date of termination to exercise such options, subject to the terms and conditions of the Option Plan and the applicable individual option agreements; and
  - iv. continued extended health and dental benefits coverage at active employee rates until the earlier of the first anniversary of the termination of the Executive's employment or the date on which the Executive begins new full-time employment.

For purposes of calculating the severance payment described in this section, the Employer shall honor the Executive's time of service dating from the original date of employment with the Employer, as opposed to the Commencement Date.

- d. Resignation: The Executive may terminate his employment with the Employer at any time by providing the Employer with one (1) month's notice in writing to that effect. If the Executive provides the Employer with written notice under this Section, the Employer may waive such notice, in whole or in part, in which case the Employer will pay the Executive the Base Salary only for the amount of time elapsed in that notice period and the Executive's employment will terminate on the earlier date specified by the Employer without any further compensation.

In the event of termination by the Executive as provided in this section 10.d., all unvested stock options held by the Executive will immediately be void on the termination date of the Executive's employment, with the Executive having 90 days from said date to exercise any vested stock options held by the Executive. The rights of the Executive with respect to any PSUs will be as set forth in the PSU Plan with respect to termination by the Executive.

- e. Retirement: In the event of the Executive's retirement, as defined by the Employer's policies, all unvested stock options will continue to vest according to their initial grant schedules and will remain exercisable up to the earlier of the original grant expiry date and the third anniversary of the date of retirement; provided, however, that for purposes of any award subject to Section 409A (as defined below), any termination (other than a termination for cause) after Executive's attainment of retirement age shall be governed by the retirement provisions of such award.

PSUs will continue to vest and be paid in accordance with the original grant schedule applicable thereto.

- f. Termination Without Cause or Good Reason Following Change of Control: In the event of Termination without Cause or for Good Reason within one (1) year of a change of control of Parent or the Company, the Executive will have, in lieu of any rights to severance payments or benefits hereunder, the rights set forth in the Change of Control Agreement.
- g. Deductions and withholdings: All payments under this Section are subject to applicable statutory and regular payroll deductions and withholdings as applicable.
- h. Terms of Payment upon Termination: Upon termination of the Executive's employment, for any reason:
- i. Subject to Section 10 d. and except as limited by Section 10 h.ii., the Employer will pay the Executive all earned and unpaid Base Salary, earned and unpaid vacation pay, earned and unpaid STI for a preceding year (if any remains unpaid), and, subject to the next subparagraph, a prorated STI Bonus for the year of termination (at the target level of performance), up to and including the Executive's last day of active employment with the Employer (the "Termination Date"), with such payment to be made within five (5) business days of the effectiveness of the Release.
  - ii. In the event of resignation by the Executive or termination of the Executive's employment for Cause, no pro-rated STI Bonus for the year of termination will be payable to the Executive; and
  - iii. On the Termination Date, or as otherwise directed by the Board, the Executive will immediately deliver to the Employer all files, computer disks, Confidential Information, information and documents pertaining to the Employer's Business, and all other property of the Employer that is in the Executive's possession or control, without making or retaining any copy, duplication or reproduction of such files, computer disks, Confidential Information, information or documents without the Employer's express written consent.
- i. Other than as expressly provided herein, the Executive will not be entitled to receive any further pay or compensation, severance pay, notice, payment in lieu of notice, incentives, bonuses, benefits, rights and damages of any kind. The Executive acknowledges and agrees that, in the event of a payment under Section 10b. or Section 10 c. of this Agreement, the Executive will not be entitled to any other payment in connection with the termination of the Executive's employment.

- j. Notwithstanding the foregoing, in the event of a termination without Cause or termination for Good Reason, the Employer will not be required to pay any Base Salary or STI Bonus or provide any additional equity vesting to the Executive beyond that earned by the Executive up to and including the Termination Date, unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the "Release") of any and all claims that the Executive has against the Employer or its affiliates and such entities' past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Employer acting in good faith, provided, however, that the payments and benefits shall not be made or provided prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payments and benefits shall not be made or provided until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.
- k. Notwithstanding any changes in the terms and conditions of the Executive's employment which may occur in the future, including any changes in position, duties or compensation, the termination provisions in this Agreement will continue to be in effect for the duration of the Executive employment with the Employer unless otherwise amended in writing and signed by the Employer.
- l. Agreement authorizing payroll deductions: If, on the date the employment relationship ends, regardless of the reason, the Executive owes the Employer any money (whether pursuant to an advance, overpayment, debt, error in payment, or any other reason), the Executive hereby authorizes the Employer to deduct any such debt amount from the Executive's salary, severance or any other payment due to the Executive (to the extent permissible by applicable law including without limitation Section 409A (as defined below)). Any remaining debt will be immediately payable to the Employer and the Executive agrees to satisfy such debt within 14 days of the Termination Date or any demand for repayment.

**11. SHARE OWNERSHIP REQUIREMENTS**

- a. The Executive will be subject to the Parent's share ownership guideline policy, as amended from time to time.

**12. CONFIDENTIAL INFORMATION**

- a. In this Agreement "Confidential Information" means information proprietary to Parent, the Company, the Employer or their affiliates (collectively, the "Parent Entities") that is not publically known or available, including but not limited to personnel information, customer information, supplier information, contractor information, pricing information, financial information, marketing information, business opportunities, technology, research and development, manufacturing and information relating to intellectual property, owned, licensed, or used by the Parent Entities or in which the Parent Entities otherwise have an interest, and includes Confidential Information created by the Executive in the course of his employment, jointly or alone. The Executive acknowledges that the Confidential Information is the exclusive property of the Parent Entities.

- b. The Executive agrees at all times during the Term and after the Term, to hold the Confidential Information in strictest confidence and not to disclose it to any person or entity without written authorization from the Employer and the Executive agrees not to copy or remove it from the Employer's premises except in pursuit of the Employer's business, or to use or attempt to use it for any purpose other than the performance of the Executive's duties on behalf of the Employer.
- c. The Executive agrees, at all times during and after the Term, not use or take advantage of the Confidential Information for creating, maintaining or marketing, or aiding in the creation, maintenance, marketing or selling, of any products and/or services which are competitive with the products and services of the Parent Entities.
- d. Upon the request of the Employer, and in any event upon the termination of the Executive's employment with the Employer, the Executive will immediately return to the Employer all materials, including all copies in whatever form containing the Confidential Information which are within the Executive's possession or control.

**13. INVENTIONS**

- a. In this Agreement, "Invention" means any invention, improvement, method, process, advertisement, concept, system, apparatus, design or computer program or software, system or database.
- b. The Executive acknowledges and agrees that every Invention which the Executive may, at any time during the terms of his employment with the Employer or its affiliates, make, devise or conceive, individually or jointly with others, whether during the Employer's business hours or otherwise, and which relates in any manner to the Employer's business will belong to, and be the exclusive property of the Employer, and the Executive will make full and prompt disclosure to the Employer of every such Invention. The Executive hereby irrevocably waives all moral rights that the Executive may have in every such Invention.
- c. The Executive undertakes to, and hereby does, assign to the Employer, or its nominee, every such Invention and to execute all assignments or other instruments and to do any other things necessary and proper to confirm the Employer's right and title in and to every such Invention. The Executive further undertakes to perform all proper acts within his power necessary or desired by the Employer to obtain letters patent in the name of the Employer and at the Employer's expense for every such Invention in whatever countries the Employer may desire, without payment by the Employer to the Executive of any royalty, license fee, price or additional compensation.
- d. The Executive acknowledges that all original works of authorship which are made by the Executive (solely or jointly with others) within the scope of the Executive's employment and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

**14. NON-SOLICITATION**

- a. The Executive acknowledges that in the course of the Executive's employment with the Employer the Executive will develop close relationships with the Employer's clients, customers and employees, and that the Employer's goodwill depends on the development and maintenance of such relationships. The Executive acknowledges that the preservation of the Employer's goodwill and the protection of its relationships with its customers and employees are proprietary rights that the Employer is entitled to protect.

- b. The Executive will not during the Applicable Period (as defined below), whether individually or in partnership or jointly or in conjunction with any person or persons, as principal, agent, shareholder, director, officer, employee or in any other manner whatsoever:
  - i. solicit any client or customer of any Parent Entity with whom the Executive dealt during the twelve (12) months immediately prior to the termination of the Executive's employment with the Employer (however caused) for the purposes of (a) causing or trying to cause such client or customer to cease doing business with a Parent Entity or to reduce such business with a Parent Entity by diverting it elsewhere or (b) providing products or services that are the same as or competitive with the business of the Employer or an affiliate in the area of facilitating the exchange of industrial equipment; or
  - ii. seek in any way to solicit, engage, persuade or entice, or attempt to solicit, engage, persuade or entice any employee of a Parent Entity, to leave his or her employment with the Parent Entity.

The "Applicable Period" means twelve (12) months following termination, regardless of the reason for such termination or the party effecting it.

#### **15. NON-COMPETITION**

The Executive agrees that, without the prior written consent of the Employer, the Executive will not, directly or indirectly, in a capacity similar to that of the Executive with the Employer, carry on, be engaged in, be concerned with or interested in, perform services for, or be employed in a business which is the same as or competitive with the business of the Employer in the area of facilitating the exchange of industrial equipment, or in the area of the buying, selling or auctioning of industrial equipment, either individually or in partnership or jointly or in conjunction with any person as principal, agent, employee, officer or shareholder. The foregoing restriction will be in effect for a period of twelve (12) months following the termination of the Executive's employment, regardless of the reason for such termination or the party effecting it, within the geographical area of Canada and the United States.

#### **16. REMEDIES FOR BREACH OF RESTRICTIVE COVENANTS**

- a. The Executive acknowledges that the restrictions contained in Sections 10 h. iii., 12, 13, 14 and 15 of this Agreement are, in view of the nature of the Employer's business, reasonable and necessary in order to protect the legitimate interests of the Employer and that any violation of those Sections would result in irreparable injuries and harm to the Employer, and that damages alone would be an inadequate remedy.
- b. The Executive hereby agrees that the Employer will be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach or recurrence of a breach of this Agreement and that the Employer will be entitled to its reasonable legal costs and expenses, including but not limited to its attorneys' fees, incurred in properly enforcing a provision of this Agreement.

- c. Nothing contained herein will be construed as a waiver of any of the rights that the Employer may have for damages or otherwise.
- d. The Executive and the Employer expressly agree that the provisions of Sections 10 g. iii., 12, 13, 14, 15 and 22 of this Agreement will survive the termination of the Executive's employment for any reason.

**17. GOVERNING LAW**

This Agreement will be governed by the laws of the State of Washington, without reference to that state's conflicts of laws rules.

**18. SEVERABILITY**

- a. All sections, paragraphs and covenants contained in this Agreement are severable, and in the event that any of them will be held to be invalid, unenforceable or void by a court of a competent jurisdiction, such sections, paragraphs or covenants will be severed and the remainder of this Agreement will remain in full force and effect.

**19. ENTIRE AGREEMENT**

- a. This Agreement, including the Appendix, and any other documents referenced herein, contains the complete agreement concerning the Executive's employment by the Employer and will, as of the Commencement Date, supersede any and all other employment agreements between the parties, including, without limitation, the Executive's Employment Agreement with Employer, dated as of February 15, 2016.
- b. The parties agree that there are no other contracts or agreements between them, and that neither of them has made any representations, including but not limited to negligent misrepresentations, to the other except such representations as are specifically set forth in this Agreement, and that any statements or representations that may previously have been made by either of them to the other have not been relied on in connection with the execution of this Agreement and are of no effect.
- c. No waiver, amendment or modification of this Agreement or any covenant, condition or restriction herein contained will be valid unless executed in writing by each of the parties hereto, with the exception of those modifications expressly permitted within this Agreement. Should the parties agree to waive, amend or modify any provision of this Agreement, such waiver, amendment or modification will not affect the enforceability of any other provision of this Agreement. Notwithstanding the foregoing, the Employer may unilaterally amend the provisions of Section 10 c. relating to provision of certain health benefits following termination of employment to the extent the Employer deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Employer or any of its Affiliates, including, without limitation, under Section 4980D of the U.S. Internal Revenue Code.

**20. CONSIDERATION**

- a. The parties acknowledge and agree that this Agreement has been executed by each of them in consideration of the mutual promises and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged. The parties hereby waive any and all defenses relating to an alleged failure or lack of consideration in connection with this Agreement.

**21. INTERPRETATION**

Headings are included in this Agreement for convenience of reference only and do not form part of this Agreement.

**22. DISPUTE RESOLUTION**

In the event of a dispute arising out of or in connection with this Agreement, or in respect of any legal relationship associated with it or from it, which does not involve the Employer seeking a court injunction or other injunctive or equitable relief to protect its business, confidential information or intellectual property, that dispute will be resolved in strict confidence as follows:

- a. Amicable Negotiation: The parties agree that, both during and after the performance of their responsibilities under this Agreement, each of them will make *bona fide* efforts to resolve any disputes arising between them via amicable negotiations;
- b. Arbitration: If the parties have been unable to resolve a dispute for more than 90 days, or such other period agreed to in writing by the parties, either party may refer the dispute for final and binding arbitration by providing written notice to the other party. If the parties cannot agree on an arbitrator within thirty (30) days of receipt of the notice to arbitrate, then either party may make application to the American Arbitration Association (the "AAA") to appoint one. The arbitration will be held in Seattle, Washington in accordance with the AAA's rules, and each party will bear its own costs, including one-half share of the arbitrator's fees.

**23. ENUREMENT**

- a. The provisions of this Agreement will enure to the benefit of and be binding upon the parties, their heirs, executors, personal legal representatives and permitted assigns, and related companies.
- b. This Agreement may be assigned by the Employer in its discretion, in which case the assignee shall become the Employer for purposes of this Agreement. This Agreement will not be assigned by the Executive.

**24. EFFECT OF SECTION 409A**

- a. Payments and benefits provided under or referenced in this Agreement are intended to be designed in such a manner that they are either exempt from the application of, or comply with, the requirements of, Section 409A of the U.S. Internal Revenue Code and the regulations issued thereunder (collectively, as in effect from time to time, "Section 409A") and shall be construed, administered and interpreted in accordance with such intention. If, as of the date of the Executive's termination, the Executive is a "specified employee" within the meaning of Section 409A, then to the extent necessary to comply with Section 409A and to avoid the imposition of taxes and/or penalties under Section 409A, payment to the Executive of any amount or benefit under this Agreement or any other Employer plan, program or agreement that constitutes "nonqualified deferred compensation" under Section 409A and which under the terms of this Agreement or any other Employer plan, program or arrangement would otherwise be payable as a result of and within six (6) months following such termination shall be delayed, as provided under current regulatory requirements under Section 409A, until the earlier of (i) five (5) days after the Employer receives notification of the Executive's death or (ii) the first business day of the seventh month following the date of the Executive's termination.

- b. Any payment or benefit under this Agreement or any other Employer plan, program or agreement that is payable upon a termination of the Executive's employment shall only be paid or provided to the Executive upon a "separation from service" within the meaning of Section 409A. If the Executive or the Employer determine that any payment, benefit, distribution, deferral election, or any other action or arrangement contemplated by the provisions of this Agreement or any other Employer plan, program or agreement would, if undertaken or implemented, cause the Executive to become subject to taxes and/or penalties under Section 409A, then such payment, benefit, distribution, deferral election or other action or arrangement shall not be given effect to the extent it causes such result and the related provisions of this Agreement or other Employer plan, program or agreement will be deemed modified in order to provide the Executive with the intended economic benefit and comply with the requirements of Section 409A.
- c. Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate and distinct payments.
- d. With regard to any provision in this Agreement that provides for reimbursement of expenses or in-kind benefits, except for any expense, reimbursement or in-kind benefit provided pursuant to this Agreement that does not constitute a "deferral of compensation," within the meaning of Section 409A, (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (ii) such payments shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

**Dated** this 29<sup>th</sup> day of August, 2016.

[Signature Page Follows]

Signed, Sealed and Delivered by  
Douglas P. Feick in the  
presence of:  
\_\_\_\_\_  
Name  
\_\_\_\_\_  
3880 Hulen Street  
Address  
\_\_\_\_\_  
Fort Worth, TX  
\_\_\_\_\_  
\_\_\_\_\_  
HR Generalist  
Occupation

)  
)  
)  
) /s/ Douglas P. Feick  
\_\_\_\_\_  
) **Douglas P. Feick**

**RITCHIE BROS. AUCTIONEERS (AMERICA) INC.**

Per: /s/ Todd Wohler  
Authorized Signatory

**IRONPLANET INC.**

Per: /s/ Tamara Polk  
Authorized Signatory

APPENDIX "A"

CHANGE OF CONTROL AGREEMENT

THIS AGREEMENT executed on the 29<sup>th</sup> day of August, 2016.

BETWEEN:

**RITCHIE BROS. AUCTIONEERS (AMERICA) INC.,**  
a corporation incorporated under the laws of Washington

(the "**Company**")

AND:

**Douglas P. Feick**

(the "**Executive**")

WITNESSES THAT WHEREAS:

- A. The Executive is an executive of the Company or a subsidiary of the Company and the Parent Company (as defined below) and is considered by the Board of Directors of the Parent Company (the "Board") to be a vital employee with special skills and abilities, and will be well-versed in knowledge of the Company's business and the industry in which it is engaged;
- B. The Board recognizes that it is essential and in the best interests of the Company and its shareholders that the Company retain and encourage the Executive's continuing service and dedication to their office and employment without distraction caused by the uncertainties, risks and potentially disturbing circumstances that could arise from a possible change in control of the Parent Company;
- C. The Board further believes that it is in the best interests of the Company and its shareholders, in the event of a change of control of the Parent Company, to maintain the cohesiveness of the Company's senior management team so as to ensure a successful transition, maximize shareholder value and maintain the performance of the Company;
- D. The Board further believes that the service of the Executive to the Company requires that the Executive receive fair treatment in the event of a change in control of the Parent Company; and
- E. In order to induce the Executive to remain in the employ of the Company notwithstanding a possible change of control, the Company has agreed to provide to the Executive certain benefits in the event of a change of control.

NOW THEREFORE in consideration of the premises and the covenants herein contained on the part of the parties hereto and in consideration of the Executive continuing in office and in the employment of the Company, the Company and the Executive hereby covenant and agree as follows:

## 1. Definitions

In this Agreement,

- (a) "Agreement" means this agreement as amended or supplemented in writing from time to time;
- (b) "Annual Base Salary" means the annual salary payable to the Executive by the Company from time to time, but excludes any bonuses and any director's fees paid to the Executive by the Company;
- (c) "STI Bonus" means the annual at target short-term incentive bonus the Executive is eligible to earn under the Employment Agreement, in accordance with the short-term incentive bonus plan;
- (d) "Change of Control" means:
  - (i) a Person, or group of Persons acting jointly or in concert, acquiring or accumulating beneficial ownership of more than 50% of the Voting Shares of the Parent Company;
  - (ii) a Person, or Group of Persons acting jointly or in concert, holding at least 25% of the Voting Shares of the Parent Company and being able to change the composition of the Board of Directors by having the Person's, or Group of Persons', nominees elected as a majority of the Board of Directors of the Parent Company;
  - (iii) the arm's length sale, transfer, liquidation or other disposition of all or substantially all of the assets of the Parent Company, over a period of one year or less, in any manner whatsoever and whether in one transaction or in a series of transactions or by plan of arrangement; or
  - (iv) a reorganization, merger or consolidation or sale or other disposition of substantially all the assets of the Company (a "Business Combination"), unless following such Business Combination the Parent Company beneficially owns all or substantially all of the Company's assets either directly or through one or more subsidiaries.
- (e) "Date of Termination" means the date when the Executive ceases to actively provide services to the Company, or the date when the Company instructs him to stop reporting to work;
- (f) "Employment Agreement" means the employment agreement between the Company and the Executive dated August 29, 2016;
- (g) "Good Reason" means either:
  - (i) Good Reason as defined in the Employment Agreement; or
  - (ii) the failure of the Company to obtain from a successor to all or substantially all of the business or assets of the Parent Company, the successor's agreement to continue to employ the Executive on substantially similar terms and conditions as contained in the Employment Agreement;
- (h) "Cause" has the meaning defined in the Employment Agreement.

- (i) "Parent Company" means Ritchie Bros. Auctioneers Incorporated.
- (j) "Person" includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative and any national, provincial, state or municipal government; and
- (k) "Voting Shares" means any securities of the Parent Company ordinarily carrying the right to vote at elections for directors of the Board, provided that if any such security at any time carries the right to cast more than one vote for the election of directors, such security will, when and so long as it carries such right, be considered for the purposes of this Agreement to constitute and be such number of securities of the Parent Company as is equal to the number of votes for the election of directors that may be cast by its holder.

**2. Scope of Agreement**

- (a) The parties intend that this Agreement set out certain of their respective rights and obligations in certain circumstances upon or after Change of Control as set out in this Agreement.
- (b) This Agreement does not purport to provide for any other terms of the Executive's employment with the Company or to contain the parties' respective rights and obligations on the termination of the Executive's employment with the Company in circumstances other than those upon or after Change of Control as set out in this Agreement.
- (c) Where there is any conflict between this Agreement and (i) the Employment Agreement, or (ii) a Company plan or policy relating to compensation or executive programs, the terms of this Agreement will prevail.

**3. Compensation Upon or After Change of Control**

- (a) If the Executive's employment with the Company is terminated (i) by the Company without Cause upon a Change of Control or within two years following a Change of Control; or (ii) by the Executive for Good Reason upon a Change of Control or within one (1) year following a Change of Control:
  - (i) the Company will pay to the Executive a lump sum cash amount equal to the aggregate of:
    - A. one and one-half (1.5) times Base Salary;
    - B. one and one-half (1.5) times at-target STI Bonus;
    - C. one and one-half (1.5) times the annual premium cost that would be incurred by the Company to continue to provide to the Executive all health, dental and life insurance benefits provided to the Executive immediately before the Date of Termination;
    - D. the earned and unpaid Base Salary and vacation pay to the Date of Termination; and

- E. an amount calculated by dividing by 365 the Executive's target bonus under the STI Bonus for the fiscal year in which the Date of Termination occurs, and multiplying that number by the number of days completed in the fiscal year as of the Date of Termination.
  - (ii) the Executive will continue to have all rights under the Stock Option Plan of the Company adopted by the Board as of July 31, 1997 and amended and re-stated as of April 13, 2007 (the "Option Plan"), and under option agreements entered into in accordance with the Option Plan, with respect to options granted on or before the Date of Termination (including any options granted upon the commencement of employment as part of any sign-on grant), as if the Executive's employment had been terminated by the Company without cause; and
  - (iii) the Executive will continue to have all rights held by the Executive pursuant to the Company's Performance Share Unit Plan (the "PSU Plan") , and under any and all grant agreements representing performance share units granted under the PSU Plan, granted on or before the Change of Control.
- (b) All amounts payable pursuant to this section 3 are subject to required statutory deductions and withholdings.
  - (c) No such payment pursuant to this Section 3 shall be made unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the "Release") of any and all claims that the Executive has against the Company or its affiliates and such entities' past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Company, provided, however, that the payment shall not occur prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payment shall not be made until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.

#### **4. Binding on Successors**

- (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by agreement in favor of the Executive and in form and substance satisfactory to the Executive, to expressly assume and agree to perform all the obligations of the Company under this Agreement that would be required to be observed or performed by the Company pursuant to section 3. As used in this Agreement, "Company" means the Company and any successor to its business or assets as aforesaid which executes and delivers the agreement provided for in this section or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.
- (b) This Agreement will enure to the benefit of and be enforceable by the Executive's successors and legal representatives but otherwise it is not assignable by the Executive.

**5. No Obligation to Mitigate; No Other Agreement**

- (a) The Executive is not required to mitigate the amount of any payment or benefit provided for in this Agreement, or any damages resulting from a failure of the Company to make any such payment or to provide any such benefit, by seeking other employment, taking early retirement, or otherwise, nor, except as expressly provided in this Agreement, will the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as a result of taking early retirement, employment by another employer after termination or otherwise.
- (b) The Executive represents and warrants to the Company that the Executive has no agreement or understanding with the Company in respect of the subject matters of this Agreement, except as set out in this Agreement.

**6. Exhaustive Compensation; Incorporation by Reference**

The Executive agrees with and acknowledges to the Company that the compensation provided for under section 3 of this Agreement is all the compensation payable by the Company to the Executive in relation to a Change of Control, or the Executive's termination from employment upon or subsequent to a Change of Control, under the circumstances provided for in this Agreement. The Executive further agrees and acknowledges that in the event of payment under section 3 of this Agreement, he will not be entitled to any termination payments or benefits under the Employment Agreement. The provisions of section 24 of the Employment Agreement are hereby incorporated by reference into this Agreement. In addition, to the extent the payment of any amounts under Section 3 hereof upon the schedule set forth therein would cause a violation of Internal Revenue Code Section 409A, such payments will be delayed until the earliest date upon which the payment can be made without resulting in such a violation.

**7. Amendment and Waiver**

No amendment or waiver of this Agreement will be binding unless executed in writing by the parties to be bound by this Agreement.

**8. Choice of Law**

This Agreement will be governed and interpreted in accordance with the laws of the State of Washington, which will be the proper law hereof. All disputes and claims will be referred to the state or federal courts of King County, Washington, which will have jurisdiction, but not exclusive jurisdiction, and each party hereby submits to the non-exclusive jurisdiction of such courts.

**9. Severability**

If any section, subsection or other part of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, such invalid or unenforceable section, subsection or part will be severable and severed from this Agreement, and the remainder of this Agreement will not be affected thereby but remain in full force and effect.

**10. Notices**

Any notice or other communication required or permitted to be given hereunder must be in writing and given by facsimile or other means of electronic communication, or by hand-delivery, as hereinafter provided. Any such notice or other communication, if sent by facsimile or other means of electronic communication or by hand delivery, will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address will also be governed by this section. Notices and other communications will be addressed as follows:

if to the Executive:

3921 Wentwood Drive

Address

Dallas, TX

dougfeick@gmail.com

E-mail

(a) if to the Company:

9500 Glenlyon Parkway  
Burnaby, British Columbia V5J 0C6  
Attention: Corporate Secretary  
Facsimile: (778) 331-5501

[Signature Page Follows]

**11. Copy of Agreement**

The Executive hereby acknowledges receipt of a copy of this Agreement executed by the Company.

**RITCHIE BROS. AUCTIONEERS (AMERICA) INC.**

By: /s/ Todd Wohler

Name: Todd Wohler

**Signed, Sealed and Delivered by** )  
**Douglas P. Feick** in the )  
presence of: )

Diego Mantalvo )  
Name )

/s/ Douglas P. Feick )  
**Douglas P. Feick** )

3880 Hulen Street )  
Address )

Fort Worth, TX )

HR Generalist )  
Occupation )

**EMPLOYMENT AGREEMENT**

By and Among:

**JAMES J. JETER**

(the "Executive")

And:

**RITCHIE BROS. AUCTIONEERS (AMERICA) INC.,**  
a corporation incorporated under the laws of Washington (the "Company")

And:

**IRONPLANET INC.,**  
a Delaware corporation (the "Employer")

**WHEREAS:**

- A. The Company, its parent (Ritchie Bros. Auctioneers Incorporated ("Parent")) and the Parent's other subsidiaries (together, the "Group") are in the business of facilitating the exchange, buying, selling and auctioneering of industrial equipment; and
- B. Pursuant to an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), Parent will acquire one hundred percent (100%) of the issued and outstanding capital stock of IronPlanet Holdings, Inc., the parent of the Employer, upon the Closing (as such term is defined in the Merger Agreement); and
- C. The Employer and the Executive wish to continue their employment relationship on the terms and conditions as described in this Agreement, commencing upon, subject to and contingent upon the occurrence of the Closing; and
- D. The Executive's entry into this Agreement is a condition to the Parent's willingness to enter into the Merger Agreement, and the effectiveness of this Agreement in accordance with the terms and conditions hereof as of the Closing is an express condition to the Parent's obligation to consummate the transactions contemplated by the Merger Agreement;

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged by the parties, the Company, the Employer and the Executive agree as follows:

**1. EMPLOYMENT**

- a. Subject to, and from and after the Closing, the Employer agrees to continue to employ the Executive pursuant to the terms and conditions described in this Agreement, including the appendix to this Agreement, and the Executive hereby accepts and agrees to such employment.

- b. Effective as of the Closing, the Executive will (1) have duties and responsibilities that are substantially similar to the Executive's duties and responsibilities with the Employer as of the date hereof, provided that the Executive understands and agrees that his duties and responsibilities following the Closing may be limited to the Employer and may not extend to other members of the Group, (2) have a title determined by the Company in good faith that is consistent with the titles held by substantially similar employees within the Group and (3) report to such individual or individuals as is determined by the Company in good faith and consistent with the Executive's role with the Employer.
- c. The Executive's employment with the Employer in this new role will commence on the date upon which the Closing occurs (the "Commencement Date"), and the Executive's employment hereunder will continue for an indefinite period of time until terminated in accordance with the terms of this Agreement or applicable law (the "Term"). In the event that the Closing does not occur, this Agreement will be null and void and of no force or effect.
- d. During the Term, the Executive will at all times:
  - i. well and faithfully serve the Employer, and act honestly and in good faith in the best interests of the Employer;
  - ii. devote all of the Executive's business time, attention and abilities, and provide his best efforts, expertise, skills and talents, to the business of the Employer, except as may be permitted pursuant to Section 2.b.;
  - iii. adhere to all generally applicable written policies of the Employer, and obey and observe to the best of the Executive's abilities all lawful orders and directives, whether verbal or written, of the Employer's Board of Directors;
  - iv. act lawfully and professionally, and exercise the degree of care, diligence and skill that an executive employee would exercise in comparable circumstances; and
  - v. to the best of the Executive's abilities perform the duties and exercise the responsibilities required of the Executive under this Agreement.

## **2. PRIOR COMMITMENTS AND OUTSIDE ACTIVITIES**

- a. The Executive represents and warrants to the Employer that the Executive has no existing common law, contractual or statutory obligations to a former employer or to any other person that will conflict with the Executive's duties and responsibilities under this Agreement.
- b. During the Term, the Executive will not be engaged directly or indirectly in any outside business activities, whether for profit or not-for-profit, as principal, partner, director, officer, active shareholder, advisor, employee or otherwise, without first having obtained the written permission of the Employer.

## **3. POLICIES**

- a. The Executive agrees to comply with all generally applicable written policies applying to the Employer's staff that may reasonably be issued by the Employer from time to time. The Executive agrees that the introduction, amendment and administration of such generally applicable written policies are within the sole discretion of the Employer. If the Employer introduces, amends or deletes such generally applicable written policies, such introduction, deletion or amendment will not constitute an event of Good Reason, constructive dismissal or breach of this Agreement. If there is a direct conflict between this Agreement and any such policy, this Agreement will prevail to the extent of the inconsistency.

**4. COMPENSATION**

- a. Upon the Commencement Date, and continuing during the Term, the Executive will earn or be eligible for, as the case may be, the following annual compensation, less applicable statutory and regular payroll deductions and withholdings:

<b>Compensation Element</b>	<b>Amount</b>
Annual Base Salary	<b>USD \$365,000 (the "Base Salary")</b>
Annual Short-Term Incentive	<b>60% of Base Salary at Target (the "STI Bonus")</b> (0% - 200% of STI Bonus at Target, based on actual performance)
Annual Long-Term Incentive Grant	<b>Targeted at 100% of Base Salary (the "LTI Grant")</b>

The Employer shall review the Executive's compensation package for increase no less frequently than annually, commencing in 2017. LTI grants are typically made in March of each year.

- b. The structure of the STI Bonus and LTI Grant will be consistent with those granted to the Parent's other executives, and is subject to amendments from time to time by the Employer. Currently, LTI grants for executives are provided as follows:
  - i. 50% in stock options, with a maximum ten-year term, with all such options vesting in equal one-third parts after the first, second and third anniversaries of the grant date, subject to continued employment;
  - ii. 50% in performance share units, vesting on the third anniversary of the grant date based on meeting pre-established performance criteria, with the number of share units that ultimately vest ranging from 0% to 200% of target based on actual performance.
- c. The specific terms and conditions for LTI Grants (including but not limited to the provisions upon termination of employment) will be based on the relevant plan documents and may be subject to amendments from time to time by the Parent.
- d. STI will commence in 2017, even if the Commencement Date occurs in 2016. Notwithstanding anything herein to the contrary, the provisions of this Agreement shall not adversely affect the Executive's rights under the 2016 annual bonus plan of the Employer.

- e. The Executive shall be entitled to receive a full LTI grant for the year in which the Commencement Date occurs, regardless of when such date occurs.
- f. Notwithstanding any other provisions in this Agreement to the contrary, the Executive will be subject to any clawback/recoupment policy of the Parent or the Employer in effect from time-to-time, allowing the recovery of incentive compensation previously paid or payable to the Executive in cases of misconduct or material financial restatement, whether pursuant to the requirements of Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of any national securities exchange on which common stock of the Parent is listed, or otherwise.
- g. In the event of a restatement of the financial results of the Parent (other than due to a change in applicable accounting rules or interpretations), the Board of Directors of Parent (the "Parent Board") shall determine whether any performance-based compensation (pursuant to both short-term and long-term incentive compensation plans) paid or awarded to the Executive during the three years preceding such restatement (the "Awarded Compensation"), would have been a lower amount had it been calculated based on such restated financial statement (such lower amount being referred to herein as the "Adjusted Compensation"). If the Board determines that the Awarded Compensation exceeds the Adjusted Compensation, then the Board may demand from the Executive the recovery of any excess of the Awarded Compensation over the Adjusted Compensation, and the Executive shall immediately forfeit and/or repay, as applicable, any such amount.

**5. BENEFITS**

- a. The Executive will be eligible to participate in the Company's US group benefit plans, subject to the terms and conditions of said plans and the applicable policies of the Company and applicable benefits providers. Transition to the Company's US group benefit plan is anticipated to occur within a reasonable time period, but no later than January 1, 2018.

The liability of the Employer with respect to the Executive's employment benefits is limited to the premiums or portions of the premiums the Employer regularly pays on behalf of the Executive in connection with said employee benefits. The Executive agrees that the Employer is not, and will not be deemed to be, the insurer and, for greater certainty, the Employer will not be liable for any decision of a third-party benefits provider or insurer, including any decision to deny coverage or any other decision that affects the Executive's benefits or insurance.

**6. EXPENSES**

- a. The Employer will reimburse the Executive, in accordance with the Employer's policies, for all authorized travel and other out-of-pocket expenses actually and properly incurred by the Executive in the course of carrying out the Executive's duties and responsibilities under this Agreement.

**7. HOURS OF WORK AND OVERTIME**

- a. Given the management nature of the Executive's position, the Executive is required to work additional hours from time to time, and is not eligible for overtime pay. The Executive acknowledges and agrees that the compensation provided under this Agreement represents full compensation for all of the Executive's working hours and services, including overtime.

**8. VACATION**

- a. The Executive will earn up to four (4) weeks (or twenty (20) business days) of paid vacation per annum, pro-rated for any partial year of employment, in accordance with the Employer's vacation policy.
- b. The Executive will take vacation subject to business needs, and in accordance with the Employer's vacation policy in effect from time to time.
- c. Annual vacation must be taken and may not be accrued, deferred or banked without the Employer's written approval, in accordance with the Employer's vacation policy in effect from time to time.

**9. CHANGE OF CONTROL**

- a. In consideration of the Executive's employment by the Employer, the Executive and the Company hereby agree to enter into and execute, contemporaneously with this Agreement, the change of control agreement in **Appendix "A"** to this Agreement (the "Change of Control Agreement").

**10. TERMINATION OF EMPLOYMENT**

- a. Termination for cause: The Employer may terminate the Executive's employment at any time for Cause, after providing Executive with at least 30 days' notice of such proposed termination and 15 days to remedy the alleged defect. In this Agreement, "Cause" means the wilful and continued failure by the Executive to substantially perform, or otherwise properly carry out, the Executive's duties on behalf of Parent or an affiliate, or to follow, in any material respect, the lawful policies, procedures, instructions or directions of the Employer or any applicable affiliate (other than any such failure resulting from the Executive's disability or incapacity due to physical or mental illness), or the Executive wilfully or intentionally engaging in illegal or fraudulent conduct, financial impropriety, intentional dishonesty, breach of duty of loyalty or any similar intentional act which is materially injurious to Parent or an affiliate, or which may have the effect of materially injuring the reputation, business or business relationships of the Employer or an affiliate, or any other act or omission constituting cause for termination of employment without notice or pay in lieu of notice at common law. For the purposes of this definition, no act, or failure to act, on the part of an Executive shall be considered "wilful" unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omissions were in, or not opposed to, the best interests of the Employer and its affiliates.

In the event of termination for Cause, all unvested stock options or other awards granted to the Executive pursuant to the terms of the Parent's Stock Option Plan (the "Option Plan") will immediately be void on the date the Employer notifies the Executive of such termination.

In the event of termination for Cause, the rights of the Executive with respect to any performance share units ("PSUs") granted pursuant to the Parent's Performance Share Unit Plan (the "PSU Plan") will be governed pursuant to the PSU Plan.

- b. Termination for Good Reason: The Executive may terminate his employment with the Employer for Good Reason by delivery of written notice to the Employer within the sixty (60) day period commencing upon the occurrence of Good Reason including the basis for such Good Reason (with such termination effective thirty (30) days after such written notice is delivered to the Employer and only in the event that the Employer fails or is unable to cure such Good Reason within such thirty (30) day period). In the event of a termination of the Executive's employment for Good Reason, the Executive will receive pay and benefits as if terminated by the Employer without Cause under Section 10 c., below, and the termination shall be regarded as a termination without Cause for purposes of the Option Plan and the PSU Plan. In this Agreement, "Good Reason" means a material adverse change by Parent or an affiliate, without the Executive's consent, to (1) the Executive's position, authority, duties and responsibilities as in effect immediately following the Commencement Date, (2) a relocation of the Executive's current place of employment by more than fifty miles, or (3) a material reduction in the Base Salary or in the potential short-term or long-term incentive bonus the Executive is eligible to earn, but does not include (a) any changes that are made to the Executive's title, duties, authorities, responsibilities, reporting structure, signing authority or other terms and conditions of employment in connection with the Closing or related integration matters, so long as such changes are in accordance with Section 1.b. of this Agreement, (b) a change in the Executive's duties and/or responsibilities arising from a change in the scope or nature of the Parent's business operations, provided such change does not materially and adversely affect the Executive's position or authority, or (c) any across the board change to compensation affecting similar executives in a similar fashion.
- c. Termination without Cause: The Employer may terminate the Executive's employment at any time, without Cause and, in the event of such a termination shall provide the Executive with the following:
- i. Six (6) months' continued payment of the Executive's Base Salary and an amount equal to 50% of the STI Bonus at Target, plus an additional one (1) months' Base Salary and 12% of the STI Bonus at Target per year of service up to a maximum of twelve (12) months' Base Salary and 100% of the STI Bonus at Target (paid ratably over the applicable period in accordance with the Employer's payroll practices);
  - ii. continuation of all applicable PSU rights held by the Executive in accordance with the PSU grant agreement, and the terms and conditions of the PSU Plan;
  - iii. immediate accelerated vesting of all unvested stock options, with the Executive having 90 days from the date of termination to exercise such options, subject to the terms and conditions of the Option Plan and the applicable individual option agreements; and
  - iv. continued extended health and dental benefits coverage at active employee rates until the earlier of the first anniversary of the termination of the Executive's employment or the date on which the Executive begins new full-time employment.

For purposes of calculating the severance payment described in this section, the Employer shall honor the Executive's time of service dating from the original date of employment with the Employer, as opposed to the Commencement Date.

- d. Resignation: The Executive may terminate his employment with the Employer at any time by providing the Employer with one (1) month's notice in writing to that effect. If the Executive provides the Employer with written notice under this Section, the Employer may waive such notice, in whole or in part, in which case the Employer will pay the Executive the Base Salary only for the amount of time elapsed in that notice period and the Executive's employment will terminate on the earlier date specified by the Employer without any further compensation.

In the event of termination by the Executive as provided in this section 10.d., all unvested stock options held by the Executive will immediately be void on the termination date of the Executive's employment, with the Executive having 90 days from said date to exercise any vested stock options held by the Executive. The rights of the Executive with respect to any PSUs will be as set forth in the PSU Plan with respect to termination by the Executive.

- e. Retirement: In the event of the Executive's retirement, as defined by the Employer's policies, all unvested stock options will continue to vest according to their initial grant schedules and will remain exercisable up to the earlier of the original grant expiry date and the third anniversary of the date of retirement; provided, however, that for purposes of any award subject to Section 409A (as defined below), any termination (other than a termination for cause) after Executive's attainment of retirement age shall be governed by the retirement provisions of such award.

PSUs will continue to vest and be paid in accordance with the original grant schedule applicable thereto.

- f. Termination Without Cause or Good Reason Following Change of Control: In the event of Termination without Cause or for Good Reason within one (1) year of a change of control of Parent or the Company, the Executive will have, in lieu of any rights to severance payments or benefits hereunder, the rights set forth in the Change of Control Agreement.
- g. Deductions and withholdings: All payments under this Section are subject to applicable statutory and regular payroll deductions and withholdings as applicable.
- h. Terms of Payment upon Termination: Upon termination of the Executive's employment, for any reason:
- i. Subject to Section 10 d. and except as limited by Section 10 h.ii., the Employer will pay the Executive all earned and unpaid Base Salary, earned and unpaid vacation pay, earned and unpaid STI for a preceding year (if any remains unpaid), and, subject to the next subparagraph, a prorated STI Bonus for the year of termination (at the target level of performance), up to and including the Executive's last day of active employment with the Employer (the "Termination Date"), with such payment to be made within five (5) business days of the effectiveness of the Release.
  - ii. In the event of resignation by the Executive or termination of the Executive's employment for Cause, no pro-rated STI Bonus for the year of termination will be payable to the Executive; and
  - iii. On the Termination Date, or as otherwise directed by the Board, the Executive will immediately deliver to the Employer all files, computer disks, Confidential Information, information and documents pertaining to the Employer's Business, and all other property of the Employer that is in the Executive's possession or control, without making or retaining any copy, duplication or reproduction of such files, computer disks, Confidential Information, information or documents without the Employer's express written consent.
- i. Other than as expressly provided herein, the Executive will not be entitled to receive any further pay or compensation, severance pay, notice, payment in lieu of notice, incentives, bonuses, benefits, rights and damages of any kind. The Executive acknowledges and agrees that, in the event of a payment under Section 10b. or Section 10 c. of this Agreement, the Executive will not be entitled to any other payment in connection with the termination of the Executive's employment.

- j. Notwithstanding the foregoing, in the event of a termination without Cause or termination for Good Reason, the Employer will not be required to pay any Base Salary or STI Bonus or provide any additional equity vesting to the Executive beyond that earned by the Executive up to and including the Termination Date, unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the "Release") of any and all claims that the Executive has against the Employer or its affiliates and such entities' past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Employer acting in good faith, provided, however, that the payments and benefits shall not be made or provided prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payments and benefits shall not be made or provided until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.
- k. Notwithstanding any changes in the terms and conditions of the Executive's employment which may occur in the future, including any changes in position, duties or compensation, the termination provisions in this Agreement will continue to be in effect for the duration of the Executive employment with the Employer unless otherwise amended in writing and signed by the Employer.
- l. Agreement authorizing payroll deductions: If, on the date the employment relationship ends, regardless of the reason, the Executive owes the Employer any money (whether pursuant to an advance, overpayment, debt, error in payment, or any other reason), the Executive hereby authorizes the Employer to deduct any such debt amount from the Executive's salary, severance or any other payment due to the Executive (to the extent permissible by applicable law including without limitation Section 409A (as defined below)). Any remaining debt will be immediately payable to the Employer and the Executive agrees to satisfy such debt within 14 days of the Termination Date or any demand for repayment.

**11. SHARE OWNERSHIP REQUIREMENTS**

- a. The Executive will be subject to the Parent's share ownership guideline policy, as amended from time to time.

**12. CONFIDENTIAL INFORMATION**

- a. In this Agreement "Confidential Information" means information proprietary to Parent, the Company, the Employer or their affiliates (collectively, the "Parent Entities") that is not publically known or available, including but not limited to personnel information, customer information, supplier information, contractor information, pricing information, financial information, marketing information, business opportunities, technology, research and development, manufacturing and information relating to intellectual property, owned, licensed, or used by the Parent Entities or in which the Parent Entities otherwise have an interest, and includes Confidential Information created by the Executive in the course of his employment, jointly or alone. The Executive acknowledges that the Confidential Information is the exclusive property of the Parent Entities.

- b. The Executive agrees at all times during the Term and after the Term, to hold the Confidential Information in strictest confidence and not to disclose it to any person or entity without written authorization from the Employer and the Executive agrees not to copy or remove it from the Employer's premises except in pursuit of the Employer's business, or to use or attempt to use it for any purpose other than the performance of the Executive's duties on behalf of the Employer.
- c. The Executive agrees, at all times during and after the Term, not use or take advantage of the Confidential Information for creating, maintaining or marketing, or aiding in the creation, maintenance, marketing or selling, of any products and/or services which are competitive with the products and services of the Parent Entities.
- d. Upon the request of the Employer, and in any event upon the termination of the Executive's employment with the Employer, the Executive will immediately return to the Employer all materials, including all copies in whatever form containing the Confidential Information which are within the Executive's possession or control.

**13. INVENTIONS**

- a. In this Agreement, "Invention" means any invention, improvement, method, process, advertisement, concept, system, apparatus, design or computer program or software, system or database.
- b. The Executive acknowledges and agrees that every Invention which the Executive may, at any time during the terms of his employment with the Employer or its affiliates, make, devise or conceive, individually or jointly with others, whether during the Employer's business hours or otherwise, and which relates in any manner to the Employer's business will belong to, and be the exclusive property of the Employer, and the Executive will make full and prompt disclosure to the Employer of every such Invention. The Executive hereby irrevocably waives all moral rights that the Executive may have in every such Invention.
- c. The Executive undertakes to, and hereby does, assign to the Employer, or its nominee, every such Invention and to execute all assignments or other instruments and to do any other things necessary and proper to confirm the Employer's right and title in and to every such Invention. The Executive further undertakes to perform all proper acts within his power necessary or desired by the Employer to obtain letters patent in the name of the Employer and at the Employer's expense for every such Invention in whatever countries the Employer may desire, without payment by the Employer to the Executive of any royalty, license fee, price or additional compensation.
- d. The Executive acknowledges that all original works of authorship which are made by the Executive (solely or jointly with others) within the scope of the Executive's employment and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

**14. NON-SOLICITATION**

- a. The Executive acknowledges that in the course of the Executive's employment with the Employer the Executive will develop close relationships with the Employer's clients, customers and employees, and that the Employer's goodwill depends on the development and maintenance of such relationships. The Executive acknowledges that the preservation of the Employer's goodwill and the protection of its relationships with its customers and employees are proprietary rights that the Employer is entitled to protect.

- b. The Executive will not during the Applicable Period (as defined below), whether individually or in partnership or jointly or in conjunction with any person or persons, as principal, agent, shareholder, director, officer, employee or in any other manner whatsoever:
  - i. solicit any client or customer of any Parent Entity with whom the Executive dealt during the twelve (12) months immediately prior to the termination of the Executive's employment with the Employer (however caused) for the purposes of (a) causing or trying to cause such client or customer to cease doing business with a Parent Entity or to reduce such business with a Parent Entity by diverting it elsewhere or (b) providing products or services that are the same as or competitive with the business of the Employer or an affiliate in the area of facilitating the exchange of industrial equipment; or
  - ii. seek in any way to solicit, engage, persuade or entice, or attempt to solicit, engage, persuade or entice any employee of a Parent Entity, to leave his or her employment with the Parent Entity.

The "Applicable Period" means twelve (12) months following termination, regardless of the reason for such termination or the party effecting it.

#### **15. NON-COMPETITION**

The Executive agrees that, without the prior written consent of the Employer, the Executive will not, directly or indirectly, in a capacity similar to that of the Executive with the Employer, carry on, be engaged in, be concerned with or interested in, perform services for, or be employed in a business which is the same as or competitive with the business of the Employer in the area of facilitating the exchange of industrial equipment, or in the area of the buying, selling or auctioning of industrial equipment, either individually or in partnership or jointly or in conjunction with any person as principal, agent, employee, officer or shareholder. The foregoing restriction will be in effect for a period of twelve (12) months following the termination of the Executive's employment, regardless of the reason for such termination or the party effecting it, within the geographical area of Canada and the United States.

#### **16. REMEDIES FOR BREACH OF RESTRICTIVE COVENANTS**

- a. The Executive acknowledges that the restrictions contained in Sections 10 h. iii., 12, 13, 14 and 15 of this Agreement are, in view of the nature of the Employer's business, reasonable and necessary in order to protect the legitimate interests of the Employer and that any violation of those Sections would result in irreparable injuries and harm to the Employer, and that damages alone would be an inadequate remedy.
- b. The Executive hereby agrees that the Employer will be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach or recurrence of a breach of this Agreement and that the Employer will be entitled to its reasonable legal costs and expenses, including but not limited to its attorneys' fees, incurred in properly enforcing a provision of this Agreement.

- c. Nothing contained herein will be construed as a waiver of any of the rights that the Employer may have for damages or otherwise.
- d. The Executive and the Employer expressly agree that the provisions of Sections 10 g. iii., 12, 13, 14, 15 and 22 of this Agreement will survive the termination of the Executive's employment for any reason.

**17. GOVERNING LAW**

This Agreement will be governed by the laws of the State of Washington, without reference to that state's conflicts of laws rules.

**18. SEVERABILITY**

- a. All sections, paragraphs and covenants contained in this Agreement are severable, and in the event that any of them will be held to be invalid, unenforceable or void by a court of a competent jurisdiction, such sections, paragraphs or covenants will be severed and the remainder of this Agreement will remain in full force and effect.

**19. ENTIRE AGREEMENT**

- a. This Agreement, including the Appendix, and any other documents referenced herein, contains the complete agreement concerning the Executive's employment by the Employer and will, as of the Commencement Date, supersede any and all other employment agreements between the parties, including, without limitation, the Executive's Employment Agreement with Employer, dated as of February 15, 2016.
- b. The parties agree that there are no other contracts or agreements between them, and that neither of them has made any representations, including but not limited to negligent misrepresentations, to the other except such representations as are specifically set forth in this Agreement, and that any statements or representations that may previously have been made by either of them to the other have not been relied on in connection with the execution of this Agreement and are of no effect.
- c. No waiver, amendment or modification of this Agreement or any covenant, condition or restriction herein contained will be valid unless executed in writing by each of the parties hereto, with the exception of those modifications expressly permitted within this Agreement. Should the parties agree to waive, amend or modify any provision of this Agreement, such waiver, amendment or modification will not affect the enforceability of any other provision of this Agreement. Notwithstanding the foregoing, the Employer may unilaterally amend the provisions of Section 10 c. relating to provision of certain health benefits following termination of employment to the extent the Employer deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Employer or any of its Affiliates, including, without limitation, under Section 4980D of the U.S. Internal Revenue Code.

**20. CONSIDERATION**

- a. The parties acknowledge and agree that this Agreement has been executed by each of them in consideration of the mutual promises and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged. The parties hereby waive any and all defenses relating to an alleged failure or lack of consideration in connection with this Agreement.

**21. INTERPRETATION**

Headings are included in this Agreement for convenience of reference only and do not form part of this Agreement.

**22. DISPUTE RESOLUTION**

In the event of a dispute arising out of or in connection with this Agreement, or in respect of any legal relationship associated with it or from it, which does not involve the Employer seeking a court injunction or other injunctive or equitable relief to protect its business, confidential information or intellectual property, that dispute will be resolved in strict confidence as follows:

- a. Amicable Negotiation: The parties agree that, both during and after the performance of their responsibilities under this Agreement, each of them will make *bona fide* efforts to resolve any disputes arising between them via amicable negotiations;
- b. Arbitration: If the parties have been unable to resolve a dispute for more than 90 days, or such other period agreed to in writing by the parties, either party may refer the dispute for final and binding arbitration by providing written notice to the other party. If the parties cannot agree on an arbitrator within thirty (30) days of receipt of the notice to arbitrate, then either party may make application to the American Arbitration Association (the "AAA") to appoint one. The arbitration will be held in Seattle, Washington in accordance with the AAA's rules, and each party will bear its own costs, including one-half share of the arbitrator's fees.

**23. ENUREMENT**

- a. The provisions of this Agreement will enure to the benefit of and be binding upon the parties, their heirs, executors, personal legal representatives and permitted assigns, and related companies.
- b. This Agreement may be assigned by the Employer in its discretion, in which case the assignee shall become the Employer for purposes of this Agreement. This Agreement will not be assigned by the Executive.

**24. EFFECT OF SECTION 409A**

- a. Payments and benefits provided under or referenced in this Agreement are intended to be designed in such a manner that they are either exempt from the application of, or comply with, the requirements of, Section 409A of the U.S. Internal Revenue Code and the regulations issued thereunder (collectively, as in effect from time to time, "Section 409A") and shall be construed, administered and interpreted in accordance with such intention. If, as of the date of the Executive's termination, the Executive is a "specified employee" within the meaning of Section 409A, then to the extent necessary to comply with Section 409A and to avoid the imposition of taxes and/or penalties under Section 409A, payment to the Executive of any amount or benefit under this Agreement or any other Employer plan, program or agreement that constitutes "nonqualified deferred compensation" under Section 409A and which under the terms of this Agreement or any other Employer plan, program or arrangement would otherwise be payable as a result of and within six (6) months following such termination shall be delayed, as provided under current regulatory requirements under Section 409A, until the earlier of (i) five (5) days after the Employer receives notification of the Executive's death or (ii) the first business day of the seventh month following the date of the Executive's termination.

- b. Any payment or benefit under this Agreement or any other Employer plan, program or agreement that is payable upon a termination of the Executive's employment shall only be paid or provided to the Executive upon a "separation from service" within the meaning of Section 409A. If the Executive or the Employer determine that any payment, benefit, distribution, deferral election, or any other action or arrangement contemplated by the provisions of this Agreement or any other Employer plan, program or agreement would, if undertaken or implemented, cause the Executive to become subject to taxes and/or penalties under Section 409A, then such payment, benefit, distribution, deferral election or other action or arrangement shall not be given effect to the extent it causes such result and the related provisions of this Agreement or other Employer plan, program or agreement will be deemed modified in order to provide the Executive with the intended economic benefit and comply with the requirements of Section 409A.
- c. Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate and distinct payments.
- d. With regard to any provision in this Agreement that provides for reimbursement of expenses or in-kind benefits, except for any expense, reimbursement or in-kind benefit provided pursuant to this Agreement that does not constitute a "deferral of compensation," within the meaning of Section 409A, (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (ii) such payments shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

**Dated** this 28<sup>th</sup> day of August, 2016.

[Signature Page Follows]

Signed, Sealed and Delivered by )  
James J. Jeter in the )  
presence of: )  
Diego Mantalvo )  
Name )  
3880 Hulen Street )  
Address )  
Fort Worth, TX )  
HR Generalist )  
Occupation )

*/s/ James J. Jeter*  
\_\_\_\_\_  
**James J. Jeter**

**RITCHIE BROS. AUCTIONEERS (AMERICA) INC.**

Per: */s/ Todd Wohler*  
\_\_\_\_\_  
Authorized Signatory

**IRONPLANET INC.**

Per: */s/ Douglas P. Feick*  
\_\_\_\_\_  
Authorized Signatory

APPENDIX "A"

CHANGE OF CONTROL AGREEMENT

THIS AGREEMENT executed on the 29<sup>th</sup> day of August, 2016.

BETWEEN:

**RITCHIE BROS. AUCTIONEERS (AMERICA) INC.,**  
a corporation incorporated under the laws of Washington

(the "**Company**")

AND:

**James J. Jeter**

(the "**Executive**")

WITNESSES THAT WHEREAS:

- A. The Executive is an executive of the Company or a subsidiary of the Company and the Parent Company (as defined below) and is considered by the Board of Directors of the Parent Company (the "Board") to be a vital employee with special skills and abilities, and will be well-versed in knowledge of the Company's business and the industry in which it is engaged;
- B. The Board recognizes that it is essential and in the best interests of the Company and its shareholders that the Company retain and encourage the Executive's continuing service and dedication to their office and employment without distraction caused by the uncertainties, risks and potentially disturbing circumstances that could arise from a possible change in control of the Parent Company;
- C. The Board further believes that it is in the best interests of the Company and its shareholders, in the event of a change of control of the Parent Company, to maintain the cohesiveness of the Company's senior management team so as to ensure a successful transition, maximize shareholder value and maintain the performance of the Company;
- D. The Board further believes that the service of the Executive to the Company requires that the Executive receive fair treatment in the event of a change in control of the Parent Company; and
- E. In order to induce the Executive to remain in the employ of the Company notwithstanding a possible change of control, the Company has agreed to provide to the Executive certain benefits in the event of a change of control.

NOW THEREFORE in consideration of the premises and the covenants herein contained on the part of the parties hereto and in consideration of the Executive continuing in office and in the employment of the Company, the Company and the Executive hereby covenant and agree as follows:

## 1. Definitions

In this Agreement,

- (a) "Agreement" means this agreement as amended or supplemented in writing from time to time;
- (b) "Annual Base Salary" means the annual salary payable to the Executive by the Company from time to time, but excludes any bonuses and any director's fees paid to the Executive by the Company;
- (c) "STI Bonus" means the annual at target short-term incentive bonus the Executive is eligible to earn under the Employment Agreement, in accordance with the short-term incentive bonus plan;
- (d) "Change of Control" means:
  - (i) a Person, or group of Persons acting jointly or in concert, acquiring or accumulating beneficial ownership of more than 50% of the Voting Shares of the Parent Company;
  - (ii) a Person, or Group of Persons acting jointly or in concert, holding at least 25% of the Voting Shares of the Parent Company and being able to change the composition of the Board of Directors by having the Person's, or Group of Persons', nominees elected as a majority of the Board of Directors of the Parent Company;
  - (iii) the arm's length sale, transfer, liquidation or other disposition of all or substantially all of the assets of the Parent Company, over a period of one year or less, in any manner whatsoever and whether in one transaction or in a series of transactions or by plan of arrangement; or
  - (iv) a reorganization, merger or consolidation or sale or other disposition of substantially all the assets of the Company (a "Business Combination"), unless following such Business Combination the Parent Company beneficially owns all or substantially all of the Company's assets either directly or through one or more subsidiaries.
- (e) "Date of Termination" means the date when the Executive ceases to actively provide services to the Company, or the date when the Company instructs him to stop reporting to work;
- (f) "Employment Agreement" means the employment agreement between the Company and the Executive dated August 28, 2017;
- (g) "Good Reason" means either:
  - (i) Good Reason as defined in the Employment Agreement; or
  - (ii) the failure of the Company to obtain from a successor to all or substantially all of the business or assets of the Parent Company, the successor's agreement to continue to employ the Executive on substantially similar terms and conditions as contained in the Employment Agreement;
- (h) "Cause" has the meaning defined in the Employment Agreement.

- (i) "Parent Company" means Ritchie Bros. Auctioneers Incorporated.
- (j) "Person" includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative and any national, provincial, state or municipal government; and
- (k) "Voting Shares" means any securities of the Parent Company ordinarily carrying the right to vote at elections for directors of the Board, provided that if any such security at any time carries the right to cast more than one vote for the election of directors, such security will, when and so long as it carries such right, be considered for the purposes of this Agreement to constitute and be such number of securities of the Parent Company as is equal to the number of votes for the election of directors that may be cast by its holder.

**2. Scope of Agreement**

- (a) The parties intend that this Agreement set out certain of their respective rights and obligations in certain circumstances upon or after Change of Control as set out in this Agreement.
- (b) This Agreement does not purport to provide for any other terms of the Executive's employment with the Company or to contain the parties' respective rights and obligations on the termination of the Executive's employment with the Company in circumstances other than those upon or after Change of Control as set out in this Agreement.
- (c) Where there is any conflict between this Agreement and (i) the Employment Agreement, or (ii) a Company plan or policy relating to compensation or executive programs, the terms of this Agreement will prevail.

**3. Compensation Upon or After Change of Control**

- (a) If the Executive's employment with the Company is terminated (i) by the Company without Cause upon a Change of Control or within two years following a Change of Control; or (ii) by the Executive for Good Reason upon a Change of Control or within one (1) year following a Change of Control:
  - (i) the Company will pay to the Executive a lump sum cash amount equal to the aggregate of:
    - A. one and one-half (1.5) times Base Salary;
    - B. one and one-half (1.5) times at-target STI Bonus;
    - C. one and one-half (1.5) times the annual premium cost that would be incurred by the Company to continue to provide to the Executive all health, dental and life insurance benefits provided to the Executive immediately before the Date of Termination;
    - D. the earned and unpaid Base Salary and vacation pay to the Date of Termination; and

- E. an amount calculated by dividing by 365 the Executive's target bonus under the STI Bonus for the fiscal year in which the Date of Termination occurs, and multiplying that number by the number of days completed in the fiscal year as of the Date of Termination.
- (ii) the Executive will continue to have all rights under the Stock Option Plan of the Company adopted by the Board as of July 31, 1997 and amended and re-stated as of April 13, 2007 (the "Option Plan"), and under option agreements entered into in accordance with the Option Plan, with respect to options granted on or before the Date of Termination (including any options granted upon the commencement of employment as part of any sign-on grant), as if the Executive's employment had been terminated by the Company without cause; and
- (iii) the Executive will continue to have all rights held by the Executive pursuant to the Company's Performance Share Unit Plan (the "PSU Plan") , and under any and all grant agreements representing performance share units granted under the PSU Plan, granted on or before the Change of Control.
- (b) All amounts payable pursuant to this section 3 are subject to required statutory deductions and withholdings.
- (c) No such payment pursuant to this Section 3 shall be made unless the Executive signs within sixty (60) days of the Termination Date and does not revoke a full and general release (the "Release") of any and all claims that the Executive has against the Company or its affiliates and such entities' past and then current officers, directors, owners, managers, members, agents and employees relating to all matters, in form and substance satisfactory to the Company, provided, however, that the payment shall not occur prior to the effective date of the Release, provided further that if the maximum period during which Executive can consider and revoke the release begins in one calendar year and ends in another calendar year, then such payment shall not be made until the first payroll date occurring after the later of (A) the last day of the calendar year in which such period begins, and (B) the date on which the Release becomes effective.

#### **4. Binding on Successors**

- (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by agreement in favor of the Executive and in form and substance satisfactory to the Executive, to expressly assume and agree to perform all the obligations of the Company under this Agreement that would be required to be observed or performed by the Company pursuant to section 3. As used in this Agreement, "Company" means the Company and any successor to its business or assets as aforesaid which executes and delivers the agreement provided for in this section or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.
- (b) This Agreement will enure to the benefit of and be enforceable by the Executive's successors and legal representatives but otherwise it is not assignable by the Executive.

**5. No Obligation to Mitigate; No Other Agreement**

- (a) The Executive is not required to mitigate the amount of any payment or benefit provided for in this Agreement, or any damages resulting from a failure of the Company to make any such payment or to provide any such benefit, by seeking other employment, taking early retirement, or otherwise, nor, except as expressly provided in this Agreement, will the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as a result of taking early retirement, employment by another employer after termination or otherwise.
- (b) The Executive represents and warrants to the Company that the Executive has no agreement or understanding with the Company in respect of the subject matters of this Agreement, except as set out in this Agreement.

**6. Exhaustive Compensation; Incorporation by Reference**

The Executive agrees with and acknowledges to the Company that the compensation provided for under section 3 of this Agreement is all the compensation payable by the Company to the Executive in relation to a Change of Control, or the Executive's termination from employment upon or subsequent to a Change of Control, under the circumstances provided for in this Agreement. The Executive further agrees and acknowledges that in the event of payment under section 3 of this Agreement, he will not be entitled to any termination payments or benefits under the Employment Agreement. The provisions of section 24 of the Employment Agreement are hereby incorporated by reference into this Agreement. In addition, to the extent the payment of any amounts under Section 3 hereof upon the schedule set forth therein would cause a violation of Internal Revenue Code Section 409A, such payments will be delayed until the earliest date upon which the payment can be made without resulting in such a violation.

**7. Amendment and Waiver**

No amendment or waiver of this Agreement will be binding unless executed in writing by the parties to be bound by this Agreement.

**8. Choice of Law**

This Agreement will be governed and interpreted in accordance with the laws of the State of Washington, which will be the proper law hereof. All disputes and claims will be referred to the state or federal courts of King County, Washington, which will have jurisdiction, but not exclusive jurisdiction, and each party hereby submits to the non-exclusive jurisdiction of such courts.

**9. Severability**

If any section, subsection or other part of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, such invalid or unenforceable section, subsection or part will be severable and severed from this Agreement, and the remainder of this Agreement will not be affected thereby but remain in full force and effect.

**10. Notices**

Any notice or other communication required or permitted to be given hereunder must be in writing and given by facsimile or other means of electronic communication, or by hand-delivery, as hereinafter provided. Any such notice or other communication, if sent by facsimile or other means of electronic communication or by hand delivery, will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address will also be governed by this section. Notices and other communications will be addressed as follows:

if to the Executive:

1001 Gordon Rd

Address

Moreland, GA 30259

jeter\_jeff@yahoo.com

E-mail

(a) if to the Company:

9500 Glenlyon Parkway  
Burnaby, British Columbia V5J 0C6  
Attention: Corporate Secretary  
Facsimile: (778) 331-5501

[Signature Page Follows]

11. **Copy of Agreement**

The Executive hereby acknowledges receipt of a copy of this Agreement executed by the Company.

**RITCHIE BROS. AUCTIONEERS (AMERICA) INC.**

By: s/ Todd Wohler

Name: Todd Wohler

SIGNED, SEALED AND DELIVERED by )  
**James J. Jeter** in the )  
presence of: )  
Diego Mantalvo )  
Name )  
3880 Hulen Street )  
Address )  
Fort Worth, TX )  
HR Generalist )  
Occupation )

/s/ James J. Jeter  
**James J. Jeter**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

I, Ravichandra K. Saligram, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ritchie Bros. Auctioneers Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

*/s/ Ravichandra K. Saligram*

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Ravichandra K. Saligram  
Chief Executive Officer

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

I, Sharon R. Driscoll, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ritchie Bros. Auctioneers Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ Sharon R. Driscoll

Sharon R. Driscoll

Chief Financial Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ritchie Bros. Auctioneers Incorporated (the "Company") on Form 10-Q for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ravichandra K. Saligram, Chief Executive Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2017

*/s/ Ravichandra K. Saligram*

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Ravichandra K. Saligram

Chief Executive Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ritchie Bros. Auctioneers Incorporated (the "Company") on Form 10-Q for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sharon R. Driscoll, Chief Financial Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2017

*/s/ Sharon R. Driscoll*

Sharon R. Driscoll

*Chief Financial Officer*

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