

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 September 30, 2020

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

98-0626225

(State or other jurisdiction of incorporation or organization)

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

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

V5J 0C6

(Address of Principal Executive Offices)

(Zip Code)

(778) 331-5500

(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares	RBA	New York Stock Exchange
Common Share Purchase Rights	N/A	New York Stock Exchange

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 ☐
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: 109,400,129 common shares, without par value, outstanding as of November 4, 2020.

ITCHIE BROS. AUCTIONEERS INCORPORATED
FORM 10-Q
For the quarter ended September 30, 2020

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PART I – FINANCIAL INFORMATION

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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue:				
Service revenue	\$ 222,679	\$ 178,577	\$ 639,941	\$ 585,555
Inventory sales revenue	108,863	111,219	353,906	400,892
Total revenue	331,542	289,796	993,847	986,447
Operating expenses:				
Costs of services	39,223	36,382	118,026	122,719
Cost of inventory sold	96,253	102,410	320,972	372,703
Selling, general and administrative expenses	110,186	93,691	309,203	286,589
Acquisition-related costs	—	45	—	752
Depreciation and amortization expenses	18,436	17,692	55,586	51,919
Gain on disposition of property, plant and equipment	(276)	(821)	(1,536)	(1,071)
Foreign exchange loss	336	237	1,330	1,118
Total operating expenses	264,158	249,636	803,581	834,729
Operating income	67,384	40,160	190,266	151,718
Interest expense	(8,737)	(10,090)	(26,801)	(31,023)
Other income, net	2,280	1,962	6,714	5,680
Income before income taxes	60,927	32,032	170,179	126,375
Income tax expense	15,437	6,760	48,741	28,800
Net income	\$ 45,490	\$ 25,272	\$ 121,438	\$ 97,575
Net income attributable to:				
Stockholders	\$ 45,387	\$ 25,266	\$ 121,239	\$ 97,466
Non-controlling interests	103	6	199	109
Net income	\$ 45,490	\$ 25,272	\$ 121,438	\$ 97,575
Earnings per share attributable to stockholders:				
Basic	\$ 0.42	\$ 0.23	\$ 1.11	\$ 0.90
Diluted	\$ 0.41	\$ 0.23	\$ 1.10	\$ 0.89
Weighted average number of shares outstanding:				
Basic	109,018,469	108,003,390	108,887,026	108,453,525
Diluted	110,369,718	109,381,173	110,060,712	109,634,195

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(Expressed in thousands of United States dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income	\$ 45,490	\$ 25,272	\$ 121,438	\$ 97,575
Other comprehensive income (loss), net of income tax:				
Foreign currency translation adjustment	12,549	(9,703)	7,445	(8,880)
Total comprehensive income	<u>\$ 58,039</u>	<u>\$ 15,569</u>	<u>\$ 128,883</u>	<u>\$ 88,695</u>
Total comprehensive income attributable to:				
Stockholders	\$ 57,910	\$ 15,586	\$ 128,654	\$ 88,614
Non-controlling interests	129	(17)	229	81
	<u>\$ 58,039</u>	<u>\$ 15,569</u>	<u>\$ 128,883</u>	<u>\$ 88,695</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)

	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 470,285	\$ 359,671
Restricted cash	120,014	60,585
Trade and other receivables	333,110	142,627
Less: allowance for credit losses	(4,635)	(5,225)
Inventory	62,101	64,956
Other current assets	26,279	50,160
Income taxes receivable	5,619	6,810
Total current assets	1,012,773	679,584
Property, plant and equipment	481,047	484,482
Other non-current assets	134,973	145,679
Intangible assets	220,791	233,380
Goodwill	672,746	672,310
Deferred tax assets	15,659	13,995
Total assets	<u>\$ 2,537,989</u>	<u>\$ 2,229,430</u>
Liabilities and Equity		
Auction proceeds payable	\$ 496,936	\$ 276,188
Trade and other payables	215,110	194,279
Income taxes payable	11,241	7,809
Short-term debt	20,285	4,705
Current portion of long-term debt	9,926	18,277
Total current liabilities	753,498	501,258
Long-term debt	622,635	627,204
Other non-current liabilities	144,677	151,238
Deferred tax liabilities	52,312	42,743
Total liabilities	<u>1,573,122</u>	<u>1,322,443</u>
Commitments and Contingencies (Note 19 and Note 20 respectively)		
Stockholders' equity:		
Share capital:		
Common stock; no par value, unlimited shares authorized, issued and outstanding shares: 109,381,891 (December 31, 2019: 109,337,781)	195,727	194,771
Additional paid-in capital	48,253	52,110
Retained earnings	767,188	714,051
Accumulated other comprehensive loss	(51,684)	(59,099)
Stockholders' equity	959,484	901,833
Non-controlling interest	5,383	5,154
Total stockholders' equity	964,867	906,987
Total liabilities and equity	<u>\$ 2,537,989</u>	<u>\$ 2,229,430</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 loss			
	Number of shares	Amount						
Three months ended September 30, 2020								
Balance, June 30, 2020	108,630,537	\$ 169,255	\$ 47,958	\$ 746,048	\$ (64,207)	\$ 5,254	\$ 904,308	—
Net income	—	—	—	45,387	—	103	45,490	—
Other comprehensive income (loss)	—	—	—	—	12,523	26	12,549	—
	—	—	—	45,387	12,523	129	58,039	—
Stock option exercises	751,268	26,470	(5,701)	—	—	—	20,769	—
Issuance of common stock related to vesting of share units	86	2	(7)	—	—	—	(5)	—
Stock option compensation expense	—	—	1,671	—	—	—	1,671	—
Equity-classified share units expense	—	—	4,138	—	—	—	4,138	—
Equity-classified share units dividend equivalents	—	—	194	(194)	—	—	—	—
Cash dividends paid	—	—	—	(24,053)	—	—	(24,053)	—
Balance, September 30, 2020	109,381,891	\$ 195,727	\$ 48,253	\$ 767,188	\$ (51,684)	\$ 5,383	\$ 964,867	—
Three months ended September 30, 2019								
Balance, June 30, 2019	107,836,674	\$ 150,585	\$ 54,633	\$ 680,915	\$ (55,449)	\$ 5,165	\$ 835,849	1,049
Net income	—	—	—	25,266	—	6	25,272	—
Other comprehensive income (loss)	—	—	—	—	(9,680)	(23)	(9,703)	—
	—	—	—	25,266	(9,680)	(17)	15,569	—
Stock option exercises	363,217	8,451	(135)	—	—	—	8,316	—
Issuance of common stock related to vesting of share units	10,444	737	—	1	—	—	738	(1,083)
Stock option compensation expense	—	—	1,653	—	—	—	1,653	—
Equity-classified share units expense	—	—	2,830	—	—	—	2,830	21
Equity-classified share units dividend equivalents	—	—	308	(320)	—	—	(12)	13
Cash dividends paid	—	—	—	(21,631)	—	—	(21,631)	—
Balance, September 30, 2019	108,210,335	\$ 159,773	\$ 59,289	\$ 684,231	\$ (65,129)	\$ 5,148	\$ 843,312	—

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")	Contingently redeemable performance share units ("PSUs")
	Common stock		Additional paid-in capital ("APIC")	Retained earnings	Accumulated other comprehensive loss			
	Number of shares	Amount						
Nine months ended September 30, 2020								
Balance, December 31, 2019	109,337,781	\$ 194,771	\$ 52,110	\$ 714,051	\$ (59,099)	\$ 5,154	\$ 906,987	\$ —
Net income	—	—	—	121,239	—	199	121,438	—
Other comprehensive income (loss)	—	—	—	—	7,415	30	7,445	—
	—	—	—	121,239	7,415	229	128,883	—
Stock option exercises	1,430,545	50,611	(10,417)	—	—	—	40,194	—
Issuance of common stock related to vesting of share units	138,877	3,515	(7,459)	—	—	—	(3,944)	—
Stock option compensation expense	—	—	4,401	—	—	—	4,401	—
Equity-classified share units expense	—	—	9,155	—	—	—	9,155	—
Equity-classified share units dividend equivalents	—	—	463	(463)	—	—	—	—
Cash dividends paid	—	—	—	(67,639)	—	—	(67,639)	—
Shares repurchased	(1,525,312)	(53,170)	—	—	—	—	(53,170)	—
Balance, September 30, 2020	109,381,891	\$ 195,727	\$ 48,253	\$ 767,188	\$ (51,684)	\$ 5,383	\$ 964,867	\$ —
Nine months ended September 30, 2019								
Balance, December 31, 2018	108,682,030	\$ 181,780	\$ 56,885	\$ 648,255	\$ (56,277)	\$ 5,067	\$ 835,710	\$ 923
Net income	—	—	—	97,466	—	109	97,575	—
Other comprehensive loss	—	—	—	—	(8,852)	(28)	(8,880)	—
	—	—	—	97,466	(8,852)	81	88,695	—
Stock option exercises	544,576	14,119	(1,679)	—	—	—	12,440	—
Issuance of common stock related to vesting of share units	207,403	5,886	(10,064)	1	—	—	(4,177)	(1,083)
Stock option compensation expense	—	—	4,852	—	—	—	4,852	—
Equity-classified share units expense	—	—	8,640	—	—	—	8,640	114
Equity-classified share units dividend equivalents	—	—	655	(700)	—	—	(45)	46
Cash dividends paid	—	—	—	(60,791)	—	—	(60,791)	—
Shares repurchased	(1,223,674)	(42,012)	—	—	—	—	(42,012)	—
Balance, September 30, 2019	108,210,335	\$ 159,773	\$ 59,289	\$ 684,231	\$ (65,129)	\$ 5,148	\$ 843,312	\$ —

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

(Unaudited)

Nine months ended September 30,	2020	2019
Cash provided by (used in):		
Operating activities:		
Net income	\$ 121,438	\$ 97,575
Adjustments for items not affecting cash:		
Depreciation and amortization expenses	55,586	51,919
Stock option compensation expense	4,401	4,852
Equity-classified share unit expense	9,155	8,754
Deferred income tax expense (recovery)	8,250	(4,760)
Unrealized foreign exchange (gain) loss	2,049	(129)
Gain on disposition of property, plant and equipment	(1,536)	(1,071)
Amortization of debt issuance costs	2,375	2,701
Amortization of right-of-use assets	9,194	8,867
Gain on contingent consideration from equity investment	(1,700)	—
Other, net	2,427	1,025
Net changes in operating assets and liabilities	53,912	139,372
Net cash provided by operating activities	265,551	309,105
Investing activities:		
Property, plant and equipment additions	(9,865)	(6,915)
Intangible asset additions	(19,886)	(18,377)
Proceeds on disposition of property, plant and equipment	16,277	5,610
Distribution from equity investment	4,212	—
Proceeds on contingent consideration from equity investment	1,700	—
Other, net	(2,630)	(1,000)
Net cash used in investing activities	(10,192)	(20,682)
Financing activities:		
Share repurchase	(53,170)	(42,012)
Dividends paid to stockholders	(67,639)	(60,791)
Issuances of share capital	40,194	12,440
Payment of withholding taxes on issuance of shares	(3,870)	(5,260)
Proceeds from short-term debt	35,799	10,519
Repayment of short-term debt	(22,357)	(24,979)
Repayment of long-term debt	(11,134)	(29,022)
Debt issue costs	(2,038)	—
Repayment of finance lease obligations	(6,927)	(4,848)
Net cash used in financing activities	(91,142)	(143,953)
Effect of changes in foreign currency rates on cash, cash equivalents, and restricted cash	5,826	1,350
Increase	170,043	145,820
Beginning of period	420,256	305,567
Cash, cash equivalents, and restricted cash, end of period	\$ 590,299	\$ 451,387

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)

1. Summary of significant accounting policies

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 live on site 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”).

(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, 2019, included in the Company’s Annual Report on Form 10-K, filed with the Securities and 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.

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the world. The extent of the impact of the COVID-19 pandemic on the operational and financial performance of the Company, including the ability to execute on business strategies and initiatives, will depend on future developments, including the duration and spread of the pandemic and related restrictions placed by oversight bodies and respective global governments, as well as supply and demand impacts driven by the Company’s consignor and buyer base, all of which are uncertain and cannot be easily predicted. Given the dynamic nature of this situation, the Company cannot reasonably estimate the impacts of COVID-19 on its business operations, results of operations, cash flows or financial performance.

(b) Revenue recognition

Revenues are comprised of:

- Service revenue, including the following:
 - i. Revenue from auction and marketplace (“A&M”) activities, including commissions earned at our live auctions, online marketplaces, and private brokerage services where we act as an agent for consignors of equipment and other assets, and various auction-related fees, including listing and buyer transaction fees; and
 - ii. Other services revenue, including revenue from listing services, refurbishment, logistical services, financing, appraisal fees and other ancillary service fees; and
- Inventory sales revenue as part of A&M activities

The Company recognizes revenue when control of the promised goods or services is transferred to our customers, or upon completion of the performance obligation, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For live event-based auctions or online auctions, revenue is recognized when the auction 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.

Service revenue

Commissions from sales at the Company’s auctions represent the percentage earned by the Company on the gross 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.

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

1. Summary of significant accounting policies (continued)

The Company accepts equipment and other assets on consignment stimulating buyer interest through professional marketing techniques and matches sellers (also known as consignors) to buyers through the auction or private sale process. Prior to offering an item for sale on its online marketplaces, the Company also performs inspections.

Following the sale of the item, the Company invoices the buyer for the purchase price of the asset, taxes, and, if applicable, the buyer transaction fee, collects payment from the buyer, and remits the proceeds to the seller, net of the seller commissions, applicable taxes, and applicable fees. Commissions are calculated as a percentage of the hammer price of the property sold at auction. Fees are also charged to sellers for listing and inspecting equipment. Other revenue 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 are recognized on the date of the auction sale upon the fall of the auctioneer's hammer.

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. If the buyer defaults on its payment obligation, also referred to as a collapsed sale, 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 event-based or online auction. Historically cancelled sales have not been material.

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.

Commission revenue are recorded net of commissions owed to third parties, which are principally the result of situations when the commission is shared with a consignor in an auction guarantee risk and reward sharing arrangement.

Underwritten commission contracts can take the form of guarantee 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.

Other services revenue also includes fees for refurbishment, logistical services, financing, appraisal fees and other ancillary service fees. Fees are recognized in the period in which the service is provided to the customer.

Notes to the Condensed Consolidated Financial Statements

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

1. Summary of significant accounting policies (continued)

Inventory sales revenue

Underwritten commission contracts can take the form of inventory contracts. Revenue related to inventory contracts is 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. In its role as auctioneer, the Company auctions its inventory to equipment buyers through the auction process. Following the sale of the item, the Company invoices the buyer for the purchase price of the asset, taxes, and, if applicable, the buyer transaction fee, and collects payment from the buyer.

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. Title to the property is transferred in exchange for the hammer price, and if applicable, the buyer transaction fee plus applicable taxes.

(c) Costs of services

Costs of services are comprised of expenses incurred in direct relation to conducting auctions ("direct expenses"), earning online marketplace revenue, and earning other fee revenue. Direct expenses include direct labour, buildings and facilities charges, travel, advertising and promotion costs and fees paid to unrelated third parties who introduce the Company to equipment sellers who sell property at the Company's auctions and marketplaces.

Costs of services incurred to earn online marketplace revenue in addition to the costs listed above also include inspection costs. Inspections are generally performed at the seller's physical location. The cost of inspections includes 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 revenue also include costs for the Company's customer support, online marketplace operations, logistics, title and lien investigation functions.

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

(d) Cost of inventory sold

Cost of inventory sold includes the purchase price of assets sold for the Company's own account and is determined using a specific identification basis.

(e) 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

Share unit plans

The Company has a senior executive performance share unit ("PSU") plan and an employee PSU plan that provides for the award of PSUs to certain senior executives and employees, respectively, of the Company. The Company has the option to settle certain share unit 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. PSUs vest based on the passage of time and achievement of performance criteria.

The Company also has a senior executive restricted share unit ("RSU") plan and an employee RSU plan that provides for the award of RSUs to certain senior executives and employees, respectively, of the Company. The Company has the option to settle certain share unit awards in cash or shares and expects to settle all grants in shares. The cost of RSUs granted is measured at the fair value based on the fair value of the Company's common shares at the grant date. RSUs vest based on the passage of time and include restrictions related to employment.

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

1. Summary of significant accounting policies (continued)

The 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. Dividend equivalents on the equity-classified PSUs and RSUs are recognized as a reduction to retained earnings over the service period.

Stock option plans

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 fair value of options 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. Upon exercise, any consideration paid on exercise of the stock options and amounts fully amortized in APIC are credited to the common shares.

Liability-classified share-based payments

The Company maintains other share unit compensation plans that vest over a period of up to three 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 based on the average price of the Company's common shares 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 17. 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 other non-current liabilities.

(f) Leases

The Company determines if an arrangement is a lease at inception. The Company may have lease agreements with lease and non-lease components, which are generally accounted for separately. Additionally, for certain vehicle and equipment leases, management applies a portfolio approach to account for the right-of-use ("ROU") assets and liabilities for assets leased with similar lease terms.

Operating leases

Operating leases are included in other non-current assets, trade and other payables, and other non-current liabilities in our consolidated balance sheets if the initial lease term is greater than 12 months. For leases with an initial term of 12 months or less the Company recognizes those lease payments on a straight-line basis over the lease term.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, management uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Management uses the implicit rate when readily determinable. The Company includes lease payments for renewal or termination options in its determination of lease term, ROU asset, and lease liability when it is reasonably certain that the Company will exercise these options. Lease expense for lease payments is recognized on a straight-line basis over the lease term and are included in Costs of services or Selling, general, and administrative ("SG&A") expenses.

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

1. Summary of significant accounting policies (continued)

Finance leases

Finance lease ROU assets and liabilities are included in property, plant and equipment, trade and other payables, and other non-current liabilities in our consolidated balance sheets.

Finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, management uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Management uses the implicit rate when readily determinable. The Company includes lease payments for renewal, purchase options, or termination options in its determination of lease term, ROU asset, and lease liability when it is reasonably certain that the Company will exercise these options. Finance lease ROU assets are generally amortized over the lease term and are included in depreciation expense. The interest on the finance lease liabilities is included in interest expense.

(g) Inventories

Inventory consists of equipment and other assets purchased for resale in an upcoming live on site auction or online marketplace event. The Company typically purchases inventory for resale through a competitive process where the consignor or vendor has determined this to be the preferred method of disposition through the auction process. In addition, certain jurisdictions require auctioneers to hold title to assets and facilitate title transfer on sale. 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. As part of its government business, the Company purchases inventory for resale as part of its commitment to purchase certain surplus government property (note 19). 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 and in-bound transportation costs. Write-downs to the carrying value of inventory are recorded in cost of inventory sold on the consolidated income statement.

(h) Impairment of long-lived and indefinite-lived assets

Long-lived assets, comprised of property, plant and equipment and intangible assets subject to amortization, are assessed for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. For the purpose of impairment testing, long-lived assets are grouped and tested for recoverability at the lowest level that generates independent cash flows. An impairment loss is recognized when the carrying value of the assets or asset groups is greater than the future projected undiscounted cash flows. The impairment loss is calculated as the excess of the carrying value over the fair value of the asset or asset group. Fair value is based on valuation techniques or third party appraisals. Significant estimates and judgments are applied in determining these cash flows and fair values.

Indefinite-lived intangible assets are tested annually for impairment as of December 31, and between annual tests if indicators of potential impairment exist. The Company has the option of performing a qualitative assessment 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 indefinite-lived intangible asset is less than its fair value. If the qualitative assessment indicates it is not more likely than not that the carrying amount is less than its fair value, a quantitative impairment test is not required. Where a quantitative impairment test is required, the procedure is to compare the indefinite-lived intangible asset's fair value with its carrying amount. An impairment loss is recognized as the difference between the indefinite-lived intangible asset's carrying amount and its fair value.

(i) 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 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)

1. Summary of significant accounting policies (continued)

If 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.

(j) New and amended accounting standards

- a. Effective January 1, 2020, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), *Measurement of Credit Losses on Financial Instruments*. The new standard 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." In applying the new standard, the Company has adopted the loss rate methodology to estimate historical losses on trade receivables. The historical data is adjusted to account for forecasted changes in the macroeconomic environment in order to calculate the current expected credit loss. The Company's adoption of ASC 326 did not result in a material change in the carrying values of the Company's financial assets on the transition date. Periods prior to January 1, 2020 that are presented for comparative purposes have not been adjusted.
- b. In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The update provides "optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued." The amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company's use of LIBOR is applicable on short term drawings on the committed revolving credit facilities in certain jurisdictions. If applicable, the Company will use the optional expedients available when reference rate changes occur.
- c. Effective January 1, 2020, the Company adopted ASU 2018-15, Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40), *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* on a prospective basis. The update aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service agreement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The adoption of ASU 2018-15 on January 1, 2020 using the prospective transition approach did not result in a material impact to the consolidated financial statements.

2. 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. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances and such changes are reflected in the assumptions when they occur. Significant items subject to estimates include purchase price allocations, the carrying amounts of goodwill, the useful lives of long-lived assets, share based compensation, the determination of lease term and lease liabilities, deferred income taxes, reserves for tax uncertainties, and other contingencies.

As of September 30, 2020, the Company performed a qualitative assessment of the A&M reporting unit and the Mascus reporting unit with consideration of the current global economic downturn as a result of COVID-19 and the Company concluded there were no indicators of impairment.

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

3. Seasonality

The Company's operations are both seasonal and event driven. Historically, revenues tend to be the highest during the second and fourth calendar quarters. The Company generally conducts more live, on site 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. Online volumes are similarly affected as supply of used equipment is lower in the third quarter as it is actively being used and not available for sale.

The restrictions imposed and effects of the overall economic environment as a result of the COVID-19 pandemic may continue to impact these trends.

4. Segmented information

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

- Auctions and Marketplaces – This is the Company's only reportable segment, which consists of the Company's live on site auctions, its online auctions and marketplaces, and its brokerage service;
- Other includes the results of Ritchie Bros. Financial Services ("RBFS"), Mascus online services, and the results from various value-added services and make-ready activities, including the Company's equipment refurbishment services, asset appraisal services, and Ritchie Bros. Logistical Services.

	Three months ended September 30, 2020			Nine months ended September 30, 2020		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 188,949	\$ 33,730	\$ 222,679	\$ 543,340	\$ 96,601	\$ 639,941
Inventory sales revenue	108,863	—	108,863	353,906	—	353,906
Total revenue	\$ 297,812	\$ 33,730	\$ 331,542	\$ 897,246	\$ 96,601	\$ 993,847
Costs of services	21,733	17,490	39,223	69,018	49,008	118,026
Cost of inventory sold	96,253	—	96,253	320,972	—	320,972
Selling, general and administrative expenses ("SG&A")	103,933	6,253	110,186	290,077	19,126	309,203
Segment profit	\$ 75,893	\$ 9,987	\$ 85,880	\$ 217,179	\$ 28,467	\$ 245,646
Depreciation and amortization expenses ("D&A")			18,436			55,586
Gain on disposition of property, plant and equipment ("PPE")			(276)			(1,536)
Foreign exchange loss			336			1,330
Operating income			\$ 67,384			\$ 190,266
Interest expense			(8,737)			(26,801)
Other income, net			2,280			6,714
Income tax expense			(15,437)			(48,741)
Net income			\$ 45,490			\$ 121,438

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

4. Segmented information (continued)

	Three months ended September 30, 2019			Nine months ended September 30, 2019		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 150,093	\$ 28,484	\$ 178,577	\$ 494,580	\$ 90,975	\$ 585,555
Inventory sales revenue	111,219	—	111,219	400,892	—	400,892
Total revenue	261,312	28,484	289,796	\$ 895,472	\$ 90,975	\$ 986,447
Costs of services	21,431	14,951	36,382	74,799	47,920	122,719
Cost of inventory sold	102,410	—	102,410	372,703	—	372,703
SG&A expenses	88,138	5,553	93,691	268,786	17,803	286,589
Segment profit	\$ 49,333	7,980	57,313	\$ 179,184	\$ 25,252	\$ 204,436
Acquisition-related costs			45			752
D&A expenses			17,692			51,919
Gain on disposition of PPE			(821)			(1,071)
Foreign exchange loss			237			1,118
Operating income			40,160			\$ 151,718
Interest expense			(10,090)			(31,023)
Other income, net			1,962			5,680
Income tax expense			(6,760)			(28,800)
Net income			25,272			\$ 97,575

The Company's geographic breakdown of total revenue is as follows:

	United States	Canada	Europe	Other	Consolidated
Total revenue for the three months ended:					
September 30, 2020	\$ 177,883	\$ 58,059	\$ 41,891	\$ 53,709	\$ 331,542
September 30, 2019	156,380	56,129	34,522	42,765	289,796
Total revenue for the nine months ended:					
September 30, 2020	\$ 573,001	\$ 191,692	\$ 115,659	\$ 113,495	\$ 993,847
September 30, 2019	552,186	178,069	136,590	119,602	986,447

5. Revenue

The Company's revenue breakdown is as follows:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Service revenue:				
Commissions	\$ 112,762	\$ 90,928	\$ 331,711	\$ 317,674
Fees	109,917	87,649	308,230	267,881
	222,679	178,577	639,941	585,555
Inventory sales revenue	108,863	111,219	353,906	400,892
	\$ 331,542	\$ 289,796	\$ 993,847	\$ 986,447

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

6. Operating expenses**Costs of services**

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Ancillary and logistical service expenses	\$ 16,550	\$ 13,285	\$ 45,368	\$ 43,516
Employee compensation expenses	11,442	11,555	35,057	37,268
Buildings, facilities and technology expenses	1,653	1,655	7,768	5,961
Travel, advertising and promotion expenses	4,782	5,765	17,518	24,440
Other costs of services	4,796	4,122	12,315	11,534
	<u>\$ 39,223</u>	<u>\$ 36,382</u>	<u>\$ 118,026</u>	<u>\$ 122,719</u>

SG&A expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Employee compensation expenses	\$ 78,430	\$ 60,680	\$ 211,732	\$ 186,033
Buildings, facilities and technology expenses	15,901	14,569	46,108	45,066
Travel, advertising and promotion expenses	5,479	10,033	20,565	28,400
Professional fees	4,546	3,685	13,570	11,915
Other SG&A expenses	5,830	4,724	17,228	15,175
	<u>\$ 110,186</u>	<u>\$ 93,691</u>	<u>\$ 309,203</u>	<u>\$ 286,589</u>

Depreciation and amortization expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Depreciation expense	\$ 7,705	\$ 7,305	\$ 23,278	\$ 21,630
Amortization expense	10,731	10,387	32,308	30,289
	<u>\$ 18,436</u>	<u>\$ 17,692</u>	<u>\$ 55,586</u>	<u>\$ 51,919</u>

Notes to the Condensed Consolidated Financial Statements

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

7. 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.

For the three months ended September 30, 2020, income tax expense was \$15,437,000, compared to an income tax expense of \$6,760,000 for the same period in 2019. The effective tax rate was 25% in the third quarter of 2020, compared to 21% in the third quarter of 2019.

The effective tax rate increased in the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to an increased proportion of income taxed in jurisdictions with higher tax rates, a greater income tax expense related to increases in tax uncertainties in 2020 compared to 2019, and a higher estimate of non-deductible expenses. The higher estimate of non-deductible expenses are primarily due to final regulations published on April 8, 2020 by the United States Department of Treasury and the Internal Revenue Service ("IRS") that clarified income tax benefits related to hybrid financing arrangements would not be deductible ("Hybrid Interest").

For the nine months ended September 30, 2020, income tax expense was \$48,741,000, compared to an income tax expense of \$28,800,000 for the same period in 2019. The effective tax rate was 29% for the nine months ended September 30, 2020, compared to 23% for the nine months ended September 30, 2019.

The effective tax rate increased in the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to Hybrid Interest benefits that are no longer deductible as of January 1, 2019. The Company had recorded approximately \$6,228,000 in Hybrid Interest benefits in the twelve months ended December 31, 2019. In addition, there was greater income tax expense related to increases in tax uncertainties in 2020 than in 2019, and a greater proportion of income taxed in jurisdictions with higher tax rates. Partially offsetting these increases was the reduced impact of the US tax reform.

8. 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 during the period. Diluted EPS attributable to stockholders was calculated by dividing the net income attributable to stockholders by the WA number of shares of common stock outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include unvested PSUs, unvested RSUs, and outstanding stock options. The dilutive effect of potentially dilutive securities is reflected in diluted EPS by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

	Three months ended September 30, 2020			Nine months ended September 30, 2020		
	Net income attributable to stockholders	WA number of shares	Per share amount	Net income attributable to stockholders	WA number of shares	Per share amount
Basic	\$ 45,387	109,018,469	\$ 0.42	\$ 121,239	108,887,026	\$ 1.11
Effect of dilutive securities:						
Share units	—	548,859	—	—	519,915	—
Stock options	—	802,390	(0.01)	—	653,771	(0.01)
Diluted	<u>\$ 45,387</u>	<u>110,369,718</u>	<u>\$ 0.41</u>	<u>\$ 121,239</u>	<u>110,060,712</u>	<u>\$ 1.10</u>

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

8. Earnings per share attributable to stockholders (continued)

	Three months ended September 30, 2019			Nine months ended September 30, 2019		
	Net income attributable to stockholders	WA number of shares	Per share amount	Net income attributable to stockholders	WA number of shares	Per share amount
Basic	25,266	108,003,390	0.23	\$ 97,466	108,453,525	\$ 0.90
Effect of dilutive securities:						
Share units	—	481,268	—	—	430,175	—
Stock options	—	896,515	—	—	750,495	(0.01)
Diluted	\$ 25,266	109,381,173	\$ 0.23	\$ 97,466	109,634,195	\$ 0.89

9. Supplemental cash flow information

Nine months ended September 30,	2020	2019
Trade and other receivables	\$ (185,899)	\$ (123,667)
Inventory	3,938	58,791
Advances against auction contracts	6,566	4,528
Prepaid expenses and deposits	2,184	309
Income taxes receivable	1,191	(4,123)
Auction proceeds payable	213,596	248,587
Trade and other payables	20,675	(48,882)
Income taxes payable	4,179	14,050
Operating lease obligation	(8,809)	(10,762)
Other	(3,709)	541
Net changes in operating assets and liabilities	\$ 53,912	\$ 139,372
Nine months ended September 30,	2020	2019
Interest paid, net of interest capitalized	\$ 31,173	\$ 34,955
Interest received	1,775	2,491
Net income taxes paid	32,750	23,193
Non-cash purchase of property, plant and equipment under finance lease	8,431	10,747
Non-cash right of use assets obtained (reassessed) in exchange for new lease obligations	595	28,121
	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 470,285	\$ 359,671
Restricted cash	120,014	60,585
Cash, cash equivalents, and restricted cash	\$ 590,299	\$ 420,256

10. Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the 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)

10. Fair value measurement (continued)

		September 30, 2020		December 31, 2019	
		Carrying		Carrying	
	Category	amount	Fair value	amount	Fair value
<i>Fair values disclosed:</i>					
Cash and cash equivalents	Level 1	\$ 470,285	\$ 470,285	\$ 359,671	\$ 359,671
Restricted cash	Level 1	120,014	120,014	60,585	60,585
Short-term debt	Level 2	20,285	20,285	4,705	4,705
Long-term debt					
Senior unsecured notes	Level 1	492,281	515,000	490,933	520,625
Term loan	Level 2	96,330	96,782	154,548	155,355
Long-term revolver loan	Level 2	43,950	44,251	—	—

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 short term debt approximate their fair values due to their short terms to maturity. The carrying value of the term loan and long-term revolver loan, before deduction of deferred debt issue costs, approximates their fair values as the interest rate on the loans is short-term in nature. The fair value of the senior unsecured notes is determined by reference to a quoted market price.

11. Trade receivables

Trade receivables are generally secured by the equipment that they relate to as it is Company policy that equipment is not released until payment has been collected. The following table presents the activity in the allowance for expected credit losses for the period ended September 30, 2020:

Opening balance at January 1, 2020	(5,225)
Current period provision	(2,507)
Write-off charged against the allowance	3,097
Balance, September 30, 2020	<u>\$ (4,635)</u>

12. Other current assets

	September 30, 2020	December 31, 2019
Advances against auction contracts	\$ 6,442	\$ 12,925
Assets held for sale	—	15,051
Prepaid expenses and deposits	19,837	22,184
	<u>\$ 26,279</u>	<u>\$ 50,160</u>

Assets held for sale

Balance, December 31, 2019	15,051
Reclassified from (to) property, plant and equipment	(6,888)
Disposal	(8,163)
Balance, September 30, 2020	<u>\$ —</u>

During the nine months ended September 30, 2020, the Company sold excess auction site acreage in the United States. The Company also sold the property that was reclassified to property, plant and equipment during the first quarter of 2020. The sale of the two properties resulted in combined proceeds of \$15,555,000 and a combined pre-tax gain of \$1,090,000.

Notes to the Condensed Consolidated Financial Statements

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

13. Other non-current assets

	September 30, 2020	December 31, 2019
Right-of-use assets	\$ 106,710	\$ 116,209
Tax receivable	11,306	11,792
Equity-accounted investments	—	4,276
Deferred debt issue costs	2,465	1,403
Other	14,492	11,999
	<u>\$ 134,973</u>	<u>\$ 145,679</u>

During the three months ended March 31, 2020, the Company received a final distribution of its equity-accounted investments in the Cura Classis entities. The transaction did not result in a significant gain or loss.

14. Debt

	Carrying amount	
	September 30, 2020	December 31, 2019
Short-term debt	\$ 20,285	\$ 4,705
Long-term debt:		
Term loan and long-term revolver loan:		
Term loan denominated in Canadian dollars, secured, bearing interest at a weighted average rate of 2.509%, due in monthly installments of interest only and quarterly installments of principal, maturing in October 2023	96,782	155,355
Long-term revolver loan denominated in Canadian dollars, secured, bearing interest at a weighted average rate of 2.509%, due in monthly installments of interest only, maturing in October 2023	44,251	—
Less: unamortized debt issue costs	(753)	(807)
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	(7,719)	(9,067)
Total long-term debt	<u>632,561</u>	<u>645,481</u>
Total debt	<u>\$ 652,846</u>	<u>\$ 650,186</u>
Long-term debt:		
Current portion	\$ 9,926	\$ 18,277
Non-current portion	622,635	627,204
Total long-term debt	<u>\$ 632,561</u>	<u>\$ 645,481</u>

On August 14, 2020, the Company entered into an amendment of the Credit Agreement dated October 27, 2016, totaling US\$630.0 million with a syndicate of lenders comprising:

- (1) Multicurrency revolving facilities of up to US\$530 Million (the “Revolving Facilities”), and,
- (2) A delayed-draw term loan facility of up to US\$100 Million (the “Delayed-Draw Facility” and together with the Revolving Facilities, the “Facilities”).

The amendment, among other things, (i) extended the maturity date of the Facilities from October 27, 2021 to October 27, 2023, (ii) increased the applicable margin for base rate loans and LIBOR loans by 0.50% at each pricing tier level, (iii) increased the applicable percentage per annum used to calculate the commitment fee in respect of the unused commitments under the Revolving Facilities by 0.10% at each pricing tier level, and (iv) increased the aggregate amount available under the Revolving Facilities from \$490.0 million

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(Unaudited)

to \$530.0 million. Immediately prior to the amendment, the aggregate principal amount outstanding under the Delayed-Draw Facility was \$141.0 million. In connection with the amendment, the Company prepaid \$41.0 million of such amount with the proceeds from a borrowing under the Revolving Facilities. The Delayed-Draw Facility will continue to amortize in equal quarterly installments in an annual amount of 10%, with the balance payable at maturity.

The Company incurred debt issue costs of \$2,038,000 in connection with the amendment. At September 30, 2020, the Company had unamortized deferred debt issue costs relating to the Credit Agreement of \$3,218,000.

Short-term debt is comprised of drawings in different currencies on the Company's committed revolving credit facilities, and for the three months ended September 30, 2020, have a weighted average interest rate of 2.4% (December 31, 2019: 2.3%).

As at September 30, 2020, the Company had unused committed revolving credit facilities aggregating \$469,407,000 of which \$464,996,000 is available until October 27, 2023 subject to certain covenant restrictions. The Company was in compliance with all financial and other covenants applicable to the credit facilities at September 30, 2020.

15. Other non-current liabilities

	September 30, 2020	December 31, 2019
Operating lease liability	\$ 103,244	\$ 111,322
Tax payable	21,240	20,232
Finance lease liability	17,079	16,336
Other	3,114	3,348
	<u>\$ 144,677</u>	<u>\$ 151,238</u>

16. 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 share repurchases made during the three months ended September 30, 2020 (three months ended September 30, 2019: nil). There were 1,525,312 common shares repurchased for \$53,170,000 during the nine months ended September 30, 2020 (nine months ended September 30, 2019: 1,223,674 common shares repurchased for \$42,012,000).

On August 5, 2020, the Board of Directors approved a share repurchase program for the repurchase of up to \$100.0 million worth of the Company's common shares, approved by the Toronto Stock Exchange, over a period of 12 months, ending August 23, 2021.

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

Dividends***Declared and paid***

The Company declared and paid the following dividends during the nine months ended September 30, 2020 and 2019:

	<u>Declaration date</u>	<u>Dividend per share</u>	<u>Record date</u>	<u>Total dividends</u>	<u>Payment date</u>
Nine months ended September 30, 2020:					
Fourth quarter 2019	January 24, 2020	\$ 0.2000	February 14, 2020	\$ 21,905	March 6, 2020
First quarter 2020	May 6, 2020	0.2000	May 27, 2020	21,681	June 17, 2020
Second quarter 2020	August 5, 2020	0.2200	August 26, 2020	24,053	September 16, 2020
Nine months ended September 30, 2019:					
Fourth quarter 2018	January 25, 2019	\$ 0.1800	February 15, 2019	\$ 19,568	March 8, 2019
First quarter of 2019	May 8, 2019	0.1800	May 29, 2019	19,592	June 19, 2019
Second quarter of 2019	August 8, 2019	0.2000	August 28, 2019	21,631	September 18, 2019

Declared and undistributed

Subsequent to September 30, 2020, the Company's Board of Directors declared a quarterly dividend of \$0.22 cents per common share, payable on December 16, 2020 to stockholders of record on November 25, 2020. This dividend payable has not been recognized as a liability in the financial statements. The payment of this dividend will not have any tax consequences for the Company.

Foreign currency translation reserve

Foreign currency translation adjustments within other comprehensive income include intra-entity foreign currency transactions that are of a long-term investment nature, which generated a net gain of \$5,634,000 and \$3,300,000 for the three and nine months ended September 30, 2020 (2019: net loss of \$4,623,000 and \$2,971,000).

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

17. Share-based payments

Share-based payments consist of the following compensation costs:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Stock option compensation expense:				
SG&A expenses	\$ 1,671	\$ 1,653	\$ 4,401	\$ 4,852
Share unit expense:				
Equity-classified share units	4,138	2,851	9,155	8,754
Liability-classified share units	2,123	589	1,938	829
Employee share purchase plan - employer contributions	636	567	1,835	1,692
	<u>\$ 8,568</u>	<u>\$ 5,660</u>	<u>\$ 17,329</u>	<u>\$ 16,127</u>

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

Stock option plans

Stock option activity for the nine months ended September 30, 2020 is presented below:

	Common shares under option	WA exercise price	WA remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, December 31, 2019	2,797,189	\$ 29.05	7.1	\$ 38,874
Granted	816,227	41.74		
Exercised	(1,430,545)	28.10		31,798
Forfeited	(55,567)	33.53		
Expired	(2,064)	20.74		
Outstanding, September 30, 2020	2,125,240	34.46	7.8	52,688
Exercisable, September 30, 2020	<u>801,352</u>	<u>\$ 28.28</u>	<u>6.3</u>	<u>\$ 24,820</u>

The significant assumptions used to estimate the fair value of stock options granted during the nine months ended September 30, 2020 and 2019 are presented in the following table on a weighted average basis:

Nine months ended September 30,	2020	2019
Risk free interest rate	0.7 %	2.5 %
Expected dividend yield	1.96 %	2.06 %
Expected lives of the stock options	5 years	5 years
Expected volatility	27.9 %	26.8 %

Notes to the Condensed Consolidated Financial Statements

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

17. Share-based payments (continued)

Stock option plans (continued)

As at September 30, 2020, the unrecognized stock-based compensation cost related to the non-vested stock options was \$5,796,000, which is expected to be recognized over a weighted average period of 2.3 years.

Share unit plans

Share unit activity for the nine months ended September 30, 2020 is presented below:

	Equity-classified awards				Liability-classified awards	
	PSUs		RSUs		DSUs	
	Number	WA grant date fair value	Number	WA grant date fair value	Number	WA grant date fair value
Outstanding, December 31, 2019	428,724	\$ 32.89	237,420	\$ 29.72	\$ 118,368	\$ 29.64
Granted	300,595	42.00	26,610	40.52	15,427	43.29
Vested and settled	(156,238)	31.94	(7,911)	36.23	—	—
Forfeited	(29,863)	36.39	(48,243)	27.85	—	—
Outstanding, September 30, 2020	543,218	\$ 38.01	207,876	\$ 31.29	\$ 133,795	\$ 31.21

PSUs

The Company grants PSUs under a senior executive PSU plan and an employee PSU plan (the “PSU Plans”). Under the PSU Plans, the number of PSUs that vest is conditional upon specified market, service, or performance vesting conditions being met. The PSU Plans allow the Company to choose whether to settle the awards in cash or in shares. The Company intends to settle in shares. With respect to settling in shares, the Company has the option to either (i) arrange for the purchase shares on the open market on the employee’s behalf based on the cash value that otherwise would be delivered, or (ii) to issue a number of shares equal to the number of units that vest.

As at September 30, 2020 the unrecognized share unit expense related to equity-classified PSUs was \$12,485,000, which is expected to be recognized over a weighted average period of 2.1 years.

RSUs

The Company has RSU plans that are equity-settled and not subject to market vesting conditions.

As at September 30, 2020, the unrecognized share unit expense related to equity-classified RSUs was \$1,272,000, which is expected to be recognized over a weighted average period of 1.2 years.

DSUs

The Company has DSU plans that are cash-settled and not subject to market vesting conditions.

Fair values of DSUs are estimated on grant date and at each reporting date. DSUs are granted under the DSU plan to members of the Board of Directors. There is no unrecognized share unit expense related to liability-classified DSUs as they vest immediately and are expensed upon grant.

As at September 30, 2020, the Company had a total share unit liability of \$7,685,000 (December 31, 2019: \$5,130,000) in respect of share units under the DSU plans.

Employee share purchase plan

The Company has an employee share purchase plan that allows all employees that have completed two months of service to contribute funds to purchase common shares at the current market value at the time of share purchase. Employees may contribute up to 4% of their salary. The Company will match between 50% and 100% of the employee’s contributions, depending on the employee’s length of service with the Company.

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

18. Leases

The Company's breakdown of lease expense is as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Operating lease cost	\$ 4,310	\$ 4,096	\$ 12,780	\$ 13,379
Finance lease cost				
Amortization of leased assets	2,355	2,103	6,664	5,555
Interest on lease liabilities	219	211	680	565
Short-term lease cost	2,115	1,889	7,146	6,964
Sublease income	(110)	(150)	(406)	(447)
	<u>\$ 8,889</u>	<u>\$ 8,149</u>	<u>\$ 26,864</u>	<u>\$ 26,016</u>

Operating leases

The Company has entered into commercial leases for various auction sites and offices located in North America, Europe, the Middle East and Asia. The majority of these leases are non-cancellable. The Company also has further operating leases for computer equipment, certain motor vehicles and small office equipment where it is not in the best interest of the Company to purchase these assets.

The majority of the Company's operating leases have a fixed term with a remaining life between one month and 20 years, with renewal options included in the contracts. The leases have varying contract terms, escalation clauses and renewal options. Generally, there are no restrictions placed upon the lessee by entering into these leases, other than restrictions on use of property, sub-letting and alterations. At the inception of a lease, the Company determines whether it is reasonably certain to exercise a renewal option and includes the options in the determination of the lease term and the lease liability where it is reasonably certain to exercise the option. If the Company's intention is to exercise an option subsequent to the commencement of the lease, the Company will re-assess the lease term. The Company has included certain renewal options in its operating lease liabilities for key property leases for locations that have strategic importance to the Company such as its Corporate Head Office. The Company has not included any purchase options available within its operating lease portfolio in its determination of its operating lease liability.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Remainder of 2020	\$ 3,457
2021	13,755
2022	12,366
2023	10,730
2024	8,891
Thereafter	104,956
Total future minimum lease payments	\$ 154,155
less: imputed interest	(41,088)
Total operating lease liability	\$ 113,067
less: operating lease liability - current	(9,823)
Total operating lease liability - non-current	<u>\$ 103,244</u>

At September 30, 2020 the weighted average remaining lease term for operating leases is 15.4 years and the weighted average discount rate is 4.2%.

Notes to the Condensed Consolidated Financial Statements

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

18. Leases (continued)**Finance leases**

The Company has entered into finance lease arrangements for certain vehicles, computer and yard equipment and office furniture. The majority of the leases have a fixed term with a remaining life of one month to six years with renewal options included in the contracts. In certain of these leases, the Company has the option to purchase the leased asset at fair market value or a stated residual value at the end of the lease term. For certain leases such as vehicle leases the Company has included renewal options in the determination of its lease liabilities. The Company has not included any purchase options available within its finance lease portfolio in its determination of the finance lease liability.

As at September 30, 2020, the net carrying amount of computer and yard equipment and other assets under capital leases is \$24,834,000 (December 31, 2019: \$23,258,000), and is included in the total property, plant and equipment as disclosed on the consolidated balance sheets.

As at September 30, 2020	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 14,385	\$ (7,568)	\$ 6,817
Yard and others	27,288	(9,271)	18,017
	<u>\$ 41,673</u>	<u>\$ (16,839)</u>	<u>\$ 24,834</u>

As at December 31, 2019	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 15,314	\$ (7,832)	\$ 7,482
Yard and others	21,525	(5,749)	15,776
	<u>\$ 36,839</u>	<u>\$ (13,581)</u>	<u>\$ 23,258</u>

The future aggregate minimum lease payments under non-cancellable finance leases are as follows:

Remainder of 2020	\$ 2,498
2021	9,083
2022	7,198
2023	5,084
2024	2,796
Thereafter	469
Total future minimum lease payments	\$ 27,128
less: imputed interest	(1,504)
Total finance lease liability	\$ 25,624
less: finance lease liability - current	(8,545)
Total finance lease liability - non-current	<u>\$ 17,079</u>

At September 30, 2020 the weighted average remaining lease term for finance leases is 3.4 years and the weighted average discount rate is 3.8%.

Subleases

As at September 30, 2020, the total future minimum sublease payments expected to be received under non-cancellable subleases is \$81,000.

Notes to the Condensed Consolidated Financial Statements

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

19. Commitments

Commitment for inventory purchase

The Company entered into a two-year non-rolling stock surplus contract with the U.S. Government Defense Logistics Agency (the “DLA”) in December 2017 with the option to extend for up to four-years. Pursuant to the contract, the original performance period commenced in April 2018 and concluded in March 2020. The Company has exercised its option for one year, extending the performance period to March 2021.

The Company has committed to purchase between 150,000 and 245,900 units of property with an expected minimum value of \$11,104,000 and up to \$51,028,000 annually to the extent that goods are available from the DLA. At September 30, 2020, the Company has purchased \$9,278,000 pursuant to the 12-month period of this contract which commenced in April 2020.

20. 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.

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 September 30, 2020, there were \$75,897,000 of assets guaranteed under contract, of which 85% is expected to be sold prior to December 31, 2020, with the remainder to be sold by September 30, 2021 (December 31, 2019: \$63,612,000 of which 39% was expected to be sold prior to the end of March 31, 2020 with the remainder to be sold by June 30, 2020).

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

21. Subsequent event

On October 28, 2020, the Company entered into a definitive agreement to acquire Rouse Services, a privately held company that provides data intelligence and performance benchmarking solutions. Its subscription-based revenue is generated by three Data-as-a-service (DaaS) solutions: rental analytics, equipment sales support, and fleet appraisals.

Under the terms of the transaction, Ritchie Bros. will acquire 100% of the equity of Rouse Services LLC for approximately \$275 million, comprised of approximately \$250 million in cash and \$25 million in common stock of Ritchie Bros., subject to adjustment. Completion of the acquisition is subject to customary closing conditions, including, among other conditions, the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

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

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements may appear throughout this report, including the following section "Management's Discussion and Analysis of Financial Condition and Results of Operations". 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", "long-term", or the negative of these terms, and similar expressions intended to identify forward-looking statements. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially.

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, 2019, which is available on our website at www.rbauction.com, on EDGAR at www.sec.gov, or on SEDAR at 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.

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles ("US GAAP"). Except for Gross Transaction Value ("GTV")¹, which is a measure of operational performance and not a measure of financial performance, liquidity, or revenue, the amounts discussed below are based on our consolidated financial statements. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of United States ("U.S.") dollars.

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with US GAAP. Certain of these data are considered "non-GAAP financial measures" under the SEC rules. The definitions and reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable US GAAP financial measures are included either with the first use thereof or in the Non-GAAP Measures section within the MD&A. Non-GAAP financial measures referred to in this report are labeled as "non-GAAP measure" or designated as such with an asterisk (*). Please see pages 43-48 for explanations of why we use these non-GAAP measures and the reconciliation to the most comparable GAAP financial measures.

Overview

Ritchie Bros. Auctioneers Incorporated ("Ritchie Bros.", the "Company", "we", or "us") (NYSE & TSX: RBA) was founded in 1958 in Kelowna, British Columbia, Canada and is a world leader in asset management and disposition of used industrial equipment and other durable assets, selling \$5.14 billion of used equipment and other assets during 2019. Our expertise, unprecedented global reach, market insight, and trusted portfolio of brands provide us with a unique position in the used equipment market. We sell used equipment for our customers through live, unreserved auctions at 40 auction sites worldwide, which are also simulcast online to reach a global bidding audience and through our online marketplaces.

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, government surplus, oil and gas equipment and other industrial assets. Construction and heavy machinery comprise the majority of the equipment sold. Customers selling equipment through our sales channels include end users (such as construction companies), equipment dealers, original equipment manufacturers ("OEMs") and other equipment owners (such as rental companies). Our customers participate in a variety of sectors, including heavy construction, transportation, agriculture, energy, and mining.

We operate globally with locations in more than 12 countries, including the U.S., Canada, Australia, the United Arab Emirates, and the Netherlands, and employ more than 2,500 full time employees worldwide.

¹ GTV represents total proceeds from all items sold at our live on site auctions and online marketplaces. GTV is not a measure of financial performance, liquidity, or revenue, and is not presented in our consolidated financial statements.

Proposed Acquisition of Rouse Services

On October 28, 2020, we entered into a definitive agreement to acquire Rouse Services, a privately held company that provides data intelligence and performance benchmarking solutions to help customers make better decisions. Its subscription-based revenue is generated by three Data-as-a-service (DaaS) solutions: rental analytics, equipment sales support, and fleet appraisals.

Under the terms of the transaction, we will acquire 100% of the equity of Rouse Services LLC for approximately \$275 million, comprised of approximately \$250 million in cash and \$25 million in our common stock, subject to adjustment. Completion of the acquisition is subject to customary closing conditions, including, among other conditions, the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Impact of COVID-19 to our Business

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the world. The COVID-19 pandemic has resulted in significant global economic disruption and has materially impacted a number of countries and regions in which we operate, including the United States, Canada, Europe, the Middle East and Asia. It has resulted in travel restrictions and business slowdowns or shutdowns in affected areas and has negatively disrupted global manufacturing and workforce participation, including our own.

During the third quarter, many regions continued to lift lockdown policies and eased border restrictions, improving our ability to move equipment to and from our auction sites. Notwithstanding, our European region continued to experience some constraints by the cross-border quarantine requirements making equipment transport challenging and consequently impacting our overall auction volumes. Our North America region also lifted lockdown policies which positively impacted our businesses but unlike Europe and Asia, the dependency to move equipment across country borders within Canada and the US was not as large a factor in our ability to operate our business.

Our top priority with regard to the COVID-19 pandemic remains the health and welfare of our employees, customers, suppliers and others with whom we partner to run our business activities. We are strictly enforcing all local government and jurisdictional safety guidelines, and, in some instances, the Company is applying additional over-and-above safety measures. In the first quarter of 2020, we implemented our business continuity plans and instructed employees at many of our offices across the globe (including our corporate headquarters) to work from home on a temporary basis and implemented travel restrictions. These work-from-home orders and travel restrictions continued to be observed and were enforced throughout the third quarter.

For the third quarter, the Company was able to operate and serve our customers' equipment and immediate liquidity needs through our platform of auction technology solutions and online auction capabilities. In addition to running our IronPlanet weekly featured online auction, our online Marketplace-E solution and GovPlanet online auctions, we modified our live operations in March 2020 to transition all our traditional live onsite industrial auctions to online bidding. Buyers are still able to visit our live auction sites in advance of the virtual auctions to conduct inspections and pick up equipment post auction, but we are restricting attendance at our live theatres. We are enforcing rigid guidelines for equipment drop off, buyer inspections and post auction pickup of equipment to ensure the highest regard for the safety of our employees and customers. In addition, as implemented in the first quarter, we are using our Time Auctioned Lots (TAL) solution for selected events.

We have actively taken steps to be prudent on expenses and other cash outflows. Our priority is to support our employees, and we are actively monitoring the situation and changing dynamics in each of our respective regions and adjusting our operations as necessary. To this date, layoffs or furlough activities related to the COVID-19 pandemic have been limited in scope. As at the end of the third quarter, we held a solid balance sheet and strong liquidity position. As of September 30, 2020, we have \$470.3 million of unrestricted cash and \$469.4 million of unused committed capacity under our revolving credit facility. With respect to the announced Rouse acquisition, we are well positioned financially to close on the transaction and we have prudently taken steps to maximize positive cash flow and have also developed comprehensive contingency plans should the COVID-19 pandemic have a prolonged adverse impact on our business impeding our ability to generate revenue. Additionally, in the third quarter we amended and extended our credit facilities totaling US\$630.0 million to expire in October 2023.

The extent of the ongoing impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives, will depend on future developments, including the duration and spread of the pandemic and any related restrictions placed by respective global governments, as well as supply and demand impacts driven by our consignor and buyer base, all of which are uncertain and cannot be easily predicted. Although at the time of this filing, we continue operating our modified live site operations in all of the jurisdictions in which we operate, there is no assurance that our operations could not be impacted in the future. If we were to be subject to government orders or other restrictions on the operation of our business, we may be required to limit our operations at, or temporarily close, certain live site locations in the future. Any such limitations or closures could have an adverse impact on our ability to service our customers and on our business, and results of operations.

We are actively monitoring the situation and remain ready to take additional actions based on any new governmental guidance or recommendations. We are continuously reviewing and assessing the pandemic's impacts on our customers, our suppliers and our business so that we can seek to address the effect on our business and service our customers. It is unknown how long the pandemic will last, how many people are ultimately going to be affected by it, and the long-term implications to local or global economies. Equally, it is still not easily discernable at this time to understand the real effects of the COVID-19 pandemic on equipment supply, buyer demand, and potential pricing volatility, nor the potential impact on our buyers' ability to pay or secure financing. Additionally, there is a level of uncertainty on the impact COVID-19 may have on our third party vendors, partners and the service providers we currently do business with today. Their ability to partner with us may be temporarily or permanently constrained and for some, the business terms under which they continue to partner with us could change as they manage their business through these unprecedented times. As such, given the ongoing nature of this situation, the Company cannot reasonably estimate the future impacts of the COVID-19 pandemic on our business operations, results of operations, cash flows, financial performance or the ability to pay dividends.

Service Offerings

We offer our equipment seller and buyer customers multiple distinct, complementary, multi-channel brand solutions that address the range of their needs. Our global customer base has a variety of transaction options, breadth of services, and the widest selection of used equipment available to them. For a complete listing of channels and brand solutions available under our Auctions & Marketplace ("A&M") segment, as well as our Other Services segment, please refer to our Annual Report on Form 10-K for the year ended December 31, 2019, which is available on our website at www.rbaction.com, on EDGAR at www.sec.gov, or on SEDAR at www.sedar.com.

Contract options

We offer consignors several contract options to meet their individual needs and sale objectives. Through our A&M business, options include:

- Straight commission contracts, where the consignor receives the gross proceeds from the sale less a pre-negotiated commission rate;
- Guarantee contracts, where the consignor receives a guaranteed minimum amount plus an additional amount if proceeds exceed a specified level; and
- Inventory contracts, where we purchase, take custody, and hold used equipment and other assets before they are resold in the ordinary course of business.

We collectively refer to guarantee and inventory contracts as underwritten or "at-risk" contracts.

Value-added services

We also provide a wide array of value-added services to make the process of selling and buying equipment convenient for our customers, including repair and refurbishment services, financial services through Ritchie Bros. Financial Services ("RBFS"), logistical services, and appraisals.

Seasonality

Our GTV and associated A&M segment revenues are affected by the seasonal nature of our business. GTV and A&M segment revenues tend to increase during the second and fourth calendar quarters, during which time we generally conduct more business than in the first and third calendar quarters. Given the operating leverage inherent in our business model, the second and fourth quarter also tend to produce higher operating margins, given the higher volume and revenue generated in those quarters.

The restrictions imposed and effects of the overall economic environment as a result of the COVID-19 pandemic may continue to impact these trends.

Revenue Mix Fluctuations

Our revenue is comprised of service revenue and inventory sales revenue. Service revenue from A&M segment activities include commissions earned at our live auctions, online marketplaces, and private brokerage services, and various auction-related fees, including listing and buyer transaction fees. We also recognize revenues from our Other Services activities as service revenue. Inventory sales revenue is recognized as part of our A&M activities, and relates to revenues earned through our inventory contracts.

Inventory sales revenue can fluctuate significantly, as it changes based on whether our customers sell using a straight or guarantee commission contract, or an inventory contract at time of selling. Straight or guarantee commission contracts will result in the commission being recognized as service revenue, while inventory contracts will result in the gross transaction value of the equipment sold being recorded as inventory sales revenue with the related cost recognized in cost of inventory sold. As a result, a change in the revenue mix between service revenues and revenue from inventory sales can have a significant impact on revenue growth percentages.

Performance Overview

Net income attributable to stockholders increased 80% to \$45.4 million, compared to \$25.3 million in Q3 2019. Diluted earnings per share (“EPS”) attributable to stockholders increased 78% to \$0.41 per share in Q3 2020 as compared to Q3 2019. Diluted adjusted EPS attributable to stockholders* which excludes \$4.3 million of severance costs (\$3.2 million net of tax), increased 91% to \$0.44 per share at Q3 2020 as compared to Q3 2019.

Consolidated results:

- Total revenue in Q3 2020 increased 14% to \$331.5 million as compared to Q3 2019
 - Service revenue in Q3 2020 increased 25% to \$222.7 million as compared to Q3 2019
 - Inventory sales revenue in Q3 2020 decreased 2% to \$108.9 million as compared to Q3 2019
- Total selling, general and administrative expenses (“SG&A”) in Q3 2020 increased 18% to \$110.2 million as compared to Q3 2019
- Operating income in Q3 2020 increased 68% to \$67.4 million as compared to Q3 2019
- Net income in Q3 2020 increased 80% to \$45.5 million as compared to Q3 2019
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization* (“EBITDA”) (non-GAAP measure) in Q3 2020 increased 55% to \$91.9 million as compared to Q3 2019
- Cash provided by operating activities was \$265.6 million for the first nine months of 2020
- Cash on hand at Q3 2020 was \$590.3 million, of which \$470.3 million was unrestricted

Auctions & Marketplaces segment results:

- GTV in Q3 2020 increased 22% to \$1.3 billion compared to Q3 2019
- A&M total revenue in Q3 2020 increased 14% to \$297.8 million as compared to Q3 2019
 - Service revenue in Q3 2020 increased 26% to \$188.9 million as compared to Q3 2019
 - Inventory sales revenue in Q3 2020 decreased 2% to \$108.9 million as compared to Q3 2019

Other Services segment results:

- Other Services total revenue in Q3 2020 increased 18% to \$33.7 million as compared to Q3 2019
- RBFS revenue in Q3 2020 increased 19% to \$7.3 million as compared to Q3 2019

Other Company developments:

- In Q3 2020, our Board of Directors authorized a share repurchase program for the repurchase of up to \$100 million of our common shares over the next 12 months, which was approved by the Toronto Stock Exchange
- On August 10, 2020, the Company announced the appointment of Kevin Geisner as Chief Strategy Officer
- On August 14, 2020, the Company amended and extended its credit facilities totaling US\$630.0 million with a syndicate of lenders
- On October 28, 2020, the Company entered into a definitive agreement to acquire Rouse Services, a privately held company that provides data intelligence and performance benchmarking for approximately \$275 million

Results of Operations

Financial overview

(in U.S. \$000's, except EPS and percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Service revenue:						
Commissions	\$ 112,762	\$ 90,928	24 %	\$ 331,711	\$ 317,674	4 %
Fees	109,917	87,649	25 %	308,230	267,881	15 %
Total service revenue	222,679	178,577	25 %	639,941	585,555	9 %
Inventory sales revenue	108,863	111,219	(2)%	353,906	400,892	(12)%
Total revenue	331,542	289,796	14 %	993,847	986,447	1 %
Service revenue as a % of total revenue	67.2 %	61.6 %	560 bps	64.4 %	59.4 %	500 bps
Inventory sales revenue as a % of total revenue	32.8 %	38.4 %	(560)bps	35.6 %	40.6 %	(500)bps
Costs of services	39,223	36,382	8 %	118,026	122,719	(4)%
Cost of inventory sold	96,253	102,410	(6)%	320,972	372,703	(14)%
Selling, general and administrative expenses	110,186	93,691	18 %	309,203	286,589	8 %
Operating expenses	264,158	249,636	6 %	803,581	834,729	(4)%
Cost of inventory sold as a % of operating expenses	36.4 %	41.0 %	(460)bps	39.9 %	44.6 %	(470)bps
Operating income	67,384	40,160	68 %	190,266	151,718	25 %
Operating income margin	20.3 %	13.9 %	640 bps	19.1 %	15.4 %	370 bps
Net income attributable to stockholders	45,387	25,266	80 %	121,239	97,466	24 %
Adjusted net income attributable to stockholders*	48,605	25,266	92 %	130,685	97,466	34 %
Diluted earnings per share attributable to stockholders	\$ 0.41	\$ 0.23	78 %	\$ 1.10	\$ 0.89	24 %
Diluted adjusted EPS attributable to stockholders*	\$ 0.44	\$ 0.23	91 %	\$ 1.19	\$ 0.89	34 %
Effective tax rate	25.3 %	21.1 %	420 bps	28.6 %	22.8 %	580 bps
Total GTV	1,321,379	1,084,241	22 %	3,962,386	3,756,679	5 %
Service GTV	1,212,516	973,022	25 %	3,608,480	3,355,787	8 %
Service GTV as a % of total GTV - Mix	91.8 %	89.7 %	210 bps	91.1 %	89.3 %	180 bps
Service revenue as a % of total GTV- Rate	16.9 %	16.5 %	40 bps	16.2 %	15.6 %	60 bps
Inventory GTV	108,863	111,219	(2)%	353,906	400,892	(12)%
Inventory sales revenue as a % of total GTV-Mix	8.2 %	10.3 %	(210)bps	8.9 %	10.7 %	(180)bps

Total revenue

Total revenue increased 14% to \$331.5 million in Q3 2020 and increased 1% to \$993.8 million for the first nine months of 2020.

In Q3 2020, total service revenue increased 25% with commissions revenue increasing 24% and fees revenue increasing 25%. Service revenues comprise of commissions which are earned on Service GTV, and Fees which are earned on total GTV as well as from our Other Services such as RBFS and Ancillary Services.

In Q3 2020, Service GTV increased 25% to \$1.2 billion with increases across all regions, most notably in the US and Canada. The increase in the US Service GTV was primarily due to strong execution by the US strategic accounts and regional sales teams driving year-over-year positive growth at both our live and online auctions, with strong performance at our Fort Worth auction. In Canada, Service GTV increased mainly due to positive year-over-year performance at Canadian live auctions. Also, the quarter benefited from auction calendar movement, which resulted in the shifting of the Toronto and Lethbridge auctions to Q3 2020, partially offset by shifting the Grand Prairie auction from Q3 2020 to Q4 2020. The International sales team delivered higher Service GTV as earlier lockdown measures lifted and border restrictions eased in Europe.

In Q3 2020, fees revenue was up 25% driven by higher fees from total GTV which was up 22%. We also had positive performance in Ancillary as we earned more fees from refurbishing and transporting sellers' equipment driven by greater GTV activity in the US. Fees also grew due to RBFS as well as higher buyer fees on more favorable mix. Commissions revenue increased 24%, primarily in line with the increase in Service GTV.

For the first nine months of 2020, total service revenue increased 9% to \$639.9 million.

For the first nine months of 2020, Service GTV increased 8% with increases in the US and Canada offsetting lower performance in International. Service GTV in the US and Canada increased for the same reasons discussed above. This increase was partially offset by the non-repeat of the Columbus, Ohio auction in June 2019 and lower GTV in the Orlando live auction. International, mainly in Europe, was lower due to the impact of the COVID-19 pandemic.

For the first nine months of 2020, fee revenue increased 15%, partially related to the increase in total GTV of 5%. The remaining increase was driven by higher fees revenue from the full harmonization of buyer fees and change in our GTV mix resulting in improved buyer fee rate performance. We also recognized higher Other Segment fees and an increase in listing fees driven by greater online volume. This increase was partially offset by lower RB Logistics revenue earned due to lower activity in the International region during the first nine months of 2020. Commissions revenue increased 4% on Services GTV growth of 8%, with softer rate performance due to a higher proportion of GTV sourced from strategic accounts. This decrease was partially offset by improved guarantee rate performance in the US.

Inventory sales revenue as a percent of total GTV decreased to 8.2% from 10.3% in Q3 2020 and to 8.9% from 10.7% in the first nine months of 2020.

In Q3 2020, inventory sales revenue decreased 2% representing lower inventory sales volume. The lower sales volume was offset by strong year-over-year improvement in the inventory sales margin rate performance in the US and Canada. The decrease in the inventory volume was attributable to lower government surplus contracts in the US due to COVID-19 related government shutdowns and the shift of the Canadian Grand Prairie auction to Q4 2020. Partially offsetting these decreases was positive volume growth in International as border restrictions eased in Europe during Q3 2020 together with large private treaty deals in Australia.

For the first nine months of 2020, inventory sales revenue decreased 12% primarily related to lower inventory sales revenue in the International due to the severe impact of the COVID-19 pandemic in this region and selling through certain non-repeating large inventory deals from Europe and Asia in Q3 2019. In addition, there was a non-recurring large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction in June 2019, as well as a drop in revenue from our government surplus contracts due to government shutdowns in response to the COVID-19 pandemic. Inventory revenue was impacted by the auction calendar shifts discussed above. This decrease was partially offset by strong year-over-year performance in the US and Canada.

We offer our customers the opportunity to use underwritten commission contracts to serve their disposition strategy needs, entering into such contracts where the risk and reward profile of the terms are agreeable. Our underwritten contracts, which includes inventory and guarantee contracts, decreased to 15.4% in Q3 2020, compared to 17.8% in Q3 2019. For the first nine months of 2020, our underwritten contracts were 18.7% compared to 19.9% in the prior period.

Operating Income

For Q3 2020, operating income increased 68% or \$27.2 million to \$67.4 million, primarily related to the \$41.7 million increase in revenue and strong flow through to operating income. For the first nine months of 2020, operating income increased 25% or \$38.6 million to \$190.3 million, mainly due to lower operating expenses incurred during this period.

Income tax expense and effective tax rate

At the end of each interim period, we estimate 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.

For Q3 2020, income tax expense increased 128% to \$15.4 million and our effective tax rate increased 423 bps to 25.3% as compared to Q3 2019. For the nine months ended September 30, 2020, income tax expense increased 69% to \$48.7 million and our effective tax rate increased 585 bps to 28.6% as compared to the nine months ended September 30, 2019.

The increase in the effective tax rates for Q3 2020 as compared to Q3 2019 was primarily due to an increased proportion of income taxed in jurisdictions with higher tax rates, a greater income tax expense related to increases in tax uncertainties in 2020 than in 2019, and a higher estimate of non-deductible expenses. The higher estimate of non-deductible expenses is primarily due to final regulations published on April 8, 2020 by the United States Department of Treasury and the Internal Revenue Service ("IRS") that clarified income tax benefits related to hybrid financing arrangements would not be deductible ("Hybrid Interest").

The increase in the effective tax rate for the nine months ended September 30, 2020 was primarily due to Hybrid Interest benefits that are no longer deductible as of January 1, 2019. We had recorded approximately \$6,228,000 in Hybrid Interest benefits in the twelve months ended December 31, 2019. In addition, there was greater income tax expense related to increases in tax uncertainties in 2020 than in 2019, and a greater proportion of income taxed in jurisdictions with higher tax rates. Partially offsetting these increases was the reduced impact of the US tax reform.

Net income

In Q3 2020, net income attributable to stockholders increased 80% to \$45.4 million, primarily related to the higher operating income, lower interest expense, and partially offset by the increase in the effective tax rate as discussed above. For the first nine months of 2020, net income attributable to stockholders increased 24% to \$121.2 million, primarily for the same reasons noted above.

Diluted EPS

Diluted EPS attributable to stockholders increased 78% to \$0.41 per share for Q3 2020 and increased 24% to \$1.10 per share for the first nine months of 2020.

U.S. dollar exchange rate comparison

We conduct global operations in many different currencies, with our presentation currency being the U.S. dollar. The following table presents the variance in select foreign exchange rates over the comparative reporting periods:

Value of one local currency to U.S. dollar	2020	2019	% Change 2020 over 2019
Period-end exchange rate			
Canadian dollar	0.7514	0.7551	(0)%
Euro	1.1732	1.0900	8 %
Australian dollar	0.7171	0.6751	6 %
Average exchange rate -Three months ended September 30,			
Canadian dollar	0.7506	0.7572	(1)%
Euro	1.1686	1.1116	5 %
Australian dollar	0.7148	0.6851	4 %
Average exchange rate -Nine months ended September 30,			
Canadian dollar	0.7391	0.7524	(2)%
Euro	1.1242	1.1236	0 %
Australian dollar	0.6764	0.6990	(3)%

For Q3 2020, foreign exchange had a favourable impact on total revenue and an unfavourable impact on expenses. These impacts were primarily due to the fluctuations in the Euro and Australian dollar exchange rates relative to the U.S. dollar. For the first nine months of 2020, foreign exchange had an unfavourable impact on total revenue and a favourable impact on expenses. These impacts were mainly due to the fluctuations in the Canadian and Australian dollar exchanges rates relative to the U.S. dollar.

Non-GAAP Measures

As part of management's non-GAAP measures, we may eliminate the financial impact of adjusting items which are after-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 an equity accounted for investment, plant and equipment, impairment losses, and certain other items, which we refer to as 'adjusting items'. In Q3 2020 we excluded \$4.3 million (\$3.2 million net of tax) of severance costs related to the realignment of leadership to support the new global operations organization, in line with strategic growth priorities led by the new CEO. There were no adjusting items in Q3 2019.

Adjusted net income attributed to stockholders (non-GAAP measure) increased 92% to \$48.6 million in Q3 2020 and increased 34% to \$130.7 million for the first nine months of 2020.

Diluted Adjusted EPS attributable to stockholders (non-GAAP measure) increased 91% to \$0.44 per share in Q3 2020 and increased 34% to \$1.19 per share for the first nine months of 2020.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) (non-GAAP measure) increased 55% to \$91.9 million in Q3 2020 and increased 23% to \$255.1 million for the first nine months of 2020.

Debt at the end of Q3 2020, represented 3.8 times net income as at and for the 12 months ended September 30, 2020. This compares to debt at Q3 2019, which represented 5.2 times net income as at and for the 12 months ended September 30, 2019. The decrease in this debt/net income multiplier was primarily due to higher cash and cash equivalents balance and also lower debt balances at September 30, 2020 compared to September 30, 2019, as a result of our voluntary and mandatory debt repayments. The adjusted net debt/adjusted EBITDA (non-GAAP measure) was 0.5 times as at and for the 12 months ended September 30, 2020 compared to 1.4 times as at and for the 12 months ended September 30, 2019.

Segment Performance

We provide our customers with a wide array of services. The following table presents a breakdown of our consolidated results between the A&M segment and Other Services segment. A complete listing of channels and brand solutions under the A&M segment, as well as our Other Services segment, is available in our Annual Report on Form 10-K for the year ended December 31, 2019.

(in U.S \$000's)	Three months ended September 30, 2020			Nine months ended September 30, 2020		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 188,949	\$ 33,730	\$ 222,679	\$ 543,340	\$ 96,601	\$ 639,941
Inventory sales revenue	108,863	—	108,863	353,906	—	353,906
Total revenue	297,812	33,730	331,542	897,246	96,601	993,847
Ancillary and logistical service expenses	—	16,550	16,550	—	45,368	45,368
Other costs of services	21,733	940	22,673	69,018	3,640	72,658
Cost of inventory sold	96,253	—	96,253	320,972	—	320,972
SG&A expenses	103,933	6,253	110,186	290,077	19,126	309,203
Segment profit	75,893	9,987	85,880	\$ 217,179	\$ 28,467	\$ 245,646

(in U.S \$000's)	Three months ended September 30, 2019			Nine months ended September 30, 2019		
	A&M	Other	Consolidated	A&M	Other	Consolidated
Service revenue	\$ 150,093	\$ 28,484	\$ 178,577	\$ 494,580	\$ 90,975	\$ 585,555
Inventory sales revenue	111,219	—	111,219	400,892	—	400,892
Total revenue	261,312	28,484	289,796	895,472	90,975	986,447
Ancillary and logistical service expenses	—	13,285	13,285	—	43,516	43,516
Other costs of services	21,431	1,666	23,097	74,799	4,404	79,203
Cost of inventory sold	102,410	—	102,410	372,703	—	372,703
SG&A expenses	88,138	5,553	93,691	268,786	17,803	286,589
Segment profit	49,333	7,980	57,313	\$ 179,184	\$ 25,252	\$ 204,436

Auctions and Marketplaces Segment

Results of A&M segment operations are presented below for the comparative reporting periods.

(in U.S. \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Service revenue	\$ 188,949	\$ 150,093	26 %	\$ 543,340	\$ 494,580	10 %
Inventory sales revenue	108,863	111,219	(2)%	353,906	400,892	(12)%
Total revenue	297,812	261,312	14 %	897,246	895,472	0 %
A&M service revenue as a % of total A&M revenue	63.4 %	57.4 %	600 bps	60.6 %	55.2 %	540 bps
Inventory sales revenue as a % of total A&M revenue	36.6 %	42.6 %	(600)bps	39.4 %	44.8 %	(540)bps
Costs of services	21,733	21,431	1 %	69,018	74,799	(8)%
Cost of inventory sold	96,253	102,410	(6)%	320,972	372,703	(14)%
SG&A expenses	103,933	88,138	18 %	290,077	268,786	8 %
A&M segment expenses	\$ 221,919	\$ 211,979	5 %	\$ 680,067	\$ 716,288	(5)%
Cost of inventory sold as a % of A&M expenses	43.4 %	48.3 %	(490)bps	47.2 %	52.0 %	(480)bps
A&M segment profit	\$ 75,893	\$ 49,333	54 %	\$ 217,179	\$ 179,184	21 %
Total GTV	1,321,379	1,084,241	22 %	3,962,386	3,756,679	5 %
A&M service revenue as a % of total GTV- Rate	14.3 %	13.8 %	50 bps	13.7 %	13.2 %	50 bps

Gross Transaction Value

In response to the COVID-19 pandemic, beginning in March 2020, we transitioned all our traditional live on site auctions to online bidding utilizing our existing online bidding technology and simultaneously ceased all public attendance at our live auction theaters. Our core online auction channels (IronPlanet.com, GovPlanet.com, Marketplace-E) continued to operate as usual.

To facilitate the live auction process transition to a virtual platform and under strict safety guidelines, we enabled equipment drop off at our physical yards prior to the online event, with buyers able to conduct inspections pre-auction and collect equipment post auction. In addition, where auctioneers were not able to attend a physical site, we used Time Auctioned Lots (TAL) solutions for selected International and on-the-farm agriculture events.

GTV recognized through online bidding at live on site auctions and TAL have been counted towards the Live on site auction metrics. The percentage of live GTV dollars that transacted on TAL rose to 30% in Q3 2020, up from 10% in the prior year, and increased to 25%, up from 8% in the first nine months of 2020.

We believe it is meaningful to consider revenue in relation to GTV. GTV by channel and by revenue type are presented below for the comparative reporting period.

GTV by Channel

(in U.S. \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Live on site auctions	\$ 971,904	\$ 825,294	18 %	\$ 3,062,963	\$ 3,058,087	0 %
Percentage of total	73.6 %	76.1 %		77.3 %	81.4 %	
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	349,475	258,947	35 %	899,423	698,592	29 %
Percentage of total	26.4 %	23.9 %		22.7 %	18.6 %	
GTV	<u>\$ 1,321,379</u>	<u>\$ 1,084,241</u>	<u>22 %</u>	<u>\$ 3,962,386</u>	<u>\$ 3,756,679</u>	<u>5 %</u>
Percentage of total GTV purchased by online buyers						
Live on site auctions	100 %	58 %	4200 bps	86 %	53 %	3300 bps
Online marketplaces including featured ⁽¹⁾ and other ⁽²⁾	100 %	100 %	0 bps	100 %	100 %	0 bps
Total GTV	<u>100 %</u>	<u>68 %</u>	<u>3200 bps</u>	<u>89 %</u>	<u>62 %</u>	<u>2700 bps</u>

(1) This represents GTV from IronPlanet's Weekly Featured Auction, which operates under an unreserved auction model.

(2) This includes GTV from Marketplace-E.

GTV increased 22% to \$1.3 billion in Q3 2020 and increased 5% to \$4.0 billion for the first nine months of 2020.

For Q3 2020, live on site GTV increased 18% to \$971.9 million. The 18% increase in GTV was primarily due to strong execution of the US strategic accounts and regional sales teams, strong year-over-year growth performance across regions as earlier lockdown measures lifted and border restrictions eased particularly in the International region, and live auction calendar shifts as discussed below. Partially offsetting these increases, Australia switched their selling platform from Live to Online, which transferred GTV to the online channel.

Due to the COVID-19 pandemic, we postponed our (1) Caorso, Italy, (2) Ocana, Spain, and (3) Polotitlan, Mexico auctions from the first half of 2020 to Q3 2020. We also had some auction calendar shifts in Canada, unrelated to the COVID-19 pandemic, where we shifted the Toronto and Lethbridge into Q3 2020, offset by a Grand Prairie auction that will be held in Q4 2020.

For the first nine months of 2020, live on site GTV was flat at \$3.1 billion. This was primarily driven by strong execution of the US strategic accounts and regional sales teams, and positive year-over-year growth performance in US and Canada, offset by Australia switching their selling platform from Live to Online and softness in the International region due to the COVID-19 pandemic.

For Q3 2020, online marketplace GTV increased 35% primarily due to increased online performance driven from strong execution by the US strategic accounts and regional sales teams, and the shift of our Australia live on site auctions to our online platform. This increase was partially offset by lower volume in International Marketplace-E.

For the first nine months of 2020, online marketplaces GTV increased 29% for the same reasons discussed above.

Online bidding

Across all channels, 100% of total GTV was purchased by online buyers in Q3 2020 compared to 68% in Q3 2019. For the first nine months of 2020, GTV from online buyers was 89% compared to 62% in the comparable prior year period. The increase in internet bidders and online buyers is a direct impact of the COVID-19 pandemic, as we pivoted to 100% online bidding at our live auctions where onsite attendance was not permitted. Prior to the COVID-19 pandemic restrictions, 67% of total GTV was purchased by online buyers.

Industrial Live On Site Metrics

Total industrial live on site auction metrics

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Number of auctions	42	46	(9)%	123	140	(12)%
Bidder registrations	231,500	165,500	40 %	677,100	508,750	33 %
Consignors	15,100	14,000	8 %	40,450	43,000	(6)%
Buyers	40,000	34,800	15 %	114,250	109,050	5 %
Lots	115,350	98,400	17 %	312,450	305,150	2 %

In Q3 2020, we held four fewer industrial live on site auctions, yet our GTV from live on site auctions increased 18%, primarily due to regional combined auctions in the US. For the first nine months of 2020, we held 12% or 17 less live on site auctions.

In Q3 2020, the total number of industrial lots increased 17% to 115,350 and the total number of lots including agricultural lots increased 17% to 116,750. For the first nine months of 2020, total number of industrial lots increased 2% to 312,450 and the total number of lots including agricultural lots increased 1% to 329,900 lots.

GTV on a per lot basis generated at our industrial live on site auctions decreased 1% to \$8,150 in Q3 2020 compared to \$8,300 in Q3 2019. For the first nine months of 2020, the GTV on a per lot basis generated at our industrial live on site auctions decreased 1.5% to \$9,390 compared to \$9,500 in the prior year.

12 months average metrics per industrial live on site auction

(in U.S. \$000's, except percentages)	12 months ended September 30,		
	2020	2019	% Change 2020 over 2019
GTV	\$ 22.5 million	\$ 20.4 million	10 %
Bidder registrations	5,090	3,525	44 %
Consignors	318	300	6 %
Lots	2,429	2,118	15 %

For the 12 months ended September 30, 2020, we saw a 10% increase in average GTV per industrial auction compared to the prior year period, and a 44% increase in average bidder registration per auction representing higher demand from buyers.

Productivity

The majority of our business continues to be generated by our A&M segment operations. Sales Force Productivity within this segment is an operational statistic that we believe provides a gauge of the effectiveness of our Revenue Producers in increasing GTV. 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 Sales Force Productivity for the trailing 12-month period ended September 30, 2020 was \$13.0 million per Revenue Producer compared to \$11.9 million per Revenue Producer for the trailing 12-month period ended September 30, 2019.

A&M revenue

Total A&M revenue increased 14% to \$297.8 million in Q3 2020 and remained flat at \$897.2 million for the first nine months of 2020.

A&M revenue by geographical region are presented below:

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
United States						
Service revenue	121,810	95,172	28 %	\$ 357,944	\$ 308,769	16 %
Inventory sales revenue	40,399	48,600	(17)%	169,543	204,332	(17)%
A&M revenue- United States	162,209	143,772	13 %	527,487	513,101	3 %
Canada						
Service revenue	40,591	33,793	20 %	126,508	119,313	6 %
Inventory sales revenue	7,725	13,493	(43)%	35,046	30,651	14 %
A&M revenue- Canada	48,316	47,286	2 %	161,554	149,964	8 %
International						
Service revenue	26,548	21,128	26 %	58,888	66,498	(11)%
Inventory sales revenue	60,739	49,126	24 %	149,317	165,909	(10)%
A&M revenue- International	87,287	70,254	24 %	208,205	232,407	(10)%
Total						
Service revenue	188,949	150,093	26 %	543,340	494,580	10 %
Inventory sales revenue	108,863	111,219	(2)%	353,906	400,892	(12)%
A&M total revenue	297,812	261,312	14 %	897,246	895,472	0 %

United States

In Q3 2020, service revenue increased 28% primarily due to an increase in commission revenue driven by a higher volume on Service GTV growth, with strong execution from the US strategic accounts and regional sales teams, and higher rates on our guarantee contracts. Service revenue in the US also increased due to fees earned from higher total GTV and an increase in listing fees on greater online volume.

In Q3 2020, inventory sales revenue decreased 17% resulting from lower inventory earned from government surplus contracts due to the COVID-19 pandemic government shutdowns, which ceased certain shipments of surplus contract inventories.

For the first nine months of 2020, service revenue increased 16% primarily due to higher fees revenue earned on total GTV, harmonization of buyer fees, change in our GTV mix resulting in improved buyer fee rate performance, and other auction service fees earned driven by higher GTV. The increase in commissions is largely driven by higher volumes on Service GTV and higher rates earned on our guarantee contracts. This increase was partially offset by softer commission rate performance from a higher proportion of GTV sourced from strategic accounts. Inventory sales revenue decreased 17% due to the non-recurring large dispersal of pipeline equipment as part of the \$94 million Columbus, Ohio auction in June 2019, and lower inventory revenue earned through our government surplus contracts as discussed above.

Canada

In Q3 2020, service revenue increased 20% primarily due to higher commissions and fees revenue driven by higher total GTV. Canada also earned higher fees revenue due to a greater proportion of small value lots. Inventory sales revenue decreased 43% primarily due to the shift of Grand Prairie auction from Q3 2020 to Q4 2020.

For the first nine months of 2020, service revenue increased 6% due to the full harmonization of buyer fees, fees earned on higher total GTV, and higher commissions revenue driven by Service GTV growth. Inventory sales revenue increased 14% to \$35.0 million primarily due to year-over-year growth performance at our Western Canada auctions, partially offset by the Grand Prairie auction shift as discussed above.

International

In Q3 2020, service revenue increased 26% primarily due to higher fees and commissions revenue driven by services GTV growth and a change in our GTV mix resulting in improved buyer fee rate performance. Inventory sales revenue increased 24% driven by large private treaty deals closed in Australia and strong performance at our Maltby and Dubai auctions as border restrictions eased in Q3 2020, partially offset by the non-repeat of the 2019 Narita auction.

For the first nine months of 2020, service revenue decreased 11% with lower commissions earned on lower GTV, partially offset by higher fees revenue as a result of the buyer fee harmonization. Inventory sales revenue decreased 10% due to the unfavourable performance as this region was severely impacted by the COVID-19 pandemic, and the non-repeat of supply contracts in Europe and Asia that were garnered in a more favourable supply environment in the first nine months of 2019.

Costs of services

A&M costs of services increased 1% to \$21.7 million in Q3 2020 compared to Q3 2019. This increase is primarily driven by the 22% increase in total GTV, offset by significant cost reductions in employee compensation, and travel, advertising and promotion as a result of our response to the COVID-19 pandemic. Our response included transitioning our live on site auctions to online bidding, utilizing TAL solutions for selected International and on-the-farm agricultural events, and implementing travel restrictions.

For the first nine months of 2020, A&M costs of services decreased 8% to \$69.0 million for the same reasons noted above. In addition, the decrease was partially offset by additional facilities costs incurred to support our Q1 2020 Leake auction and expenses incurred to support our government surplus contracts. We also incurred lower net fees related to referral payments.

Cost of inventory sold

A&M cost of inventory sold decreased 6% to \$96.3 million in Q3 2020 compared to Q3 2019, primarily in line with lower activity in inventory sales revenue. Cost of inventory sold decreased at a higher rate than the decrease of inventory sales revenue, indicating an increase in the revenue margin. The margin improved due to rate improvement in US and Canada.

For the first nine months of 2020, A&M cost of inventory sold decreased 14% to \$321.0 million due to the reasons noted above, and we also had rate improvement in International during this period.

SG&A expenses

A&M SG&A expenses increased 18% to \$103.9 million in Q3 2020 compared to Q3 2019. The increase was primarily due to \$8.8 million higher short-term and long-term incentive expenses driven by strong performance, higher headcount to support our growth initiatives, and a one-time \$4.3 million severance costs related to the realignment of leadership to support the new global operations organization, in line with strategic growth priorities led by the new CEO. These increases were partially offset by lower SG&A expenses related to lower travel, advertising, and promotion costs as we implemented travel restrictions.

For the first nine months of 2020, A&M segment SG&A expenses increased 8% to \$290.1 million primarily due to the same reasons noted above.

Other Services Segment

(in U.S. \$000's)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Service revenue	\$ 33,730	\$ 28,484	18 %	\$ 96,601	\$ 90,975	6 %
Ancillary and logistical service expenses	16,550	13,285	25 %	45,368	43,516	4 %
Other costs of services	940	1,666	(44)%	3,640	4,404	(17)%
SG&A expenses	6,253	5,553	13 %	19,126	17,803	7 %
Other services profit	\$ 9,987	\$ 7,980	25 %	\$ 28,467	\$ 25,252	13 %

In Q3 2020, Other Services revenue increased 18% to \$33.7 million primarily due to an increase in Ancillary revenue of \$4.7 million and RBFS revenue of \$1.1 million. In the first nine months of 2020, Other Services revenue increased 6% to \$96.6 million due to higher revenue in Ancillary of \$5.5 million and RBFS of \$2.6 million. This increase was partially offset by lower revenue from RB Logistics of \$2.6 million caused by lower inventory sales in Europe requiring logistics.

Ancillary revenue was higher due to fees earned on refurbishing and transporting sellers' equipment driven by higher GTV activity.

RBFS revenue increased 19% in Q3 2020, driven by an increase in funded volume and the rate of fees earned from facilitating financing arrangements. In Q3 2020, our funded volume, which represents the amount of lending brokered by RBFS, increased 11% to \$117.0 million in Q3 2020, and increased 12% when excluding the impact of foreign exchange. In the first nine months of 2020, our funded volume increased 1% to \$374.5 million, and increased 3% when excluding the impact of foreign exchange. Credit

approvals were tightened by lenders in Q3 2020 compared to Q3 2019 due to the economic uncertainties during the COVID-19 pandemic.

In Q3 2020, Other Services profit increased 25% to \$10.0 million driven by our Ancillary, Mascus and RBFS operations. In the first nine months of 2020, Other Services profit increased 13% to \$28.5 million primarily due to the same reasons noted above. The lower revenue from RB Logistics resulted in a similar magnitude decrease in logistical service expenses.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash provided by operating activities and borrowings from our revolving credit facilities, which we renewed on August 14, 2020.

In the first nine months of 2020, our operational liquidity was not materially impacted by the COVID-19 pandemic. Today we believe that our existing working capital and availability under our credit facilities are sufficient to satisfy our present operating requirements and contractual obligations. With the future uncertainty, we will continue to evaluate the nature and extent of any impacts to our liquidity as events unfold. Our future growth strategies continue to include but are not limited to the development of our A&M, RBFS, and Mascus operating segments, as well as other growth opportunities including mergers and acquisitions.

We assess our liquidity based on our ability to generate cash to fund operating, investing, and financing activities. Our liquidity is primarily affected by fluctuations in cash provided by operating activities, payment of dividends, voluntary repayments of term debt, share repurchases, our net capital spending, and significant acquisitions of businesses.

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 inventory 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 flows

Our cash, cash equivalents, and restricted cash was \$590.3 million at September 30, 2020, a 31% increase over the \$451.4 million balance at September 30, 2019. The \$24.2 million of cash generated over the comparative period is detailed in the following table:

(in U.S. \$000's)	Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019
Cash provided by (used in):			
Operating activities	\$ 265,551	\$ 309,105	(14)%
Investing activities	(10,192)	(20,682)	(51)%
Financing activities	(91,142)	(143,953)	(37)%
Effect of changes in foreign currency rates	5,826	1,350	332 %
Net increase in cash, cash equivalents, and restricted cash	<u>\$ 170,043</u>	<u>\$ 145,820</u>	<u>17 %</u>

Net cash provided by operating activities decreased \$43.6 million in the first nine months of 2020. This decrease was primarily due to a net negative impact in our operating assets and liabilities, partially offset by an increase in our net income over the comparative period. We saw net negative cash flows from changes in our operating assets and liabilities primarily driven by the timing of auctions and changes in inventory levels over the comparative period. At the end of 2018, we saw particularly high levels of inventory in Europe, which turned over in the first nine months of 2019. These cash outflows were partially offset by a net positive movement in our trade and other payables related to the timing of employee compensation payments, as well as the timing of payments related to our GovPlanet business.

Net cash used in investing activities decreased \$10.5 million in the first nine months of 2020. This decrease was primarily due to \$10.7 million more net proceeds on disposal of property, plant and equipment over the comparative period, which included \$15.5 million on the sale of land in the United States, as well as \$4.2 million on the distribution of equity investments in the first nine months of 2020. This increase was partially offset by a \$4.4 million increase in property, plant and equipment and intangible asset additions over the comparative period.

Net cash used in financing activities decreased \$52.8 million in the first nine months of 2020. This decrease was driven by a \$27.9 million increase in net proceeds from short-term debt draws, primarily to fund inventory purchases in Australia. In addition, we raised \$27.8 million more cash from the issuance of share capital related to stock option exercises in the first nine months of 2020 over the

comparative period in 2019. Further, we had \$17.9 million fewer repayments of long-term debt, primarily due to \$20.0 million of voluntary term loan repayments in the first nine months of 2019 compared to no voluntary debt repayments in the first nine months of 2020. Partially offsetting this was an increase of \$11.2 million in share repurchases in the first nine months of 2020 versus the first nine months of 2019.

Dividend information

We declared and paid a regular cash dividend of \$0.20 per common share for the quarter ended September 30, 2019, December 31, 2019, and March 31, 2020. We declared a dividend of \$0.22 per common share for the quarter ended June 30, 2020. We have declared, but not yet paid, a dividend of \$0.22 per common share for the quarter ended September 30, 2020. All dividends that 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, decreased to 51.7% for the 12 months ended September 30, 2020 from 60.5% for the 12 months ended September 30, 2019. This decrease is primarily due to the increase in net income attributable to stockholders over the comparative period. Our adjusted dividend payout ratio (non-GAAP measure) decreased to 50.0% for the 12 months ended September 30, 2020 from 60.5% for the 12 months ended September 30, 2019.

Return on average invested capital

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 increased 250 bps to 11.1% for the 12-month period ending September 30, 2020 from 8.6% for the 12-month period ending September 30, 2019. This increase is primarily due to an increase in net income attributable to stockholders over the comparative period. Return on invested capital (“ROIC”) (non-GAAP measure) increased 290 bps to 11.5% during the 12 months ended September 30, 2020 compared to 8.6% for the 12 months period ending September 30, 2019.

Credit facilities

On August 14, 2020, we amended the Credit Agreement dated October 27, 2016, totaling US\$630.0 million with a syndicate of lenders comprising:

- (1) Multicurrency revolving facilities of up to US\$530 Million (the “Revolving Facilities”), and,
- (2) A delayed-draw term loan facility of up to US\$100 Million (the “Delayed-Draw Facility” and together with the Revolving Facilities, the “Facilities”).

The amendments, among other things, (i) extended the maturity date of the Facilities from October 27, 2021 to October 27, 2023, (ii) increased the applicable margin for base rate loans and LIBOR loans by 0.50% at each pricing tier level, (iii) increased the applicable percentage per annum used to calculate the commitment fee in respect of the unused commitments under the Revolving Facilities by 0.10% at each pricing tier level, and (iv) increased the aggregate amount available under the Revolving Facilities from \$490.0 million to \$530.0 million.

Credit facilities at September 30, 2020 and December 31, 2019 were as follows:

(in U.S. \$000's, except percentages)	September 30, 2020	December 31, 2019	% Change
<i>Committed</i>			
Term loan facility	\$ 96,782	\$ 155,355	(38)%
Revolving credit facilities	540,000	500,000	8 %
Total credit facilities	\$ 636,782	\$ 655,355	(3)%
<i>Unused</i>			
Revolving credit facilities	469,407	489,937	(4)%
Total credit facilities unused	\$ 469,407	\$ 489,937	(4)%

Debt covenants

We were in compliance with all financial and other covenants applicable to our credit facilities at September 30, 2020. Our debt covenants did not change as a result of amending our Credit Agreement.

Our ability to borrow under our syndicated revolving credit facility is subject to compliance with a consolidated leverage ratio covenant and a consolidated interest coverage ratio covenant. In the event of sustained deterioration of global markets and economies, we expect the covenants pertaining to our leverage ratio would be the most restrictive to our ability to access funding under our credit agreement. We continue to assess the impact of the COVID-19 pandemic on our business and evaluate courses of action to maintain current levels of liquidity and compliance with our debt covenants.

Share repurchase program

On May 8, 2019, our Board of Directors authorized a share repurchase program for the repurchase of up to \$100 million worth of our common shares, approved by the Toronto Stock Exchange, over a total period of 12 months. In 2020, we repurchased 1,525,312 common shares for \$53,170,000 as part of this program until it ended on May 8, 2020.

On August 5, 2020, our Board of Directors authorized a share repurchase program for the repurchase of up to \$100.0 million worth of our common shares, approved by the Toronto Stock Exchange, over a period of 12 months, ending August 23, 2021. No share repurchases were made during the three months ended September 30, 2020.

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

In preparing our consolidated financial statements in conformity with US GAAP, we must make decisions that impact the reported amounts and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances and historical experience. The COVID-19 pandemic resulted in significant global economic disruption, which can cause a greater degree of uncertainty around our long-term cash projections. As a result, we have further evaluated our judgments and estimates, particularly in the following areas:

- Recoverability of goodwill;
- Recoverability of long-lived and indefinite-lived assets;
- Recoverability of trade and other receivables; and
- Valuation of inventories.

The following discussion of critical accounting policies and estimates is intended to supplement the significant accounting policies presented in the notes to our consolidated financial statements included in “Part II, Item 8: Financial Statements and Supplementary Data” presented in our Annual Report on Form 10-K, which summarize the accounting policies and methods used in the preparation of those consolidated financial statements. The policies and the estimates discussed below are included here because they require more significant judgments and estimates in the preparation and presentation of our consolidated financial statements than other policies and estimates. Actual amounts could differ materially from those estimated by us at the time our consolidated financial statements are prepared.

Recoverability of goodwill

We perform impairment tests on goodwill and indefinite-lived intangible assets 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. We determined our reporting units to be at the same level as our operating segments for A&M and Mascus.

In accordance with Accounting Standards Update (“ASU”) 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), we begin with a qualitative assessment to determine whether a quantitative impairment test is necessary. If we determine, after performing an assessment based on the qualitative factors, that the fair value of the

reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative impairment test would be performed. The quantitative test for impairment requires management to make judgments relating to future cash flows, growth rates and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach. Historically, our reporting units have generated sufficient returns to recover the cost of goodwill.

A&M reporting unit

For the nine months ended September 30, 2020, we performed a qualitative assessment of the A&M reporting unit with consideration of the current global economic downturn as a result of the COVID-19 pandemic and we concluded there were no indicators of impairment that existed.

Mascus reporting unit

For the nine months ended September 30, 2020, we performed a qualitative assessment of the Mascus reporting unit with consideration of the current global economic downturn as a result of the COVID-19 pandemic and we concluded there were no indicators of impairment that existed.

Recoverability of long-lived and indefinite-lived assets

We test long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of impairment testing, long-lived assets are grouped and tested for recoverability at the lowest level that generates independent cash flows. As a result of the COVID-19 pandemic, we reviewed for any events or changes in circumstances that indicate the carrying amount of our long-lived assets may not be recoverable. Our assessment concluded that despite the economic impact of the COVID-19 pandemic, we believe the carrying amounts of our long-lived assets are recoverable as at September 30, 2020.

Indefinite-lived intangible assets are tested at least annually for impairment, and between annual tests if indicators of potential impairment exist. Amid the COVID-19 pandemic, we determined there are potential indicators of impairment and prepared 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 indefinite-lived intangible asset is less than its fair value. Based on our qualitative assessment, we determined there were no indicators of impairment of our indefinite-lived intangible assets at September 30, 2020.

Recoverability of trade receivables

Our trade receivables are generally secured by the equipment, and we determined the COVID-19 pandemic did not have a significant impact on our allowance for expected credit losses. Refer to Note 11 of the financial statements, Trade Receivables, regarding the activity in the allowance for expected credit losses.

Valuation of inventories

Inventory consists of equipment and other assets purchased for resale in an upcoming live on site auction or online marketplace event. We typically purchase inventory for resale through a competitive process where the consignor or vendor has determined this to be the preferred method of disposition through the auction process. We value our Inventory 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.

For the nine months ended September 30, 2020, we reviewed our inventories balance to ensure that it is recorded at the lower of cost and net realizable value. Specific consideration was given to the impact on the net realizable value of our inventories balance given the global economic downturn triggered by the COVID-19 pandemic.

Adoption of New Standards

Topic 326

Effective January 1, 2020, we adopted Topic 326, 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. The adoption of the standard had no material effect on the carrying values of our financial assets on the transition date. Periods prior to January 1, 2020 that are presented for comparative purposes have not been adjusted.

Topic 848

Effective January 1, 2020, we adopted Topic 848, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides relief for companies preparing for discontinuation of reference rates such as LIBOR. This guidance is effective immediately and can be applied until December 31, 2022. Our use of LIBOR is applicable on short term drawings on the committed revolving credit facilities in certain jurisdictions. If applicable, we will use the optional expedients available when reference rate changes occur.

Topic 842

Effective January 1, 2019, we adopted ASU No. 2016-02, *Leases (Topic 842)*. Refer to Note 18 of the financial statements, Leases, for a discussion of our lease accounting.

Other

In addition, effective January 1, 2020, we adopted ASU 2018-15, Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40), *Customer's Accounting for implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* on a prospective basis. The adoption of ASU 2018-15 on January 1, 2020 using the prospective transition approach did not result in a material impact to the consolidated financial statements.

For a discussion of our new and amended accounting standards refer to Note 1 of the financial statements, Summary of significant accounting policies.

Non-GAAP Measures

We reference 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. Non-GAAP financial measures referred to in this report are labeled as “non-GAAP measure” or designated as such with an asterisk (*).

Adjusted Operating Income* Reconciliation

Adjusting operating income* eliminates the financial impact of adjusting items which are 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, and certain other items, which we refer to as ‘adjusting items’.

The following table reconciles adjusted operating income to operating income, which is the most directly comparable GAAP measure in our consolidated income statements.

(in U.S. \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Operating income	\$ 67,384	\$ 40,160	68 %	\$ 190,266	\$ 151,718	25 %
Pre-tax adjusting items:						
Severance	4,283	—	100 %	4,283	—	100 %
Adjusted operating income*	\$ 71,667	\$ 40,160	78 %	\$ 194,549	\$ 151,718	28 %

- (1) Please refer to page 48 for a summary of adjusting items during the three and nine months ended September 30, 2020 and September 30, 2019.
- (2) Adjusted operating income* represents operating income excluding the effects of adjusting items.

Adjusted Net Income Attributable to Stockholders* and Diluted Adjusted EPS Attributable to Stockholders* Reconciliation

We believe that adjusted net income attributable to stockholders* 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. Diluted Adjusted EPS attributable to stockholders* eliminates the financial impact of adjusting items which are after-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, and certain other items, which we refer to as 'adjusting items'.

The following table reconciles adjusted net income attributable to stockholders* and diluted adjusted EPS attributable to stockholders* to net income attributable to stockholders 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, and percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Net income attributable to stockholders	\$ 45,387	\$ 25,266	80 %	\$ 121,239	\$ 97,466	24 %
Pre-tax adjusting items:						
Severance	4,283	—	100 %	4,283	—	100 %
Current income tax effect of adjusting items:						
Severance	(1,065)	—	(100)%	(1,065)	—	(100)%
Current income tax adjusting item:						
Change in uncertain tax provision	—	—	— %	766	—	100 %
Deferred tax adjusting item:						
Change in uncertain tax provision	—	—	— %	5,462	—	100 %
Adjusted net income attributable to stockholders*	\$ 48,605	\$ 25,266	92 %	\$ 130,685	\$ 97,466	34 %
Weighted average number of dilutive shares outstanding	110,369,718	109,381,173	1 %	110,060,712	109,634,195	0 %
Diluted earnings per share attributable to stockholders	\$ 0.41	\$ 0.23	78 %	\$ 1.10	\$ 0.89	24 %
Diluted adjusted EPS attributable to Stockholders*	\$ 0.44	\$ 0.23	91 %	\$ 1.19	\$ 0.89	34 %

- (1) Please refer to page 48 for a summary of adjusting items during the three and nine months ended September 30, 2020 and September 30, 2019.
- (2) Adjusted net income attributable to stockholders* represents net income attributable to stockholders excluding the effects of adjusting items.
- (3) Diluted adjusted EPS attributable to stockholders* is calculated by dividing adjusted net income attributable to stockholders*, net of the effect of dilutive securities, by the weighted average number of dilutive shares outstanding.

Adjusted EBITDA*

We believe adjusted EBITDA* provides useful information about the growth or decline of our net income when compared between different financial periods.

The following table reconciles adjusted EBITDA* to net income, which is the most directly comparable GAAP measures in, or calculated from, our consolidated income statements:

(in U.S. \$000's, except percentages)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change 2020 over 2019	2020	2019	% Change 2020 over 2019
Net income	\$ 45,490	\$ 25,272	80 %	\$ 121,438	\$ 97,575	24 %
Add: depreciation and amortization expenses	18,436	17,692	4 %	55,586	51,919	7 %
Add: interest expense	8,737	10,090	(13)%	26,801	31,023	(14)%
Less: interest income	(510)	(517)	(1)%	(1,775)	(2,435)	(27)%
Add: income tax expense	15,437	6,760	128 %	48,741	28,800	69 %
Pre-tax adjusting items:						
Severance	4,283	—	100 %	4,283	—	100 %
Adjusted EBITDA*	\$ 91,873	\$ 59,297	55 %	\$ 255,074	\$ 206,882	23 %

- (1) Please refer to page 48 for a summary of adjusting items during the three and nine months ended September 30, 2020 and September 30, 2019.
- (2) Adjusted EBITDA* is calculated by adding back depreciation and amortization expenses, interest expense, and income tax expense, and subtracting interest income from net income excluding the pre-tax effects of adjusting items.

Adjusted Net Debt* and Adjusted Net Debt/Adjusted EBITDA* Reconciliation

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 noted under “Liquidity and Capital Resources”.

The following table reconciles adjusted net debt* to debt, adjusted EBITDA* to net income, and adjusted net debt*/ adjusted EBITDA* to debt/ net income, respectively, which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements.

(in U.S. \$millions, except percentages)	As at and for the 12 months ended September 30,		
			% Change
	2020	2019	2020 over 2019
Short-term debt	\$ 20.3	\$ 5.8	250 %
Long-term debt	632.6	689.3	(8)%
Debt	652.9	695.1	(6)%
Less: Cash and cash equivalents	(470.3)	(309.6)	52 %
Adjusted net debt*	182.6	385.5	(53)%
Net income	\$ 173.0	\$ 133.0	30 %
Add: depreciation and amortization expenses	74.2	69.1	7 %
Add: interest expense	37.1	42.8	(13)%
Less: interest income	(3.1)	(3.3)	(6)%
Add: income tax expense	61.6	40.7	51 %
Pre-tax adjusting items:			
Share-based payment expense recovery	(4.1)	—	(100)%
Severance	4.3	—	100 %
Adjusted EBITDA*	\$ 343.0	\$ 282.3	22 %
Debt/net income	3.8 x	5.2 x	(27)%
Adjusted net debt*/adjusted EBITDA*	0.5 x	1.4 x	(64)%

- (1) Please refer to page 48 for a summary of adjusting items during the trailing 12-months ended September 30, 2020 and September 30, 2019.
- (2) Adjusted EBITDA* is calculated by adding back depreciation and amortization expenses, interest expense, and income tax expense, and subtracting interest income from net income excluding the pre-tax effects of adjusting items.
- (3) Adjusted net debt* is calculated by subtracting cash and cash equivalents from short and long-term debt.
- (4) Adjusted net debt*/adjusted EBITDA* is calculated by dividing adjusted net debt* by adjusted EBITDA*.

Operating Free Cash Flow* (“OFCF”) Reconciliation

We believe OFCF*, 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 OFCF* as a performance metric. OFCF* is also an element of the performance criteria for certain annual short-term and long-term incentive awards.

The following table reconciles OFCF* to cash provided by operating activities, which is the most directly comparable GAAP measure in, or calculated from, our consolidated statements of cash flows:

(in U.S. \$ millions, except percentages)	12 months ended September 30,		
			% Change
	2020	2019	2020 over 2019
Cash provided by operating activities	\$ 289.2	\$ 356.2	(19)%
Property, plant and equipment additions	16.5	10.4	59 %
Intangible asset additions	28.9	25.1	15 %
Proceeds on disposition of property plant and equipment	(16.6)	(13.7)	21 %
Net capital spending	\$ 28.8	\$ 21.8	32 %
OFCF*	\$ 260.4	\$ 334.4	(22)%

- (1) OFCF* is calculated by subtracting net capital spending from cash provided by operating activities.

Adjusted Net Income Attributable to Stockholders* and Adjusted Dividend Payout Ratio* Reconciliation

We believe that adjusted net income attributable to stockholders* 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. We believe that disclosing our adjusted dividend payout ratio* for different financial periods provides useful information about how well our net income supports our dividend payments.

The following table reconciles adjusted net income attributable to stockholders* and adjusted dividend payout ratio* to 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, except percentages)	12 months ended September 30,		
	2020	2019	%Change 2020 over 2019
Dividends paid to stockholders	\$ 89.4	\$ 80.4	11 %
Net income attributable to stockholders	\$ 172.8	\$ 133.0	30 %
Pre-tax adjusting items:			
Share-based payment expense recovery	(4.1)	—	(100)%
Severance	4.3	—	100 %
Current income tax effect of adjusting items:			
Severance	(1.1)	—	(100)%
Deferred income tax effect of adjusting items:			
Share-based payment expense recovery	0.7	—	100 %
Current income tax adjusting item:			
Change in uncertain tax provision	0.8	—	100 %
Deferred tax adjusting item:			
Change in uncertain tax provisions	5.5	—	100 %
Adjusted net income attributable to stockholders*	\$ 178.9	\$ 133.0	35 %
Dividend payout ratio	51.7 %	60.5 %	(880)bps
Adjusted dividend payout ratio*	50.0 %	60.5 %	(1050)bps

- (1) Please refer to page 48 for a summary of adjusting items during the trailing 12-months ended September 30, 2020 and September 30, 2019.
- (2) Adjusted net income attributable to stockholders* represents net income attributable to stockholders excluding the effects of adjusting items.
- (3) Adjusted dividend payout ratio* is calculated by dividing dividends paid to stockholders by adjusted net income attributable to stockholders*.

Adjusted Net Income Attributable to Stockholders* and ROIC* Reconciliation

We believe that comparing ROIC on a trailing 12-month basis for different financial periods, provides useful information about the after-tax return generated by our investments.

The following table reconciles adjusted net income attributable to stockholders* and ROIC* to net income attributable to stockholders and return on average invested capital which are the most directly comparable GAAP measures in, or calculated from, our consolidated financial statements:

	As at and for the 12 months ended September 30,		
(in U.S. \$millions, except percentages)	2020	2019	2020 over 2019
Net income attributable to stockholders	\$ 172.8	\$ 133.0	30 %
Pre-tax adjusting items:			
Share-based payment expense recovery	(4.1)	—	(100)%
Severance	4.3	—	100 %
Current income tax effect of adjusting items:			
Severance	(1.1)	—	(100)%
Deferred income tax effect of adjusting items:			
Share-based payment expense recovery	0.7	—	0 %
Current income tax adjusting item:			
Change in uncertain tax provision	0.8	—	100 %
Deferred tax adjusting item:			
Change in uncertain tax provisions	5.5	—	100 %
Adjusted net income attributable to stockholders*	\$ 178.9	\$ 133.0	35 %
Opening long-term debt	\$ 689.3	\$ 751.8	(8)%
Ending long-term debt	632.6	689.3	(8)%
Average long-term debt	661.0	720.6	(8)%
Opening stockholders' equity	\$ 838.2	\$ 815.5	3 %
Ending stockholders' equity	959.5	838.2	14 %
Average stockholders' equity	898.9	826.9	9 %
Average invested capital	\$ 1,559.9	\$ 1,547.5	1 %
Return on average invested capital	11.1 %	8.6 %	250 bps
ROIC*	11.5 %	8.6 %	290 bps

- (1) Please refer to page 48 for a summary of adjusting items during the trailing 12-months ended September 30, 2020 and September 30, 2019.
- (2) Return on average invested capital is calculated as net income attributable to stockholders divided by average invested capital. We calculate average invested capital as the average long-term debt and average stockholders' equity over a trailing 12-month period.
- (3) ROIC* is calculated as adjusted net income attributable to stockholders* divided by average invested capital.
- (4) The adoption of Leases (Topic 842) 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. The lease liability is not included in the calculation of debt.

Adjusting items during the trailing 12-months ended September 30, 2020 were:

Recognized in the third quarter of 2020

- \$4.3 million (\$3.2 million after tax, or \$0.03 per diluted share) of severance costs related to the realignment of leadership to support the new global operations organization, in line with strategic growth priorities led by the new CEO.

Recognized in the second quarter of 2020

- \$6.2 million (\$0.06 per diluted share) in current and deferred income tax expense related to an unfavourable adjustment to reflect final regulations published regarding hybrid financing arrangements.

Recognized in the first quarter of 2020

- There were no adjustment items recognized in the first quarter of 2020.

Recognized in the fourth quarter of 2019

- \$4.1 million (\$3.4 million after tax, or \$0.03 per diluted share) in share-based payment expense recovery related to the departure of our former CEO.

Adjusting items during the trailing 12-months ended September 30, 2019 were:

Recognized in the third quarter of 2019

- There were no adjustment items recognized in the third quarter of 2019.

Recognized in the second quarter of 2019

- There were no adjustment items recognized in the second quarter of 2019.

Recognized in the first quarter of 2019

- There were no adjustment items recognized in the first quarter of 2019.

Recognized in the fourth quarter of 2018

- There were no adjustment items recognized in the fourth quarter of 2018.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk during the nine months ended September 30, 2020 from those disclosed in Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2019, which is available on our website at www.rbauction.com, on EDGAR at www.sec.gov, or on SEDAR at 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 September 30, 2020. 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 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, as at September 30, 2020, 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, 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 our internal control over financial reporting during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

We have no material legal proceedings pending, other than ordinary routine litigation incidental to the business, and we do 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, 2019, which is available on our website at www.rbaction.com, on EDGAR at www.sec.gov, or on SEDAR at 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.

Except as set out below, there were no material changes in risk factors during the three months or nine months ended September 30, 2020.

Our business operations, results of operations, cash flows and financial performance may be affected by the recent COVID-19 pandemic.

An outbreak of a novel strain of coronavirus (COVID-19) has occurred, including in all of the countries in which we operate. National, state, provincial and local governments have responded to the COVID-19 pandemic in a variety of ways, including, without limitation, by declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (i.e., social distancing), and in certain cases, ordering businesses to close or limit operations or people to stay at home.

The COVID-19 pandemic has caused certain disruptions to our business and operations and could cause further material disruptions to our business and operations in the future as a result of, among other things, quarantines, worker absenteeism as a result of illness or other factors, social distancing measures and other travel, health-related, business or other restrictions. For similar reasons, the COVID-19 pandemic has also adversely impacted, and may continue to adversely impact, the businesses and needs of our customers. Depending on the extent and duration of all of the above-described effects on our business and operations and the business and operations of our customers, our costs could increase, including our costs to address the health and safety of personnel, our ability to source assets to sell may be adversely impacted, our ability to transport and/or sell the assets that we source may be adversely impacted, our ability to service certain customers could be adversely impacted, and our ability to transfer ownership to the assets that we do sell could be adversely impacted. As a result of the foregoing, our business operations, results of operations, cash flows and financial performance could be materially adversely affected.

Although we have been permitted to continue to operate our auction sites in most of the jurisdictions in which we operate, including in jurisdictions that have mandated the closure of certain businesses, we have had to either forbid customer access altogether or limit the number of customers that are able to access our auction sites; in each case leading to online-only bidding for our live auctions. There is no assurance that we will be permitted to operate under every future government order or other restriction and in every location. If we were to be subject to government orders or other restrictions on the operation of our business, we may be required to limit our operations at, or close, certain auction sites and office locations in the future. Any limitations on, or closures of, our auction sites or our customers' sites could have a material adverse impact on our ability to carry out auctions or facilitate online sales, allow customers or our inspection teams to inspect assets or allow customers to retrieve purchased assets. Any such limitations or closures could have a material adverse impact on our business operations, results of operations, cash flows and financial performance.

Any sustained disruption in the capital markets from the COVID-19 pandemic could negatively impact our ability to raise capital. As of the end of our third fiscal quarter of 2020 we have a strong balance sheet and do not anticipate the need to raise capital. However, we cannot predict when the macro-economic disruption stemming from the COVID-19 pandemic will ebb or when the economy will return to pre-COVID-19 pandemic levels, if at all. If the macro-economic disruption continues for prolonged periods we may need to raise capital and capital may not be available on acceptable terms, or at all. The impact of the COVID-19 pandemic on economic activity, and its effect on our sales force and our customers are uncertain at this time and could have a material adverse effect on our results, especially to the extent these effects persist or exacerbate over an extended period of time. Additionally, any such impact could also result in financial and/or operational constraints for our service providers, buyers of the assets sold through our sales channel, as well as other counterparties, thereby increasing the risk that such counterparties default on their obligations to us.

The acquisition of Rouse Services LLC (“Rouse”) is subject to a number of conditions and may not be completed on the terms or timeline currently contemplated, or at all.

The completion of the acquisition of Rouse is subject to certain conditions, including, among other things: (a) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; (b) no governmental authority shall have enacted, issued, promulgated, enforced or entered any order which is in effect and has the effect of making the acquisition of Rouse illegal, otherwise restraining or prohibiting consummation of the acquisition or causing any portion of the acquisition to be rescinded following completion thereof, and (c) the shares to be issued in connection with the acquisition shall have been (i) conditionally approved for listing by the Toronto Stock Exchange, and (ii) approved for listing by the New York Stock Exchange.

We cannot assure you that the acquisition will be consummated on the terms or timeline currently contemplated, or at all. Many of the conditions to completion of the acquisition are not within our control, and we cannot predict when or if these conditions will be satisfied. The failure to meet all of the required conditions could delay the completion of the acquisition for a significant period of time or prevent it from occurring. Any delay in completing the acquisition could cause us not to realize some or all of the benefits that it expects to achieve if the acquisition is successfully completed within its expected timeframe.

We may not realize the anticipated benefits of, and synergies from, the acquisition of Rouse and may become responsible for certain liabilities and integration costs.

Business acquisitions involve the integration of new businesses that have previously operated independently from us. The integration of our operations with those of Rouse is expected to result in financial and operational benefits. There can be no assurance, however, regarding when or the extent to which we will be able to realize these and other benefits. Integration may also be difficult, unpredictable and subject to delay and may divert the attention of management to integration matters. We may have difficulties integrating information systems, assimilating corporate cultures or retaining key Rouse employees. Difficulties associated with the integration of acquired businesses could have a material adverse effect on our business, financial condition and results of operations. In addition, in connection with the acquisition of Rouse, we have assumed certain potential liabilities, some of which may not be covered by indemnification obligations of Rouse or third parties. To the extent we do not identify such liabilities or to the extent indemnifications obtained from third parties are insufficient to cover such liabilities, these liabilities could have a material adverse effect on our business, financial condition and results of operations.

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

On August 5, 2020, our Board of Directors authorized a share repurchase program for the repurchase of up to \$100.0 million worth of our common shares, approved by the Toronto Stock Exchange, over a period of 12 months, ending August 23, 2021. No share repurchases were made during the three months ended September 30, 2020.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

None.

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.

Exhibit Number	Document
10.1	Third Amendment to Credit Agreement, dated as of August 14, 2020, among the Company, certain of its subsidiaries, each as a borrower and/or a guarantor, the lenders party thereto and Bank of America, N.A., as administrative agent, U.S. swing line lender and letter of credit issuer (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 17, 2020)
10.2	Employment Agreement between Ritchie Bros. Auctioneers (Canada) Ltd. and Kevin Geisner, dated August 4, 2020
10.3	Membership Interest Purchase Agreement dated October 28, 2020 among the Company, Ritchie Bros. Auctioneers (America) Inc., Rouse Services LLC ("Rouse"), the members of Rouse, and Scott Rouse, in his capacity as seller representative
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	Interactive Data Files Pursuant to Rule 405 of Regulation S-T , for the Company's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2020, formatted in Inline XBRL: (i) Condensed Consolidated Income Statements; (ii) Condensed Consolidated Balance Sheets; (iii) Condensed Consolidated Statements of Changes in Equity; (iv) Condensed Consolidated Statements of Cash Flows; and (v) Notes to the Condensed Consolidated Financial Statements
104	Cover page from the Company's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2020, formatted in Inline XBRL and contained in Exhibit 101

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: November 5, 2020

By: /s/ Ann Fandozzi
Ann Fandozzi
Chief Executive Officer

Dated: November 5, 2020

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

EMPLOYMENT AGREEMENT

Between:

KEVIN GEISNER

(the “Executive”)

And:

RITCHIE BROS. AUCTIONEERS (CANADA) LTD.,
a corporation incorporated under the laws of the Canada

(the “Employer”)

WHEREAS:

- A. The Employer is in the business of asset management and disposition of industrial equipment; and
- B. The Employer and the Executive wish to enter into an employment relationship on the terms and conditions as described in this 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 both parties, the Employer and the Executive agree as follows:

1. EMPLOYMENT

- a. The Employer agrees to employ the Executive pursuant to the terms and conditions described in this Agreement, including the appendices to this Agreement, and the Executive hereby accepts and agrees to such employment. Unless otherwise defined, the defined terms in this Agreement will have the same meaning in the appendices hereto.
- b. The Executive’s employment under this Agreement is conditional on the Executive obtaining authorization and documentation to legally work in Canada (“**Work Authorization**”). It is a condition of the Executive’s continued employment that the Executive maintain the necessary Work Authorization to work in Canada throughout the duration of the Executive’s employment. The parties agree to work together on a best efforts basis to obtain from the appropriate Canadian governmental authorities, and maintain, such Work Authorization. If the Executive is unable to obtain the Work Authorization, or if the Executive is subsequently unable to renew the Work Authorization, the Employer will offer the Executive employment in the United States on substantially the same terms herein, on the condition that the Executive’s employment under the US employment agreement will be for a fixed term of 15 months and the Executive will cooperate with the Employer to obtain the Work Authorization to resume work in Canada prior to the end of the fixed term. The Executive agrees that prior to the expiry of the term of the US employment agreement, he will accept continued

employment in Canada on the terms of this Agreement, which will supersede the US employment agreement.

- c. The Executive will be employed in the position of **Chief Strategy Officer** and such other duties and responsibilities consistent with his position as may be assigned by the Employer from time to time.
- d. The Executive's employment with the Employer will commence on **August 10, 2020** (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**").
- e. 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 provided in 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 Board;
 - 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 his former employer or to any other person that will conflict with the Executive's duties and responsibilities under this Agreement.
- b. During the term of this Agreement, 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 a 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 the following annual compensation, less applicable statutory and regular payroll deductions and withholdings:

Compensation Element	\$US
Annual Base Salary	\$350,000 (the “ Base Salary ”)
Annual Short-Term Incentive	65% of Base Salary at Target (the “ STI Bonus ”) (0% - 200% of STI bonus target based on actual performance)
Annual Long-Term Incentive Grant	Targeted at 150% of Base Salary (the “ LTI Grant ”) Those eligible to participate in the Employer’s long-term incentive plan (LTI Plan) may be entitled to receive an equity award subject to the terms set forth in the relevant shareholder-approved equity plan. Grants under the LTI Plan are made at the complete discretion and subject to the approval of the Compensation Committee and are based on the recommendation of the senior management or the CEO of the Company.

- b. The structure of the STI Bonus and LTI Grant will be consistent with those granted to the Employer’s other executives, and is subject to amendment from time to time by the Employer. Currently, LTI grants for executives are provided as follows:
- 50% in stock options, with a ten-year term, vesting in equal one-third parts after the first, second and third anniversaries of the grant date;
 - 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 the LTI Grant (including but not limited to the provisions upon termination of employment) will be based on the relevant plan documents.
- d. The Executive’s STI Bonus for 2020 will be pro-rated to the Executive’s actual term of service in 2020.
- e. The Executive will be eligible for a full year (not pro-rated) LTI grant in respect of 2020 as described in section 4 b; the equity grant is contingent on Compensation Committee approval. 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 RBA Pubco.
- f. Notwithstanding any other provisions in this Agreement to the contrary, the Executive will be subject to any written clawback/recoupment policy of the Employer in effect from time-to-

time, allowing the recovery of incentive compensation previously paid or payable to the Executive in cases of proven misconduct or material financial restatement, whether pursuant to the requirements of Dodd-Frank Wall Street Reform and the *Consumer Protection Act*, the listing requirements of any national securities exchange on which common stock of the Employer is listed, or otherwise.

5. BENEFITS

- a. The Executive will be eligible to participate in the Employer's US group benefit plans, subject to the terms and conditions of said plans and the applicable policies of the Employer and applicable benefits providers. Subject to the Executive's eligibility, such benefits will include, without limitation, United States medical coverage satisfying the minimum essential coverage requirements under the United States *Patient Protection and Affordable Care Act*, short-term and long-term disability coverage, and term life insurance.
- b. 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.
- c. The Employer will reimburse the Executive for up to \$15,000 in 2020, and up to \$5,000 per annum thereafter, for expenses related to professional advice concerning the completion of the Employment Agreement, and tax planning and compliance. Reimbursement for such professional advice will be reported as a taxable benefit.
- d. The Executive will be eligible to contribute to the Employer's US-based 401(k) savings plan pursuant to the terms of that plan.
- e. The Executive will be eligible to participate in the Employer's Employee Share Purchase Plan, in accordance with the terms of that plan.

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. PAID TIME OFF (PTO)

- a. The Executive will earn up to five (5) weeks (or twenty-five (25) business days) of paid time off (PTO) per annum, pro-rated for any partial year of employment.

- b. The Executive will take his PTO subject to business needs, and in accordance with the Employer's PTO policy in effect from time to time.
- c. Annual PTO must be taken and may not be accrued, deferred or banked without the Employer's written approval.

9. 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 willful and continued failure by the Executive to substantially perform, or otherwise properly carry out, the Executive's duties on behalf of RBA Pubco 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 willfully 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 RBA Pubco 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 "willful" 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, the rights of the Executive with respect to any performance share units ("PSUs") or stock options granted pursuant to the Employer's Performance Share Unit Plan (the "PSU Plan") and stock option plan (the "Option Plan"), respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.

- 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 RBA Pubco or an affiliate, without the Executive's consent, to the Executive's position, authority, duties, responsibilities, Executive's place of residence, Base Salary or the potential short-term or long-term incentive bonus the Executive is eligible to earn, but does not include (1) a change in the Executive's duties and/or responsibilities arising from a change in the scope or nature of RBA Pubco's business operations, provided such change does not adversely affect the Executive's position or authority or (2) a change across the board affecting similar executives in a similar fashion, or (3) the inability or failure, for whatever reason, of the Executive to be able to work as needed periodically in British Columbia.

- c. Termination without Cause: The Employer may terminate the Executive's employment at any time, without Cause by providing the Executive with the following:
- i. Eighteen (18) months' Base Salary and STI Bonus at Target;
 - ii. all equity awards will be governed by the terms of the relevant plan;
 - iii. an STI Bonus for the year of termination of employment, pro-rated based on the number of days in the year prior to the Termination Date (as defined below); 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.

- d. Resignation: The Executive may terminate his employment with the Employer at any time by providing the Employer with three (3) months' 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 remaining 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 resignation, the rights of the Executive with respect to any PSUs or stock options granted pursuant to the PSU Plan and Option Plan, respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.

- e. Retirement: In the event of the Executive's retirement, as defined by the Employer's policies, the rights of the Executive with respect to any PSUs or stock options granted pursuant to the PSU Plan and Option Plan, respectively, and pursuant to any and all PSU and stock option grant agreements, will be governed pursuant to the terms of the PSU Plan, Option Plan and respective grant agreements for such PSUs and stock options.
- f. Termination Without Cause or For 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 RBA Pubco or the Employer, the Executive will have the rights set forth in the Change of Control Agreement attached as **Appendix "B"** hereto.
- g. Deductions and withholdings: All payments under this Section are subject to applicable statutory and regular payroll deductions and withholdings in the US as applicable.
- h. Terms of Payment upon Termination: Upon termination of the Executive's employment, for any reason:
- i. Subject to Section 9 b. and except as limited by Section 9 h. (ii), the Employer will pay the Executive all earned and unpaid Base Salary, earned and unpaid vacation pay, and a prorated STI Bonus, 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 Termination Date.

- ii. In the event of resignation by the Executive or termination of the Executive's employment for Cause, no STI Bonus will be payable to the Executive; and
 - iii. On the Termination Date, 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 9b. or Section 9 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, the Employer will not be required to pay any Base Salary or STI Bonus 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, 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.
 - 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. 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.

10. SHARE OWNERSHIP REQUIREMENTS

- a. The Executive will be subject to the Employer's share ownership guideline policy, as amended from time to time.

11. CONFIDENTIAL INFORMATION

- a. In this Agreement “Confidential Information” means information proprietary to the Employer 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 Employer or in which the Employer otherwise has 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 Employer.
- 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 Employer.
- 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.

12. 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).

13. 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, 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 the Employer 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 the Employer or to reduce such business with the Employer by diverting it elsewhere or (b) providing products or services that are the same as or competitive with the business of the Employer in the area of facilitating the exchange of industrial equipment, provided, for greater clarity, that such limitation shall not restrict the Executive from the general exchange of industrial equipment as part of the normal business operations of a future employer where such employer is not engaged in the exchange of industrial equipment by way of auctions or online equipment exchange platforms similar to those operated by the Employer; or
 - ii. seek in any way to solicit, engage, persuade or entice, or attempt to solicit, engage, persuade or entice any employee of the Employer, to leave his or her employment with the Employer,

The "**Applicable Period**" means a period of twelve (12) months following termination, regardless of the reason for such termination or the party effecting it.

14. NON-COMPETITION

- a. 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 asset management or 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.

15. REMEDIES FOR BREACH OF RESTRICTIVE COVENANTS

- a. The Executive acknowledges that the restrictions contained in Sections 9 h. iii., 11, 12, 13, and 14 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 9 h. iii., 11, 12, 13, 14, and 21 of this Agreement will survive the termination of the Executive's employment for any reason.

16. GOVERNING LAW

- a. This Agreement will be governed by the laws of the Province of British Columbia.

17. 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.

18. ENTIRE AGREEMENT

- a. This Agreement, including the Appendices, and any other documents referenced herein, contains the complete agreement concerning the Executive's employment by the Employer and will, as of the date it is executed, supersede any and all other employment agreements between the parties.
- 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 the party to be charged therewith, 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.

19. CONSIDERATION

- a. The parties acknowledge and agree that this Agreement has been executed by each of them in consideration of the mutual premises 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.

20. INTERPRETATION

- a. Headings are included in this Agreement for convenience of reference only and do not form part of this Agreement.

21. 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 British Columbia Arbitration and Mediation Society to appoint one. The arbitration will be held in Vancouver, British Columbia, in accordance with the BCICAC's Shorter Rules for Domestic Commercial Arbitration, and each party will bear its own costs, including one-half share of the arbitrator's fees.

22. 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.

Dated this 4th day of August 2020

APPENDIX “B”

CHANGE OF CONTROL AGREEMENT

THIS AGREEMENT executed on the 4th day of August, 2020.

BETWEEN:

RITCHIE BROS. AUCTIONEERS (CANADA) LTD.,
a corporation incorporated under the laws of Canada, and having an office at 9500
Glenlyon Parkway, Burnaby, British Columbia, V5J 0C6

(the “**Company**”)

AND:

KEVIN GEISNER

(the “**Executive**”)

WITNESSES THAT WHEREAS:

- A. The Executive is an executive 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 his 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 4th, 2020;
- (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 Amended and Restated Stock Option Plan of the Company (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, 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 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 favour 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

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 his 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 payment under the Employment Agreement.

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 Province of British Columbia, which will be the proper law hereof. All disputes and claims will be referred to the Courts of the Province of British Columbia, 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:

- 9500 Glenlyon Parkway
Burnaby, British Columbia V5J 0C6
Attention: Corporate Secretary
Facsimile: (778) 331-5501

[illegible]

Exhibit 10.3

EXECUTION COPY

**MEMBERSHIP INTEREST PURCHASE AGREEMENT
by and among**

RITCHIE BROS. AUCTIONEERS (AMERICA) INC.,

RITCHIE BROS. AUCTIONEERS INCORPORATED,

ROUSE SERVICES LLC,

the Members of

ROUSE SERVICES LLC,

and

Scott Rouse, as Seller Representative

October 28, 2020

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* Omitted pursuant to Item 601(a)(5) of Regulation S-K

MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Membership Interest Purchase Agreement (the “**Agreement**”) is made as of October 28, 2020 (the “**Execution Date**”), by and among Ritchie Bros. Auctioneers (America) Inc., a Washington corporation (the “**Purchaser**”), Ritchie Bros. Auctioneers Incorporated, a Canada corporation (“**Parent**”), Rouse Services LLC, a California limited liability company (the “**Company**”), the members of the Company identified on Schedule A (collectively, the “**Sellers**”) and Scott Rouse, in his capacity as seller representative (the “**Seller Representative**”).

The Sellers collectively own all the units in the Company.

The Sellers desire to sell to the Purchaser, and the Purchaser desires to purchase from the Sellers, all of the issued and outstanding units of the Company (collectively, the “**Membership Interests**”) in accordance with the provisions of this Agreement.

NOW, THEREFORE, intending to be legally bound and in consideration of the mutual provisions set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1 DEFINITIONS AND CONSTRUCTION

Section 1.1 Definitions. For the purposes of this Agreement and the Ancillary Agreements:

“Accounting Principles” means the principles, practices, procedures and methodologies described on Exhibit E.

“Affiliate” means, with respect to a specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the specified Person. For purposes of this definition, the term “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“After Tax Basis” means with respect to any payment to be actually or constructively received by any Person, the amount of such payment (the “base payment”) supplemented by a further payment (the “additional payment”) to that Person so that the sum of the base payment plus the additional payment, after deduction of the amount of Taxes required to be paid by such Person in respect of the receipt or accrual of the base payment and the additional payment (assuming for this purpose that the receipt of such payment is subject to actual federal, state and local Taxes at a marginal effective rate reasonably anticipated by such Person), taking into account any Tax savings actually realized by the recipient as a result of the payment or the event giving rise to the payment (computed using the same Tax rate assumptions as set forth in the immediately preceding parenthetical phrase) and taking into account the character of the income and the deductibility of any state and local Taxes for federal income Tax purposes, equals the amount required to be received.

“Adjustment Escrow Amount” means \$1,000,000.

“Ancillary Agreements” means, collectively, the Seller Assignments, the Employment Agreements, the Stock Powers and the Escrow Agreement.

“Antitrust Law” means the Sherman Antitrust Act of 1890, the Clayton Antitrust Act of 1914, the HSR Act, the Federal Trade Commission Act of 1914 and all other federal, state and foreign, if any, statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

“Business” means developing, designing, marketing, distributing or otherwise providing services relating to appraisals, sales support, data analytics and online marketplaces for industrial equipment and similar items.

“Business Day” means any day other than Saturday, Sunday or any day on which banking institutions in Beverly Hills, California are closed either under applicable Law or action of any Governmental Authority.

“CARES Act” means the Coronavirus Aid, Relief and Economic Security Act, as signed into law by the President of the United States on March 27, 2020.

“Calculation Time” means 11:59 p.m. on the calendar day prior to the Closing Date.

“Cash” means, with respect to the Company and the Subsidiaries, all cash, cash equivalents and marketable securities (in both cases, as convertible into cash in 30 days or less), excluding Restricted Cash, held by the Company and the Subsidiaries, calculated in accordance with the Accounting Principles. For avoidance of doubt, Cash will (a) be calculated net of issued but uncleared checks and drafts and (b) include checks and drafts deposited for the accounts of the Company and the Subsidiaries but not yet posted.

“Closing Cash” means the Cash of the Company and the Subsidiaries as of the Calculation Time. If any payments are made between the Calculation Time and Closing which are not captured as a deduction to the Purchase Price through either a Liability in Net Working Capital or Closing Indebtedness, Closing Cash shall be reduced by the value of such payment.

“Closing Indebtedness” means the outstanding Indebtedness of the Company and the Subsidiaries as of the Calculation Time.

“Closing Net Working Capital” means the Net Working Capital as of the Calculation Time, calculated in accordance with the Accounting Principles.

“CNB” means City National Bank.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Company Plan” means any “employee benefit plan” (as defined in Section 3(3) of ERISA) for the benefit of any current or former manager, officer, employee or consultant of the Company or any of its Subsidiaries, or with respect to which the Company or any of its Subsidiaries has or may have any Liability (including any employee benefit plan of an ERISA Affiliate with respect to which the Company has or may have any Liability), including any “employee welfare benefit plan” (as defined in Section 3(1) of ERISA), any Pension Plan, any Title IV Plan, any Multiemployer Plan and any other written or oral plan, Contract or arrangement involving direct or indirect compensation or benefits, including insurance coverage, severance or other termination pay or benefits, change in control, retention, performance, holiday pay, vacation pay (including without limitation paid time off (“PTO”)), sick pay, fringe benefits, disability benefits, pension, retirement plans, profit sharing, deferred compensation, bonuses, equity options, equity purchase, restricted equity or equity units, phantom equity, equity appreciation or other forms of incentive compensation or post-retirement compensation, maintained or contributed to by the Company or any of its

Subsidiaries for the benefit of any current or former manager, officer, employee or consultant of the Company or any of its Subsidiaries, or with respect to which the Company has or may have any Liability (including any employee benefit plan of an ERISA Affiliate with respect to which the Company has or may have any Liability and any Title IV Plan or Multiemployer Plan that has been maintained or contributed to in the last six years by the Company or ERISA Affiliate).

“Confidential Information” means (i) any Intellectual Property Rights, including product specifications, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current and planned research and development, current and planned development and distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, software, database technologies, systems, structures, architectures and data (and related processes, formulae, compositions, improvements, devices, know-how, inventions, discoveries, concepts, ideas, designs, methods and information), (ii) any and all information concerning the business and affairs of the Company and the Subsidiaries (including historical financial statements, financial projections and budgets, historical and projected sales, capital spending budgets and plans, the names and backgrounds of key personnel, personnel training and techniques and materials), however documented, and (iii) any and all notes, analyses, compilations, studies, summaries and other material containing or based, in whole or in part, on any information included in the foregoing any information, in whatever form or medium, concerning the business or affairs of the Company and any Subsidiary. Confidential Information does not include information that (a) is generally available to the public on the date of this Agreement or (b) becomes generally available to the public other than as a result of a disclosure not otherwise permissible hereunder.

“Consent” means any approval, consent, ratification, waiver or other authorization.

“Contract” means any contract, agreement, lease, license, commitment, warranty, guaranty, mortgage, note, bond, option, warrant, right or other instrument or consensual obligation, whether written or oral.

“Current Assets” means all current assets of the Company and the Subsidiaries (excluding (i) Cash, (ii) Restricted Cash, (iii) any loans, receivables or advances owed from employees, the Sellers or any related parties, and (iv) tax assets, calculated in accordance with the Accounting Principles.

“Current Liabilities” means all current Liabilities of the Company and the Subsidiaries (excluding Indebtedness, unamortized debt issuance costs, Employee Closing Payments (to the extent paid at Closing) and Transaction Expenses), in each case calculated in accordance with the Accounting Principles.

“Customer Contracts” means the Contracts with customers of Company and/or its Subsidiaries, under which the Company and/or its Subsidiaries may receive data, and under which Company and/or its Subsidiaries provide products and services, as further identified in Section 3.13(a)(ii) of the Seller Disclosure Schedules as the “Customer Contracts”.

“Dollars” or “\$” means U.S. dollars.

“Employee Closing Payments” means payments made pursuant to the Incentive Agreements, which shall include all of the Company’s applicable share of employment payroll Taxes associated with such payments.

“Encumbrance” means any charge, claim, mortgage, servitude, easement, right of way, community or other marital property interest, covenant, equitable interest, license, lease or other possessory interest, lien, option, pledge, hypothecation, security interest, preference, priority, right of first refusal, condition, limitation or restriction of any kind or nature whatsoever (whether absolute or contingent).

“Environmental Law” means any Law (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any trade or business that is treated as a single employer with the Company under any of Sections 414(b), (c), (m) or (o) of the Code or Section 4001(a)(14) of ERISA.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“GAAP” means generally accepted accounting principles for financial reporting in the United States, as in effect as of the date of this Agreement.

“Governing Document” means, as appropriate, the charter, articles or certificate of incorporation, formation or amalgamation and bylaws of a corporation or the certificate of formation and, if applicable, operating agreement of a limited liability company, agreements between members of a limited liability company or other legal document that establishes the legal existence or governs the internal affairs of an entity, as amended, and as may be amended, replaced or superseded from time to time.

“Governmental Authority” means any (a) nation, region, state, county, city, town, village, district or other jurisdiction, (b) federal, state, local, municipal, foreign or other government, (c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department or other entity and any court or other tribunal), (d) multinational organization or (e) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

“Governmental Authorization” means any Consent, license, franchise, permit, exemption, clearance or registration issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law.

“Hazardous Material” means any waste or other substance that is listed, defined, designated or classified as, or otherwise determined to be, hazardous, radioactive or toxic or a pollutant or a contaminant under any Environmental Law, including any admixture or solution thereof, and including petroleum and all derivatives thereof or synthetic substitutes therefor, asbestos or asbestos-containing materials in any form or condition and polychlorinated biphenyls.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

“Incentive Agreements” shall mean collectively: (i) Incentive Agreement by and between Company and Douglas Rusch, dated as of January 1, 2019; (ii) Incentive Agreement by and between Company and Jeffrey Rajewski, dated as of January 1, 2019; (iii) Incentive Agreement by and between Company and Raffi Aharonian, dated as of January 1, 2019; and (iv) Incentive Agreement by and between Company and Sunil Tellis, dated as of January 1, 2019.

“Indebtedness” means, when used with reference to any Person, without duplication, (a) all indebtedness of such Person, whether or not contingent, for borrowed money, (b) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments or debt securities and warrants

or other rights to acquire any such instruments or securities, (c) all obligations for the deferred purchase price of property, assets, securities or services (including any earn-out, indemnity obligations, post-closing price true-ups and “seller notes” payable with respect to the acquisition of any business, assets or securities or other deferred purchase price Liabilities), (d) any indebtedness arising under leases required to be capitalized in accordance with GAAP (excluding leases treated as operating in the Financial Statements), conditional sales contracts and other similar title retention instruments, (e) the dollar amount of any commitment by which the Person assures a creditor against loss (including contingent reimbursement obligations with respect to bankers acceptances, fidelity bonds, surety bonds, performance bonds and letters of credit (in each case, to the extent drawn, called or matured), (f) all Liabilities less all assets arising under any interest rate swap forward contract, foreign currency hedge, other hedging or similar arrangement or other interest rate protection agreement or other similar interest rate agreement, (g) all amounts payable to any of the Sellers or their Affiliates or any Person not acting at arm’s length with any of them, (h) with respect to the Company and its Subsidiaries, any and all Liabilities for amounts that the Company and the Subsidiaries has deferred pursuant to Section 2302 of the CARES Act, (i) any pre-Closing Tax Liabilities arising in any jurisdiction, including sales and use Tax obligations, payroll Taxes, income Taxes or social security Taxes (including any penalties and interest) and any costs incurred post-Closing for the preparation of pre-Closing tax returns (which, with respect to those matters referenced in subsections (1), (2), (3) and (4) of this section (i) is limited to (1) \$1,800,000 with respect to Taxes payable with respect to the personnel provided by Prediktive LLC under that certain Master Services Agreement entered into by the Company and Prediktive LLC effective August 20, 2018, (2) \$4,197,000 with respect to sales, use and/or consumption Taxes to be paid to various states of the United States, (3) \$386,000 with respect to unpaid Texas franchise Taxes and (4) \$14,000 with respect to the New York Unincorporated Business Tax); (j) any committed capital expenditures; (k) declared or unpaid dividends or distributions; (l) all indebtedness of others referred to in paragraphs (a) through (k) above guaranteed by the Company or any Subsidiary, (m) all Liabilities arising out of any breach of the foregoing obligations; and (n) all accrued interest, fees or other similar obligations with respect to any of the foregoing, provided that no item included in the calculation of Indebtedness shall be included in the calculation of Net Working Capital. Indebtedness shall also exclude the Employee Closing Payments. For the avoidance of doubt, the amounts set forth in items (i)(1) through (4) include all applicable penalties and interest and costs and expenses to complete all necessary and/or advisable corrective actions for such matter with the applicable Governmental Authorities.

“Intellectual Property Rights” means (i) rights in patents, patent applications and patentable subject matter, whether or not the subject of an application, (ii) rights in trademarks, service marks, trade names, trade dress and other designators of origin, registered or unregistered, (iii) rights in copyrightable subject matter or protectable designs, registered or unregistered, (iv) rights in original works of authorship, whether or not copyrightable, (v) trade secrets, databases, datasets, data, and confidential or proprietary information, and any rights in the same, (vi) rights in internet domain names, uniform resource locators, social media accounts, and e-mail addresses, (vii) know-how and (viii) all other intellectual and industrial property rights of every kind and nature and however designated, whether arising by operation of Law, Contract, license or otherwise.

“IRS” means the Internal Revenue Service and, to the extent relevant, the Department of Treasury.

“Judgment” means any order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Authority or arbitrator.

“Key Employee” means any employees with an annual base salary of at least \$160,000.

“Law” means any applicable federal, state, local, municipal, foreign, international, multinational, or other constitution, law, statute, treaty, rule, regulation, ordinance, code, binding case law or principle of common law.

“Liability” includes liabilities, debts or other obligations of any nature, whether known or unknown, absolute, accrued, contingent, liquidated, unliquidated or otherwise, due or to become due or otherwise.

“Licensed-In Intellectual Property Rights” means Third-Party Intellectual Property Rights used or held for use by the Company or any Subsidiary with the permission of the owner.

“Licensed-Out Intellectual Property Rights” means Owned Intellectual Property Rights licensed to any third party.

“Loss” means any loss, Proceeding, judgment, damage, fine, penalty, expense (including reasonable and documented attorneys’ or other professional fees and expenses and court costs), injury, Liability, Tax, Encumbrance or other cost, expense or adverse effect whatsoever, whether or not involving the claim of another Person, but expressly excluding punitive damages.

“Mass-Market Software” mean mass-marketed “off-the-shelf” software that is generally commercially available (and licensed to the Company) on standard terms that requires license, maintenance, and support fees less than \$20,000 per year.

“Material Adverse Effect” means any fact, change, circumstance, condition (financial or otherwise), event or development that, when considered individually or in the aggregate, has resulted in, or would reasonably be expected to result in, a material adverse effect in, or has had or would reasonably be expected to have a material adverse effect on the business or the assets of the Company and the Subsidiaries, taken as a whole other than any change or effect resulting from (i) changes in (a) general economic conditions (whether international, national or local), (b) political conditions (including acts of war, declared or undeclared, armed hostilities and terrorism), (c) the general industry or markets in which the Company or the Subsidiaries operate, or (d) Laws or accounting standards, or the principles or interpretations thereof, applicable to the Company or the Subsidiaries, which do not, in each case, have a disproportionate effect on the Company or the Subsidiaries, relative to other comparable Persons operating in the industries in which the Company or the Subsidiaries operate, (ii) natural disasters or pandemics, which do not have a disproportionate effect on the Company or the Subsidiaries, relative to other comparable Persons operating in the industries in which the Company or the Subsidiaries operate, (iii) the announcement or consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, (iv) any event, condition or other matter disclosed on a schedule to this Agreement, (v) any change resulting from any action by the Company or the Subsidiaries required by Law or this Agreement or taken with the prior written consent or at the written request of the Purchaser, (vi) the failure of the Company or the Subsidiaries to achieve any financial projections or budget (it being understood that, for the avoidance of doubt, the circumstances giving rise to any such failure may constitute, and may be taken into account in determining whether there is or would reasonably be expected to be, a Material Adverse Effect), or (vii) any change in conditions in the United States, foreign or global financial, banking or securities markets generally (including any disruption thereof and any decline in the price of any security or any market index or any change in interest or exchange rates).

“Member Allocation Schedule” means the schedule to be provided by the Seller Representative to the Purchaser no later than three Business Days prior to the Closing Date which shall set forth the portion of the Estimated Purchase Price to which each Seller is entitled pursuant to the Company’s Governing Documents.

“Net Working Capital” means Current Assets minus Current Liabilities.

“Net Working Capital Adjustment” means (a) if the amount of Closing Net Working Capital is less than the Target Closing Net Working Capital, a dollar for dollar decrease to the Purchase Price by the

amount of the deficiency in Closing Net Working Capital, and (b) if the amount of the Closing Net Working Capital is greater than the Target Closing Net Working Capital, a dollar for dollar increase to the Purchase Price by the amount of the excess of Closing Net Working Capital.

“Occupational Safety and Health Law” means any Law designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards.

“Open Source Software” means software known as “open-source,” or community software, code, libraries, technologies, or other materials (including but not limited to any software, code, libraries, technologies or other materials that are licensed or distributed under any license or distribution model approved by the Open Source Initiative as described at www.opensource.org).

“Outside Date” means February 25, 2020.

“Order” means any Judgment, order, award, decree, consent, writ or injunction of any Governmental Authority, or any conciliation agreement, settlement agreement, market conduct or financial examination report or corrective action plan made, issued or entered by or with any Governmental Authority.

“Owned Intellectual Property Rights” means Intellectual Property Rights in which the Company or any Subsidiary has or purports to have any ownership interest or exclusive license rights.

“Permitted Encumbrances” means (a) statutory liens of carriers, warehousemen, mechanics, materialmen and other similar Persons incurred in the ordinary course of business for sums not yet due and payable and that do not impair the conduct of the Company’s or any Subsidiary’s business or the present or proposed use of the affected property or asset, (b) statutory liens for current real or personal property Taxes not yet due and payable and for which adequate reserves have been recorded in line items on the Balance Sheet, (c) Encumbrances that are immaterial in character, amount and extent and which do not detract from the value of, or interfere with the present or proposed use of, the properties or assets they affect, and (d) Encumbrances arising solely pursuant to applicable federal and securities laws.

“Person” means an individual or an entity, including a corporation, limited liability company, partnership, trust, unincorporated organization, association or other business or investment entity, or any Governmental Authority.

“Proceeding” means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at Law or in equity.

“PPP Forgivable Uses” means uses of proceeds of a PPP Loan that are eligible for forgiveness under Section 1106 of the CARES Act (including, without limitation, PPP Payroll Costs) and otherwise in compliance with all other provisions or requirements of the CARES Act applicable in order for the PPP Loan to be eligible for forgiveness.

“PPP Loan” means that certain Paycheck Protection Program Promissory Note, dated April 22, 2020, by the Company in favor of CNB, in the principal amount of \$1,404,134, incurred by the Company pursuant to the Paycheck Protection Program under the CARES Act.

“PPP Loan Non-Forgiven Amount” means the amount, if any, of Indebtedness under the PPP Loan as of immediately prior to the Closing for which the Company’s repayment obligation is finally determined by the SBA to not be forgivable under the CARES Act.

“PPP Payroll Costs” shall mean “payroll costs” as defined in 15 U.S.C. 636(a)(36)(A)(viii) (as added to the Small Business Act by Section 1102 of the CARES Act).

“Purchaser Fundamental Representations” means the representations and warranties contained in Section 5.1 (Organization and Good Standing), Section 5.2 (Authority and Enforceability), Section 5.5 (Consideration Shares), and Section 5.6 (Brokers or Finders).

“Purchase Price” means two hundred and seventy-five million Dollars (\$275,000,000) plus (a) the Closing Cash minus (b) the amount (if any) by which the Target Closing Net Working Capital exceeds Closing Net Working Capital, plus (c) the amount (if any) by which Closing Net Working Capital exceeds the Target Closing Net Working Capital minus (d) the Closing Indebtedness, and minus (e) the amount of any Transaction Expenses.

“Purchaser’s Knowledge” means, with respect to the Purchaser, the actual or constructive knowledge, after reasonable investigation, of Sharon Driscoll and Darren Watt.

“R&W Insurance Policy” means a representation and warranty insurance policy taken out by the Purchaser in relation to the transactions contemplated herein in accordance with the executed binder attached hereto as Exhibit D with the form of policy to become effective at Closing, subject to the terms and conditions set forth therein.

“Registered Intellectual Property Rights” means Intellectual Property Rights that are: (i) patents or patent applications, (ii) trademark or service mark applications or registrations, (iii) copyright registrations, and (iv) domain names or social media accounts.

“Restricted Cash” means any cash which is not freely usable by the Purchaser because it is subject to restrictions, limitations or taxes on use or distribution by law, contract or otherwise, including without limitation, restrictions on dividends and repatriations or any other form of restriction.

“Restricted Period” means the period of five years following the Closing Date.

“Rollover Members” means Gary McArdle, Phil Mause and Alex Currall.

“SBA” means the U.S. Small Business Administration.

“Securities Act” means the Securities Act of 1933, as amended.

“Seller Fundamental Representations” means the representations and warranties contained in Section 3.1 (Organization and Good Standing), Section 3.2 (Authority and Enforceability), Section 3.4 (Capitalization and Ownership) and Section 3.27 (Brokers or Finders).

“Sellers’ Knowledge” means, with respect to the Sellers, the actual or constructive knowledge, after reasonable investigation, of Scott Rouse, Gary McArdle, Phil Mause, Alex Currall, Joseph Brooks and Jeffrey Rajewski.

“Subsidiary” means, with respect to a specified Person, any corporation or other entity of which (a) a majority of the voting power of the equity securities or other interests is owned, directly or indirectly, by such Person (without regard to the occurrence of any contingencies affecting voting power) or (b) the power to elect a board majority (or persons performing similar functions) or otherwise control the entity is held directly or indirectly by such Person. When used in this Agreement without reference to a particular Person, “Subsidiary” means a Subsidiary of the Company.

“Target Closing Net Working Capital” means two million one hundred twenty thousand five hundred and forty-four Dollars (\$2,120,544.00).

“Tax” means (a) any and all federal, state, provincial, territorial, local, non-U.S. or other taxes, charges, fees, duties (including customs duties), levies or assessments, including any income, gross receipts, net proceeds, alternative or add-on minimum, corporation, ad valorem, turnover, real property, personal property (tangible or intangible), sales, use, franchise, excise, value added, stamp, leasing, lease, user, transfer, fuel, excess profits, profits, occupational, premium, interest equalization, windfall profits, severance, license, registration, payroll, environmental, capital equity, capital duty, disability, estimated, gains, wealth, welfare, employee’s income withholding, other withholding, unemployment or social security or other tax of whatever kind (including any fee, assessment or other charges in the nature of or in lieu of any tax) that is imposed by any Governmental Authority, (b) any interest, fines, penalties or additions resulting from, attributable to, or incurred in connection with any items described in this paragraph or any related contest or dispute and (c) any items described in this paragraph that are attributable to another Person but that the Company or any Subsidiary is liable to pay by Law, by Contract or otherwise, whether or not disputed.

“Tax Return” means any report, return, filing, declaration, claim for refund, or information return or statement related to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Third-Party Intellectual Property Rights” means Intellectual Property Rights in which a Person other than the Company or a Subsidiary has any ownership interest.

“Transaction Documents” means this Agreement and the Ancillary Agreements.

“Transaction Expenses” means all fees and expenses of the Company or any Subsidiary incurred in connection with the negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby as of the Closing to the extent unpaid as of the Calculation Time, including without limitation: (i) any brokerage fees, commissions, finders’ fees or financial advisory fees and, in each case, related costs and expenses; (ii) any fees, costs and expenses of counsel, accountants, or other advisors and service providers and, in each case, related costs and expenses; (iii) any compensation, sale bonuses, similar bonuses, retention or severance payments payable, or that become payable, to any employee, officer, director, consultant or third party in connection with the transactions contemplated by this agreement (other than the Employee Closing Payments), including the employer portion of any employment, payroll, or similar Taxes attributable to the amounts payable; and (iv) any costs associated with the auction process.

“Website Data Contracts” means terms of service or equivalent Contracts relating to websites or online databases from which the Company and/or its Subsidiaries may obtain data for use in connection with the Company’s and/or its Subsidiaries’ products and services.

Section 1.2 Additional Defined Terms. For purposes of this Agreement and the Ancillary Agreements, the following terms have the meanings specified in the indicated Section of this Agreement:

<u>Defined Term</u>	<u>Section</u>
ACA	3.16(g)
Acquisition Proposal Agreement	6.4(a)
Applicable Anti-Corruption Laws	Preamble
Balance Sheet	3.25
	3.5

Cap	10.6(a)
Charges	2.7(f)
Claim Notice	10.3(a)
Closing	2.4
Closing Balance Sheet	2.3(a)
Closing Date	2.4
Closing Statement	2.3(a)
CNB Escrow	6.12
CNB Escrow Amount	6.12
COBRA	3.16(b)
Commission	5.4
Company	Preamble
Company Confidential Information	6.5(a)
Company Tax Proceeding	7.4(a)
Consideration Shares	2.2(a)
Contaminants	3.13(o)
Continuing Employee	6.10
Controlling Party	10.4(c)
Credit Support Arrangements	6.18
Customer	6.8(b)
Deductible Amount	10.6(a)
Division	6.8(a)
DOJ	6.3(a)
DOL	3.16(a)
Employment Agreements	2.9
Entity	6.8(a)
Escrow Account	2.5(e)
Escrow Agent	2.5(e)
Escrow Agreement	2.5(a)
Escrow Amount	2.5(e)
Estimated Purchase Price	2.2(a)
Estimated Purchase Price Calculation	2.2(b)
Statement	
Excluded Claims	10.6(b)
Execution Date	Preamble
Export Approvals	3.24
Final Purchase Price	2.3(a)
Financial Statements	3.5
First Allocation	7.1(b)
Forgiveness Application	6.12
FTC	6.3(a)
Government Official	3.25
Guaranteed Obligations	6.16
Indemnified Party	10.3(a)
Indemnifying Party	10.3(a)
Independent Accounting Firm	2.3(c)
Interim Balance Sheet	3.5
Leased Real Property	3.12(b)
Material Adverse Impact	6.3(c)
Material Contract	3.14
Membership Interests	Preamble
Multiemployer Plan	3.16(b)

Noncontrolling Party	10.4(c)
Objection Notice	10.3(d)
Objections Statement	2.3(b)
Parent	Preamble
Parent Guaranty	6.16
Pension Plan	3.16(a)
PPP Loan Application	3.9(b)
Purchaser	Preamble
Purchaser Disclosure Schedule	Article 5
Purchaser Indemnified Parties	10.1
Purchase Price Allocation	7.1
Purchaser's Proposed Calculations	2.3(a)
Qualified Plan	3.16(a)
Released Parties	10.12
Representative Fund	2.7(f)
Restricted Tax Action	7.6
Restrictions	2.6(a)
Rollover Member Indemnity	10.2(b)
Rollover Member Tax Proceeding	7.4(a)
SEC Reports	5.7
Second Allocation	7.1(b)
Seller Disclosure Schedule	Article 3
Sellers	Preamble
Seller Assignment	2.5(a)
Seller Representative	Preamble
Share Cap	2.2(a)
Special Claim	10.4(b)
Stock Powers	2.6(a)
Straddle Period	7.3
Systems	3.13(p)
Tax Determination	7.1(c)
Tax Proceeding	7.4(a)
Third Party Claim	10.4(a)
Title IV Plan	3.16(b)
Trust Instrument	3.2(b)
Trustee	3.2(b)

Section 1.3 Construction. Any reference in this Agreement to an “Article,” “Section,” “Exhibit” or “Schedule” refers to the corresponding Article, Section, Exhibit or Schedule of or to this Agreement, unless the context indicates otherwise. The table of contents and the headings of Articles and Sections are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement. All words used in this Agreement are to be construed to be of such gender or number as the circumstances require. The words “including,” “includes,” and “include” are to be read as listing non-exclusive examples of the matters referred to, whether or not words such as “without limitation” or “but not limited to” are used in each instance. Where this Agreement states that a party “shall,” “will” or “must” perform in some manner or otherwise act or omit to act, it means that the party is legally obligated to do so in accordance with this Agreement. Any reference to a statute is deemed also to refer to any amendments or successor legislation as in effect at the relevant time. Any reference to a Contract or other document as of a given date means the Contract or other document as amended, supplemented and modified from time to time through such date.

ARTICLE 2 THE TRANSACTION

Section 2.1 Purchase and Sale of Membership Interests. In accordance with the provisions of this Agreement, at the Closing, the Sellers will sell and transfer to the Purchaser, and the Purchaser will purchase and acquire from the Sellers, all of the Membership Interests.

Section 2.2 Purchase Price.

(a) The aggregate consideration to be paid at Closing by the Purchaser to the Sellers for the Membership Interests shall be the estimated Purchase Price, as calculated by the Sellers in accordance with Section 2.2(b) (the “**Estimated Purchase Price**”). The Estimated Purchase Price shall be paid in cash, except that 20% of the consideration payable to each of the Rollover Members, in each case as set forth on the Member Allocation Schedule, shall be payable in the Parent’s common shares which will be issued subject to the restrictions in Section 2.6 (the “**Consideration Shares**”). The number of Consideration Shares will be calculated based on the volume weighted average price of the Parent’s common shares on the New York Stock Exchange for the 30 trading day period ending the third Business Day prior to the Closing Date, with the number of Consideration Shares rounded down to the nearest whole common share. In no event will the number of Consideration Shares exceed 19.9% of the Parent’s issued and outstanding common shares as of the date of this Agreement (the “**Share Cap**”). If the number of Consideration Shares would equal or exceed the Share Cap, the Purchaser will pay to the Rollover Members in cash any amounts over and above the Share Cap which would have otherwise been paid in Consideration Shares.

(b) No later than three Business Days prior to the Closing, the Seller Representative will deliver to the Purchaser a written statement (the “**Estimated Purchase Price Calculation Statement**”) setting forth the Company’s good faith estimate of the Estimated Purchase Price, which shall set forth, in reasonable detail, its calculations of (i) the Company’s good faith estimate of the Closing Net Working Capital and the amount (if any) by which Closing Net Working Capital exceeds the Target Closing Net Working Capital or the amount (if any) by which Target Closing Net Working Capital exceeds Closing Net Working Capital, (ii) the Company’s good faith estimate of the amount of the Closing Indebtedness, (iii) the Company’s good faith estimate of the amount of the Closing Cash, (iv) any unpaid Transaction Expenses, and (v) the actual amount of Employee Closing Payments as of Closing. The Estimated Purchase Price Calculation Statement shall be prepared consistent with the Accounting Principles. The Seller Representative shall provide the Purchaser with the opportunity to review and provide comments to the Estimated Purchase Price Calculation Statement, which the Seller Representative shall consider in good faith but shall be under no obligation to incorporate such comments. The number of Membership Interests to be conveyed by each Seller, the account and wire transfer instruction for each Seller and the number of Consideration Shares to be paid to each Rollover Member shall be as set forth in the Estimated Purchase Price Calculation Statement.

(c) No later than three Business Days prior to the Closing, the Seller Representative will deliver to the Purchaser the Member Allocation Schedule.

Section 2.3 Post-Closing Adjustment.

(a) Within 60 days after the Closing Date, the Purchaser will prepare and deliver to the Seller Representative an unaudited consolidated balance sheet of the Company as of the close of business on the day immediately prior to the Closing Date (the “**Closing Balance Sheet**”) and a written statement (together with the Closing Balance Sheet, the “**Closing Statement**”) setting forth the Purchaser’s calculations (the “**Purchaser’s Proposed Calculations**”) of the Purchase Price (the “**Final Purchase Price**”), which shall set forth, in reasonable detail its calculations of: (i) the Closing Net Working Capital and the amount (if any) by which Closing Net Working Capital exceeds the Target Closing Net Working Capital and the

amount (if any) by which the Target Closing Net Working Capital exceeds Closing Net Working Capital; (ii) the Closing Indebtedness, (iii) the Closing Cash and (iv) any unpaid Transaction Expenses. The Closing Balance Sheet and the Purchaser's Proposed Calculations will be prepared in accordance with the Accounting Principles, without giving effect to any purchase accounting adjustments or other changes arising from the transactions contemplated by this Agreement.

(b) If the Seller Representative has any objections to the Closing Statement and the calculation of the Purchase Price, the Seller Representative must deliver to the Purchaser a written statement (an “**Objections Statement**”) setting forth a description in reasonable detail of its objections thereto, including the basis for the objection, proposed adjustment amount and supporting calculations. If an Objections Statement is not delivered to the Purchaser within 30 days after delivery of the Closing Statement, the Closing Statement and the Purchaser's calculation of the Purchase Price will be final, binding and non-appealable by the parties hereto.

(c) If the Seller Representative timely delivers an Objections Statement to the Purchaser, then the Purchaser and the Seller Representative will negotiate in good faith to resolve any objections set forth in the Objections Statement, but if they are unable to resolve all disputed items by the end of 30 days after the date of delivery of the Objections Statement, then the remaining items in dispute will be submitted to Deloitte & Touche for resolution acting as an accounting expert and not as an arbitrator, or if that firm is unwilling or unable to serve, the Purchaser and the Seller Representative will engage another mutually agreeable independent accounting firm of recognized national standing, which firm is not the regular auditing firm of the Purchaser or the Company (such selected independent accounting firm, the “**Independent Accounting Firm**”). The Purchaser and the Seller Representative will use their commercially reasonable efforts to cause the Independent Accounting Firm to resolve all disagreements as soon as practicable and in any event within 30 days after the date of appointment. The Independent Accounting Firm may address only those items and amounts which are identified in the Objections Statement as being items which the Seller Representative and the Purchaser are unable to resolve, and the Independent Accounting Firm's determination shall be within the range proposed by the Purchaser and the Seller Representative. The resolution of the dispute by the Independent Accounting Firm will be final, binding and non-appealable on the parties. The fees and expenses of the Independent Accounting Firm will be allocated between the Purchaser, on the one hand, and the Sellers, on the other hand, pro rata based on their respective share of the Purchase Price, based upon the percentage which the portion of the contested amount not awarded to each party bears to the amount actually contested by such party, as determined by the Independent Accounting Firm, and each party shall bear its own expenses in connection therewith, including its attorneys' and accountants' fees.

(d) For purposes of complying with this Section 2.3, and subject to executing customary access letters, the Purchaser and the Seller Representative will furnish to each other and to the Independent Accounting Firm such work papers and other documents and information relating to the disputed items as the Independent Accounting Firm may reasonably request and are available to that party (or its independent public accountants) and will be afforded the opportunity to present to the Independent Accounting Firm any written material related to the disputed items. The party providing any such work papers, other documents or information to the Independent Accounting Firm shall also provide such papers, documents and information to the other party.

(e) Upon the determination, in accordance with Section 2.3(b) or Section 2.3(c), as applicable, of the Closing Statement and the final calculations of the amounts of the Closing Cash, the Closing Indebtedness, the Closing Net Working Capital and the Net Working Capital Adjustment calculated by reference thereto, and any unpaid Transaction Expenses, the Purchase Price will be recalculated using such finally determined amounts in lieu of the estimates of such amounts used in the calculation of the estimated

Purchase Price payable at Closing as set forth on the Estimated Purchase Price Calculation Statement as follows:

(i) If the Final Purchase Price as calculated pursuant to this Section 2.3(e) is greater than the Estimated Purchase Price, then the Purchaser will pay to the Sellers an amount in immediately available funds equal to any such excess; and

(ii) If the Final Purchase Price as calculated pursuant to this Section 2.3(e) is less than the Estimated Purchase Price, then the Sellers will pay to the Purchaser an amount in immediately available funds equal to any such deficiency.

(f) The Sellers will be severally but not jointly liable for any amount for which payment is required by the Sellers under Section 2.3(e), which payment will be effected, first, by paying all or part of the Adjustment Escrow Amount from the Escrow Account to an account designated by the Purchaser, and any remaining amounts by wire transfer of immediately available funds from the Sellers to an account designated by the Purchaser. Any payment by the Purchaser to the Sellers pursuant to Section 2.3(e) will be effected by wire transfer of immediately available funds to such account or accounts designated by the Seller Representative. Such payments will be made within five Business Days following the final determination referred to in Section 2.3(e).

(g) The purpose of this Section 2.3 is to determine the Final Purchase Price to be paid by the Purchaser under this Agreement. Accordingly, any adjustment pursuant hereto will neither be deemed to be an indemnification pursuant to ARTICLE 10, nor preclude the Purchaser from exercising any indemnification rights pursuant to ARTICLE 10. Any payment made pursuant to this Section 2.3 will be treated by the parties for all purposes as an adjustment to the Purchase Price.

Section 2.4 Closing. Subject to the terms and conditions of this Agreement, the purchase and sale of the Membership Interests contemplated hereby shall take place at a closing (the “**Closing**”) to be held at 10:00 a.m. Pacific Time, no later than three Business Days after the last of the conditions to Closing set forth in ARTICLE 8 have been satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date) at the offices of Dorsey & Whitney LLP, 50 South Sixth Street, Minneapolis, Minnesota 55402 or remotely by exchange of documents and signatures (or their electronic counterparts), or at such other time or on such other date or at such other place as the Seller Representative and the Purchaser may mutually agree upon in writing (the day on which the Closing takes place being the “**Closing Date**”).

Section 2.5 Closing Transactions.

(a) At the Closing, the Seller Representative will deliver to the Purchaser:

(i) an assignment of the uncertificated Membership Interests in the form of Exhibit A executed by each Seller (collectively, the “**Seller Assignment**”);

(ii) resignations, in form reasonably satisfactory to the Purchaser, effective as of the Closing Date from those managers of the Company (solely with respect to their manager designations but not from employment by the Company) as the Purchaser may have requested in writing at least five Business Days prior to the Closing Date;

(iii) a certificate of the manager of the Company dated as of the Closing Date and attaching with respect to the Company (A) the Company’s charter and all amendments thereto, certified by the Secretary of State of California not more than ten Business Days prior to the Closing Date; (B) the Company’s operating agreement and all amendments thereto; (C) a certificate of good

standing of the Company certified by the Secretary of State of California, issued not more than five Business Days prior to the Closing Date; (D) all resolutions of the board of managers of the Company relating to this Agreement and the transactions contemplated by this Agreement; and (E) incumbency and signatures of the managers of the Company executing this Agreement or any other agreement contemplated by this Agreement;

(iv) an escrow agreement in the form of Exhibit C executed by the Seller Representative (collectively, the “**Escrow Agreement**”);

(v) an IRS Form W-9 (Request for Taxpayer Identification Number and Certification) completed and signed by each Seller;

(vi) completed and executed copies of the elections to be filed with the IRS within twenty (20) days of the Closing Date by each of the Rollover Members under Section 83(b) of the Code with respect to the Consideration Shares confirming the issuance of the Consideration Shares does not constitute the receipt of any ordinary income by each such Rollover Member;

(vii) payoff and release letters evidencing the repayment in full of the Closing Indebtedness; and

(viii) such other documents, instruments and agreements as the Purchaser reasonably requests for the purpose of consummating the transactions contemplated by this Agreement.

(b) At the Closing, the Purchaser will deliver to the Sellers:

(i) an amount equal to the Estimated Purchase Price (less the Escrow Amount, the amount of the Employee Closing Payments and the value attributed to the Consideration Shares) as set forth on the Estimated Purchase Price Calculation Statement, based on the amount each Seller is entitled to receive in accordance with the Member Allocation Schedule, by wire transfer of immediately available funds to the accounts specified in the Estimated Purchase Price Calculation Statement;

(ii) evidence of the issuance of certificates representing the Consideration Shares;

(iii) the Escrow Agreement executed by the Purchaser or other mutually agreed party; and

(iv) such other documents, instruments and agreements as the Seller Representative reasonably requests for the purpose of consummating the transactions contemplated by this Agreement.

(c) Simultaneously with the Closing, the Purchaser will repay and discharge (or cause to be repaid and discharged), on behalf of the Company, Closing Indebtedness evidenced on the Estimated Purchase Price Calculation Statement and to be repaid pursuant to a payoff and release letter, by wire transfer of immediately available funds pursuant to written instructions provided to the Purchaser by the Seller Representative concurrently with the delivery of the Estimated Purchase Price Calculation Statement, and the Company and the Seller Representative will deliver (or cause to be delivered) to the Purchaser all appropriate payoff and release letters evidencing the repayment in full of all Closing Indebtedness and the corresponding release (or written commitment to release promptly) of any Encumbrance that each holder of Closing Indebtedness may have with respect to the Company or any Subsidiary or any of their assets.

(d) Simultaneously with the Closing, the Purchaser will pay, or cause to be paid, on behalf of the Sellers and the Company (as applicable), the Transaction Expenses by wire transfer of immediately available funds as directed by the Seller Representative, and the Company will deliver to the Purchaser final invoices in respect of the Transaction Expenses and proof of payment with respect thereto, in form and substance satisfactory to the Purchaser.

(e) Simultaneously with the Closing, the Purchaser will deliver to U.S. Bank National Association, as escrow agent (the “**Escrow Agent**”), the sum of \$2,168,750 (the “**Escrow Amount**”) by wire transfer of immediately available funds to an account established by the Escrow Agent (the “**Escrow Account**”) at the expense of the Purchaser. The Escrow Agent will hold the Escrow Amount, together with any interest and earnings thereon, in accordance with the Escrow Agreement to be executed and delivered by the Purchaser, the Seller Representative and the Escrow Agent on or prior to the Closing Date.

(f) Upon determination by the SBA of whether the Indebtedness under the PPP Loan or any portion thereof is forgivable under the CARES Act, the Seller Representative shall (i) direct CNB to deliver to the Purchaser an amount, if any, equal to the PPP Loan Non-Forgiven Amount, and (ii) direct CNB to pay to the Seller Representative, on behalf of the Sellers, the CNB Escrow Amount, less the PPP Loan Non-Forgiven Amount, if any, with each (i) and (ii) to be delivered by wire transfer of immediately available funds to an account designated in writing by the Purchaser or the Seller Representative, as applicable.

(g) Upon completion of any payment required under Section 2.3(e), the Purchaser and the Seller Representative shall direct the Escrow Agent to pay to the Seller Representative, on behalf of the Sellers, any remaining amount of the Adjustment Escrow Amount.

(h) On behalf of the Company, the Purchaser shall pay, by wire transfer of immediately available funds, to the applicable payroll accounts of the Company a portion of the Estimated Purchase Price in the aggregate amount of the Employee Closing Payments for payments to the beneficiaries thereof (net of applicable withholding) on a special payroll disbursement by the Company on the Closing Date. For the avoidance of doubt, the Purchaser and the Sellers hereby acknowledge and agree that the Company will treat itself as paying the Employee Closing Payments immediately prior to the Closing Date and, as such, the Employee Closing Payments and related payroll tax payments shall be treated as pre-Closing expenses and includable on the pre-Closing period tax returns of the Company prepared by the Sellers pursuant to Section 7.1(d).

Section 2.6 Consideration Shares.

(a) Upon issuance of the Consideration Shares, each Rollover Member’s Consideration Shares will be made subject to transfer and forfeiture restrictions (the “**Restrictions**”), which will lapse, if at all, as described in Section 2.6(b). Until the Restrictions lapse as set forth in Section 2.6(b), the Consideration Shares will be held in trust by the Purchaser and may not be transferred by the Rollover Member. The Rollover Members will have the right to vote any Consideration Shares held in trust. If any dividends are paid on Consideration Shares held in trust, the Purchaser shall hold such dividends until the Consideration Shares upon which the dividends were paid have been released from trust. Such dividends shall be treated as dividend income of the Rollover Members for U.S. federal income tax purposes in the applicable taxable year paid by Parent and reported as taxable income by the Rollover Members on their personal U.S. federal and state income tax returns for each such taxable year. If the Restrictions do not lapse with respect to any Consideration Shares, the Purchaser shall pay to the Rollover Members any dividends declared upon those Consideration Shares. For the avoidance of doubt, the Rollover Members shall be entitled to retain any dividends so paid even if the Consideration Shares are forfeited. Upon a Rollover Member’s termination of employment with the Purchaser or its Affiliates, any Consideration Shares for which the Restrictions have not lapsed will be, subject to Section 2.6(b), automatically be forfeited and returned to the Purchaser without

consideration. At Closing, each Rollover Member will deliver to the Purchaser executed stock powers in blank with respect to the Consideration Shares (the “**Stock Powers**”) to secure the foregoing obligation.

(b) The Restrictions will lapse for Gary McArdle as follows: (i) the Restrictions on one-third of his Consideration Shares will lapse on the first anniversary of the Closing Date if he is employed by the Purchaser or one its Affiliates on that date, (ii) the Restrictions on one-third of his Consideration Shares will lapse on the second anniversary of the Closing Date if he is employed by the Purchaser or one of its Affiliates on that date, and (iii) the Restrictions on one-third of his Consideration Shares will lapse on the third anniversary of the Closing Date if he is employed by the Purchaser or one its Affiliates on that date. The Restrictions will lapse with respect to Phil Mause and Alex Currall, as applicable, as follows: (x) the Restrictions on one-half of such Rollover Member’s Consideration Shares will lapse automatically on the 18-month anniversary of the Closing Date if such Rollover Member is employed by the Purchaser or one its Affiliates on that date, and (y) the Restrictions on one-twelfth of such Rollover Member’s Consideration Shares will lapse automatically on each quarterly anniversary thereafter if such Rollover Member is employed by the Purchaser or one of its Affiliates on that date. Notwithstanding the foregoing, (x) if a Rollover Member’s employment terminates due to the death or Disability (as such term is defined in such Rollover Member’s Employment Agreement) of such Rollover Member, then the Restrictions will lapse automatically as to such Rollover Member’s Consideration Shares or if any Rollover Member’s employment terminates due to termination by the Company without Cause or termination of the Rollover Member’s employment by the Rollover Member for Good Reason (in each case, as such terms are defined in the Rollover Members’ respective Employment Agreements), then the Restrictions will lapse automatically as to such Rollover Member, and each Rollover Member’s Consideration Shares will no longer be subject to forfeiture, and (y) the Restrictions will lapse as to all Consideration Shares upon a Sale of the Parent. Within three (3) Business Days of the lapsing of any of the Rollover Members’ Consideration Shares, Parent will promptly remove any legends or instructions pertaining to the Restrictions as to such Rollover Member’s Consideration Shares and will cause share certificates representing the Consideration Shares to be delivered from trust to the Rollover Member. For purposes of this Section 2.6, “Sale of the Parent” shall mean the occurrence of any of the following with respect to the Parent: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Parent of voting securities of the Parent representing more than fifty percent (50%) of the Parent’s then-outstanding voting securities on an as converted basis; (ii) a merger, consolidation or other series of related transactions to which the Parent is a party and in which the stockholders of the Parent immediately before the transaction do not retain immediately after the transaction direct or indirect beneficial ownership of at least fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of board of directors of the surviving entity; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Parent or its Subsidiaries, considered together as a whole (other than a sale, exchange or transfer to one or more subsidiaries of the Parent).

Section 2.7 Seller Representative.

(a) The execution of this Agreement shall constitute irrevocable and unconditional approval of the appointment by each of the Sellers of the Seller Representative under the terms set forth herein as each Seller’s true and lawful agent, proxy and attorney-in-fact for all purposes under this Agreement. Pursuant to such appointment, the Seller Representative is authorized to act on behalf of each Seller to (i) take all action necessary or appropriate in connection with the determination of the Purchase Price Adjustment pursuant to Section 2.3 and the defense and/or settlement of any claims for which the Sellers may be required to indemnify the Purchaser pursuant to ARTICLE 10, (ii) give and receive all notices required to be given under this Agreement, (iii) execute any agreement or instrument in connection with the transactions contemplated hereby for and on behalf of each Seller, (iv) consult with legal counsel, independent public accountants and other experts selected by it, solely at the cost and expense of the Sellers, (v) amend or waive any terms and conditions of this Agreement providing rights or benefits to the Sellers

(other than the payment of the Purchase Price in accordance with the terms hereof and in the manner provided herein and provided that no amendment or waiver shall be valid if it shall disproportionately affect any Seller as it relates to any other Seller), and (vi) take any and all additional action as is contemplated to be taken by or on behalf of the Sellers by the terms of this Agreement. The Seller Representative shall not be responsible to any Seller for any loss or damage any Seller may suffer by reason of the performance by the Seller Representative of its duties under this Agreement, other than loss or damage arising from intentional misconduct or bad faith in the performance of such duties. The Sellers pro rata in accordance with their respective share of the Purchase Price, shall indemnify and hold harmless the Seller Representative from and against all Liabilities, losses, costs, damages or expenses (including attorneys' and accountants' fees) incurred or suffered by the Seller Representative arising out of or otherwise resulting from any action taken or omitted to be taken by the Seller Representative under this Agreement, other than such Liabilities, losses, costs, damages or expenses arising out of or resulting from the intentional misconduct or bad faith of the Seller Representative.

(b) The Seller Representative hereby agrees to do such acts, and execute further documents, as shall be reasonably necessary to carry out the provisions of this Agreement.

(c) The Seller Representative may resign at any time by giving five (5) days' prior written notice to the Purchaser, the Company and the Sellers (at their addresses last known to the Seller Representative), which resignation shall be effective immediately upon the date set forth in such notice. The Sellers may terminate the Seller Representative by a written instrument executed by all Sellers (other than the Seller then acting as Seller Representative, if applicable) and delivered to the Seller Representative, the Purchaser and the Company. Upon resignation or termination of the Seller Representative, the Seller Representative's successor, who shall serve and exercise the powers of the Seller Representative hereunder, shall be appointed by a written instrument signed by the Sellers representing at least 75% of the pro rata share of the Membership Interests prior to Closing and delivered to the Purchaser and the Company.

(d) After the Closing, any notice given to the Seller Representative will constitute notice to all of the Sellers at the time notice is given to the Seller Representative. After the Closing, any action taken by, or notice or instruction received from, the Seller Representative will be deemed to be action by, or notice or instruction from, all of the Sellers.

(e) The Purchaser and its Affiliates (including, after the Closing, the Company) shall be entitled to rely on the appointment of the Seller Representative and treat such Seller Representative as the duly appointed attorney-in-fact of the Sellers and as having the duties, power and authority provided for in this Agreement. None of the Purchaser or its Affiliates (including, after the Closing, the Company) shall be liable to any Seller for any actions taken or omitted to be taken by any of them in good faith reliance upon any instructions, notice or other instruments delivered by the Seller Representative.

(f) The representative fund into which the Seller Representative deposited the Representative Amount shall be held in a segregated account maintained by the Seller Representative, and will be held by the Seller Representative on behalf of the Sellers as a fund for the fees and expenses of the Seller Representative incurred in connection with this Agreement or the Transaction Documents (the "**Representative Fund**"). At Closing, \$100,000 will be wired to the Representative Fund in immediately available funds by the Sellers pro rata based on their respective share of the Purchase Price. The Seller Representative shall have the right to recover from the Representative Fund, prior to any distribution to the Sellers, such Seller Representative's reasonable out-of-pocket expenses incurred in the performance of his duties under this Agreement ("**Charges**"), including costs and expenses resulting from the employment of financial advisors, attorneys, auditors and other advisors and agents assisting in the assessment of arbitration, litigation and settlement of any disputes arising under this Agreement or the Transaction Documents. Upon the final resolution of all disputes arising under this Agreement and the

Transaction Documents and full reimbursement of all Charges of the Seller Representative as provided herein, the Seller Representative shall distribute any remaining portion of the Representative Fund to the Sellers pro rata in accordance with their respective share of the Purchase Price. The Sellers shall pro rata based on their respective share of the Purchase Price, be responsible for the payment of all fees and expenses reasonably incurred by the Seller Representative in performing his duties under this Agreement in excess of the amounts available at such time in the Representative Fund.

Section 2.8 Representation and Warranty Insurance Policy. The cost of the premium, together with all taxes and application, underwriting or similar or other fees or expenses payable at or before the Closing in connection with obtaining the R&W Insurance Policy, including those to bind the policy and to continue coverage for so long as representations and warranties of the Company and the Sellers shall survive under this Agreement, shall be paid by the Purchaser. The Purchaser shall not take any actions prior to the Closing to amend the R&W Insurance Policy in a manner that would be adverse to the Company or the Sellers in any material respect, and shall comply in all material respects with the terms of the R&W Insurance Policy.

Section 2.9 Employment Agreements. Concurrently with the execution of this Agreement, the Rollover Members shall have entered into employment agreements with the Company, the Purchaser or an Affiliate of the Purchaser or other mutually agreed party in the forms of Exhibit B (the “**Employment Agreements**”). The Employment Agreements shall become effective on the Closing Date.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each Seller, severally and not jointly, and, with respect to Section 3.1, the Company, represents and warrants to the Purchaser as of the date of this Agreement and as of the Closing, as follows, except as set forth on the disclosure schedule delivered by the Sellers to the Purchaser concurrently with the execution and delivery of this Agreement and dated as of the date of this Agreement (the “***Seller Disclosure Schedule***”):

Section 3.1 Organization and Good Standing. The Company is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of California and has all requisite corporate power and authority to own, lease and operate its properties and assets and to conduct its business as presently conducted. The Company and the Subsidiaries are duly qualified to do business and are in good standing in each jurisdiction in which the character of the properties they own, operate or lease or the nature of their activities makes such qualification necessary, except to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect. Copies of the Governing Documents of the Company and its Subsidiaries, as currently in effect, have been delivered to the Purchaser and are true, correct and complete copies as of the date hereof. Neither the Company nor any Subsidiary is in violation of its respective Governing Documents.

Section 3.2 Authority and Enforceability.

(a) The Company has all requisite limited liability company power and authority to execute, deliver and perform its obligations under this Agreement and each Ancillary Agreement to which it is a party. The execution, delivery and performance of this Agreement and each Ancillary Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company. The Company has duly and validly executed and delivered this Agreement and, on or prior to the Closing, the Company will have duly and validly executed and delivered each Ancillary Agreement to which it is a party. Assuming the due authorization, execution and delivery by the other parties hereto or thereto, this Agreement constitutes, and upon execution and delivery of each Ancillary Agreement to which the Company is a party will constitute, the valid and binding

obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at Law).

(b) Each Seller has all requisite power, authority and capacity to execute, deliver and perform its respective obligations under this Agreement and each Ancillary Agreement to which it is a party. The execution, delivery and performance of this Agreement and each Ancillary Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Sellers. Each Seller has duly and validly executed and delivered this Agreement. If the Seller is a trust, the trust was duly created pursuant to the Laws of the state in which it was created, which state is set forth on Section 3.2(b) of the Seller Disclosure Schedule. The trust is valid, has not terminated and has not been revoked and is not supervised by any court. Each of the Persons set forth on Section 3.2(b) of the Seller Disclosure Schedule is a duly appointed and acting trustee (each, a “**Trustee**”) for the trust by which such Person’s name appears, and the Person or Persons identified as a Trustee or Trustees for such trust constitute all of the currently acting Trustees of such trust. Each Trustee has the requisite authority under the documents governing the trust (each, a “**Trust Instrument**”) to act on behalf of such trust, and each Trustee is authorized by the applicable Trust Instrument to execute and deliver any Ancillary Agreement to which such trust is a party, and to consummate the transactions and to perform the obligations contemplated thereby. No other proceedings on the part of any Trustee are necessary to authorize the execution and delivery of any Ancillary Agreement to which the trust is a party or the transactions contemplated thereby.

(c) Assuming the due authorization, execution and delivery by the other parties hereto or thereto, this Agreement constitutes, and upon execution and delivery each Ancillary Agreement to which a Seller is a party will constitute, the valid and binding obligation of the Seller that is party thereto, enforceable against such Seller in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at Law). If such Seller is a trust, the execution, delivery and performance of this Agreement by such Seller has been duly and validly executed and delivered by an applicable Trustee on behalf of the trust, and assuming the due authorization, execution and delivery by the other parties hereto, constitutes the legal, valid and binding agreement of each Trustee, enforceable against such Trustee and the trust estate of the applicable trust in accordance with their terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at Law). No beneficiary of such trust has notified any Seller or Trustee of any objection to the action or authority of the Trustee to execute and deliver this Agreement or to consummate the transactions contemplated hereby, and there is no Proceeding pending in any court having jurisdiction over any Trustee or the estate of such trust challenging the authority of the Trustee to execute and deliver this Agreement or consummate the transactions contemplated hereby.

Section 3.3 No Conflict. Except as set forth in Section 3.3 of the Seller Disclosure Schedule, neither the execution, delivery and performance of this Agreement or any Ancillary Agreement by the Company or any Seller, nor the consummation of the transactions contemplated hereby or thereby, will (a) violate in any material respect the Governing Documents of the Company, or any resolution adopted by the board of managers or members of the Company, (b) result in (with or without notice or lapse of time or both) a breach or default under or create in any Person the right to terminate, cancel, accelerate or modify, or require any notice, consent or waiver under, any Material Contract to which the Company is a party or by which the Company or any of its material properties or assets is otherwise bound or affected, (c) result in the imposition of any Encumbrances on any of the Membership Interests or any of the properties or assets

of the Company, (d) violate in any material respect any Law, Judgment or Governmental Authorization applicable to the Company or any of its businesses, properties or assets, or (e) require the Company to obtain any material Consent or Governmental Authorization or make any filing or registration with any Governmental Authority or other Person, except as may be required under the HSR Act.

Section 3.4 Capitalization and Ownership.

(a) The authorized capital of the Company consists solely of units in uncertificated form, all of which are issued and outstanding. The Sellers are the sole owners (of record and beneficially) of all of the Membership Interests, free and clear of all Encumbrances except Permitted Encumbrances, in the respective amounts set forth in Schedule A. Upon the consummation of the Closing, the Purchaser will be the beneficial owner of the entire equity interest in the Company, free and clear of all Encumbrances except Permitted Encumbrances.

(b) Except for the Subsidiaries set forth on Section 3.7 of the Seller Disclosure Schedule, the Company does not own, control or have any rights to acquire, directly or indirectly, any capital equity or other equity interests or debt instruments of any Person.

(c) Except as set forth in this Section 3.4 or in Section 3.4(c) of the Seller Disclosure Schedule, (i) there are no equity securities of any class of the Company, or any security exchangeable into or exercisable for such equity securities, authorized, issued, reserved for issuance or outstanding and (ii) there are no options, warrants, equity securities, calls, rights or other Contracts to which the Company is a party or by which the Company is bound obligating the Company to issue, exchange, transfer, deliver or sell, or cause to be issued, exchanged, transferred, delivered or sold, additional Membership Interests of capital equity or other equity interests of the Company or any security or rights convertible into or exchangeable or exercisable for any such Membership Interests or other equity interests, or obligating the Company to grant, extend, accelerate the vesting of, change the price of, otherwise modify or amend or enter into any such option, warrant, equity security, call, right, or Contract. There are no outstanding or authorized equity appreciation, phantom equity, profit participation or similar rights with respect to the Company. There are no Contracts to which the Company or any Seller or any Affiliate of the Company or any Seller is a party or by which the Company or any Seller or any Affiliate of the Company or any Seller is bound with respect to the voting (including voting trusts or proxies), registration under the Securities Act or any foreign securities Law, or the sale or transfer (including Contracts imposing transfer restrictions) of any Membership Interests of capital equity or other equity interests of the Company. No holder of Indebtedness of the Company has any right to convert or exchange such Indebtedness for any equity securities or other securities of the Company. No holder of Indebtedness of the Company has any rights to vote for the election of managers of the Company or to vote on any other matter.

(d) All of the Membership Interests are duly authorized, validly issued, fully paid, nonassessable, and except as set forth in Section 3.4(d) of the Seller Disclosure Schedule, not subject to or issued in violation of any purchase option, right of first refusal, preemptive right, subscription right or any similar right and have been issued in compliance with all applicable Laws in all material respects.

(e) There are no obligations, contingent or otherwise, of the Company to repurchase, redeem or otherwise acquire any Membership Interest of the Company. The Company is not subject to any obligation or requirement to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in any other Person.

(f) The Member Allocation Schedule shall correctly set forth the Estimated Purchase Price to which each Seller is entitled pursuant to the Company's Governing Documents.

Section 3.5 Financial Statements.

(a) Attached as Section 3.5 of the Seller Disclosure Schedule are correct and complete copies of the (i) unaudited consolidated balance sheets of the Company at December 31, 2018 and December 31, 2019 (the most recent of which, the “**Balance Sheet**”) and the related unaudited consolidated statements of income for each of the fiscal years then ended, including any notes thereto; and (ii) an unaudited consolidated balance sheet of the Company at September 30, 2020 (the “**Interim Balance Sheet**”) and the related unaudited consolidated statements of income for the nine months then ended (all such financial statements referred to in (i) and (ii), the “**Financial Statements**”). The Financial Statements fairly present in all material respects the financial condition and the results of operations of the Company as of the times and for the periods indicated therein and, were prepared in accordance with GAAP (except as noted in Section 3.5(a) of the Disclosure Schedule), consistently applied (subject to revenue and compensation costs being recognized in accordance with Section 3.5(b) and Section 3.5(c) and subject, in the case of the interim Financial Statements, to normal recurring year-end adjustments, none of which are material individually or in the aggregate, and the absence of notes, none of which are material individually or in the aggregate). The Financial Statements are consistent with the books and records of the Company.

(b) Revenue reflected on the Financial Statements (i) represents all amounts billed by the Company and its Subsidiaries which are operating in nature from the period to which such amounts relate; (ii) is consistent with and have been prepared from the books and records of the Company; (iii) does not include any billings which have not been generated in the ordinary course of business; (iv) represents bona fide, arm’s length sales transactions; and (v) has been recognized and billed consistently across the periods presented with no changes in the discounts, rebates or other benefits offered to customers.

(c) Compensation and payroll expenses reflected on the Financial Statements (i) represent all cash payments for the Company and its Subsidiaries made during the periods presented, (ii) have been paid consistently throughout the periods presented with no material delays or changes in timing of payments, (iii) represent bona fide costs of the employees of the Company and its Subsidiaries, (iv) capture all costs of the employees required to operate the Company and its Subsidiaries in ordinary course. No employee obligations in excess of a single pay cycle are outstanding at any given point in time.

Section 3.6 Books and Records. The books of account, minute books, equity record books and other records of the Company and its Subsidiaries, all of which have been made available to the Purchaser are accurate and complete. The minute books of the Company and its Subsidiaries contain accurate and complete records of all meetings held, and corporate actions taken, by the Company’s and its Subsidiaries members, managers and managers’ committees, and no such meeting at which a corporate action was taken has been held for which minutes have not been prepared and are not contained in such minute books. At the time of the Closing, all of such books and records will be in the possession of the Company.

Section 3.7 Subsidiaries. Except as listed in Section 3.7 of the Seller Disclosure Schedule, neither the Company nor any Subsidiary owns any Subsidiary. For each of the Company’s Subsidiaries, Section 3.7 of the Seller Disclosure Schedule shows the equity interests owned by the Company or any Subsidiary, the names of the Persons owning such equity interests and the percentage of the outstanding equity interests so owned. All issued and outstanding equity interests of each Subsidiary of the Company are duly authorized, validly issued, fully paid and nonassessable, free of preemptive rights or any other third party right, free and clear of all Encumbrances except for Permitted Encumbrances, and in uncertificated form and have been offered, sold and issued by such Subsidiary in compliance with applicable securities and corporate Laws, Contracts applicable to such Subsidiary and such Subsidiary’s Governing Documents and in compliance with any preemptive rights, rights of first refusal or similar rights. There is no option, warrant, call, subscription, convertible security, right (including preemptive rights) or Contract of any character to which the Company or any Subsidiary is a party or by which it is bound obligating any Subsidiary of the Company or the Company to issue, exchange, transfer, sell, repurchase, redeem or otherwise acquire any equity interest of such Subsidiary or obligating the Company or such

Subsidiary to grant, extend, accelerate the vesting of or enter into any such option, warrant, call, subscription, convertible security, right or Contract.

Section 3.8 Accounts Receivable; Bank Accounts.

(a) All accounts receivable reflected on the Balance Sheet or the Interim Balance Sheet or arising after the date of the Interim Balance Sheet have arisen from bona fide transactions involving the sale of goods or the rendering of services in the ordinary course of business. Such accounts receivable are collectible in full, net of the respective reserves shown on the Balance Sheet or the Interim Balance Sheet or, with respect to accounts receivable arising after the date of the Interim Balance Sheet, on the accounting records of the Company as of the Closing Date, as the case may be (which reserves have been calculated consistent with the past custom and practice of the Company). To the Sellers' Knowledge, there is no contest, claim, defense or right of setoff, other than returns in the ordinary course of business, relating to the amount or validity of material accounts receivables. Except as set forth in Section 3.8(a) of the Seller Disclosure Schedule, neither the Company nor any of its Subsidiaries hold any accounts receivable from any of the Sellers or their Affiliates or any Person not acting at arm's length with any of them.

(b) Section 3.8(b) of the Seller Disclosure Schedule sets forth an accurate and complete list of all bank accounts and safe deposits of the Company and the Subsidiaries utilized in the operations since January 1, 2018 and a listing of the Persons authorized to draw or borrow thereon or to obtain access thereto.

Section 3.9 Liabilities.

(a) Neither the Company nor any Subsidiary has any Liabilities except (a) Liabilities specifically reflected and adequately reserved against in the Interim Balance Sheet and (b) Liabilities incurred in the ordinary course of business after the date of the Balance Sheet (none of which is a liability resulting from breach of contract, breach of warranty, tort, infringement or misappropriation).

(b) As of the date of the Company's submission of the application for the PPP Loan (the "**PPP Loan Application**"), the Company satisfied all then-existing eligibility requirements for the PPP Loan, and all information included in the PPP Loan Application was complete and accurate in all material respects as of the date of its submission. The certifications made pursuant to the PPP Loan Application were made by the Company in good faith. The Company has used 100% of the proceeds of the PPP Loan solely for PPP Forgivable Uses. The Company has held the proceeds of the PPP Loan in a deposit account segregated from the Company's other deposit accounts and has not comingled such proceeds with the cash and other assets of the Company.

Section 3.10 Absence of Certain Changes and Events. Since the date of the Interim Balance Sheet, there has not been any Material Adverse Effect, and there has been no change in the condition, assets or the business of the Company and its Subsidiaries other than in the ordinary course of business, except such changes as would not individually or in the aggregate be reasonably expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, except as set forth in Section 3.10 of the Seller Disclosure Schedule, since the date of the Balance Sheet, there has not been with respect to the Company or its Subsidiaries any:

- (a) amendment to its Governing Documents;
- (b) issuance, sale, grant or other disposition of or Encumbrance on any Membership Interests or other equity securities or any options, warrants or other rights to acquire, any such securities;
- (c) split, combination or reclassification of any of its equity securities;

(d) declaration, setting aside or payment of any dividend or other distribution (whether in cash, securities or other property) in respect of its Membership Interests;

(e) incurrence, assumption or guarantee of any Indebtedness;

(f) sale, lease, license, pledge or other disposition of, or Encumbrance (other than Permitted Encumbrances) on, any of its properties or assets (other than sales of inventory for fair consideration and in the ordinary course of business);

(g) consummation of (i) any merger, consolidation or other business combination, or (ii) the purchase of all or a substantial portion of the assets or any equity of any business or Person;

(h) damage to, or destruction or loss of, any of its material assets or material properties, whether or not covered by insurance;

(i) entry into, modification, acceleration, cancellation or termination of any Material Contract except in the ordinary course of business;

(j) (i) adoption, entry into, termination or amendment of any Company Plan, or employment, severance or similar Contract, (ii) increase in the compensation or fringe benefits of, or payment of any bonus to, any manager or officer of the Company or any Subsidiary, (iii) amendment or acceleration of the payment, right to payment or vesting of any compensation or benefits, or (iv) grant of any awards under any bonus, incentive, performance or other compensation plan or arrangement or benefit plan;

(k) cancellation, compromise, release or waiver of any material claims or rights (or series of related claims or rights) or otherwise outside the ordinary course of business;

(l) material acceleration or delay in the payment of accounts payable or other Liabilities or in the collection of notes or accounts receivable;

(m) resignation or termination or threatened resignation or termination of the employment of any of its Key Employees;

(n) material revaluation of any of its assets, including writing down the value of inventory or writing off notes or accounts receivable;

(o) transfer, assignment or grant of any license, sublicense or other rights under or with respect to any material Intellectual Property Rights (other than non-exclusive licenses granted in the ordinary course of business), or any allowance of any material Owned Intellectual Property Rights to lapse, expire, or become subject to any Encumbrance (other than Permitted Encumbrances); or

(p) authorization or agreement, in writing or otherwise, to do any of the foregoing.

Section 3.11 Assets. The Company or its Subsidiaries have good and valid title to, or in the case of leased assets, valid leasehold interests in, all of its tangible personal property and assets, and except as set forth in Section 3.11 of the Seller Disclosure Schedule are free and clear of any Encumbrances other than Permitted Encumbrances. The Company and its Subsidiaries own or lease all tangible assets used in

or necessary to conduct its business as conducted. Each such tangible asset has been maintained in accordance with normal industry practice, is in good operating condition and repair (ordinary wear and tear excepted) and is suitable and sufficient for the purposes for which it is being used.

Section 3.12 Real Property.

(a) Neither the Company nor any Subsidiary owns any real property. The real properties demised by the leases listed on Section 3.12 of the Seller Disclosure Schedule constitute all of the real property leased (whether or not occupied and including any leases assigned or leased premises sublet for which the Company or any Subsidiary remains liable), used or occupied by the Company or any Subsidiary.

(b) The leases of real property listed on Section 3.12 of the Seller Disclosure Schedule as being leased by the Company or any Subsidiary (the “**Leased Real Property**”) are in full force and effect, and the Company or a Subsidiary holds a valid and existing leasehold interest under each of the leases for the term listed on Section 3.12 of the Seller Disclosure Schedule. To the Sellers’ Knowledge, the Leased Real Property is subject to no ground lease, master lease, mortgage, deed of trust or other Encumbrance or interests that would entitle the holder thereof to interfere with or disturb use or enjoyment of the Leased Real Property or the exercise by the lessee of its rights under such lease so long as the lessee is not in default under such lease.

Section 3.13 Intellectual Property, Systems, and Data Security.

(a) Section 3.13(a)(i) of the Seller Disclosure Schedule lists and describes all Owned Intellectual Property Rights that are Registered Intellectual Property Rights and all material unregistered Owned Intellectual Property Rights. Section 3.13(a)(ii) of the Seller Disclosure Schedule lists all Contracts relating to Licensed-In Intellectual Property Rights, other than Mass-Market Software and/or Open Source software. Section 3.13(a)(iii) of the Seller Disclosure Schedule lists all Contracts relating to Licensed-Out Intellectual Property Rights and describes the Intellectual Property Rights covered by such Contracts. Section 3.13(a)(iv) of the Seller Disclosure Schedule lists and describes all materials otherwise protectable under Intellectual Property Rights used in the business of the Company or any Subsidiary as conducted or proposed to be conducted that are in the public domain. The Owned Intellectual Property Rights and the Licensed-In Intellectual Property Rights constitute all Intellectual Property Rights necessary for the business of the Company and its Subsidiaries as conducted or proposed to be conducted as of the Closing Date.

(b) The Company solely owns all right, title and interest in, or has an exclusive license to, the Owned Intellectual Property Rights free and clear of all Encumbrances (including royalty or other payments), other than the Permitted Encumbrances listed on Section 3.13(b) of the Seller Disclosure Schedule. The Company is the official and sole owner of record of all Registered Intellectual Property Rights that are Owned Intellectual Property Rights. To the Sellers’ Knowledge, no Owned Intellectual Property Right is currently being or has been infringed by any Person. The Company or a Subsidiary owns all Intellectual Property Rights developed by its current and former employees and independent contractors during the period of their employment or within the scope of their contracting or consulting relationship, as the case may be, with the Company or any Subsidiary. To the extent such Intellectual Property Rights did not vest originally in the Company or a Subsidiary by operation of law, such employees and independent contractors have validly assigned such Intellectual Property Rights to the Company or a Subsidiary pursuant to enforceable written agreements that have been made available to the Purchaser. No employee or former employee or independent contractor of the Company or any Subsidiary has any claim with respect to any Intellectual Property Right of the Company.

(c) No funding, facilities, or personnel of any Governmental Authority or any public or private university, college, or other educational or research institution were used, directly or indirectly, to develop or create, in whole or in part, any Owned Intellectual Property Rights.

(d) All Owned Intellectual Property Rights are valid and enforceable, and no Person has asserted that any Owned Intellectual Property Right is invalid or unenforceable. All Owned Intellectual Property Rights that are Registered Intellectual Property Rights are in full force and effect, and all actions required to keep such rights pending or in effect or to provide full available protection, including payment of filing, examination, annuity, and maintenance fees and filing of renewals, statements of use or working, affidavits of incontestability and other similar actions, have been taken, and no such Registered Intellectual Property Right is the subject of any interference, opposition, cancellation, nullity, re-examination or other proceeding placing in question the validity or scope of such rights. All products covered by Owned Intellectual Property Rights or Licensed-In Intellectual Property Rights that are Registered Intellectual Property Rights and all usages of Owned Intellectual Property Rights or Licensed-In Intellectual Property Rights that are Registered Intellectual Property Rights have been marked with the appropriate patent, trademark or other marking required or desirable to maximize available damage awards.

(e) All trade secrets listed in Section 3.13(a)(i) of the Seller Disclosure Schedule are documented in sufficient detail and content to allow for their full and proper use without reliance on the knowledge or memory of any individual. Except as set forth in Section 3.13(e) of the Seller Disclosure Schedule, all reasonable precautions have been taken to protect the secrecy, confidentiality and value of the trade secrets and all other proprietary information used by the Company or any Subsidiary including the implementation and enforcement of policies requiring each employee or independent contractor who has access to trade secrets to execute proprietary information and confidentiality agreements substantially in a standard form, and each current and former employee and independent contractor of the Company or any Subsidiary has executed such an agreement. There has been no breach or other violation of such agreements. Each of the Company and its Subsidiaries has sufficient right to use all trade secrets and other proprietary information as currently used in its business, subject to any Contract relating to Licensed-In Intellectual Property Rights. No such trade secret or other proprietary information is, to the Sellers' Knowledge, part of the public knowledge or literature, and no such trade secret or other proprietary information has been used, divulged or appropriated by the Company or a Subsidiary either for the benefit of any Person other than the Company or a Subsidiary or to the detriment of the Company or any Subsidiary.

(f) To the Sellers' Knowledge, neither the Company nor any Subsidiary has taken action, or failed to take an action, that might have the effect of estopping or otherwise limiting its right to enforce Owned Intellectual Property Rights against any Person.

(g) Following the Closing, the Company will have the same rights in all Owned Intellectual Property Rights that it had immediately prior to the Closing. No Contract to which the Company or a Subsidiary is a party or is otherwise bound will cause or require (or would purport to cause or require) the Purchaser or any of its Affiliates or the Company or any Subsidiary, on account of the transactions contemplated by this Agreement, to (i) grant to any other Person any license, covenant not to sue, immunity or other right with respect to or under any of the Company's or its Subsidiaries' Intellectual Property Rights; (ii) be obligated, in relation to its or their products, services, or Intellectual Property Rights, to pay any royalties or other amounts or offer any discounts to any other Person; or (iii) become bound or subject to any non-compete or other material restrictions on the operations or scope of their respective businesses.

(h) Except as set forth in Section 3.13(h) of the Seller Disclosure Schedule, neither the Company nor any Subsidiary has any present expectation or intention of not fully performing any obligation pursuant to any license or any other Contract pertaining to the use or practicing of any Intellectual Property Rights thereunder, and there is no breach, anticipated breach or default by any other party to any license or

other such Contract. There are no renegotiations of, attempts to renegotiate, demands for or outstanding rights to renegotiate any license or other such Contract. All rights under each license and other such Contract will be fully available to the Company or a Subsidiary after the Closing.

(i) Each Licensed-In Intellectual Property Right for which the Company or any Subsidiary has an exclusive right is in full force and effect, all actions required to keep such right pending or in effect or to provide full protection, including payment of filing, examination, annuity, and maintenance fees and filing of renewals, statements of use or working, affidavits of incontestability and other similar actions, have been taken. No Licensed-in Intellectual Property Right that is a Registered Intellectual Property Right and for which the Company or any Subsidiary has an exclusive right is the subject of any interference, opposition, cancellation, nullity, re-examination or other proceeding placing in question the validity or scope of such right.

(j) Except as set forth in Section 3.13(j) of the Seller Disclosure Schedule, neither the Company nor any Subsidiary has (1) to the Sellers' Knowledge infringed any third party patent, nor (2) infringed, misappropriated or otherwise violated any other Third-Party Intellectual Property Right, and neither the Company nor any Subsidiary has received any notice of any infringement, misappropriation or violation by the Company or any Subsidiary of any Third-Party Intellectual Property Right. No infringement, misappropriation or violation of any Third-Party Intellectual Property Right has occurred or will occur with respect to products or services sold by the Company or any Subsidiary or with respect to the products or services or with respect to the conduct of the business of the Company or any Subsidiary as conducted.

(k) All software that is used by the Company or any Subsidiary or is present at any facility or on any equipment of the Company or any Subsidiary is owned by the Company or a Subsidiary or is subject to a current license agreement that covers all use of the software in the business of the Company or any Subsidiary as conducted or as proposed to be conducted. Each of the Company and the Subsidiaries has the right to use the software and the software- or technology-based services (such as software-as-a-service, cloud services, and the like) used in its business as it is being used, without any conflict with the rights of others. Neither the Company nor any Subsidiary is in breach of any license to, or license of, any software, or any terms of service or other Contract pertaining to software- or technology-based services. Following the Closing, each of the Company and the Subsidiaries will have sufficient rights and access to all necessary software and software- or technology-based services, to operate its business as it is conducted or as proposed to be conducted.

(l) Section 3.13(l)(i) of the Seller Disclosure Schedule identifies each of the products and services (including but not limited to software applications and data-as-a-service offerings) that the Company or any of its Subsidiaries currently offers or for which they currently provide technical support or maintenance, or that they have developed and intend to release within six months after execution of this Agreement. Section 3.13(l)(ii) of the Seller Disclosure Schedule identifies each of the Customer Contracts and Website Data Contracts through which the Company or any of its Subsidiaries acquires, processes and distributes data by, for or through such products and services as there are currently provided and proposed to be provided. The Company and its Subsidiaries have acquired all necessary rights, consents, and permissions, and have provided all necessary notices, for the acquisition, processing, and distribution of data by, for, or through such products and services as they are currently provided and proposed to be provided.

(m) The Company and its Subsidiaries have not disclosed or agreed to disclose to any Person (other than their employees and independent contractors for purposes of performing services for the Company or any Subsidiary) any source code for the Company's or any Subsidiary's products or other proprietary software, including pursuant to a source code escrow provision or agreement. No event has

occurred, and no condition exists, that would reasonably be expected to require the disclosure of any such source code, including the execution of this Agreement or the consummation of the transactions contemplated hereby.

(n) The Company and its Subsidiaries have not embedded, used, modified, or distributed any Open Source Software in connection with any of their current or in-development products or services, or any software included in the Owned Intellectual Property Rights, in any manner that would (pursuant to the applicable license terms) create, impose, or be subject to (i) any requirement that any Owned Intellectual Property Rights be disclosed or distributed in source code form or be licensed for the purpose of making derivative works; (ii) any restriction on the consideration to be charged for the distribution of any products, services, or software of the Company or any Subsidiary; or (iii) any other limitation, restriction or condition on the Company's or any Subsidiary's rights to use or distribute, or to protect its proprietary interests in, any of the Company's or any Subsidiary's products, services, or software. Section 3.13(n) of the Seller Disclosure Schedule lists all Open Source Software that is embedded in, distributed with, or used by or in connection with any products, services, or software of the Company or any Subsidiary, in each case identifying the corresponding product, service or software of the Company or any Subsidiary and the applicable license terms.

(o) To the Sellers' Knowledge, (1) the software used by the Company or any of its Subsidiaries (other than software in development) is substantially free of any material defects, bugs and errors in accordance with generally accepted industry standards, and (2) does not contain or make available any disabling codes or instructions, spyware, Trojan horses, worms, viruses or other software routines that are designed or intended to permit or cause unauthorized access to, or disruption, impairment, disablement, or destruction of, software, data or other materials ("**Contaminants**").

(p) The computer, information-technology and data-processing systems, facilities and services used or planned to be used by the Company or any of its Subsidiaries, including all software, hardware, networks, communications facilities, platforms and related systems and services used or planned to be used by the Company or any of its Subsidiaries (collectively, the "**Systems**"), are (and after the Closing will continue to be) reasonably sufficient for the existing and currently anticipated future needs of the Company and its Subsidiaries. The Systems are in good working condition to effectively perform all computing, information technology and data processing operations necessary for the operation of the business of the Company and its Subsidiaries. There have been no internal or external audits of the Company's Systems or privacy or security practices in which material exceptions or deficiencies were noted, except as have been resolved without Liability to or other adverse impact upon the Company. The Company and its Subsidiaries have taken commercially reasonable steps and implemented commercially reasonable safeguards to ensure that the Systems are substantially free from Contaminants.

(q) In the twelve-month period prior to the date hereof, there has been no failure, breakdown or continued substandard performance of any Systems that has caused a material disruption or interruption in or to the Company's or any Subsidiary's use of the Systems, any customer's use of the Company's or any Subsidiary's products or services, or other material aspects of the operation of the business of the Company or its Subsidiaries. The Company and its Subsidiaries make back-up copies of data and information critical to the conduct of the business of the Company and its Subsidiaries in accordance with best practices in the industry. Except as set forth in Section 3.13(q) of the Seller Disclosure Schedule, the Company and its Subsidiaries have in place and operate according to information security, disaster recovery and business continuity plans, procedures and facilities that are consistent with best practices in the industry. Copies of all current privacy policies, notices, information security programs, backup, disaster recovery and business continuity plans and security incident response plans of the Company and its Subsidiaries have been made available to the Purchaser.

(r) Except as set forth in Section 3.13(r) of the Seller Disclosure Schedule, each of the Company and its Subsidiaries have (i) complied in all material respects with all applicable Laws and with their own respective published policies and internal policies and guidelines relating to privacy, data protection and data security, including with respect to the collection, storage, transmission, transfer (including cross-border transfers), disclosure and use of personal data; and (ii) taken commercially reasonable measures to ensure that personal data is protected against loss, damage, and unauthorized access, use, modification, or other misuse. No Person has made any claim or commenced any legal proceeding with respect to loss, damage, or unauthorized access, use, modification, or other misuse of any personal data by the Company or any of its Subsidiaries, and to the Seller's Knowledge, there is no reasonable basis for any such claim or legal proceeding.

(s) Except as set forth on Section 3.13(s) of the Seller Disclosure Schedule, none of the Company or its Subsidiaries has experienced or suspected any material unauthorized access to, use or misuse of, or other breach of security with respect to (i) any software or other Systems or any personal data or other data or information stored or processed thereon or thereby; or (ii) any confidential information in the Company's or its Subsidiaries' possession, custody or control.

(t) The Company and its Subsidiaries have established policies and procedures for responding to, and have complied with any obligations relating to, data subject requests for access, rectification, deletion, portability or objections to processing of personal data or other rights under applicable privacy laws. To extent the Company or any of its Subsidiaries have entered into Contracts with any third parties who are processing personal data on behalf of the Company or any of its Subsidiaries, such third parties are in compliance with such Contracts and all applicable privacy laws.

Section 3.14 Contracts.

(a) Section 3.14 of the Seller Disclosure Schedule sets forth as of the date hereof an accurate and complete list of each material Contract to which the Company or any Subsidiary is a party or by which the Company or its Subsidiaries or any of its or their respective material properties or assets is bound or affected (each, a "**Material Contract**"), which:

(i) contains, or is part of a series of Contracts which contain, aggregate consideration in excess of \$100,000;

(ii) involves payments based, in whole or in part, on profits, revenues, fee income or other financial performance measures of the Company or any Subsidiary;

(iii) is a mortgage, indenture, guarantee, loan or credit agreement, security agreement or other Contract relating to Indebtedness other than accounts receivables and payables in the ordinary course of business;

(iv) is an employment, management, independent contractor, consulting or similar Contract that requires annual compensation in excess of \$100,000 and cannot be terminated on 30 days' or less notice;

(v) is a severance or similar Contract pursuant to which the Company or any Subsidiary has continuing obligations in excess of \$100,000;

(vi) is a license or other Contract under which (A) the Company or any Subsidiary has licensed or otherwise granted rights in any material Owned Intellectual Property Rights to any Person or (B) any Person has licensed or sublicensed to the Company or any Subsidiary, or

otherwise authorized the Company or any Subsidiary to use, any material Third-Party Intellectual Property Rights;

(vii) includes any noncompetition or nonsolicitation covenant or any exclusive dealing or similar arrangement that limits the ability of the Company or any Subsidiary to compete (geographically or otherwise) in any line of business; or

(viii) is otherwise material to the business, properties, assets or Liabilities of the Company or any Subsidiary or under which the consequences of a default or termination could reasonably be expected to result in a Material Adverse Effect.

(b) The Sellers have delivered to the Purchaser a true, correct and complete copy of each Contract required to be listed in Section 3.14 of the Seller Disclosure Schedule. Each such Contract is a legal, valid, binding, enforceable obligation of the Company or a Subsidiary and, to the Sellers' Knowledge, each counterparty, and is in full force and effect except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at Law). None of the Company, any Subsidiary or, to the Sellers' Knowledge, any other party to any such Contract is in breach or default under, or has provided or received any notice of any intention to terminate, any such Contract.

Section 3.15 Tax Matters.

(a) Except as set forth in Section 3.15(a) of the Seller Disclosure Schedule, the Company has timely filed all Tax Returns that it was required to file in accordance with applicable Laws, and each such Tax Return is accurate and complete in all material respects. Except as set forth in Section 3.15(a) of the Seller Disclosure Schedule, the Company has timely paid all Taxes due with respect to the taxable periods covered by such Tax Returns and all other Taxes (whether or not shown on any Tax Return). No claim has ever been made by a Governmental Authority in a jurisdiction where the Company does not file a Tax Return that it is or may be subject to taxation by that jurisdiction. The Company has not requested an extension of time within which to file any Tax Return which has not since been filed. The Sellers have delivered to the Purchaser complete copies of all Tax Returns of the Company (and their predecessors) for the prior four (4) years.

(b) Except as set forth on Section 3.15(b) of the Seller Disclosure Schedule, all Taxes that the Company is and has been required by Law to withhold or collect have been duly withheld or collected and, to the extent required by applicable Law, have been paid over to the proper Governmental Authority.

(c) No Tax audits or other Proceedings are pending or being conducted, nor has the Company received any written notice from any Governmental Authority that any such audit or other Proceeding is pending, or, to the Sellers' Knowledge, threatened or contemplated. There is no claim or assessment pending, or threatened against the Company for any alleged deficiency in Taxes. The Company has not waived any statute of limitations with respect to Taxes or agreed to an extension of time with respect to any Tax assessment or deficiency.

(d) There are no outstanding (i) powers of attorney affirmatively granted by the Company that are currently in effect concerning any Tax matter or (ii) agreements entered into with any Governmental Authority with respect to Taxes that would have a continuing effect after the Closing Date.

(e) The Company and each Subsidiary are and have been since its inception, taxable as either a disregarded entity or as a partnership for U.S. federal income Tax purposes.

(f) The Company (A) has no Liability for the Taxes of any Person as a transferee or successor, by Contract, or otherwise and (B) is not party to or bound by any Tax indemnity, Tax sharing, Tax allocation or similar agreement.

(g) The Company has not participated in any listed transaction as defined under Code Section 6707A(c)(2) and Treasury Regulations Section 1.6011-4(b).

(h) The Company is not required to include any amount in taxable income, exclude any item of deduction or loss from taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of (i) any installment sale or open transaction disposition made on or prior to the Closing Date, (ii) any prepaid amount received on or prior to the Closing Date, (iii) any change in method of accounting for a taxable period ending on or prior to the Closing Date, (iv) any “closing agreement” as described in Section 7121 of the Code (or any similar provision of state, local or foreign income Tax Laws) executed on or prior to the Closing Date, (v) any election under Section 108(i) of the Code, or (vi) any use of an improper method of accounting for a taxable period ending on or prior to the Closing Date.

(i) The Company and its Subsidiaries have used the cash method of tax accounting for their entire existence.

(j) The Company has not filed any disclosure under Code Sections 6662 to prevent the imposition of penalties with respect to any Tax reporting position taken on any Tax Return.

(k) The Company does not currently hold, and has never held, an interest in a foreign corporation, foreign partnership or other foreign entity (as defined in Section 7701(a) of the Code).

(l) Except as set forth in Section 3.15(l) of the Seller Disclosure Schedule, the Company has no nexus or is not required to file Tax Returns in a jurisdiction where it does not file Tax Returns, whether or not the Company has a physical presence in such jurisdiction (including any jurisdiction that may subject the Company to taxation in accordance with *South Dakota v. Wayfair, Inc.*, 86 U.S.L.W. 4452 (2018)).

(m) There are no liens for Taxes upon the assets of any of the Company other than for current Taxes not yet due and payable.

(n) The Company has not filed any amended Tax Return or other claim for a refund as a result of, or in connection with, the carry back of any net operating loss or other attribute to a year prior to the taxable year including the Closing Date under Section 172 of the Code, as amended by Section 2303 of the CARES Act, or any corresponding provision of state, local or non-U.S. Law.

(o) The Company has: (i) to the extent applicable, complied with all legal requirements in order to defer the amount of the employer’s share of any “applicable employment taxes” under Section 2302 of the CARES Act, (ii) to the extent applicable, complied with all legal requirements and duly accounted for any available Tax credits under Sections 7001 through 7005 of the Families First Act, and (iii) has not received or claimed any Tax credits under Section 2301 of the CARES Act.

(p) None of the assets of the Company is subject to the limitations on “amortizable section 197 intangibles” described in Section 197(f)(9) of the Code or any similar or comparable limitation under state, local or non-U.S. Law.

(q) The amount of the Estimated Purchase Price to be paid to each Seller and the number of Consideration Shares to be issued to each Rollover Member, as set forth in the Estimated Purchase Price Calculation Statement, have been computed based upon the fair market value of the Membership Interests sold and otherwise transferred to the Purchaser by each Seller.

For purposes of this Section 3.15, the Company shall be deemed to include any Subsidiary or predecessor of the Company, any Person which merged or was liquidated with and into the Company or any of its Subsidiaries or any Person from which the Company or any of its Subsidiaries or Affiliates incurs a Liability for Taxes as a result of transferee Liability.

Section 3.16 Employee Benefit Matters.

(a) Section 3.16(a) of the Seller Disclosure Schedule sets forth an accurate and complete list of all Company Plans. With respect to each Company Plan, the Sellers have delivered to the Purchaser an accurate and complete copy of (i) all plan documents (including all amendments thereto) and summary plan descriptions, (ii) if applicable, Forms 5500 in each of the most recent three plan years, including all schedules thereto, (iii) with respect to any Company Plan that is a pension plan, as defined in Section 3(3) of ERISA (a “**Pension Plan**”), that meets the requirements of Section 401(a) of the Code (a “**Qualified Plan**”), the most recent determination letter (or sponsor opinion letter for any prototype or volume submitter plan) issued by the IRS, (iv) all notices, if any, that were given by the Company, any ERISA Affiliate or any Company Plan to the IRS, the United States Department of Labor (the “**DOL**”) or any participant or beneficiary, pursuant to statute, since January 1, 2018, (v) all notices, if any, that were given by the IRS or the DOL to the Company, any ERISA Affiliate or any Company Plan since January 1, 2018, (vi) any trust documents, funding vehicles and any material third-party Contracts with respect to such Company Plan, and (vii) copies of any written report of any analysis performed with respect to any Company Plan under Section 409A of the Code.

(b) Neither the Company nor any of its Subsidiaries has established, maintained or contributed to, or had an obligation to maintain or contribute to, any (i) multiemployer plan as defined in Section 3(37)(A) of ERISA (a “**Multiemployer Plan**”), (ii) Pension Plan subject to Title IV of ERISA (a “**Title IV Plan**”), (iii) voluntary employees’ beneficiary association under Section 501(c)(9) of the Code, (iv) organization or trust described in Section 501(c)(17) or 501(c)(20) of the Code, (v) welfare benefit fund as defined in Section 419(e) of the Code, (vi) self-insured plan (including any plan pursuant to which a stop-loss policy or contract applies) or (vii) a Company Plan that is an employee welfare plan described in Section 3(1) of ERISA that has two or more contributing sponsors at least two of which are not under common control within the meaning of Section 3(40) of ERISA. Except as required by the continuation coverage requirements of Sections 601 *et seq.* of ERISA and Section 4980B of the Code (“**COBRA**”), the Company and its Subsidiaries do not provide health or welfare benefits for any retired or former employee, or their beneficiaries or dependents, nor is the Company or any of its Subsidiaries obligated to provide health or welfare benefits to any active employee following such employee’s retirement or other termination of service.

(c) Except as set forth in Section 3.16(c) of the Seller Disclosure Schedule, each Company Plan is and at all times has been maintained, funded, operated and administered, and the Company and its Subsidiaries have performed all of their obligations under each Company Plan, in each case in all material respects in accordance with the terms of such Company Plan and in material compliance with all applicable Laws, including ERISA and the Code. The Company and its Subsidiaries have complied in all material respects with the provisions of COBRA, the Health Insurance Portability and Accountability Act of 1996, the Family Medical Leave Act 1993, the CARES Act of 2020, and the Families First Coronavirus Relief Act (FFCRA) of 2020. Each Company Plan that provides deferred compensation subject to Section 409A of the Code is in good faith compliance in all material respects with applicable guidance under Section 409A of the Code in form and operation. All contributions required to be made to any Company Plan by applicable Law and the terms of such Company Plan have been timely made or paid in full. All returns, reports and filings required by any Governmental Authority or which must be furnished to any Person with respect to each Company Plan have been filed or furnished.

(d) No transaction prohibited by Section 406 of ERISA and no “prohibited transaction” under Section 4975 of the Code has occurred with respect to any Company Plan. Neither the Company nor any of its Subsidiaries have any Liability to the IRS with respect to any Company Plan. There is no unfunded Liability under any Title IV Plan. Other than routine claims for benefits submitted by participants or beneficiaries, no claim against, or Proceeding involving, any Company Plan or any fiduciary thereof is pending or, to the Sellers’ Knowledge, is threatened, which would reasonably be expected to result in any material Liability, direct or indirect (by indemnification or otherwise) of the Company or any Subsidiary to the DOL, the IRS or any other Person.

(e) Each Company Plan that is a Qualified Plan has received a favorable determination or may rely upon a sponsor opinion letter from the IRS that it meets the applicable requirements of Section 401(a) of the Code. No event has occurred or circumstance exists that would reasonably be expected to give rise to disqualification or loss of Tax-exempt status of any such Qualified Plan or trust.

(f) Except as set forth in Section 3.16(f) of the Seller Disclosure Schedule, the consummation of the transactions contemplated by this Agreement (either alone or in conjunction with any other event) will not result in the acceleration or creation of any rights of any current or former manager, officer or employee of the Company to payments or benefits or increases in any payments or benefits.

(g) The Company and its Subsidiaries are, and at all times have been, in compliance in all material respects with all applicable requirements of the Patient Protection and Affordable Care Act of 2010, as amended (together, the “ACA”), and all regulations thereunder. No material excise tax or penalty under the ACA is outstanding, has accrued, or has arisen with respect to any period prior to the date hereof with respect to any Company Plan. No event has occurred or circumstance exists that would reasonably be expected to give rise to any material excise tax or penalty under the ACA.

Section 3.17 Employment Matters. Section 3.17 of the Seller Disclosure Schedule sets forth an accurate and complete list as of October 15, 2020 of all employees and independent contractors currently performing services for the Company and its Subsidiaries, along with the position, whether full or part-time, work location (city and state), hire date, and compensation and benefits. Neither the Company nor any of its Subsidiaries is a party to or bound by any collective bargaining or other Contract with any labor organization representing any of its employees, and there are no labor organizations representing or, to the Sellers’ Knowledge, attempting to represent any employee of the Company or its Subsidiaries. Since the date of the Interim Balance Sheet, neither the Company nor any of its Subsidiaries has experienced any labor strike, slowdown, lockout, or other work stoppage or labor dispute, nor to the Sellers’ Knowledge is any such action threatened. Subject to the items set forth in Section 3.17 of the Seller Disclosure Schedule, the Company and its Subsidiaries have complied in all material respects with all applicable Laws relating to labor and employment matters, including wage and hour Laws, wage payment Laws, leave of absence statutes, paid sick and other leave Laws, workers’ compensation laws, the California Labor Code, immigration Laws, the CARES Act of 2020, the Families First Coronavirus Relief Act of 2020, disability rights, privacy, immigration, occupational health and safety, workers’ compensation, withholding, unemployment compensation, benefits, collective bargaining, fair employment practices, equal employment opportunity, discrimination and other employment activities. Subject to the items set forth in Section 3.17 of the Seller Disclosure Schedule, all employees and independent contractors have been properly classified as employee/contractor, and with regard to overtime exempt status, under all applicable Laws. There is no Proceeding pending or, to the Sellers’ Knowledge, threatened against or affecting the Company or its Subsidiaries relating to the alleged violation by the Company or its Subsidiaries of any Law pertaining to labor relations or employment matters. Since the date of the Interim Balance Sheet, there has been no complaint, claim or charge filed or, to the Sellers’ Knowledge, threatened, against the Company or its Subsidiaries with or by any Governmental Authority responsible for prevention of unlawful employment practices. The Company and its Subsidiaries are in compliance with all provisions of the Worker

Adjustment and Retraining Notification Act or 1988, and the Cal-WARN Act, and have not engaged in any terminations or layoffs sufficient to trigger coverage under either statute. Neither the Company nor its Subsidiaries have plans to undertake any action in the future that would trigger the Worker Adjustment and Retraining Notification Act of 1988.

Section 3.18 Environmental, Health and Safety Matters. The Company and its Subsidiaries are in compliance in all material respects with all Environmental Laws and Occupational Safety and Health Laws. In the past five (5) years, neither the Company nor any Subsidiary has received any written notice, report or other information regarding any actual or alleged violation of any Environmental Laws or Occupational Safety and Health Laws, including any investigatory, remedial or corrective obligations relating to the Company, any Subsidiary or any real property or other property or facility currently or previously owned, leased, operated or controlled by the Company or any Subsidiary. No Hazardous Materials, contamination, landfill, surface impoundment, disposal area, underground storage tank, groundwater monitoring well, drinking water well or production water well is present or, to the Sellers' Knowledge, has ever been present at any real property or other property or facility currently or previously owned, leased, operated or controlled by the Company or its Subsidiaries. Neither the Company nor any Subsidiary has treated, stored, disposed of, transported, handled, generated, or released any Hazardous Materials.

Section 3.19 Compliance with Laws and Governmental Authorizations.

(a) Except as set forth in Section 3.19(a) of the Seller Disclosure Schedule, the Company and its Subsidiaries are in material compliance and in the past two (2) years have complied in all material respects with all applicable Laws or Governmental Authorizations applicable to it or to the conduct of its business or the ownership or use of any of its properties or assets. Neither the Company nor any Subsidiary has received at any time since the date of the Interim Balance Sheet any written notice or other written communication from any Governmental Authority or any other Person regarding any actual, alleged or potential violation of, or failure to comply with, any applicable Law, Judgment or Governmental Authorization.

(b) All Governmental Authorizations necessary for the Company and the Subsidiaries to conduct their businesses have been obtained by the Company or the applicable Subsidiaries and are valid and in full force and effect. Section 3.19(b) of the Seller Disclosure Schedule lists all of the material Governmental Authorizations issued to the Company or any Subsidiary. No event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any Governmental Authorization listed in Section 3.19(b) of the Seller Disclosure Schedule.

Section 3.20 Legal Proceedings. Except as set forth in Section 3.20 of the Seller Disclosure Schedule, there are no Proceedings pending or, to the Sellers' Knowledge, threatened in writing (a) by or against the Company or any Subsidiary or that otherwise relate to or could reasonably be expected to materially affect the business, properties or assets of the Company or any Subsidiary, or (b) against any Seller, the Company or any Subsidiary that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement.

Section 3.21 Customers and Suppliers. Section 3.21 of the Seller Disclosure Schedule sets forth an accurate and complete list of the names and addresses of the Company's (including its Subsidiaries') 20 largest customers and five (5) largest suppliers (measured in each case by dollar volume of purchases or sales during the 12-month period ended September 30, 2020) and the dollar amount of purchases or sales which each listed customer or supplier represented during such period. No customer or supplier so listed has indicated within the past 12 months that it will stop or materially decrease the rate of its transactions,

or otherwise materially change its business relationship, with the Company the effect of which, individually or in the aggregate, would have a Material Adverse Effect.

Section 3.22 Insurance. Section 3.22 of the Seller Disclosure Schedule sets forth an accurate and complete list of all material insurance policies maintained by the Company or its Subsidiaries. All such insurance policies are in full force and effect and all premiums due and payable under such policies have been paid and the Company and its Subsidiaries are otherwise in compliance in all material respects with the terms thereof. To the Sellers' Knowledge, no termination of, or material premium increase has been threatened with respect to, any such policy.

Section 3.23 Related Party Transactions. Except as set forth on Section 3.23 of the Seller Disclosure Schedule, no Seller, manager, officer, employee or Affiliate of the Company or any Subsidiary (or Affiliate of any such Seller, manager, officer, employee or Affiliate), is a party to any material agreement, Contract, commitment or transaction with the Company or any Subsidiary, other than (i) business dealings conducted in the ordinary course of business on terms and conditions as favorable to the Company or its Subsidiary as would have been obtained by it at the time in a comparable arm's-length transaction, or (ii) in the case of employees of the Company or any Subsidiary, salaries and employee benefits and other transactions pursuant to any Company Plans in the ordinary course of business.

Section 3.24 Export and Economic Sanctions Law Compliance. The Company and its Subsidiaries have at all times conducted its business in accordance with all applicable U.S. export control and economic sanctions laws and regulations, including the Export Administration Regulations and the regulations enforced by the Office of Foreign Assets Control included in 31 CFR Part 500; and all other applicable export control and economic sanctions laws in other countries in which the Company conducts business. Without limiting the foregoing, the Company and its Subsidiaries have obtained all export licenses and other consents, notices, waivers, approvals, orders, authorizations, registrations, declarations, commodity classifications rulings and filings with any Governmental Authority required for: (i) the export, import, and re-export of products, services, software, and technologies; and (ii) releases of technologies and software to foreign persons located in the United States and abroad ("**Export Approvals**");

- (a) The Company and the Subsidiaries are in compliance with the terms of all applicable Export Approvals;
- (b) There are no pending claims or, to the Sellers' Knowledge, claims threatened against the Company or any Subsidiary with respect to such Export Approvals;
- (c) To the Sellers' Knowledge, there are no actions, conditions or circumstances pertaining to the Company's or its Subsidiaries' export transactions that may give rise to any future claims; and
- (d) No Export Approvals for the transfer of export licenses are required to consummate the transactions contemplated by this Agreement, or such Export Approvals can be obtained expeditiously without material cost.

Section 3.25 Anti-Corruption Laws. Except as set forth in Section 3.25 of the Seller Disclosure Schedule, none of the Company, its Subsidiaries, nor any of its or their respective members, managers, officers, employees or, to the Sellers' Knowledge, the Company's or its Subsidiaries' distributors, independent sales representatives, resellers, intermediaries or agents or any other Person acting on behalf of any such Person have, with respect to the business of the Company or any Subsidiary, directly or indirectly, (1) taken any action that would cause it to be in violation of the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act or any applicable anti-corruption or anti-bribery law that implemented the OECD Convention on Combating Bribery of Foreign Public Officials in Business Transactions if the

Company or any Subsidiary is currently doing business in the particular OECD country or any other Law applicable to the conduct of business with Governmental Authorities in any country in which Company or any Subsidiary is currently operating (collectively, the “**Applicable Anti-Corruption Laws**”), (2) used any funds for unlawful contributions, gifts, entertainment or other unlawful payments relating to any political activity or (3) offered, paid, promised to pay or authorized a payment, of any money or other thing of value (including any commission payment, fee, gift, sample, travel expense or entertainment), or any payment related to political activity, to any of the following Persons for the purpose of influencing any act or decision of such Person in his official capacity, including inducing such Person to do or omit to do any act in violation of the lawful duty of such official, securing any improper advantage, or inducing such Person to use his or her influence with a foreign government or an instrumentality thereof to affect or to influence any act or decision of such government or instrumentality, in order to assist the Company or any Subsidiary in obtaining or retaining business for or with, or directing the business to, any Person: (i) any Person who is an agent, representative, official, officer, director, or employee of any non-U.S. government or any department, agency, or instrumentality thereof (including officers, directors, and employees of state-owned, operated or controlled entities) or of a public international organization; (ii) any Person acting in an official capacity for or on behalf of any such government, department, agency, instrumentality, or public international organization; (iii) any political party or official thereof; (iv) any candidate for political or political party office (such recipients described in paragraphs (i), (ii), (iii) and (iv) of this subsection collectively, “**Government Officials**”); or (v) any other individual or entity while knowing or having reason to believe that all or any portion of such money or thing of value would be offered, given, or promised, directly or indirectly, to any Government Official. The books, records and accounts of the Company and the Subsidiaries have accurately and fairly reflected, in reasonable detail, the transactions and dispositions of their respective funds and assets. To the Sellers’ Knowledge, there have never been any false or fictitious entries made in the books, records or accounts of the Company or any Subsidiary relating to any illegal payment or secret or unrecorded fund, and neither the Company nor any Subsidiary has established or maintained a secret or unrecorded fund.

Section 3.26 CFIUS. Neither the Company nor any Subsidiary produces, designs, tests, manufactures, fabricates, or develops any “critical technologies” as that term is defined in 31 CFR Part 800.

Section 3.27 Brokers or Finders. Except for fees payable to Silvermark Partners LLC, none of the Sellers, the Company, the Subsidiaries nor any Person acting on behalf of any Seller, the Company or any Subsidiary has incurred any Liability to pay any fees or commissions to any broker, finder or agent or any other similar payment in connection with any of the transactions contemplated by this Agreement.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE ROLLOVER MEMBERS

Each Rollover Member represents and warrants to the Purchaser, severally and not jointly, that, as of the date of this Agreement and as of the Closing Date, the statements set forth in this ARTICLE 4 are true and correct.

Section 4.1 Accredited Investor. Each Rollover Member is an accredited investor (as defined in Rule 501(a) of the Securities Act) and has such sophistication and experience in business and financial matters as to be capable of evaluating the merits and risks of his decision to acquire the Consideration Shares and is able to bear the economic risk of this investment. The Rollover Members are not acquiring the Consideration Shares as a result of any form of “general solicitation” or “general advertising” (as such terms are used under Rule 502(c) of Regulation D under the Securities Act). The acquisition of the Consideration Shares by each Rollover Member does not contravene any of the applicable securities legislation in the jurisdiction in which the Rollover Member resides.

Section 4.2 Investment Purposes Only. Each Rollover Member is acquiring the Consideration Shares under this Agreement for investment purposes only and not with a view to resale or distribution in violation of United States federal or state securities Laws or applicable Canadian securities Laws. The Rollover Member is acquiring the Consideration Shares as principal for his own account and not for the account or benefit of anyone other than such Rollover Member.

Section 4.3 Access to Information. Each Rollover Member acknowledges that he has had the opportunity to ask questions of and receive answers from the Parent regarding his investment in the Consideration Shares and has received all the information regarding the Parent that he has requested. Each Rollover Member acknowledges that he has had the opportunity to review the Parent's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, definitive proxy statement and other filings which the Parent has made with the Securities and Exchange Commission and applicable securities commissions in Canada. Subject to the covenants and other agreements in Article VII, each Rollover Member understands and agrees that there may be material Tax consequences to the Rollover Member under applicable Tax Laws of an acquisition or disposition of the Consideration Shares, and that neither the Parent nor the Purchaser gives any opinion or makes any representation with respect to such Tax consequences to the Rollover Member.

Section 4.4 Restricted Securities. Each Rollover Member understands that the Consideration Shares are restricted securities (as defined in Rule 144 under the Securities Act) and agrees that if he decides to offer, sell, pledge or otherwise transfer the Consideration Shares, he will not offer, sell, pledge or otherwise transfer any of the Consideration Shares, directly or indirectly, unless: (i) the transfer is to the Parent; (ii) the transfer is made pursuant to the exemption from the registration requirements under the Securities Act provided by Rule 144 thereunder, if available, and in accordance with applicable state securities Laws; or (iii) the Consideration Shares are transferred in a transaction that does not require registration under the Securities Act or any applicable state securities Laws or applicable Canadian securities Laws, and, in the case of transfers contemplated by (ii) and (iii) above, the Rollover Member has prior to such transfer furnished to the Parent an opinion of counsel reasonably satisfactory to the Parent. Each Rollover Member acknowledges and agrees that the Consideration Shares are subject to resale restrictions imposed by applicable Canadian securities laws and each Rollover Member is solely responsible for compliance with such resale restrictions.

Section 4.5 Legend. Each Rollover Member understands and acknowledges that, upon issuance of the Consideration Shares, and until such time as such legend is no longer required under the applicable requirements of the Securities Act, applicable U.S. state securities Laws and regulations or applicable Canadian securities Laws, the certificates representing the Consideration Shares will bear legends in substantially the following forms:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO RITCHIE BROS. AUCTIONEERS INCORPORATED (THE “CORPORATION”), (B) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (C) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE LAWS, AND, IN THE CASE OF (B) OR (C), THE HOLDER HAS FURNISHED TO THE CORPORATION AN OPINION TO SUCH EFFECT

FROM COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION PRIOR TO SUCH TRANSFER.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO VESTING CONDITIONS AND RESTRICTIONS ON TRANSFERABILITY AND RESALE, AS SET FORTH IN A MEMBERSHIP INTEREST PURCHASE AGREEMENT ENTERED INTO BY THE CORPORATION, RITCHIE BROS. AUCTIONEERS (AMERICA) INC., ROUSE SERVICES LLC, THE ORIGINAL HOLDER OF THESE SECURITIES, CERTAIN OTHER MEMBERS OF ROUSE SERVICES LLC, AND A REPRESENTATIVE OF THE MEMBERS, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE CORPORATION.”

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[INSERT THE DATE THAT IS 4 MONTHS AND A DAY AFTER DATE OF ISSUANCE OF CONSIDERATION SHARES]*.”

Section 4.6 Residency. Each Rollover Member is not resident in Canada.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER AND THE PARENT

The Purchaser, and, with respect to Section 5.5, Section 5.7 and Section 5.8, the Parent, represent and warrant to the Sellers and the Company that, as of the date of this Agreement and as of the Closing Date, the statements set forth in this ARTICLE 5 are true and correct, except as set forth on the disclosure schedule delivered by the Purchaser to the Sellers and the Company concurrently with the execution and delivery of this Agreement and dated as of the date of this Agreement (the “**Purchaser Disclosure Schedule**”):

Section 5.1 Organization and Good Standing. The Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation and has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and each Ancillary Agreement to which it is a party.

Section 5.2 Authority and Enforceability. The Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it is a party and to perform its obligations under this Agreement and each such Ancillary Agreement. The execution, delivery and performance of this Agreement and each Ancillary Agreement to which the Purchaser is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Purchaser. The Purchaser has duly and validly executed and delivered this Agreement and, on or prior to the Closing, the Purchaser will have duly and validly executed and delivered each Ancillary Agreement to which it is a party. This Agreement constitutes, and upon execution and delivery each Ancillary Agreement to which the Purchaser is a party will constitute, the valid and binding obligation of the Purchaser, as applicable, enforceable against the Purchaser in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at Law).

Section 5.3 No Conflict. Neither the execution, delivery and performance by the Purchaser of this Agreement or any Ancillary Agreement to which the Purchaser is a party, nor the consummation of the transactions contemplated hereby or thereby, will (a) conflict with or violate in any material respect the

Governing Documents of the Purchaser, or any resolution adopted by the board of directors or stockholders of the Purchaser, (b) result in (with or without notice or lapse of time or both) a breach or default under or create in any Person the right to terminate, cancel, accelerate or modify, or require any notice, consent or waiver under, any material Contract to which the Purchaser is a party or by which the Purchaser or any of its material properties or assets is otherwise bound or affected, (c) violate in any material respect any Law, Judgment or Governmental Authorization applicable to the Purchaser or any of its material properties or assets, or (d) require the Purchaser to obtain any material Consent or Governmental Authorization or make any filing with any Governmental Authority or other Person, except as may be required under the HSR Act, by the Toronto Stock Exchange or New York Stock Exchange or any filings required under applicable securities Laws.

Section 5.4 Legal Proceedings. There is no Proceeding pending or, to the Purchaser's Knowledge, threatened in writing by or against the Purchaser that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement. Neither the Parent nor any of its Subsidiaries is the subject of any Proceeding involving a claim of violation of or liability under federal or state securities laws. Except with respect to publicly-available comment letters, there has not been during the two years prior to the date of this Agreement, and to the Purchaser's Knowledge, there is not pending or contemplated, any investigation by the Securities Exchange Commission (the "**Commission**") involving the Purchaser or the Parent.

Section 5.5 Consideration Shares. The Consideration Shares will, when issued in accordance with the terms of this Agreement, be duly authorized, validly issued, fully paid and nonassessable.

Section 5.6 Brokers or Finders. None of the Purchaser, the Parent or any Person acting on their behalf has incurred any Liability to pay any fees or commissions to any broker, finder or agent or any other similar payment in connection with any of the transactions contemplated by this Agreement.

Section 5.7 SEC Reports; Financial Statements. The Parent has filed all reports, schedules, forms, statements and other documents required to be filed by the Parent under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Parent was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "**SEC Reports**") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Parent has never been an issuer subject to Rule 144(i) under the Securities Act. The financial statements of the Parent included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Parent and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

Section 5.8 Material Changes. Except for the issuance of the Consideration Shares and the other transactions contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or

development has occurred or exists or is reasonably expected to occur or exist with respect to the Parent or its Subsidiaries or their respective businesses, prospects, properties, operations, assets or financial condition that would be required to be disclosed by the Parent under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least one Trading Day prior to the date that this representation is made.

ARTICLE 6 COVENANTS

Section 6.1 Conduct of Business Prior to Closing. From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed, and provided that failure by Purchaser to respond to any request for consent within five (5) Business Days of receiving such request shall be deemed to constitute consent), the Sellers shall, and shall cause the Company and the Subsidiaries to, (x) conduct the business of the Company and the Subsidiaries in the ordinary course of business consistent with past practice; and (y) use reasonable best efforts to maintain and preserve intact the current organization, business and franchise of the Company and the Subsidiaries and to preserve the rights, franchises, Intellectual Property Rights, goodwill and relationships of its employees, customers, lenders, suppliers, regulators and others having business relationships with the Company or the Subsidiaries. Without limiting the foregoing, from the date hereof until the Closing Date, the Sellers and the Company shall not, and shall not permit any Subsidiary to do the following except as set forth on Schedule 6.1:

- (a) authorize any amendments to the certificate or articles of formation or operating agreement of the Company or any Subsidiary;
- (b) issue or sell Membership Interests or any equity interests in any Subsidiary;
- (c) acquire an equity interest in, or portion of the assets of, any business or any corporation, partnership or other business organization or division, in an amount valued in excess of \$250,000;
- (d) incur any debt or issue any debt securities in an aggregate amount in excess of \$250,000;
- (e) Other than as required pursuant to the terms of this Agreement, and other than as may be required by applicable Law or by any applicable Contract (including the terms of any Company Plan) existing on the date hereof, (i) enter into or materially amend any employment or severance agreement with any employees with an annual base salary of at least \$100,000 or (ii) enter into or materially amend any pension, retirement, health, life or disability insurance or other employee benefit plan, agreement, trust or other arrangement for the benefit of any employees with an annual base salary of at least \$100,000;
- (f) sell, transfer or otherwise dispose of any material assets;
- (g) make any loan to or enter into any other transaction with any of its managers, directors, officers or Key Employees;
- (h) except as may be required as a result of a change in Law or in GAAP, materially change any of the accounting principles or elections, practices or methods used by it;
- (i) enter into any Contract that would be material to the Company and the Subsidiaries, taken as a whole, other than in the ordinary course of business; including entering into any Contract that, had it been in effect on the date hereof, would have been required to be disclosed in the Disclosure Schedule pursuant to Section 3.14;

- (j) terminate or amend, in any manner materially adverse to the Company, any Material Contract;
- (k) enter into any Contract that (i) restrains the ability of the Company or any Subsidiary to compete with or conduct any business, (ii) imposes exclusive dealing obligations, (iii) contains “most favored nations” terms, or (iv) contains a non-solicitation, non-hire clause against the Company or any Subsidiary;
- (l) make any distributions to members or payments to Affiliates, except as required under the terms of any instrument or agreement existing on the date hereof;
- (m) authorize any new capital expenditure or expenditures that individually exceed \$100,000 or in the aggregate are in excess of \$250,000;
- (n) cancel, terminate or allow to lapse any material insurance policies or cause any of the coverage thereby to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies providing, to the extent reasonably available, coverage equal to or greater than the coverage under the canceled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (o) voluntarily incur or assume any Liability that would reasonably be expected to have a Material Adverse Effect;
- (p) waive any rights of material value or take any actions with respect to collection practices that would result in any material losses or material adverse changes in collections, whether or not in the ordinary course of business;
- (q) license, sell, transfer or otherwise dispose of the rights to use any material Owned Intellectual Property Rights or disclose trade secrets to a third party other than pursuant to a confidentiality agreement; or
- (r) take or agree in writing or otherwise to take any of the actions described in Section 6.1(a) through Section 6.1(q).

Section 6.2 Access and Investigation. Prior to Closing, the Sellers and the Company shall provide the Purchaser with reasonable access to the Persons listed on Schedule 6.2. Following the Closing and upon reasonable advance notice to the Purchaser, the Purchaser and its managers, officers, employees, agents, consultants and other advisors and representatives will allow the Sellers full access during normal business hours to, and furnish them with all documents, records, work papers, calculations and information with respect to, all of the properties, assets, personnel, books, Contracts, Governmental Authorizations, reports and records relating to the Company and the Subsidiaries as the Sellers may reasonably request to review all matters and documents described in Section 2.3.

Section 6.3 Regulatory Filings.

(a) The Company and the Purchaser shall use reasonable best efforts to (i) file with the United States Federal Trade Commission (the “**FTC**”) and the United States Department of Justice (the “**DOJ**”), the notification and report form required by the HSR Act for the transactions contemplated hereby within seven (7) Business Days of the date hereof or such later date as may be agreed by the parties and to provide any additional or supplemental information and documentary material requested by the FTC and DOJ pursuant to the HSR Act, (ii) with respect to any other Governmental Authority, promptly make any other filings or reports, and submit any information and documentation required for the transactions contemplated hereby, pursuant to any other Antitrust Law, (iii) subject to Section 6.3(c) and Section 6.3(d), cause the

expiration or termination of the applicable waiting periods under the HSR Act or other Antitrust Law, as applicable, as soon as practicable after the date hereof, and (iv) subject to Section 6.3(c) and Section 6.3(d), avoid any impediment to the consummation of the transactions contemplated hereby under any applicable Laws (including the HSR Act and other Antitrust Law) which would cause the conditions set forth in Section 8.1(a) and Section 8.1(b) not to be satisfied as of the Closing, including using reasonable best efforts to take all such action as may be reasonably necessary to resolve such objections (if any) as the FTC, the DOJ, or any other Governmental Authority or Person may assert under any applicable Laws (including the HSR Act and other Antitrust Law) with respect to the transactions contemplated hereby which would cause the conditions set forth in Section 8.1(a) and Section 8.1(b) not to be satisfied as of the Closing. If the conditions set forth in Section 8.1(a) and Section 8.1(b) with regards to Antitrust Laws are not satisfied as of the Outside Date, then the Parties shall discuss, in good faith, a mutual agreement to extend the Outside Date if necessary to obtain approval of the transaction under Antitrust Laws. Each of the Company and the Purchaser shall furnish to each other's counsel such necessary information and reasonable assistance as the other may request in connection with its preparation of any filing or submission that is necessary under the HSR Act and any other Antitrust Law. The Purchaser shall be responsible for the filing fees payable in connection with the filings described in the first sentence of this Section 6.3.

(b) The Company and the Purchaser shall: (i) promptly notify each other of any oral or written communication received from any Governmental Authority, and (ii) subject to applicable Law and excluding portions of documents relating to valuation of the Agreement, furnish the other party copies of all correspondence, submissions, and communications (and memoranda setting forth substance thereof) between them and their respective Affiliates on one hand, and any Governmental Authority on the other hand, with respect to this Agreement, including advanced drafts thereof and the reasonable opportunity to comment on them. Except as may be prohibited by any Governmental Authority and applicable Law, each party will consult and cooperate with the other, and will consider in good faith, the views of the other party, in connection with any analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal made or submitted in connection with any suit, claim, action, investigation or proceeding under or relating to the HSR Act or any other Antitrust Law. To the extent permitted by any such Governmental Authority, each party will permit authorized representatives of the other party to be present at each meeting or teleconference relating to any investigation or legal proceeding and to have access to and be consulted in connection with any document, opinion or proposal made or submitted to any Governmental Authority in connection with any such investigation or legal proceeding. The Purchaser shall have the sole right to devise and implement the strategy for obtaining any necessary clearance or approval, for responding to any request, inquiry, or investigation, for deciding whether to refile any pre-merger notification, for defending any lawsuit challenging the transactions contemplated hereby, and for leading in all meetings and communications with any Governmental Authority that has authority to enforce the HSR Act or any other Antitrust Law; provided however, that the Purchaser shall consult with the Company and consider in good faith views expressed by the Company and its advisors concerning the foregoing and will not reject any such views without the Purchaser making its counsel available promptly to explain its rationale for such rejection.

(c) Notwithstanding anything to the contrary contained in this Agreement, nothing shall require the Purchaser to take any action that will require, or be deemed to require, the Purchaser or the Company to take any action described in this Section 6.3(c) that could reasonably be expected to have or result in a Material Adverse Impact, including but not limited to any Material Adverse Impact that would result from (i) disposing or transferring any asset, including those of the Purchaser or the Company; (ii) licensing or otherwise making available to any Person, any technology or other Intellectual Property Rights of the Purchaser or the Company; (iii) holding separate any assets or operations (either before or after the Closing Date) of the Purchaser or the Company; or (iv) changing or modifying any course of conduct or otherwise making any commitment (to any Governmental Authority or otherwise) regarding future operations of the Purchaser or the Company's business to obtain any approval from any Governmental

Authority or to prevent the initiation of any lawsuit by any Governmental Authority under the HSR Act or other Antitrust Law or to prevent the entry of any decree, judgment, injunction (preliminary or permanent), or any order that would otherwise make the Agreement, the transactions contemplated hereby, or any contingent agreements unlawful. “**Material Adverse Impact**” means any material reduction in the value (including any anticipated economic benefit), measured either individually or in the aggregate, of the Purchaser, the Company or the combined businesses, expected from any of the transactions contemplated by this Agreement.

(d) Notwithstanding anything to the contrary contained in this Agreement or contingent agreements, the Purchaser shall not be obligated to defend any action or proceeding instituted (or threatened to be instituted) challenging the transactions contemplated by this Agreement as violative of the HSR Act or other Antitrust Law, or if any decree, judgment, injunction or other order is entered, enforced or attempted to be entered or enforced by a court or other Governmental Authority, which decree, judgment, injunction or other order would make the transactions contemplated by this Agreement illegal or would otherwise prohibit, prevent, restrict, impair or delay consummation of the transactions contemplated hereby, the Purchaser is not required to take any action to contest or resist any such action or proceeding or to have vacated, lifted, reversed, or overturned any such decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the transactions contemplated by this Agreement or to have such decree, judgment, injunction or other order repealed, rescinded, or made inapplicable so as to permit consummation of the transactions contemplated by this Agreement. Subject to the terms and conditions of this Agreement, each party will use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement as promptly as practicable and in any event on or prior to the Outside Date.

Section 6.4 No Solicitation of Other Bids.

(a) The Sellers shall not, and shall not authorize or permit any of their Affiliates (including the Company) or any of its or their representatives to, directly or indirectly, (i) encourage, solicit, initiate, facilitate or continue inquiries regarding an Acquisition Proposal; (ii) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal; or (iii) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. The Sellers shall immediately cease and cause to be terminated, and shall cause their Affiliates (including the Company) and all of its and their representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted heretofore with respect to, or that could lead to, an Acquisition Proposal. For purposes hereof, “**Acquisition Proposal**” shall mean, after the Execution Date, any inquiry, proposal or offer from any Person (other than the Purchaser or any of its Affiliates) concerning (i) a merger, consolidation, liquidation, recapitalization or other business combination transaction involving the Company; (ii) the issuance or acquisition of membership interests in the Company; or (iii) the sale, lease, exchange or other disposition of any significant portion of the Company's properties or assets.

(b) In addition to the other obligations under this Section 6.4, the Sellers shall promptly (and in any event within two Business Days after receipt thereof by the Sellers or their representatives) advise the Purchaser orally and in writing of any Acquisition Proposal, any request for information with respect to any Acquisition Proposal, or any inquiry with respect to or which could reasonably be expected to result in an Acquisition Proposal, the material terms and conditions of such request, Acquisition Proposal or inquiry, and the identity of the Person making the same.

(c) The Sellers agree that the rights and remedies for noncompliance with this Section 6.4 shall include having such provision specifically enforced by any court having equity jurisdiction, it being

acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to the Purchaser and that money damages would not provide an adequate remedy to the Purchaser.

Section 6.5 Confidentiality.

(a) From and after the Closing, each Seller will, maintain the confidentiality of, and not use for their own benefit or the benefit of any other Person, the Confidential Information of the Company and its Subsidiaries (the “**Company Confidential Information**”) other than in connection with any dispute hereunder or any Third Party Claim, or, as to each Rollover Member, as contemplated by his Employment Agreement on behalf of Purchaser.

(b) Each Seller acknowledges that such Company Confidential Information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense, and that any disclosure or other use of such Company Confidential Information other than for the sole benefit of the Purchaser would be wrongful and would cause irreparable harm to the Purchaser. The foregoing obligations of confidentiality will not apply to any Company Confidential Information that is or subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Agreement by a Seller.

(c) Each Seller acknowledges that the Purchaser has required that such Seller make the agreements in this Section 6.5 a condition to the Purchaser’s consummation of the transactions contemplated by this Agreement. Each Seller agrees that the agreements contained in this Section 6.5 are reasonable and necessary to protect the legitimate interests of the Purchaser and that any violation or breach of this Section 6.5 will result in irreparable injury to the Purchaser for which no adequate remedy would exist at Law. Accordingly, in addition to any relief at Law that may be available to the Purchaser for such violation or breach and regardless of any other provision contained in this Agreement, the Purchaser will be entitled to injunctive and other equitable relief restraining such violation or breach (without any requirement that the Purchaser provide any bond or other security).

(d) In the event that a Seller is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand or similar process) to disclose any Company Confidential Information, such Seller will notify the Purchaser promptly of the request or requirement so that the Purchaser may seek an appropriate protective order or waive compliance with the provisions of this Section, except as may be reasonably necessary for the performance of this Agreement or any Ancillary Agreement. If, in the absence of a protective order or the receipt of a waiver from the Purchaser, a Seller is, on the advice of counsel, compelled to disclose any Company Confidential Information to any tribunal or else stand liable for contempt, such Seller may disclose the Company Confidential Information to the tribunal; provided, however, that such Seller will use commercially reasonable efforts, at the request of the Purchaser, to obtain or enable the Purchaser to obtain, in each case at the Purchaser’s cost, an order or other assurance that confidential treatment will be accorded to such portion of the Company Confidential Information required to be disclosed as the Purchaser designates.

(e) To the extent that any Seller (other than the Rollover Members) has not done so prior to the Closing, each such Seller will, immediately following the Closing, surrender to the Company all data, documents, records, data bases, specifications, customer lists, financial reports and all other tangible embodiments of Company Confidential Information, it being expressly understood that all these writings, tangible embodiments and other things are the exclusive property of the Company.

Section 6.6 Public Announcements. Any public announcement or similar publicity with respect to this Agreement or the transactions contemplated by this Agreement will be issued at such time and in such manner as the Purchaser and the Seller Representative may mutually agree unless such

announcement is required by applicable Law or the rules and regulation of any securities Laws or regulations or the rules of any securities exchange, in which case, to the extent legally permissible, the Purchaser shall give the Seller Representative prior notice including providing the Seller Representative with a copy of the proposed disclosure in advance and shall insofar as may be reasonably practicable and legally permissible reflect on such disclosure all reasonable comments of Seller Representative. The Purchaser and the Seller Representative will mutually agree with each other concerning the means by which the employees, customers, suppliers and others having dealings with the Company will be informed of the transactions contemplated by this Agreement, and with the consent of the Seller Representative, which consent shall not be unreasonably withheld or delayed, the Purchaser has the right to be present for any such communication. Notwithstanding anything to the contrary in this Agreement, the Purchaser may, without the prior written consent of the Sellers or the Company, disclose any information which the Purchaser is required to disclose under applicable securities Laws or stock exchange rules; provided, however, to the extent legally permissible, the Purchaser shall give the Seller Representative prior notice including providing the Seller Representative with a copy of the proposed disclosure in advance and shall insofar as may be reasonably practicable and legally permissible reflect on such disclosure all reasonable comments of Seller Representative.

Section 6.7 Notice of Certain Events.

(a) From the date hereof until the Closing, the Sellers shall promptly notify the Purchaser in writing of:

(i) any fact, circumstance, event or action the existence, occurrence or taking of which (A) has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (B) has resulted in, or could reasonably be expected to result in, any representation or warranty made by Seller hereunder not being true and correct or (C) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in Section 8.2 to be satisfied;

(ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

(iv) any Proceedings commenced or, to the Sellers' Knowledge, threatened against, relating to or involving or otherwise affecting any Seller, the Company or any Subsidiary that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.20 or that relates to the consummation of the transactions contemplated by this Agreement.

(b) From the date hereof until the Closing, the Purchaser shall promptly notify the Seller Representative in writing of:

(i) any fact, circumstance, event or action the existence, occurrence or taking of which (A) has resulted in, or could reasonably be expected to result in, any representation or warranty made by the Purchaser hereunder not being materially true and correct or (B) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in Section 8.3 to be satisfied;

(ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

(iv) any Proceedings commenced or, to the Purchaser's Knowledge, threatened against, relating to or involving or otherwise affecting the Purchaser or any of its Subsidiaries that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 5.4 or that relates to the consummation of the transactions contemplated by this Agreement.

(c) The receipt of information pursuant to this Section 6.7 by the Purchaser or Seller Representative shall not operate as a waiver or otherwise affect any representation, warranty or agreement given or made by the Purchaser, the Sellers or the Company in this Agreement and shall not be deemed to amend or supplement the Seller Disclosure Schedule or the Purchaser Disclosure Schedule.

Section 6.8 Protective Covenants. In consideration of the completion of the transactions contemplated by this Agreement, the Sellers agree, severally and not jointly, that during the Restricted Period, without the prior written consent of the Company, each Seller shall comply with the terms of this Section 6.8. Each Seller acknowledges that the promises and restrictive covenants such Seller is providing in this Agreement are reasonable and necessary to protect the legitimate interests of the Purchaser in the acquisition of the Company pursuant to this Agreement, including but not limited to the goodwill of the Company. The Parties agree that the provisions of this Agreement shall apply to all parts of the world where the Company or the Purchaser conduct business at any time. Each Seller acknowledges that the Business is national and international, rather than local, in scope. The Parties expressly understand and agree that the noncompetition provisions contained in this Agreement are reasonable, permissible and enforceable pursuant to the provisions of applicable Law.

(a) Except as provided in the last two paragraphs of this Section 6.8(a), each Seller agrees that during the Restricted Period, such Seller shall not, directly or indirectly, as an owner, member, partner, shareholder, joint venturer, corporate officer, director, employee, consultant, principal, trustee or licensor, or in any other capacity whatsoever of or for provide services to (i) any Person, firm, partnership, company or corporation (other than the Purchaser or any of its Affiliates) (each an "**Entity**") that is principally engaged in the Business or (ii) any division, group, Subsidiary or any other subsection of an Entity (each a "**Division**") if such Division is principally engaged in the Business (whether or not such Entity is engaged in the Business):

(i) own, manage, operate, sell, control or participate in the ownership, management, operation, sales or control of, be involved with, or assist in the development efforts of or serve as an advisor to any business that competes with the Business;

(ii) solicit, or attempt to solicit, the business or patronage of any of the clients, customers or suppliers of the Company, any Subsidiary or the Purchaser in connection with the Business; or

(iii) lend or allow his name or reputation to be used by or otherwise allow his skill, knowledge or experience to be used by any business that competes with the Company, and Subsidiary or the Purchaser or any of its Subsidiaries with respect to the Business.

Notwithstanding the foregoing, each Seller is permitted to own, individually, as a passive investor, up to a two percent (2%) interest in any publicly traded entity. For purposes hereof, competition with the Company, the Purchaser or any of their Subsidiaries with respect to the Business shall be prohibited in any county in the State of California, each state in the United States and each country in the world where the Company or any Subsidiary conducts business. In addition, such Seller may work for a Division of an Entity that has another Division engaged in the Business so long as the Entity is not principally engaged in the Business and such Seller does not work in any way for the Division engaged in the Business.

Specifically this Section 6.8 does not limit such Seller from collaboration with competitors of the Purchaser in the form of system integration, certification testing, joint customer deployments, co-marketing activities or any other activity that is in the normal course of business for a company engaged in the Business.

(b) Each Seller further agrees that during the Restricted Period, such Seller shall not:

(i) directly or indirectly, personally or through others, solicit (on such Seller's own behalf or on behalf of any other person, Entity or Division) any employee of the Purchaser or the Company to leave his or her employment with the Purchaser or the Company (provided that the foregoing shall not preclude general solicitations for employment not specifically directed at such employees);

(ii) directly or indirectly, personally or through others, solicit any person or entity who both is at the time of such solicitation and was at the beginning of the Restricted Period a customer or client of the Purchaser or the Company (a "**Customer**") to obtain goods or services from any party other than the Purchaser, the Company, or its or their Affiliates, or otherwise intentionally interfere with the relationship of the Purchaser or the Company with any Customer.

(c) The covenants contained in this Section 6.8 shall be each construed as a series of separate covenants, one for each county, city, state and country of any geographic area where any business is carried on by Parent. Except for geographic coverage, each such separate covenant shall be identical in terms to the covenant contained in Section 6.8(a) or Section 6.8(b), as the case may be. If, in any judicial proceeding, a court refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this Agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event that the provisions of this Agreement are deemed to exceed the time, geographic or scope limitations permitted by applicable law, then such provisions shall be reformed to the maximum time, geographic or scope limitations, as the case may be, permitted by applicable Law.

(d) Each Seller acknowledges that the restrictions set forth in this Agreement are reasonable both individually and in the aggregate and that the duration, geographic scope, extent and application of each of such restrictions are no greater than is necessary for the protection of the legitimate business interests of the Purchaser, which include but are not limited to, the Company's trade secrets and other valuable confidential business information related to the Business, its substantial relationships with prospective or existing customers and suppliers related to the Business, and the goodwill associated with the Business. Each Seller hereby acknowledges and recognizes that the enforcement of any of the provisions in this Agreement may potentially interfere with such Seller's ability to pursue certain areas of employment. Each Seller recognizes and agrees that the enforcement this Agreement is necessary to ensure the preservation, protection and continuity of the business, trade secrets and goodwill of the Purchaser and the Company.

Section 6.9 Non-Disparagement. No Seller will take any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier or other business associate of the Company or any Subsidiary from maintaining the same business relationship with the Company or Subsidiary after the Closing as the Company or Subsidiary maintained prior to the Closing.

Section 6.10 Employment Arrangements. Except with respect to Scott Rouse and to individuals who enter into employment agreements with the Purchaser, or an Affiliate of the Purchaser, with respect to post-Closing employment, for a period of one (1) year following the Closing Date, the Purchaser agrees that the Company shall continue to provide each employee who was employed by the Company immediately prior to the Closing Date, including any such employee on vacation or a leave of absence, and who remains employed by the Company or the Purchaser or an Affiliate of the Purchaser after the Closing Date (each, a “**Continuing Employee**”) (i) the same base salary or base hourly wage rate as in effect for such Continuing Employee immediately prior to the Execution Date, and (ii) target bonus opportunity, or target commission opportunity and (iii) employee benefits, such that (ii) and (iii) taken together as a whole, are not materially less favorable than those provided to the Continuing Employee immediately prior to the Closing Date (except that, in each case, the Purchaser shall not be obligated to provide any equity compensation, profits interests or similar compensation); provided, however, that the Purchaser may terminate employment of any Continuing Employee for valid business reasons, after consulting with the Company’s management, or for cause following the Closing.

The provisions of this Section 6.10 are solely for the benefit of the parties hereto and shall not confer upon any Person any third-party beneficiary rights. Nothing contained in this Section 6.10, whether express or implied: (i) shall be treated as establishing, amending or modifying for any purpose any Company Benefit Plan; (ii) shall alter or limit the ability of the Purchaser, the Company or any of their Affiliates to amend, modify or terminate any Company Benefit Plan or other benefit plan, program, agreement or arrangement of the Purchaser; or (iii) is intended to confer upon any current or former employee any right to employment or continued employment for any period of time by reason of this Agreement, or any right to a particular term or condition of employment.

Section 6.11 Stock Exchange Listing. The Parent shall use reasonable best efforts to cause the Consideration Shares to be (i) conditionally approved for listing by the Toronto Stock Exchange, subject to satisfaction of the conditions contained in the conditional approval letter, and (ii) approved for listing by the New York Stock Exchange, prior to the Closing.

Section 6.12 PPP Loan. Prior to Closing, the Company shall (1) notify CNB of the anticipated change in ownership of the Company, including delivery of a fully executed copy of the Agreement, (2) deposit an amount (the “**CNB Escrow Amount**”) equal to the then outstanding aggregate principal amount of the PPP Loan, plus all accrued and unpaid interest thereon, into an escrow account with CNB (the “**CNB Escrow**”), and (3) deliver an application (the “**Forgiveness Application**”) to seek forgiveness of some or all of the PPP Loan in accordance with the then applicable requirements of the CARES Act. After the Closing, the Purchaser shall, and shall cause the Company to, promptly inform and deliver to the Seller Representative any and all material communications received from any Governmental Authority or lender in respect of the PPP Loan and shall not initiate any communications with any Governmental Authority or lender in respect of the PPP Loan without the prior written consent of the Seller Representative. The Purchaser will not cause the Company to amend or withdraw the Forgiveness Application following the Closing, except upon the written request of the Seller Representative.

Section 6.13 Closing Conditions. From the date hereof until the Closing, each party hereto shall, and the Sellers shall cause the Company to, use reasonable best efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in ARTICLE 8.

Section 6.14 Further Assurances. Subject to the other express provisions of this Agreement, upon the reasonable request of any party to this Agreement, the other parties will (a) furnish to the requesting party any additional information, (b) execute and deliver, at their own expense, any other documents and (c) take any other actions as the requesting party may reasonably require to more effectively carry out the intent of this Agreement and the transactions contemplated by this Agreement.

Section 6.15 Control of Operations. Without in any way limiting any party's rights or obligations under this Agreement, the parties understand and agree that (a) nothing contained in this Agreement shall give the Purchaser, directly or indirectly, the right to control or direct the Business prior to the Closing and (b) prior to the Closing, the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over the operation of the Business.

Section 6.16 Parent Guaranty. The Parent hereby unconditionally and irrevocably guarantees (the "Parent Guaranty"), by way of an independent obligation to the Sellers (i) the due, prompt and faithful performance by the Purchaser of all undertakings, obligations, required acts and performances of the Purchaser to the Sellers under or arising out of this Agreement and the Ancillary Agreements; and (ii) the due and punctual payment of all amounts due and payable by the Purchaser to the Sellers under or arising out of this Agreement and the Ancillary Agreements after the date hereof, when and as the same shall arise and become due and payable in accordance with the terms of and subject to the conditions contained in this Agreement and the Ancillary Agreements (the "Guaranteed Obligations"). The Parent guarantees as principal obligor and not as surety the prompt performance and payment of all Guaranteed Obligations, this being a guarantee of payment and not a guarantee of collection. This Parent Guaranty is not contingent upon the pursuit by the Sellers of any rights or remedies against the Purchaser, such pursuit being hereby waived by the Parent. This Parent Guaranty shall be binding upon all successors and assigns of the Parent.

Section 6.17 Information and Reports. Upon the request of any Rollover Member, the Purchaser shall furnish to any Rollover Member so long as such Rollover Member owns Consideration Shares, promptly upon request, a written statement by the Parent as to its compliance with the reporting requirements of Rule 144 and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Parent, and such other reports and documents so filed or furnished by the Parent as such Rollover Member may reasonably request in connection with the sale of Consideration Shares without registration. Upon the request of any Rollover Member, and subject to the receipt of an opinion of counsel as contemplated by Section 4.4 and Section 4.5, the Purchaser shall cooperate with such Rollover Member to facilitate the timely preparation and delivery of certificates representing the Consideration Shares free of any restrictive legends to the extent permitted under Section 4.4 and Section 4.5.

Section 6.18 Termination of Certain Guaranties. Purchaser and Parent acknowledge that in the course of the conduct of the business of the Company, Scott Rouse has entered into arrangements in which guarantees were issued by him to support or facilitate business transactions of the Company (the "**Credit Support Arrangements.**") The Parties agree that the Credit Support Arrangements are not intended to continue after the Closing. In order to obtain the release of Scott Rouse from any such Credit Support Arrangements at the Closing, Purchaser, and to the extent applicable, the Company and Parent will take all reasonably necessary actions to effect the termination of such Credit Support Arrangements.

ARTICLE 7 CERTAIN TAX MATTERS

Section 7.1 Tax Matters and Tax Returns.

(a) The parties intend for the purchase of the Membership Interests contemplated by this Agreement to be treated as a transaction governed by Rev. Rul. 99-6, 1999-1 C.B. 434 (Situation 2), with the Sellers being treated as having sold their Membership Interests, and the Purchaser being treated as

acquiring all of the Company's assets, in exchange for the Purchase Price (as adjusted pursuant to Section 2.3 and ARTICLE 7) plus the Liabilities of the Company.

(b) The parties shall allocate the Purchase Price (plus the Liabilities of the Company and the Subsidiaries) among the assets of the Company and the Subsidiaries in accordance with Section 1060 of the Code. As soon as reasonably practicable following the Closing, but not later than 60 days thereafter, the Purchaser shall prepare an allocation of the Purchase Price (plus the Liabilities of the Company and the Subsidiaries) among the assets of the Company and the Subsidiaries (the "**First Allocation**"), which the Purchaser shall deliver to the Seller Representatives. The Purchase Price Allocation shall not allocate more than \$1,000,000 of the Purchase Price to the covenants contained in Section 6.8. On or prior to the 30th day following the Purchaser's delivery of the First Allocation, the Seller Representative may give the Purchaser written notice stating his objection to the First Allocation. If the Seller Representative notifies the Purchaser of such an objection, then the Purchaser shall engage a nationally recognized valuation firm mutually acceptable to the Purchaser and the Seller Representative, with each of the Purchaser and the Seller Representative bearing one-half of the expense. The Seller Representative shall be permitted to meet with such valuation firm to address his objections to the First Allocation. The Purchaser shall deliver such valuation firm's purchase price allocation (the "**Second Allocation**") to Seller Representative within five days of receipt. Within 10 days of the Seller Representative's receipt of the Second Allocation, the Seller Representative shall notify the Purchaser of the Seller Representative's acceptance of either the First Allocation or the Second Allocation, and such allocation as accepted by the Seller Representative shall be final, conclusive and binding on the parties and shall be referred to as the "**Purchase Price Allocation**." The parties shall report, act and file all Tax Returns in all respects and for all purposes consistent with the Purchase Price Allocation and this Section 7.1, and no party shall take any position (whether in audits, Tax Returns or otherwise) that is inconsistent with the Purchase Price Allocation or this Section 7.1 unless required to do so by applicable Law. If the Purchase Price is adjusted in any manner as provided in this Agreement, the Purchase Price Allocation shall be adjusted as set forth in the Purchase Price Allocation schedule.

(c) The parties acknowledge and agree that the Consideration Shares are being paid by the Purchaser to the Rollover Members solely in exchange for the Rollover Members' sale to the Purchaser of a portion of their respective Membership Interests in the Company. The parties further acknowledge and agree that Consideration Shares are being issued to the Rollover Members subject to the Restrictions described in Section 2.6 to protect the business value of the Company being acquired by the Purchaser. Each of the Rollover Members shall file elections under Section 83(b) of the Code with the IRS with respect to the Consideration Shares within twenty (20) days of the Closing Date confirming that the issuance of the Consideration Shares does not constitute the receipt of any ordinary income under Section 83 of the Code. The Rollover Members shall provide written evidence to the Purchaser of the filing of such election with the IRS within twenty (20) days of the Closing Date. The Purchaser and the Rollover Members will take all positions consistent with, and shall not take any position inconsistent with, on all financial statements, Tax Returns, and otherwise, the Rollover Members' receipt of the Consideration Shares constituting long-term capital gains (subject to any ordinary income treatment required under applicable partnership related Tax rules) on the Closing Date and shall further take all commercially reasonable efforts to otherwise confirm such treatment. If the IRS successfully asserts upon audit and after any related tax contest, that the receipt of the Consideration Shares constitutes ordinary income to any or all of the Rollover Members due to the Restrictions described in Section 2.6 (a "**Tax Determination**"), the Purchaser, promptly following a demand from a Rollover Member, shall pay an amount to such Rollover Member equal to: (i) the additional Taxes owed, plus all penalties and interest thereon by such Rollover Member as a result of the IRS successfully asserting that the receipt of the Consideration Shares constituted ordinary income, not long-term capital gains; plus (ii) any reasonable and documented out-of-pocket costs and expenses, including, without limitation, legal and other professional fees and costs, incurred by such Rollover Member in connection with such Rollover Member or the Purchaser, if it so opts pursuant to Section 7.4(b), contesting

or resulting from the Tax Determination (with all such payments under clauses (i) and (ii) above made on an After Tax Basis).

(d) The Sellers shall prepare and file (or cause to be prepared and filed), at Seller's expense, on a timely basis all Tax Returns of the Company and each of its Subsidiaries for taxable periods ending on or before the Closing Date that are initially due (including extensions) after the Closing Date. Such Tax Returns will be prepared in a manner consistent with and utilizing the accounting methods utilized in the preparation of the prior Tax Returns of the Company or such Subsidiary, as applicable, to the extent such accounting methods comply with applicable Law. The Purchaser shall cause the Company and its Subsidiaries to provide the Sellers and their representatives with access to the books and records of the Company and its Subsidiaries reasonably necessary during normal working hours to prepare such Tax Returns. The Sellers (i) will submit all such Tax Returns and any requested work papers to the Purchaser for its review at least 30 days prior to filing and shall make any revisions reasonably requested by the Purchaser to the extent such revisions comply with applicable Law and are consistent with and utilize the accounting methods utilized by the Company on its prior Tax Returns and (ii) will, promptly after filing, forward to the Purchaser a complete copy of such filed Tax Returns and proof of payment of the subject Taxes; provided, however, that the Purchaser shall pay any accrued or reserved Taxes taken into account in determining the Final Closing Net Working Capital as provided in Section 7.2(a). In the event that Sellers fail to prepare and file or cause to be prepared or filed any Tax Return they are required to file pursuant to this Section 7.1(d), the Purchaser shall have the right, but not the obligation, to prepare and file such Tax Returns at Sellers' expense.

(e) The Purchaser shall prepare and file (or cause to be prepared and filed) all Tax Returns with respect to the Company and its Subsidiaries for all taxable periods ending after the Closing Date (as well as any Tax Returns for taxable periods ending on or before the Closing Date that it elects to file under Section 7.1(d)).

Section 7.2 Payment of Taxes.

(a) To the extent that Taxes of the Company and its Subsidiaries for all taxable periods and portions of periods through the Closing Date (including all such Taxes payable with respect to Tax Returns filed under this Article 7 and any Taxes assessed after the Closing with respect to taxable periods or portions of periods through the Closing Date) are accrued or expressly reserved for as current Liabilities in line items on the Closing Balance Sheet and taken into account in determining the Final Closing Net Working Capital, the Purchaser will pay or cause to be paid such Taxes. To the extent such Taxes for all taxable periods and portions of periods through the Closing Date are not so reflected as current Liabilities on the Closing Balance Sheet and not taken into account in determining the Final Closing Net Working Capital, the Sellers will pay all such Taxes. Taxes that are payable with respect to a taxable period that begins before the Closing Date and ends after the Closing Date will be allocated to the portion of the period that ends on the Closing Date in accordance with Section 7.3. All Company level Taxes arising from the Employee Closing Payments will be pre-Closing Tax Liabilities to be paid by the Sellers.

(b) In the case of Tax Returns filed by the Purchaser under this ARTICLE 7 and as to which the Purchaser expects payment from the Sellers, the Purchaser may elect to deliver the pertinent Tax Return to the Sellers and inform the Sellers of any amounts due from the Sellers at least ten days prior to the due date of the pertinent Tax Return and the Sellers will pay such amounts to the Purchaser in immediately available funds at least two Business Days prior to the due date of the Tax Return. In the case of any Tax Returns filed by the Sellers, the Sellers will pay the amount of Taxes due with respect to such Tax Returns (with the Purchaser being required to supply any amounts payable by the Purchaser by the due date of the subject Tax Return).

Section 7.3 Tax Apportionment. In the case of Taxes that are payable with respect to a taxable period that begins before the Closing Date and ends after the Closing Date (the “**Straddle Period**”), the portion of any such Tax that is allocable to the portion of the period ending on the Closing Date will be:

(a) in the case of Taxes that are either (i) based upon or related to income or receipts or (ii) imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible) (other than any transaction Taxes contemplated by Section 7.7), deemed equal to the amount which would be payable if the taxable period ended as of the close of business on the Closing Date; and

(b) in the case of Taxes imposed on a periodic basis with respect to the assets of the Company or any of its Subsidiaries, or otherwise measured by the level of any item, deemed to be the amount of such Taxes for the entire period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period), multiplied by a fraction the numerator of which is the number of calendar days in the period ending on the Closing Date and the denominator of which is the number of calendar days in the entire period.

Section 7.4 Tax Proceedings.

(a) After the Closing Date, each Rollover Member shall notify the Purchaser in writing within ten (10) days of the receipt of any proposed assessment or the commencement of any Tax audit or other administrative or judicial proceeding or of any demand or claim that relates to the Tax treatment or characterization of the receipt of the Consideration Shares by such Rollover Member (a “**Rollover Member Tax Proceeding**”), and the Purchaser shall notify the Sellers in writing within fifteen (15) days of the receipt of any proposed assessment or the commencement of any Tax audit or other administrative or judicial proceeding or of any demand or claim that relates to the Taxes of the Company or any Subsidiary for any taxable periods or portions of taxable periods through the Closing Date (a “**Company Tax Proceeding**”, and together with a Rollover Member Tax Proceeding, a “**Tax Proceeding**”). Any such notice shall contain factual information describing any such Tax Proceeding in reasonable detail and shall include copies of any notice or other document received from any Governmental Authority in respect of any such asserted Tax Proceeding; provided, however, the failure to give such notice shall not affect the indemnification provided hereunder (including any payment obligations pursuant to Section 7.1(c), except to the extent the indemnifying party has been materially prejudiced as a result of such failure.

(b) In the case of any Rollover Member Tax Proceeding, the Purchaser shall have the right, at the Purchaser’s sole expense, to control the conduct and defense of such Tax Proceeding (but only to the extent the Purchaser conducts the defense of such Rollover Member Tax Proceeding actively, diligently and in good faith); *provided*, that if the Purchaser is entitled to control such Rollover Member Tax Proceeding pursuant to the foregoing sentence, each applicable Rollover Member shall have the right, at such Rollover Member’s sole expense and not subject to the indemnity provided in Section 7.1(c), to participate in (but not control) such Rollover Member Tax Proceeding and the Purchaser shall not settle such Rollover Member Tax Proceeding without the written consent of the applicable Rollover Member, which such consent shall not be unreasonably withheld, delayed conditioned.

(c) In the case of any Company Tax Proceeding, the Sellers shall have the right, at the Sellers’ sole expense, to control the conduct of such Company Tax Proceeding (but only to the extent the Sellers conduct the defense of such Company Tax Proceeding actively, diligently and in good faith); *provided*, that if the Sellers are entitled to control such Company Tax Proceeding pursuant to the foregoing sentence, the Purchaser shall have the right, at the Purchaser’s sole expense, to participate in (but not control) such Company Tax Proceeding and the Sellers shall not settle such Company Tax Proceeding without the written consent of the Purchaser, which such consent shall not be unreasonably withheld, delayed or conditioned. In the event the Company is subject to a final partnership adjustment for any taxable periods or portions of taxable tax periods through the Closing Date, such adjustment shall be taken into account by the former

partners of the Company pursuant to Section 6241(7) of the Code or the Company shall make or cause to be made an election under Section 6226 of the Code with respect to such adjustment, each as applicable.

Section 7.5 Cooperation. The Sellers and the Purchaser shall reasonably cooperate, as and to the extent reasonably requested by the other party, in connection with the preparation and filing of Tax Returns pursuant to Section 7.1 and any Tax Proceeding. Such cooperation may include signing Tax returns, amended Tax Returns, claims or other documents necessary to settle any Tax Proceeding, the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such Tax Proceeding or other proceeding and making themselves or their employees available on a mutually convenient basis to provide additional information and explanation of any material or information provided hereby. The Purchaser (after the Closing) shall retain all books and records with respect to Tax matters pertinent to the Company and its Subsidiaries, and will cause the Company and its Subsidiaries to retain all books and records with respect to Tax matters pertinent to the Company and its Subsidiaries, relating to any taxable period beginning before the Closing Date until the expiration of the applicable statute of limitations for the respective taxable periods, and shall abide by all record retention agreements entered into with any Governmental Authority. The Purchaser agrees to give the Seller Representative reasonable notice prior to transferring, discarding or destroying any such books and records relating to Tax matters and, if the Seller Representative so request, the Purchaser shall allow the Seller Representative to take possession of such books and records.

Section 7.6 Amended Tax Returns; Tax Elections; Other Tax Matters. The Sellers will not, and will not cause or permit the Company to, without the prior written consent of the Purchaser (which consent will not be unreasonably withheld, conditioned or delayed): (i) make or revoke, or cause or permit to be made or revoked, any Tax election pertaining to the Company, any of its Subsidiaries, or the ownership of any capital equity of the Company, if such election could result in the Purchaser or any of its Affiliates being liable for any amounts, including under this Agreement or to any Governmental Authority in respect of Taxes; (ii) file, or allow to be filed, any amended Tax Return of the Company or any of its Subsidiaries for any taxable periods or portions of taxable periods beginning before the Closing Date through the Closing Date, unless otherwise required by applicable Law, if such amendment could result in the Purchaser or any of its Affiliates being liable for any amounts, including under this Agreement or to any Governmental Authority in respect of Taxes; or (iii) apply to any Governmental Authority for any binding or non-binding opinion, ruling, or other determination with respect to the Company or any of its Subsidiaries in relation to any act, matter or transaction that occurred on or before the Closing Date or that relates to any taxable periods or portions of taxable periods beginning before the Closing Date through the Closing Date. The Purchaser will not, without the prior written consent of the Seller Representative (which consent will not be unreasonably withheld, conditioned or delayed) cause or permit the Company, or any of its Subsidiaries, to (i) file (other than in accordance with Section 7.1(d)) or amend any Tax Return that relates in whole or in part to any taxable period that begins before the Closing Date, (ii) make any election that has retroactive effect to any taxable period that begins before the Closing Date, (iii) voluntarily approach any taxing authority regarding taxable periods or portions thereof of the Company ending on or prior to the Closing Date, if such amendment or election could result in the Sellers being liable for any amounts, including under this Agreement or to any Governmental Authority in respect of Taxes (each a “**Restricted Tax Action**”). The Rollover Members will not, and will not cause any Person to, without the prior written consent of the Purchaser (which consent will not be unreasonably withheld, conditioned or delayed): (i) make or revoke, or cause or permit to be made or revoked, any Tax election pertaining to the receipt of the Consideration Shares other than an election pursuant to Section 83(b) as provided herein; (ii) file, or allow to be filed, any amended Tax Return of such Rollover Member for the Tax period that amends the Tax treatment of the receipt of the Consideration Shares, if such amendment could result in the Purchaser or any of its Affiliates being liable for any amounts, including under this Agreement or to any Governmental Authority in respect of Taxes; or (iii) apply to any Governmental Authority for any binding or non-binding opinion, ruling, or

other determination with respect to, or that relates to, such Rollover Member's receipt of the Consideration Shares.

Section 7.7 Transactional Taxes. Notwithstanding any other provision of this Agreement, all transfer, documentary, recording, notarial, sales, use, registration, stamp and other similar Taxes or fees imposed by any Governmental Authority in connection with the transactions contemplated by this Agreement, and any applicable filing expenses, will be borne fifty percent (50%) by the Purchaser and fifty percent (50%) by the Sellers, pro rata based on their respective share of the Purchase Price. The Sellers will file all necessary Tax Returns and other documentation with respect to all such Taxes and, if required by applicable Law, the Purchaser will, and will cause its Affiliates to, join in the execution of any such Tax Returns or other documentation.

Section 7.8 Tax Refunds. Except to the extent reflected as an asset in the final calculation of Final Closing Net Working Capital, the Sellers will be entitled to any Tax refunds of the Company and its Subsidiaries that are received by the Purchaser, the Company or a Subsidiary (in each case, including any amounts credited against Tax) to which the Purchaser, the Company or a Subsidiary, as applicable, become entitled in any post-Closing Taxable period, but excluding any Tax refunds related to any carryback of losses attributable to a post-Closing taxable period, that relate to any pre-Closing taxable period. In determining the portion of a Tax refund or credit relating to a pre-Closing taxable period, any refund of Taxes relating to a Straddle Period shall be equitably apportioned between the portion of such Straddle Period ending on the Closing Date and that portion of such Straddle Period beginning on the day after the Closing Date in accordance with the principles set forth in Section 7.3. The Purchaser will pay over to the Sellers, pro rata based on their respective share of the Purchase Price, any such refund or the amount of any such credit within five (5) days after actual receipt of such refund or credit against Taxes.

ARTICLE 8 CONDITIONS TO CLOSING

Section 8.1 Conditions to the Obligations of All Parties. The obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) The filings of the Purchaser and the ultimate parent entity of the Company pursuant to the HSR Act shall have been made and the applicable waiting period and any extensions thereof shall have expired or been terminated.

(b) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

(c) The Consideration Shares shall have been (i) conditionally approved for listing by the Toronto Stock Exchange, subject to satisfaction of the conditions contained in the conditional approval letter, and (ii) approved for listing by the New York Stock Exchange.

Section 8.2 Conditions to the Obligations of Purchaser. The obligations of the Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or the Purchaser's waiver, at or prior to the Closing, of each of the following conditions:

(a) Other than the Seller Fundamental Representations, the representations and warranties of the Company and the Sellers contained in this Agreement and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty

qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects). The representations and warranties of the Sellers and the Company contained in the Seller Fundamental Representations shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) The Sellers and the Company shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the Ancillary Agreements to be performed or complied with by them prior to or on the Closing Date.

(c) The Sellers and the Company shall have delivered fully executed invention assignment agreements and non-disclosure agreements, in forms reasonably satisfactory to the Purchaser, from the Persons listed on Schedule 8.2(c).

(d) The Company shall have either (i) obtained the consent of CNB and, if required, the SBA, under the PPP Loan with respect to the transactions contemplated by this Agreement, or (ii) repaid the PPP Loan in full.

(e) From the date of this Agreement, there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect.

(f) The items deliverable pursuant to Section 2.5(a) shall have been delivered to the Purchaser.

(g) The Purchaser shall have received a certificate, dated the Closing Date and signed by the manager of the Company, that each of the conditions set forth in Section 8.2(a) and Section 8.2(b) have been satisfied.

(h) The Sellers shall have delivered to the Purchaser such other documents or instruments as the Purchaser reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 8.3 Conditions to the Obligations of Sellers. The obligations of the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Seller's waiver, at or prior to the Closing, of each of the following conditions:

(a) Other than the representations and warranties of the Purchaser contained in the Purchaser Fundamental Representations, the representations and warranties of the Purchaser contained in this Agreement and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects). The Purchaser Fundamental Representations shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date.

(b) The Purchaser shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the Ancillary Agreements to be performed or complied with by it prior to or on the Closing Date.

(c) The items deliverable pursuant to Section 2.5(b) shall have been delivered to the Sellers.

(d) The Sellers shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of the Purchaser, that each of the conditions set forth in Section 8.3(a) and Section 8.3(b) have been satisfied.

(e) The Sellers shall have received a certificate of a duly authorized officer of the Purchaser certifying: (i) that attached thereto are true and complete copies of all resolutions adopted by the Board of Directors of the Purchaser authorizing the execution, delivery and performance of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby; and (ii) the names and signatures of the authorized officers of the Purchaser authorized to sign this Agreement, the Ancillary Agreements and the other documents to be delivered hereunder and thereunder.

(f) The Purchaser shall have delivered to the Sellers cash in an amount equal to the Estimated Purchase Price, less the Escrow Amount, the amount of the Employee Closing Payments and the value attributed to the Consideration Shares, by wire transfer in immediately available funds, to the account or accounts designated in the Estimated Purchase Price Calculation Statement.

(g) The Purchaser shall have delivered to the Escrow Agent by wire transfer of immediately available funds the Escrow Amount.

(h) The Purchaser shall have delivered to the Rollover Members evidence of the issuance of certificates representing the Consideration Shares.

(i) The Purchaser shall have delivered to third parties by wire transfer of immediately available funds that amount of money due and owing from the Company to such third parties as Transaction Expenses as set forth on the Estimated Purchase Price Calculation Statement.

(j) The Purchaser shall have delivered to holders of outstanding Indebtedness, if any, by wire transfer of immediately available funds that amount of money due and owing from the Company to such holder of outstanding indebtedness as set forth on the Estimated Purchase Price Calculation Statement.

(k) The Purchaser shall have delivered a portion of the Estimated Purchase Price in the amount of the Employee Closing Payments to the applicable payroll accounts of the Company.

(l) The Purchaser shall have delivered to the Seller Representative such other documents or instruments as the Seller Representative reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

ARTICLE 9 TERMINATION

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) By mutual agreement of the Purchaser and the Sellers;

(b) By either the Purchaser or the Seller Representative, by giving written notice to the other Party, if (i) a court of competent jurisdiction or other Governmental Authority shall have issued a nonappealable final order, decree or ruling having the effect of permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, including pursuant to (x) the HSR Act or (y) 31 CFR Part 800 (the CFIUS regulations), or (ii) any Governmental Authority shall institute any Proceeding challenging the validity or legality, or seeking to restrain the consummation of the transactions contemplated by this Agreement;

(c) By the Purchaser, (i) if Sellers or the Company have breached or failed to perform any of its covenants or other agreements contained in this Agreement required to be complied with by them, which breach or failure to perform would give rise to the failure of a condition set forth in Article 8 or (ii) there exists a breach of or inaccuracy in a representation or warranty of Seller or the Company contained in this Agreement, which breach or failure to perform would give rise to the failure of a condition set forth in Section 8.2, and in the case of either (i) or (ii) above, such breach or failure is not cured within 15 days after receipt of written notice thereof or is incapable of being cured by the Sellers or the Company before the Outside Date; provided, however, that the Purchaser shall not have the right to terminate this Agreement pursuant to this Section 9.1(c) if the Purchaser is then in material breach of this Agreement;

(d) By the Sellers, (i) if the Purchaser has breached or failed to perform any of its covenants or other agreements contained in this Agreement required to be complied with by it, which breach or failure to perform would give rise to the failure of a condition set forth in Article 8 or (ii) there exists a breach of or inaccuracy in a representation or warranty of the Purchaser contained in this Agreement, which breach or failure to perform would give rise to the failure of a condition set forth in Section 8.3, and in the case of either (i) or (ii) above, such breach or failure is not cured within 15 days after receipt of written notice thereof or is incapable of being cured by the Purchaser before the Outside Date; provided, however, that the Sellers shall not have the right to terminate this Agreement pursuant to this Section 9.1(d) if the Sellers are then in material breach of this Agreement;

(e) By the Sellers by giving written notice to the Purchaser, if the Closing shall not have occurred on or before the Outside Date, and, as of the Outside Date, all of the conditions precedent set forth in Section 8.1 and Section 8.2 are satisfied, except for those conditions that, by their nature, are to be satisfied at the Closing (but were capable of being satisfied as of the Outside Date if the Closing were to occur on the Outside Date); or

(f) by the Purchaser, by giving written notice to the Seller Representative, if the Closing shall not have occurred on or before the Outside Date (or such later date as the Purchaser and the Seller Representative may mutually agree) by reason of the failure of any condition precedent under Section 8.2 (unless the failure results primarily from a breach by the Purchaser of any representation, warranty or covenant of the Purchaser contained in this Agreement or the Purchaser's failure to fulfill a condition precedent to the Closing or other default or acts or omissions to act by the Purchaser that has the effect of delaying the Closing).

Section 9.2 Effect of Termination.

(a) If this Agreement is validly terminated by the Sellers pursuant to Section 9.1(b) or Section 9.1(e), then the Purchaser shall pay to the Company a fee of \$13,750,000, such payment to be made within 30 days of termination or the Outside Date, as applicable. Such fee shall be the sole and exclusive remedy of the Company and the Sellers in lieu of any other relief, right or remedy, at Law or in equity, to which the Company or the Sellers might otherwise be entitled. The Purchaser and the Sellers agree that such fee is a reasonable estimate of the Sellers' and the Company's damages and not a penalty.

(b) In the event of termination of this Agreement as provided in Section 9.1, this Agreement shall immediately become void and, except as otherwise provided in Section 9.2(a), there shall be no Liability or obligation on the part of any Party or their respective officers, directors, stockholders or Affiliates, except for any breach of this Agreement prior to such termination.

ARTICLE 10 INDEMNIFICATION

Section 10.1 Indemnification by the Sellers. Subject to the limitations expressly set forth in Section 10.5 and Section 10.6, the Sellers shall severally and not jointly indemnify and hold harmless the Purchaser and its Affiliates (including, following the Closing, the Company) and their respective directors, officers, equity owners, employees, agents, consultants and other advisors and representatives (collectively, the "**Purchaser Indemnified Parties**") from and against, and will pay and reimburse them for, any and all Losses incurred or suffered by the Purchaser Indemnified Parties directly or indirectly arising out of, relating to or resulting from any of the following:

(a) any inaccuracy in or breach of any representation or warranty of any Seller or the Company contained in this Agreement, the Escrow Agreement or in any certificate or instrument delivered by or on behalf of any Seller or the Company pursuant to this Agreement but specifically excluding the Employment Agreements;

(b) any nonperformance or other breach of any covenant or agreement of any Seller or the Company contained in this Agreement;

(c) except to the extent accrued or expressly reserved for as current Liabilities in line items on the Closing Balance Sheet and taken into account in determining the Final Closing Net Working Capital (i) any Taxes of the Company, any of its Subsidiaries, or the Sellers (except, with respect to the Rollover Members, as expressly provided in Section 7.1(c)) with respect to taxable periods ending on or before the Closing Date, (ii) with respect to taxable periods beginning before the Closing Date and ending after the Closing Date, any Taxes of the Company or any of its Subsidiaries which are allocable, pursuant to Section 7.3, to the portion of such period ending on the Closing Date, (iii) any Taxes relating to any member of an affiliated group with which the Company or any of its Subsidiaries has filed a Tax Return on a consolidated, combined or unitary basis, and (iv) any Taxes of any Person (other than the Company) for which the Company or any of its Subsidiaries may be liable as a transferee or successor, by contract, agreement or otherwise, in each instance to the extent such Taxes arose during the taxable periods or portions thereof ending on or prior to the Closing Date, in each case to the extent that such Taxes did not result from a Restricted Tax Action which was not consented to by the Seller Representative;

(d) any Indebtedness of the Company or any of its Subsidiaries existing prior to the Closing that is not fully extinguished prior to or as of the Closing which, for the avoidance of doubt, shall not include items (i)(1) through (4) in the definition of Indebtedness which pursuant to Section 10.12 Purchaser and Parent have jointly and severally agreed to indemnify, defend and hold harmless the Released Parties against any claims, actions and Liabilities related thereto;

(e) after determination by the SBA of whether the Indebtedness under the PPP Loan or any portion thereof is forgivable under the CARES Act, any PPP Loan Non-Forgiven Amount in excess of the sum of any amounts paid to the Purchaser pursuant to Section 2.5(f);

(f) the allocation of the Estimated Purchase Price in accordance with the Member Allocation Schedule;

(g) the Employee Closing Payments; and

(h) any Liability of the Company or the Subsidiaries arising from or relating to their lack of a written cafeteria plan, in accordance with Section 125 of the Code, prior to Closing.

For the purposes of this Section 10.1 any inaccuracy in, or breach of any representation or warranty by any Seller or the Company shall be determined without regard to any reference to materiality, Material Adverse Effect or similar qualifications.

Section 10.2 Indemnification by the Purchaser.

(a) Subject to the limitations expressly set forth in Section 10.5 and Section 10.6, the Purchaser will indemnify and hold harmless the Sellers from and against, and will pay and reimburse them for, any and all Losses incurred or suffered by the Sellers directly or indirectly arising out of, relating to or resulting from any of the following:

(i) any inaccuracy in or breach of any representation or warranty or other statement of the Purchaser contained in this Agreement; and

(ii) any nonperformance or other breach of any covenant or agreement of the Purchaser or the Company (solely with respect to covenants to be performed after the Closing Date) contained in this Agreement.

(b) The Purchaser will also indemnify and hold harmless the Rollover Members as provided in Section 7.1(c) (the “**Rollover Member Indemnity**”). For the avoidance of doubt, the Rollover Member Indemnity shall (x) survive until the expiration of the applicable statute of limitations for assessment by a Governmental Authority against each applicable Rollover Member and (y) not be subject to the limitations set forth in Section 10.6.

For the purposes of this Section 10.2 any inaccuracy in, or breach of any representation or warranty by the Purchaser shall be determined without regard to any reference to materiality, Material Adverse Effect or similar qualifications.

Section 10.3 Claim Procedure.

(a) A party that seeks indemnity under this ARTICLE 10 (an “**Indemnified Party**”) will give prompt written notice (a “**Claim Notice**”) to the party from whom indemnification is sought (an “**Indemnifying Party**”) containing (i) a description with reasonable detail and, if known, the estimated amount of any Losses incurred or reasonably expected to be incurred by the Indemnified Party and the method of computation thereof, and (ii) a reasonable explanation of the basis for the Claim Notice to the extent of the facts then known by the Indemnified Party. Notwithstanding the foregoing, no delay or deficiency on the part of the Indemnified Party in so notifying the Indemnifying Party will relieve the Indemnifying Party of any Liability or obligation under this Agreement except to the extent the Indemnifying Party is thereby materially prejudiced. For purposes of this ARTICLE 10, the Seller

Representative, as representative of the Sellers, shall receive all notices and take all actions on behalf of the Sellers.

(b) Within 30 days after delivery of a Claim Notice, the Indemnifying Party will deliver to the Indemnified Party a written response to such Claim Notice. During such 30 day period, the Indemnifying Party and its professional advisors shall have the opportunity to investigate the matter or circumstance alleged to give rise to the Claim Notice, and whether and to what extent any amount is payable in respect of the Claim Notice and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such reasonably requested information in the possession of the Indemnified Party with respect to such Claim Notice upon prior written notice and during normal business hours as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party fails to so respond within 30 days after delivery of the Claim Notice, then the Indemnifying Party will be deemed to have irrevocably accepted the Claim Notice and agreed to pay the Losses at issue in the Claim Notice.

(c) If any Purchaser Indemnified Party is the Indemnified Party with respect to any claim for indemnification pursuant to this ARTICLE 10 and the Escrow Amount remains in the Escrow Account, the parties will contemporaneously deliver to the Escrow Agent copies of each Claim Notice and Objection Notice in connection with such claim.

(d) If, within 30 days after delivery of the Claim Notice, the Indemnifying Party delivers a written notice disputing the Indemnified Party's entitlement to indemnification for the Losses described in the Claim Notice (an "**Objection Notice**"), then the dispute may be resolved by any legally available means consistent with the provisions of Section 11.11.

(e) Any indemnification payment pursuant to this ARTICLE 10 will be effected by wire transfer of immediately available funds from the Indemnifying Party to an account designated by the Indemnified Party, and will be made within five Business Days after the date on which (i) the amount of such payments are determined by mutual agreement of the parties, (ii) the amount of such payments are determined pursuant to Section 10.3 if a written response has not been timely delivered in accordance with Section 10.3(b) or (iii) both such amount and the Indemnifying Party's obligation to pay such amount have been finally determined by a final judgment of a court having jurisdiction over such proceeding as permitted by Section 11.11 if a written response has been timely delivered in accordance with Section 10.3(b).

Section 10.4 Third Party Claims.

(a) If any Indemnified Party receives notice of a claim or demand, whether or not involving a Proceeding, by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement (a "**Third Party Claim**") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party will promptly (and in any event within 30 days following the earlier of receipt of notice of such Third Party Claim or the Indemnified Party's awareness of such action) give the Indemnifying Party a Claim Notice. Such Claim Notice will describe the facts constituting the basis for such Third Party Claim and the amount of the damages claimed by the other Person, in each case to the extent known to the Indemnified Party, and the Indemnified Party shall provide the Indemnifying Party with such other information with respect thereto as the Indemnifying Party may reasonably request. Notwithstanding the foregoing, no delay or deficiency on the part of the Indemnified Party in so notifying the Indemnifying Party will relieve the Indemnifying Party of any Liability or obligation under this Agreement except to the extent the Indemnifying Party is thereby materially prejudiced.

(b) Within 30 days after the Indemnifying Party's delivery of a Claim Notice under this Section 10.4, the Indemnifying Party may assume control of the defense of such Third Party Claim by giving to the

Indemnified Party written notice of the intention to assume such defense, but if and only if the Indemnifying Party further:

(i) acknowledges in writing to the Indemnified Party that any Losses that may be assessed in connection with the Third Party Claim constitute Losses for which the Indemnified Party will be indemnified pursuant to and subject to the limitations in this ARTICLE 10 without contest or objection and that the Indemnifying Party will advance all expenses and costs of defense; and

(ii) retains counsel for the defense of the Third Party Claim reasonably satisfactory to the Indemnified Party and furnishes to the Indemnified Party evidence satisfactory to the Indemnified Party that the Indemnifying Party has and will have sufficient financial resources to fund on a current basis the cost of such defense and pay all Losses that may arise under the Third Party Claim.

However, if the Sellers are the Indemnifying Party, in no event may the Indemnifying Party assume, maintain control of, or participate in, the defense of any Third Party Claim (A) involving criminal liability, (B) in which any relief other than monetary damages is sought against the Indemnified Party, (C) in which the Purchaser Indemnified Party reasonably concludes that the Indemnifying Party and the Purchaser Indemnified Party have conflicting interests or different defenses available with respect to the Third Party Claim or (D) in which the outcome of any judgment or settlement in the matter could reasonably be expected to adversely affect the Indemnified Party's Tax Liability or the ability of the Indemnified Party to conduct its business other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement (collectively, clauses (A) – (D), the "**Special Claims**"). An Indemnifying Party will lose any previously acquired right to control the defense of any Third Party Claim if for any reason the Indemnifying Party ceases to actively, competently and diligently conduct the defense.

(c) If the Indemnifying Party does not, or is not able to, assume or maintain control of the defense of a Third Party Claim in compliance with Section 10.4(b), the Indemnified Party will have the right to control the defense of the Third Party Claim. To the extent that the Third Party Claim does not constitute a Special Claim, the party not controlling the defense (the "**Noncontrolling Party**") may participate therein at its own expense. The party controlling the defense (the "**Controlling Party**") will reasonably advise the Noncontrolling Party of the status of the Third Party Claim and the defense thereof and, with respect to any Third Party Claim that does not relate to a Special Claim, the Controlling Party will consider in good faith recommendations made by the Noncontrolling Party. The Noncontrolling Party will furnish the Controlling Party with such information as it may have with respect to such Third Party Claim and related Proceedings (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and will otherwise cooperate with and assist in the defense of the Third Party Claim.

(d) If the Indemnified Party is controlling the defense of a Third Party Claim, the Indemnified Party will not consent to any compromise or settlement of, or the entry of any judgment arising from, the Third Party Claim without the prior written consent of the Indemnifying Party, which consent the Indemnifying Party will not unreasonably withhold or delayed. All amounts paid or payable under such settlement or judgment are Losses that the Indemnifying Party owes to the Indemnified Party under this ARTICLE 10. The Indemnifying Party will not agree to any compromise or settlement of, or the entry of any judgment arising from, the Third Party Claim without the prior written consent of the Indemnified Party, which consent the Indemnified Party will not unreasonably withhold or delay. The Indemnified Party and the Indemnifying Party will have no Liability with respect to any compromise or settlement of, or the entry of any judgment arising from, any Third Party Claim effected without its consent.

Section 10.5 Survival. All representations and warranties contained in this Agreement or in any certificate or instrument delivered pursuant to this Agreement (but specifically excluding the Employment Agreements) will survive the Closing, for a period of 12 months from the Closing Date; provided, however, that (i) the representations and warranties set forth in Section 3.15 (*Tax Matters*) will survive until 90 days following the expiration of the statute of limitations applicable to the underlying matters covered by such provision, taking into account any tolling periods or extensions, and (ii) the Seller Fundamental Representations and Purchaser Fundamental Representations will survive for a period of 24 months from the Closing Date. Fraud claims shall survive until 90 days after the expiration of the applicable statute of limitations, taking into account any tolling periods or extensions. In addition, notwithstanding the foregoing, any claims for indemnification for which a Claim Notice has been delivered by the Person seeking indemnification to the Person from whom indemnification is sought before the expiration of the applicable survival period will not thereafter be barred by the expiration of the relevant representation or warranty and such claims will survive until finally resolved. All covenants and agreements contained in this Agreement shall survive in accordance with their respective terms or until the expiration of the applicable statute of limitations, as applicable at which point they shall terminate.

Section 10.6 Limitations on Liability.

(a) With respect to the Sellers' indemnification obligations, notwithstanding anything to the contrary set forth in this Agreement:

(i) Except in the case of fraud or a breach of a Seller Fundamental Representation, the Sellers shall not have any obligation to indemnify any Purchaser Indemnified Party under Section 10.1(a) unless and until the aggregate amount of Losses that would otherwise be subject to indemnification pursuant to Section 10.1(a) exceeds \$1,168,750 (the "**Deductible Amount**"), whereupon the Purchaser Indemnified Party shall be entitled to receive the aggregate amount of Losses from the first Dollar, regardless of the Deductible Amount;

(ii) Except in the case of fraud or a breach of a Seller Fundamental Representation or of the representations and warranties contained in Section 3.15, and subject to the other limitations in this Section 10.6, in no event shall the cumulative indemnification obligations of the Sellers under Section 10.1(a) in the aggregate exceed \$10,000,000 (the "**Cap**") and in no event shall the indemnification obligations of each Seller under Section 10.1(a) exceed such Seller's *pro rata* percentage of the amount of Losses that would otherwise be subject to indemnification pursuant to Section 10.1(a) (in each case based on the applicable percentage of the Estimated Purchase Price to which such Seller is entitled as set forth on the Member Allocation Schedule.

(b) Subject to the other limitations set forth herein, with respect to any Losses suffered by any Purchaser Indemnified Party that would be subject to Section 10.1(a), if any portion of such Losses is not expressly excluded by the terms of the R&W Insurance Policy, then such Purchaser Indemnified Party shall use reasonable best efforts (which shall not include the obligation to commence litigation) to recover such portion under the R&W Insurance Policy prior to receiving payment for any claim against the Sellers hereunder for such portion; provided, that, for the avoidance of doubt, the Purchaser Indemnified Party is not required to assert any claims against the R&W Insurance Policy to the extent such claims are expressly excluded by the terms of the R&W Insurance Policy. Any claims that are expressly excluded from the R&W Insurance Policy and any claims that are otherwise not recoverable under the R&W Insurance Policy after the Purchaser Indemnified Party has satisfied its obligations in the immediately preceding sentence shall be deemed to be "**Excluded Claims**."

(c) Subject to the other limitations imposed by this ARTICLE 10 including the Deductible Amount and the Cap (to the extent applicable):

(i) all indemnification claims under Section 10.1(a) (other than Excluded Claims and any claims as a result of a breach of any of the Seller Fundamental Representations or the representations and warranties in Section 3.15 (Taxes)): (A) shall first be paid and satisfied from the Escrow Account; and (B) shall then be paid and satisfied exclusively from the R&W Insurance Policy;

(ii) all indemnification claims under Section 10.1(a) that are Excluded Claims (other than claims as a result of a breach of any of the Seller Fundamental Representations or the representations and warranties in Section 3.15 (Taxes)): (A) shall first be paid and satisfied from the Escrow Account; and (B) shall then be paid and satisfied directly from the Sellers, severally and not jointly, but subject to the Cap; and

(iii) all indemnification claims under Section 10.1(a) as a result of a breach of any of the Seller Fundamental Representations or the representations and warranties in Section 3.15 (Taxes): (A) shall first be paid and satisfied from the Escrow Account; (B) to the extent such claims are not Excluded Claims, shall then be paid and satisfied from the R&W Insurance Policy, and (C) to the extent such claims are Excluded Claims or to the extent the underlying Losses of such claims exceed the amounts recoverable under the R&W Insurance Policy, shall then be paid and satisfied directly from the Sellers, severally and not jointly. With respect to claims by a Purchaser Indemnified Party for Losses with respect to breaches of any of the Seller Fundamental Representations or the representations and warranties in Section 3.15 (Taxes), in no event may the Purchaser Indemnified Parties seek recourse against the Sellers for an aggregate amount in excess of the Purchase Price, with any and all indemnification payments made by the Sellers taken into consideration when determining whether such cap has been met.

(d) With respect to the Purchaser's indemnification obligations, notwithstanding anything to the contrary set forth in this Agreement:

(i) Except in the case of fraud or a breach of a Purchaser Fundamental Representation, the Purchaser shall not have any obligation to indemnify the Sellers under Section 10.2(a)(i) unless and until the aggregate amount of Losses that would otherwise be subject to indemnification pursuant to Section 10.2(a)(i) exceeds the Deductible Amount, whereupon the Sellers shall be entitled to receive the aggregate amount of Losses from the first Dollar, regardless of the Deductible Amount; and

(ii) Except in the case of fraud or a breach of a Purchaser Fundamental Representation, in no event shall the cumulative indemnification obligations of the Purchaser under Section 10.2(a)(i) in the aggregate exceed the Cap.

For the avoidance of doubt, the indemnification obligations of the Purchaser for any nonperformance or other breach of any covenant or agreement in Article VII by the Purchaser shall not be subject to the limitations set forth in this Section 10.6(d).

Section 10.7 No Right of Indemnification or Contribution. No Seller has any right of indemnification or contribution against the Company with respect to any breach by the Sellers or the Company of any of their representations, warranties, statements, covenants or agreements contained in this Agreement, any Ancillary Agreement or in any certificate, instrument or other document delivered by or on behalf of any Seller or the Company pursuant to this Agreement or any Ancillary Agreement, whether by virtue of any contractual or statutory right of indemnity or otherwise, and all claims to the contrary are hereby waived and released.

Section 10.8 Tax Refunds, Insurance Proceeds and Other Payments. The amount of any and all Losses for which indemnification is provided pursuant to this ARTICLE 10 will be net of (i) any Tax benefit actually received by the applicable Indemnified Party in the current taxable period or year (taking into account any Tax cost or reduction in Tax benefit by reason of the receipt of the indemnification payment) and (ii) any amounts of any insurance proceeds, indemnification payments, contribution payments or reimbursements receivable by, or payable in kind to, the Indemnified Party with respect to such Losses or any of the circumstances giving rise thereto. In connection therewith, if, at any time following payment in full by the Indemnifying Party of any amounts of Losses due under this Agreement, the Indemnified Party receives any insurance proceeds, indemnification payments, contribution payments or reimbursements relating to the circumstances giving rise to such Losses, the Indemnified Party will promptly remit to the Indemnifying Party such proceeds, payments or reimbursements in an amount not to exceed the amount of the corresponding indemnification payment made by the Indemnifying Party. The Purchaser will use (and will cause its Affiliates to use) reasonable best efforts to mitigate any Loss and to collect the proceeds of any available insurance which would have the effect of reducing any Losses (in which case the net proceeds thereof will reduce the Losses). The Purchaser agrees that until the date that is twelve (12) months after the Closing Date it shall maintain casualty and liability insurance policies, employment practices liability insurance, and other insurance policies in each case, such policies being substantially equivalent in coverage, coverage amount, quality of carrier, and covered claims to the insurance policies maintained by the Company immediately preceding the Closing Date.

Section 10.9 Exclusive Remedy. From and after the Closing, the sole and exclusive remedy of the Purchaser against the Sellers for any breach of any representation, warranty or covenant under this Agreement (other than claims or causes of action arising from intentional fraud or willful misconduct) will be pursuant to the indemnification obligations set forth in this ARTICLE 10 and, except to the extent the Purchaser has asserted a claim for indemnification by giving a Claim Notice in accordance with Section 10.3 or Section 10.4 prior to the expiration of the applicable survival period set forth in Section 10.5, the Purchaser will have no remedy against the Sellers for any breach of any provision of this Agreement. Each of the Sellers and the Purchaser hereby waives any and all other remedies (other than claims or causes of action arising from intentional fraud or willful misconduct) that may be available at Law or equity for any breach of any representation, warranty or covenant under this Agreement. Notwithstanding the foregoing, nothing herein will limit (a) the right of the Purchaser to assert a claim against the R&W Insurance Policy or (b) the right of any party to seek injunctive or equitable relief for any breach or threatened breach of any covenant in this Agreement or any Ancillary Agreement.

Section 10.10 Tax Treatment of Indemnification Payments. Any payment under this ARTICLE 10 shall be treated as an adjustment to the purchase price for Tax purposes.

Section 10.11 Sellers' Release. Effective as of the Closing, except with respect to any claim, right or obligation under this Agreement and the other Transaction Documents, each of the Sellers, as a member, manager, employee, officer, or director of, or as a holder of Membership Interests in, the Company or any of its Subsidiaries, or otherwise, and on behalf of itself, its Affiliates, and the successors and assigns of each of them, hereby irrevocably waives, releases, remises, and forever discharges the Company, its Subsidiaries and each of their respective past, present and future members, managers, directors, officers, employees, equityholders, Subsidiaries, and Affiliates, and the successors and assigns of each of them, from any and all Liabilities of the Company and its Subsidiaries owed to such Seller, any of its Affiliates, or any successor or assign of any of them or any claims, actions or Liabilities of any kind which such Seller, any of its Affiliates, or any successor or assign of any of them currently have against, or which are in any way connected to, the Company to the extent arising on or prior to the Closing and related to such Seller's ownership of the Membership Interests, services provided to the Company or other contractual relationship with the Company, in each case whether known or unknown, suspected or unsuspected, absolute or contingent, direct or indirect or nominally or beneficially possessed or claimed by such Seller, any of its

Affiliates, or any successor or assign of any of them. Notwithstanding the foregoing, the foregoing does not waive or release the Company or any of its Subsidiaries from any obligation to indemnify a Seller in his capacity as an employee, officer or manager of the Company pursuant to the Governing Documents of the Company or any of its Subsidiaries or any applicable Laws. Each releasing party hereunder represents and warrants that there has been no assignment or other transfer of any interest in any claim released pursuant to Section 11.5.

Section 10.12 Purchaser's Release. Effective as of the Closing, the Purchaser and the Parent, each on behalf of itself and its successors and assigns, hereby irrevocably waives, releases, remises, and forever discharges the Sellers and each of their respective past, present and future members, managers, directors, officers, employees, equityholders, and the successors and assigns of each of them (the **"Released Parties"**), from any and all claims, actions or Liabilities of any kind which the Purchaser or the Parent, or any successor or assign of either of them currently have against the Sellers, or which are in any way connected to, the Company to the extent arising on or prior to the Closing and related to (i) any failure by the Company or any Subsidiary or Prediktive LLC to withhold or pay any income, payroll, social security, social contribution or other Tax with respect to the personnel provided by Prediktive LLC under that certain Master Services Agreement entered into by the Company and Prediktive LLC effective August 20, 2018, or to file any Tax Return relating to such Taxes; or (ii) any failure by the Company or any Subsidiary or Prediktive LLC to collect and remit any sales, use, value added, good and services and/or other consumption or excise Taxes, or file any Tax Return relating to such Taxes, with any state within the United States, in any such case whether known or unknown, suspected or unsuspected, absolute or contingent, direct or indirect or nominally or beneficially possessed or claimed by Purchaser, any of its Affiliates (including the Company and the Subsidiaries), or any successor or assign of any of them. The Purchaser hereunder represents and warrants that there has been no assignment or other transfer of any interest in any claim, action or Liabilities released pursuant to Section 11.5. The Purchaser and the Parent, jointly and severally, agree to indemnify, defend and hold harmless the Released Parties against any such claims, actions and Liabilities released pursuant to this Section 10.12.

Section 10.13 No Double Recovery. Notwithstanding the fact that any Indemnified Party may have the right to assert claims for indemnification under or in respect of more than one provision of this Agreement in respect of any fact, event, condition or circumstance, no Indemnified Party shall be entitled to recover the amount of any Losses suffered by such Person more than once from an Indemnifying Party pursuant to this Agreement, regardless of whether such Losses may be as a result of a breach of more than one representation or warranty or covenant.

ARTICLE 11 GENERAL PROVISIONS

Section 11.1 Notices. All notices and other communications under this Agreement must be in writing and are deemed duly delivered when (a) delivered if delivered personally or by nationally recognized overnight courier service (costs prepaid), or (b) received or rejected by the addressee, if sent by certified or registered mail, return receipt requested; in each case to the following addresses and marked to the attention of the individual (by name or title) designated below (or to such other address or individual as a party may designate by notice to the other parties):

If to the Seller Representative:

Scott Rouse
3185 Toppington Drive
Beverly Hills, CA 90210

With a copy (which shall not constitute notice) to:

Manatt, Phelps & Phillips LLP
2049 Century Park East, Suite 1700
Los Angeles, CA 90067
Attention: Jeffrey Mannisto

If to the Company:

Rouse Services LLC
8383 Wilshire Blvd #900
Beverly Hills, California 90211
Attention: Scott Rouse and Gary McArdle

With a copy (which shall not constitute notice) to:

Manatt, Phelps & Phillips LLP
2049 Century Park East, Suite 1700
Los Angeles, CA 90067
Attention: Jeffrey Mannisto and Thomas Poletti

If to the Purchaser or the Parent:

Ritchie Bros. Auctioneers Incorporated
9500 Glenlyon Parkway
Burnaby, British Columbia, Canada V5J 0C6
Attention: General Counsel

With a copy (which shall not constitute notice) to:

Dorsey & Whitney LLP
50 South Sixth Street
Suite 1500
Minneapolis, Minnesota 55402-1498
Attention: C. Christopher Bercaw

Section 11.2 Amendment. This Agreement may not be amended, supplemented or otherwise modified except in a written document signed by the Purchaser and the Seller Representative *provided*, any amendment, supplement, waiver or other modification, in each case that adversely impacts the rights or obligations of any Rollover Member, also requires the written consent of such Rollover Member.

Section 11.3 Waiver and Remedies. The parties may (a) extend the time for performance of any of the obligations or other acts of any other party to this Agreement, (b) waive any inaccuracies in the representations and warranties of any other party to this Agreement contained in this Agreement or in any certificate, instrument or document delivered pursuant to this Agreement or (c) waive compliance with any of the covenants, agreements or conditions for the benefit of such party contained in this Agreement. Any such extension or waiver by any party to this Agreement will be valid only if set forth in a written document signed on behalf of the party or parties against whom the waiver or extension is to be effective. No extension or waiver will apply to any time for performance, inaccuracy in any representation or warranty, or noncompliance with any covenant, agreement or condition, as the case may be, other than that which is specified in the written extension or waiver. No failure or delay by any party in exercising any right or remedy under this Agreement or any of the documents delivered pursuant to this Agreement, and no course

of dealing between the parties, operates as a waiver of such right or remedy, and no single or partial exercise of any such right or remedy precludes any other or further exercise of such right or remedy or the exercise of any other right or remedy. Any enumeration of a party's rights and remedies in this Agreement is not intended to be exclusive, and a party's rights and remedies are intended to be cumulative to the extent permitted by Law and include any rights and remedies authorized in Law or in equity.

Section 11.4 Entire Agreement. This Agreement (including the Schedules and Exhibits and the documents and instruments referred to in this Agreement that are to be delivered at the Closing) constitutes the entire agreement among the parties and supersedes any prior understandings, agreements or representations by or among the parties, or any of them, written or oral, with respect to the subject matter of this Agreement.

Section 11.5 Assignment and Successors and No Third Party Rights. This Agreement binds and benefits the parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any Party without the prior written consent of the Purchaser and the Seller Representative; provided however, that nothing herein shall prohibit the Purchaser from assigning and transferring all or part of this Agreement and any of its rights thereunder to one of its Affiliates; provided that the Purchaser provides the Seller Representative written notice of such assignment and any such assignor remains jointly and severally bound with such assignee by the terms and conditions of this Agreement so assigned. Nothing expressed or referred to in this Agreement will be construed to give any Person, other than the parties to this Agreement, any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement except such rights as may inure to a successor or permitted assignee under this Section.

Section 11.6 Severability. If any provision of this Agreement is held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement are not affected or impaired in any way and the parties agree to negotiate in good faith to replace such invalid, illegal and unenforceable provision with a valid, legal and enforceable provision that achieves, to the greatest lawful extent under this Agreement, the economic, business and other purposes of such invalid, illegal or unenforceable provision.

Section 11.7 Exhibits and Schedules. The Exhibits and Schedules to this Agreement (including the Seller Disclosure Schedule and the Purchaser Disclosure Schedule) are incorporated herein by reference and made a part of this Agreement. The Seller Disclosure Schedule and the Purchaser Disclosure Schedule are arranged in sections and paragraphs corresponding to the numbered and lettered sections and paragraphs of ARTICLE 3 and ARTICLE 5, as applicable. The disclosure in any section or paragraph of the Seller Disclosure Schedule or the Purchaser Disclosure Schedule qualifies other sections and paragraphs in this Agreement only to the extent it is clear by appropriate cross-references that a given disclosure is applicable to such other sections and paragraphs. The listing or inclusion of a copy of a document or other item is not adequate to disclose an exception to any representation or warranty in this Agreement unless the representation or warranty relates to the existence of the document or item itself. Inclusion of information in the Seller Disclosure Schedule or Purchaser Disclosure Schedule shall not be construed as an admission that such information is material to the business, operations, or condition (financial or otherwise) of the Business, the Company, or the Purchaser, taken in part or as a whole, or as an admission of liability or obligation to any third party. Any item of information, matter, or document disclosed or referenced in, or attached to, the Purchaser Disclosure Schedule or Seller Disclosure Schedule shall not (a) be used as a basis for interpreting the terms "material," "Material Adverse Effect," or other similar terms in this Agreement or to establish a standard of materiality, (b) be deemed or interpreted to expand the scope of any Party's representations and warranties, obligations, covenants, conditions, or agreements contained herein, (c) constitute, or be deemed to constitute, an admission of liability or obligation regarding such matter, or (d) constitute, or be deemed to constitute, an admission to any third party concerning such item or matter. No

disclosure in the Seller Disclosure Schedule or the Purchaser Disclosure Schedule relating to any possible breach or violation of any agreement or Law shall be construed as an admission or indication that any such breach or violation exists or has actually occurred.

Section 11.8 Interpretation. In the negotiation of this Agreement, each party has received advice from his or its own attorney. The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no provision of this Agreement will be interpreted for or against any party because that party or its attorney drafted the provision.

Section 11.9 Governing Law. Unless any Exhibit or Schedule specifies a different choice of Law, the internal Laws of the State of Delaware (without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of Laws of any other jurisdiction) govern all matters arising out of or relating to this Agreement and its Exhibits and Schedules and all of the transactions it contemplates, including its validity, interpretation, construction, performance and enforcement and any disputes or controversies arising therefrom or related thereto.

Section 11.10 Specific Performance. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. The parties accordingly agree that, in addition to any other remedy to which they are entitled at Law or in equity, the parties are entitled to injunctive relief to prevent breaches of this Agreement and otherwise to enforce specifically the provisions of this Agreement. Each party expressly waives any requirement that any other party obtain any bond or provide any indemnity in connection with any action seeking injunctive relief or specific enforcement of the provisions of this Agreement.

Section 11.11 Jurisdiction and Service of Process. Any action or proceeding arising out of or relating to this Agreement or the transactions contemplated by this Agreement must be brought in the courts of the Delaware Court of Chancery, or, if the Delaware Court of Chancery does not have jurisdiction, any other federal or state court in the State of Delaware. Each of the parties knowingly, voluntarily and irrevocably submits to the exclusive jurisdiction of each such court in any such action or proceeding and waives any objection it may now or hereafter have to venue or to convenience of forum. Any party to this Agreement may make service on another party by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 11.1. Nothing in this Section 11.11, however, affects the right of any party to serve legal process in any other manner permitted by Law.

Section 11.12 Waiver of Jury Trial. Each of the parties knowingly, voluntarily and irrevocably waives, to the fullest extent permitted by law, all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the transactions contemplated by this Agreement or the actions of any party to this Agreement in negotiation, administration, performance or enforcement of this Agreement.

Section 11.13 Expenses. Except as otherwise provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, the Sellers, on the one hand, and the Purchaser, on the other hand, will pay all of their own expenses (including, but not limited to, all compensation and expenses of counsel, financial advisors, consultants, actuaries and independent accountants) incurred in connection with the preparation and negotiation of this Agreement and the consummation of the transactions contemplated by this Agreement; provided that the Sellers will bear all Transaction Expenses of the Company, which the Purchaser will pay on behalf of the Sellers and/or the Company as provided in Section 2.5(d).

Section 11.14 Counterparts. The parties may execute this Agreement in multiple counterparts, each of which constitutes an original as against the party that signed it, and all of which together constitute one agreement. This Agreement is effective upon delivery of one executed counterpart from each party to the other parties. The signatures of all parties need not appear on the same counterpart. The delivery of signed counterparts by email transmission in portable document format or .tiff format that includes a copy of the sending party's signature(s) is as effective as signing and delivering the counterpart in person.

[Signature page follows.]

The parties have executed and delivered this Agreement as of the date indicated in the first sentence of this Agreement.

RITCHIE BROS. AUCTIONEERS (AMERICA) INC.

By: /s/ Ann Fandozzi
Name: Ann Fandozzi
Title: CEO

RITCHIE BROS. AUCTIONEERS INCORPORATED

By: /s/ Ann Fandozzi
Name: Ann Fandozzi
Title: CEO

ROUSE SERVICES LLC

By: /s/ Scott Rouse
Scott Rouse, CEO

SELLER REPRESENTATIVE

/s/ Scott Rouse
Scott Rouse

SELLERS

/s/ Scott Rouse

Scott Rouse

/s/ Gary McArdle

Gary McArdle

/s/ Phil Mause

Phil Mause

/s/ Alex Currall

Alex Currall

/s/ Joseph Brooks

Joseph Brooks

Brittany Rouse Trust

By: /s/ Brittany Rouse

Brittany Rouse, Trustee

Rouse Asset Services, Inc.

By: /s/ Scott Rouse

Name: Scott Rouse

Title: CEO

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I, Ann Fandozzi, 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: November 5, 2020

/s/ Ann Fandozzi

Ann Fandozzi
Chief Executive Officer

**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: November 5, 2020

/s/ Sharon R. Driscoll

Sharon R. Driscoll
Chief Financial Officer

**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 September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ann Fandozzi, 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: November 5, 2020

/s/ Ann Fandozzi

Ann Fandozzi
Chief Executive Officer

**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 September 30, 2020, 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: November 5, 2020

/s/ Sharon R. Driscoll

Sharon R. Driscoll
Chief Financial Officer