UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10- Q

(Mark One)

✓ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended October 31, 2015

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: 000- 23255

COPART, INC.

(Exact name of registrant as specified in its charter)

Delaware	94- 2867490
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

14185 Dallas Parkway, Suite 300, Dallas, Texas 75254

(Address of principal executive offices, including zip code)

(972) 391- 5000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S- T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ✓ NO ❑

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

Large accelerated filer	✓		Accelerated filer	❑
Non- accelerated filer	❑	(Do not check if a smaller reporting company)	Smaller reporting company	❑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b- 2 of the Exchange Act). YES ❑ NO ✓

As of November 23, 2015, 120,236,510 shares of the registrant's common stock were outstanding.

Copart, Inc.
Index to the Quarterly Report
October 31, 2015

Table of Contents | **Page Number**

Copart, Inc.
Consolidated Balance Sheets
(Unaudited)

(In thousands, except share amounts)	**October 31, 2015**	**July 31, 2015**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 472,916	$ 456,012
Marketable securities	21,893	—
Accounts receivable, net	231,403	215,696
Vehicle pooling costs	26,632	24,949
Inventories	9,075	8,613
Income taxes receivable	950	6,092
Deferred income taxes	2,055	3,396
Prepaid expenses and other assets	20,732	19,824
Total current assets	785,656	734,582
Property and equipment, net	705,590	700,402
Intangibles, net	16,229	17,857
Goodwill	270,620	271,850
Deferred income taxes	30,636	28,840
Other assets	47,033	46,421
Total assets	$ 1,855,764	$ 1,799,952
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	147,342	147,452
Deferred revenue	3,719	3,724
Income taxes payable	30,444	8,279
Current portion of long- term debt and capital lease obligations	42,421	53,671
Total current liabilities	223,926	213,126
Deferred income taxes	5,194	5,322
Income taxes payable	22,395	21,157
Long- term debt and capital lease obligations, net of discount	584,302	592,135
Other liabilities	3,402	3,748
Total liabilities	839,219	835,488
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: $0.0001 par value - 5,000,000 shares authorized; none issued	—	—
Common stock: $0.0001 par value - 180,000,000 shares authorized; 120,230,510 and 120,156,340 shares issued and outstanding, respectively.	12	12
Additional paid- in capital	413,423	407,808
Accumulated other comprehensive loss	(74,740)	(68,793)
Retained earnings	677,850	625,437
Total stockholders' equity	1,016,545	964,464
Total liabilities and stockholders' equity	$ 1,855,764	$ 1,799,952

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.
Consolidated Statements of Income
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended October 31, 2015	2014
Service revenues and vehicle sales:		
Service revenues	$ 250,967	$ 246,597
Vehicle sales	37,871	43,789
Total service revenues and vehicle sales	288,838	290,386
Operating expenses:		
Yard operations	135,909	131,005
Cost of vehicle sales	32,068	37,073
General and administrative	34,615	39,907
Total operating expenses	202,592	207,985
Operating income	86,246	82,401
Other (expense) income:		
Interest expense	(5,724)	(1,910)
Interest income	211	139
Other income, net	1,027	1,593
Total other expenses	(4,486)	(178)
Income before income taxes	81,760	82,223
Income taxes	29,347	29,608
Net income	$ 52,413	$ 52,615
Basic net income per common share	$ 0.44	$ 0.42
Weighted average common shares outstanding	120,155	126,217
Diluted net income per common share	$ 0.42	$ 0.40
Diluted weighted average common shares outstanding	125,572	131,517

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

(In thousands)	Three Months Ended October 31, 2015	2014
Comprehensive income, net of tax:		
Net income	$ 52,413	$ 52,615
Other comprehensive income:		
Unrealized gain on interest rate swaps, net (a)	440	404
Reclassification adjustment of interest rate swaps, net (b)	(219)	(312)
Unrealized gain on available- for- sale securities, net (c)	495	—
Foreign currency translation adjustments	(6,663)	(23,968)
Total comprehensive income	$ 46,466	$ 28,739

(a) Net of tax effect of $(191) and $(228) for the three months ended October 31, 2015 and 2014, respectively.
(b) Net of tax effect of $122 and $176 for the three months ended October 31, 2015 and 2014, respectively.
(c) Net of tax effect of $279 for the three months ended October 31, 2015.

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Three Months Ended October 31, 2015	Three Months Ended October 31, 2014
Cash flows from operating activities:		
Net Income	$ 52,413	$ 52,615
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,562	13,967
Allowance for doubtful accounts	1,032	113
Equity in losses of unconsolidated affiliates	158	—
Stock- based payment compensation	5,414	4,366
Excess tax benefit from stock- based payment compensation	(197)	(361)
Gain on sale of property and equipment	(60)	(261)
Deferred income taxes	(870)	(1,295)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(16,910)	(9,004)
Vehicle pooling costs	(1,741)	825
Inventories	(511)	(553)
Prepaid expenses and other current assets	(1,115)	633
Other assets	(1,036)	2,586
Accounts payable and accrued liabilities	77	(79)
Deferred revenue	(5)	(353)
Income taxes receivable	5,333	2,236
Income taxes payable	23,483	18,434
Other liabilities	(433)	(503)
Net cash provided by operating activities	76,594	83,366
Cash flows from investing activities:		
Purchases of property and equipment	(20,167)	(23,388)
Proceeds from sale of property and equipment	343	472
Proceeds from sale of assets held for sale	100	217
Purchases of marketable securities	(21,119)	—
Net cash used in investing activities	(40,843)	(22,699)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	368	1,931
Excess tax benefit from stock- based payment compensation	197	361
Repurchases of common stock	—	(1,121)
Principal payments on long- term debt	(18,750)	(18,750)
Net cash used in financing activities	(18,185)	(17,579)
Effect of foreign currency translation	(662)	(3,272)
Net increase in cash and cash equivalents	16,904	39,816
Cash and cash equivalents at beginning of period	456,012	158,668
Cash and cash equivalents at end of period	$ 472,916	$ 198,484
Supplemental disclosure of cash flow information:		
Interest paid	$ 5,723	$ 1,910
Income taxes paid, net of refunds	$ 1,292	$ 10,030

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – Description of Business and Summary of Significant Accounting Policies

Description of Business

Copart, Inc. (the Company) provides vehicle sellers with a full range of services to process and sell vehicles over the Internet through the Company's Virtual Bidding Third Generation (VB3) Internet auction- style sales technology. Sellers are primarily insurance companies but also include banks and financial institutions, charities, car dealerships, fleet operators, and vehicle rental companies. The Company sells principally to licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers and exporters; however, at certain locations, the Company sells directly to the general public. The majority of vehicles sold on behalf of insurance companies are either damaged vehicles deemed a total loss or not economically repairable by the insurance companies or are recovered stolen vehicles for which an insurance settlement with the vehicle owner has already been made. The Company offers vehicle sellers a full range of services that expedite each stage of the vehicle sales process, minimize administrative and processing costs and maximize the ultimate sales price. In the United States and Canada (North America), Brazil, the United Arab Emirates (U.A.E.), Oman, Bahrain, and India, the Company sells vehicles primarily as an agent and derives revenue primarily from fees paid by vehicle sellers and vehicle buyers as well as related fees for services, such as towing and storage. In the United Kingdom (U.K.), the Company operates both on a principal basis, purchasing the salvage vehicle outright from the insurance company and reselling the vehicle for its own account, and as an agent. In Germany and Spain, the Company derives revenue from sales listing fees for listing vehicles on behalf of insurance companies.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of the parent company and its wholly- owned subsidiaries, including its foreign wholly- owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments of a normal recurring nature, considered necessary for fair presentation of its financial position as of October 31, 2015 and July 31, 2015, its consolidated statements of income and comprehensive income for the three months ended October 31, 2015 and 2014, and its cash flows for the three months ended October 31, 2015 and 2014. Interim results for the three months ended October 31, 2015 are not necessarily indicative of the results that may be expected for any future period, or for the entire year ending July 31, 2016. These consolidated financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. The interim consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10- K for the fiscal year ended July 31, 2015.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates include but are not limited to, vehicle pooling costs; self- insured reserves; allowance for doubtful accounts; income taxes; revenue recognition; stock- based payment compensation; purchase price allocations; long- lived asset and goodwill impairment calculations; and contingencies. Actual results could differ from these estimates.

Revenue Recognition

The Company provides a portfolio of services to its sellers and buyers that facilitate the sale and delivery of a vehicle from seller to buyer. These services include the ability to use the Company's Internet sales technology and vehicle delivery, loading, title processing, preparation and storage. The Company evaluates multiple- element arrangements relative to its member and seller agreements.

The services provided to the seller of a vehicle involve disposing of a vehicle on the seller's behalf and, under most of the Company's current North American contracts, collecting the proceeds from the member. The Company applies Accounting Standard Update 2009- 13, Revenue Recognition (Topic 605): Multiple- Deliverable Revenue Arrangements (ASU 2009- 13) for revenue recognition. Pre- sale services, including towing, title processing, preparation and storage, as well as sale fees and other enhancement services meet the criteria for separate units of accounting. Revenue associated with each service is recognized upon completion of the respective service, net of applicable rebates or allowances. For certain sellers who are charged a proportionate fee based on high bid of the vehicle, the revenue associated with the pre- sale services is recognized upon completion of the sale when the total arrangement is fixed and determinable.

The estimated selling price of each service is determined based on management's best estimate and allotted based on the relative selling price method.
Vehicle sales, where vehicles are purchased and remarketed on the Company's own behalf, are recognized on the sale date, which is typically the point of high bid acceptance. Upon high bid acceptance, a legal binding contract is formed with the member, and the gross sales price is recorded as revenue.
The Company also provides a number of services to the buyer of the vehicle, charging a separate fee for each service. Each of these services has been assessed to determine whether the requirements have been met to separate them into units of accounting within a multiple- element arrangement. The Company has concluded that the sale and the post- sale services are separate units of accounting. The fees for sale services are recognized upon completion of the sale, and the fees for the post- sale services are recognized upon successful completion of those services using the relative selling price method.
The Company also charges members an annual registration fee for the right to participate in its vehicle sales program, which is recognized ratably over the term of the arrangement, and relist and late- payment fees, which are recognized upon receipt of payment by the member. No provision for returns has been established, as all sales are final with no right of return, although the Company provides for bad debt expense in the case of non- performance by its members or sellers.
The Company allocates arrangement consideration based upon management's best estimate of the selling price of the separate units of accounting contained within arrangements including multiple deliverables. Significant inputs in the Company's estimates of the selling price of separate units of accounting include market and pricing trends, pricing customization and practices, and profit objectives for the services.

Vehicle Pooling Costs

The Company defers in vehicle pooling costs certain yard operation expenses associated with vehicles consigned to and received by the Company, but not sold as of the end of the period. The Company quantifies the deferred costs using a calculation that includes the number of vehicles at its facilities at the beginning and end of the period, the number of vehicles sold during the period and an allocation of certain yard operation costs of the period. The primary expenses allocated and deferred are certain facility costs, labor, transportation, and vehicle processing. If the allocation factors change, then yard operation expenses could increase or decrease correspondingly in the future. These costs are expensed as vehicles are sold in subsequent periods on an average cost basis. Given the fixed cost nature of the Company's business, there are no direct correlations for increases in expenses or units processed on vehicle pooling costs.
The Company applies the provisions of accounting guidance for subsequent measurement of inventory to its vehicle pooling costs. The provision requires that items such as idle facility expenses, double freight and rehandling costs be recognized as current period charges regardless of whether they meet the criteria of "abnormal" as provided in the guidance. In addition, the guidance requires that the allocation of fixed production overhead to the costs of conversion be based on the normal capacity of production facilities.

Foreign Currency Translation

The Company records foreign currency translation adjustments from the process of translating the functional currency of the financial statements of its foreign subsidiaries into the U.S. dollar reporting currency. The Canadian dollar, British pound, U.A.E. dirham, Bahraini dinar, Omani rial, Brazilian real, Indian rupee, and Euro are the functional currencies of the Company's foreign subsidiaries as they are the primary currencies within the economic environment in which each subsidiary operates. The original equity investment in the respective subsidiaries is translated at historical rates. Assets and liabilities of the respective subsidiary's operations are translated into U.S. dollars at period- end exchange rates, and revenues and expenses are translated into U.S. dollars at average exchange rates in effect during each reporting period. Adjustments resulting from the translation of each subsidiary's financial statements are reported in other comprehensive income.
The cumulative effects of foreign currency exchange rate fluctuations were as follows (in thousands):

Cumulative loss on foreign currency translation as of July 31, 2014	$	(18,992)
Loss on foreign currency translation		(49,518)
Cumulative loss on foreign currency translation as of July 31, 2015	$	(68,510)
Loss on foreign currency translation		(6,663)
Cumulative loss on foreign currency translation as of October 31, 2015	$	(75,173)

Income Taxes and Deferred Tax Assets

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, their respective tax basis, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In accordance with the provisions of ASC 740, Income Taxes, a two- step approach is applied to the recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions in the provision for income taxes on its consolidated statements of income.

Marketable Securities

Marketable securities consist of marketable equity securities and are classified as available- for- sale and stated at fair value. The cost basis of the marketable securities is based on the specific identification method. Unrealized gains or losses relating to available- for- sale securities are recorded in accumulated other comprehensive income, net of income taxes. Reclassification adjustments out of accumulated other comprehensive income resulting from realized gains or losses from the sale of available- for- sale securities are included in other income. As of October 31, 2015 the cost basis of the marketable securities was $21.1 million with a fair value of $21.9 million, resulting in an unrealized gain, net of tax of $0.5 million recorded in other comprehensive income.

Other Assets

Other assets consist of long- term deposits, contracted prepayments, notes receivable, and investments in unconsolidated affiliates. In accordance with ASC 323, Investments- Equity Method and Joint Ventures, the Company uses the equity method to account for investments in joint ventures and other unconsolidated entities if the Company has the ability to exercise significant influence over the financial and operating policies of those investees. Under the equity method, the Company records the initial investment in an entity at cost and subsequently adjusts the investment for the Company's share of the affiliate's undistributed earnings (losses) and distributions recorded in other income. The Company reviews the carrying amount of the investments in unconsolidated affiliates annually, or whenever circumstances indicate that the value of these investments may have declined. If the Company determines an investment is impaired on an other- than- temporary basis, a loss equal to the difference between the fair value of the investment and its carrying amount is recorded.

Fair Value of Financial Instruments

The Company records its financial assets and liabilities at fair value in accordance with the framework for measuring fair value in U.S. GAAP. In accordance with ASC 820, Fair Value Measurements and Disclosures, as amended by Accounting Standards Update 2011- 04, the Company considers fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions. This framework establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

Level I	Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.
Level II	Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Interest rate hedges are valued at exit prices obtained from the counter- party.
Level III	Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management’s best estimate.

The amounts recorded for financial instruments in the Company's consolidated financial statements, which included cash, accounts receivable, accounts payable and accrued liabilities approximated their fair values as of October 31, 2015 and July 31, 2015, due to the short- term nature of those instruments, and are classified within Level II of the fair value hierarchy. Cash equivalents are classified within Level II of the fair value hierarchy because they are valued using quoted market prices of the underlying investments. See Note 3 – Long- Term Debt, Note 6 – Fair Value Measures, and Note 13 – Acquisitions.

Derivatives and Hedging

The Company has entered into two interest rate swaps to eliminate interest rate risk on the Company’s variable interest rate debt, and the swaps are designated as effective cash flow hedges under ASC 815, Derivatives and Hedging. See Note 4 – Derivatives and Hedging. Each quarter, the Company measures hedge effectiveness using the “hypothetical derivative method” and records in earnings any hedge ineffectiveness with the effective portion of the change in fair value recorded in other comprehensive income or loss.

Capitalized Software Costs

The Company capitalizes system development costs and website development costs related to the enterprise computing services during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal- use software is amortized on a straight- line basis over its estimated useful life, generally three years. The Company evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that impact the recoverability of these assets.

Total gross capitalized software as of October 31, 2015 and July 31, 2015 was $66.3 million and $65.1 million, respectively. Accumulated amortization expense related to software as of October 31, 2015 and July 31, 2015 totaled $43.7 million and $42.6 million, respectively.

Accounting for Acquisitions

The Company recognizes and measures identifiable assets acquired and liabilities assumed in acquired entities in accordance with ASC 805, Business Combinations. The accounting for acquisitions involves significant judgments and estimates, including the fair value of certain forms of consideration, the fair value of acquired intangible assets, which involve projections of future revenues, cash flows and terminal value, which are then either discounted at an estimated discount rate or measured at an estimated royalty rate, and the fair value of other acquired assets and assumed liabilities, including potential contingencies and the useful lives of the assets. The projections are developed using internal forecasts, available industry and market data and estimates of long- term growth rates of the Company. Historical experience is additionally utilized, in which historical or current costs have approximated fair value for certain assets acquired.

Segments and Other Geographic Reporting

The Company’s North American and U.K. regions are considered two separate operating segments, which have been aggregated into one reportable segment because they share similar economic characteristics.

NOTE 2 – Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents include cash held in checking, domestic certificates of deposit, and money market accounts. The Company periodically invests its excess cash in money market funds and U.S. Treasury Bills. The Company’s cash and cash equivalents are placed with high credit quality financial institutions.

NOTE 3 – Long- Term Debt

Credit Facility

On December 14, 2010, the Company entered into an Amended and Restated Credit Facility Agreement (Credit Facility), with Bank of America, N.A. The Credit Facility was an unsecured credit agreement providing for (i) a $100.0 million revolving credit facility, including a $100.0 million alternative currency borrowing sublimit and a $50.0 million letter of credit sublimit and (ii) a term loan facility of $400.0 million. On September, 29, 2011, the Company amended the Credit Facility increasing the amount of the term loan facility from $400.0 million to $500.0 million.

Credit Agreement

On December 3, 2014, the Company entered into a Credit Agreement with Wells Fargo Bank, National Association, as administrative agent, and Bank of America, N.A., as syndication agent, which superseded the Credit Facility. The Credit Agreement provides for (a) a secured revolving loan facility in an aggregate principal amount of up to $300.0 million, none of which was drawn at closing, or at October 31, 2015 (Revolving Loan Facility), and (b) a secured term loan facility in an aggregate principal amount of $300.0 million (Term Loan), which was fully drawn at closing. Proceeds from the Credit Agreement were used to repay all outstanding amounts under the Credit Facility totaling $275.0 million at December 3, 2014. The remaining proceeds are being used for general corporate purposes. The Revolving Loan Facility and the Term Loan facility mature on December 3, 2019.

The Term Loan, which as of October 31, 2015, had $225.0 million outstanding, amortizes $18.8 million each quarter beginning December 31, 2014 through December 31, 2015, then amortizes $7.5 million each quarter, with all outstanding borrowings due on December 3, 2019. All amounts borrowed under the Term Loan may be prepaid without premium or penalty.

The Revolving Loan Facility and Term Loan under the Credit Agreement bear interest, at the election of the Company, at either (a) the Base Rate, which is defined as a fluctuating rate per annum equal to the greatest of (i) the Prime Rate in effect on such day; (ii) the Federal Funds Rate in effect on such date plus 0.50%; or (iii) an adjusted LIBOR rate determined on the basis of a one- month interest period plus 1.0%, in each case plus an applicable margin ranging from 0.25% to 1.0% based on the Company’s consolidated total net leverage ratio during the preceding fiscal quarter; or (b) an adjusted LIBOR rate plus an applicable margin ranging from 1.25% to 2.0%

depending on the Company's consolidated total net leverage ratio during the preceding fiscal quarter. Interest is due and payable quarterly, in arrears, for loans bearing interest at the Base Rate, and at the end of an interest period (or at each three month interval in the case of loans with interest periods greater than three months) in the case of loans bearing interest at the adjusted LIBOR rate. The interest rate as of October 31, 2015 on the Company's variable interest rate debt was the one month LIBOR rate of 0.19% plus an applicable margin of 1.25%. The carrying amount of the Credit Agreement is comprised of borrowings under which interest accrues under a fluctuating interest rate structure. Accordingly, the carrying value approximates fair value at October 31, 2015, and was classified within Level II of the fair value hierarchy.

Amounts borrowed under the Revolving Loan Facility may be repaid and reborrowed until the maturity date of December 3, 2019. The Company is obligated to pay a commitment fee on the unused portion of the Revolving Loan Facility. The commitment fee rate ranges from 0.20% to 0.35%, depending on the Company's consolidated total net leverage ratio during the preceding fiscal quarter, on the average daily unused portion of the revolving credit commitment under the Credit Agreement. The Company had no outstanding borrowings under the Revolving Loan Facility as of October 31, 2015.

The Company's obligations under the Credit Agreement are guaranteed by certain of the Company's domestic subsidiaries meeting materiality thresholds set forth in the Credit Agreement. Such obligations, including the guaranties, are secured by substantially all of the assets of the Company and the assets of the subsidiary guarantors pursuant to a Security Agreement, dated December 3, 2014, among the Company, the subsidiary guarantors from time to time party thereto, and Wells Fargo Bank, National Association, as collateral agent.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the Company and its subsidiaries' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends, or make distributions on and repurchase stock, in each case subject to certain exceptions. The Company is also required to maintain compliance, measured at the end of each fiscal quarter, with a consolidated total net leverage ratio and a consolidated interest coverage ratio. The Company was in compliance with all covenants related to the Credit Agreement as of October 31, 2015.

Note Purchase Agreement

On December 3, 2014, the Company entered into a Note Purchase Agreement and sold to certain purchasers (collectively, the Purchasers) $400.0 million in aggregate principal amount of senior secured notes (Senior Notes) consisting of (i) $100.0 million aggregate principal amount of 4.07% Senior Notes, Series A, due December 3, 2024; (ii) $100.0 million aggregate principal amount of 4.19% Senior Notes, Series B, due December 3, 2026; (iii) $100.0 million aggregate principal amount of 4.25% Senior Notes, Series C, due December 3, 2027; and (iv) $100.0 million aggregate principal amount of 4.35% Senior Notes, Series D, due December 3, 2029. Interest is due and payable quarterly, in arrears, on each of the Senior Notes. Proceeds from the Note Purchase Agreement are being used for general corporate purposes.

The Company may prepay the Senior Notes, in whole or in part, at any time, subject to certain conditions, including minimum amounts and payment of a make- whole amount equal to the discounted value of the remaining scheduled interest payments under the Senior Notes.

The Company's obligations under the Note Purchase Agreement are guaranteed by certain of the Company's domestic subsidiaries meeting materiality thresholds set forth in the Note Purchase Agreement. Such obligations, including the guaranties, are secured by substantially all of the assets of the Company and the subsidiary guarantors. The obligations of the Company and its subsidiary guarantors under the Note Purchase Agreement will be treated on a pari passu basis with the obligations of those entities under the Credit Agreement as well as any additional debt the Company may obtain.

The Note Purchase Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the Company and its subsidiaries' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends, or make distributions and repurchase stock, in each case subject to certain exceptions. The Company is also required to maintain compliance, measured at the end of each fiscal quarter, with a consolidated total net leverage ratio and a consolidated interest coverage ratio. The Company was in compliance with all covenants related to the Note Purchase Agreement as of October 31, 2015.

Related to the execution of the Credit Agreement and the Note Purchase Agreement, the Company incurred $2.1 million in costs, of which $1.0 million was capitalized as debt issuance fees and $1.1 million was recorded as a reduction of the long- term debt proceeds as a debt discount. Both the debt issuance fees and debt discount are amortized to interest expense over the term of the respective debt instruments.

NOTE 4 – Derivatives and Hedging

The Company has entered into two interest rate swaps to exchange its variable interest rate payments commitment for fixed interest rate payments through December 2015. The swaps are a designated effective cash flow hedge under ASC 815, Derivatives and Hedging. Each quarter, the Company measures hedge effectiveness using the "hypothetical derivative method" and records in earnings any hedge ineffectiveness with the effective portion of the change in fair value recorded in other comprehensive income or loss. The Company has reclassified $0.3 million and $0.5 million for the three months ended October 31, 2015 and 2014, respectively, out of other comprehensive income into interest expense.

The hedge provided by the swaps could prove to be ineffective for a number of reasons, including early retirement of the variable interest rate debt, as is allowed under the variable interest rate debt, or in the event the counterparty to the interest rate swaps is determined in the future to not be creditworthy. The Company has no plans for early retirement of the Term Loan.

The interest rate swaps are classified within Level II of the fair value hierarchy as the derivatives are valued using observable inputs. The Company determines fair value of the derivative utilizing observable market data of swap rates and basis rates. These inputs are placed into a pricing model using a discounted cash flow methodology in order to calculate the mark- to- market value of the interest rate swaps. As of October 31, 2015 and July 31, 2015, the Company's fair value of the interest rate swaps were $0.2 million and $0.4 million, respectively, and were classified as other liabilities in the consolidated balance sheets.

NOTE 5 – Goodwill and Intangible Assets

The following table sets forth amortizable intangible assets by major asset class:

(In thousands)	October 31, 2015	July 31, 2015
Amortized intangibles:		
Covenants not to compete	$ 1,670	$ 1,691
Supply contracts & customer relationships	27,282	27,506
Trade name	5,133	5,129
Licenses and databases	2,491	2,498
Accumulated amortization	(20,347)	(18,967)
Net intangibles	$ 16,229	$ 17,857

Aggregate amortization expense on amortizable intangible assets was $1.5 million and $1.9 million for the three months ended October 31, 2015 and 2014, respectively.

The change in the carrying amount of goodwill was as follows (in thousands):

Balance as of July 31, 2015	$ 271,850
Effect of foreign currency exchange rates	(1,230)
Balance as of October 31, 2015	$ 270,620

NOTE 6 – Fair Value Measures

The following table summarizes the fair value of the Company's financial assets and liabilities measured and recorded at fair value on a recurring basis based on inputs used to derive their fair values:

(In thousands)	October 31, 2015			July 31, 2015		
	Fair Value Total	Observable Inputs (Level I)	Significant Observable Inputs (Level II)	Fair Value Total	Observable Inputs (Level I)	Significant Observable Inputs (Level II)
Assets						
Cash equivalents	2,542	—	2,542	2,121	—	2,121
Marketable equity securities	21,893	21,893	—	—	—	—
Total Assets	24,435	21,893	2,542	2,121	—	2,121
Liabilities						
Long- term variable rate debt, including current portion	225,000	—	225,000	243,750	—	243,750
Long- term fixed rate debt, including current portion	404,805	—	404,805	403,375	—	403,375
Interest rate swap derivative	156	—	156	446	—	446
Total Liabilities	629,961	—	629,961	647,571	—	647,571

During the three months ended October 31, 2015, no transfers were made between any levels within the fair value hierarchy. See Note 1 – Description of Business and Summary of Significant Accounting Policies, Note 3 – Long- Term Debt, Note 4 – Derivatives and Hedging, and Note 13 – Acquisitions.

NOTE 7 – Net Income Per Share

The table below reconciles basic weighted shares outstanding to diluted weighted average shares outstanding:

(In thousands)	Three Months Ended October 31, 2015	2014
Weighted average common shares outstanding	120,155	126,217
Effect of dilutive securities - stock options	5,417	5,300
Weighted average common and dilutive potential common shares outstanding	125,572	131,517

There were no material adjustments to net income required in calculating diluted net income per share. Excluded from the dilutive earnings per share calculation were 7,676,298 and 5,111,371 stock options for the three months ended October 31, 2015 and 2014, respectively, because their inclusion would have been anti- dilutive.

NOTE 8 – Stock- based Payment Compensation

The Company recognizes compensation expense for stock option awards on a straight- line basis over the requisite service period of the award. The following is a summary of activity for the Company’s stock options for the three months ended October 31, 2015:

(In thousands, except per share and term data)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
Outstanding as of July 31, 2015	21,011	$ 23.65	5.78	$ 261,339
Grants of options	10	34.94		
Exercises	(31)	12.02		
Forfeitures or expirations	(1)	35.45		
Outstanding as of October 31, 2015	20,989	$ 23.67	5.54	$ 264,104
Exercisable as of October 31, 2015	14,802	$ 18.79	4.22	$ 257,895

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock. The number of options that were in- the- money was 19,799,832 at October 31, 2015.

The table below sets forth the stock- based payment compensation recognized by the Company:

	Three months ended October 31,	
(In thousands)	**2015**	**2014**
General and administrative	$ 4,728	$ 3,820
Yard operations	686	546
Total stock- based payment compensation	$ 5,414	$ 4,366

In accordance with ASC 718, Compensation – Stock Compensation, the Company made an estimate of expected forfeitures and recognized compensation cost only for those equity awards expected to vest.

In October 2013, the Compensation Committee of the Company's Board of Directors, subject to stockholder approval (which was subsequently obtained at the December 16, 2013 annual meeting of stockholders), approved the grant to each of A. Jayson Adair, the Company's Chief Executive Officer, and Vincent W. Mitz, the Company's President, of nonqualified stock options to purchase 2,000,000 and 1,500,000 shares of the Company's common stock, respectively, at an exercise price of $35.62 per share, which equaled the closing price of the Company's common stock on December 16, 2013, the effective date of grant. Such grants were made in lieu of any cash salary or bonus compensation in excess of $1.00 per year or the grant of any additional equity incentives for a five- year period. Each option will become exercisable over five years, subject to continued service by Mr. Adair and Mr. Mitz, with 20% vesting on April 15, 2015 and December 16, 2014, respectively, and the balance vesting monthly over the subsequent four years. Each option will become fully vested, assuming continued service on April 15, 2019 and December 16, 2018, respectively. If, upon or following a change in control, either the Company or a successor entity terminates the executive's service without cause, or the executive resigns for good reason (as defined in the option agreement), then 100% of the shares subject to his stock option will immediately vest. On June 2, 2015, the Compensation Committee of the Company's Board of Directors approved the amendment of each of the stand- alone stock option agreements, by and between the Company and A. Jayson Adair and Vincent W. Mitz, respectively, to remove the provision providing at times prior to a "change in control" for the immediate vesting in full of the underlying option upon an involuntary termination of Mr. Adair or Mr. Mitz, as applicable, without "cause." The fair value of each option at the date of grant was $11.43. The total estimated compensation expense to be recognized by the Company over the five year estimated service period for these options is $40.0 million. The Company recognized $1.9 million in compensation expenses for these grants in the three months ended October 31, 2015 and 2014.

NOTE 9 – Common Stock Repurchases

On September 22, 2011, the Company's board of directors approved a 40 million share increase in the Company's stock repurchase program, bringing the total current authorization to 98 million shares. The repurchases may be effected through solicited or unsolicited transactions in the open market or in privately negotiated transactions. No time limit has been placed on the duration of the stock repurchase program. Subject to applicable securities laws, such repurchases will be made at such times and in such amounts as the Company deems appropriate and may be discontinued at any time. The Company did not repurchase any common stock under the program during the three months ended October 31, 2015 or 2014. As of October 31, 2015, the total number of shares repurchased under the program was 50,518,282, and 47,481,718 shares were available for repurchase under the program.

In fiscal 2015, certain executive officers and employees exercised stock options through cashless exercises. A portion of the options exercised were net settled in satisfaction of the exercise price and federal and state minimum statutory tax withholding requirements. The Company remitted $1.1 million for the three months ended October 31, 2014 to the proper taxing authorities in satisfaction of the employees' minimum statutory withholding requirements.

The stock options exercised by certain employees and executive officers through cashless exercises are summarized in the following table:

Period	Options Exercised	Weighted Average Exercise Price	Shares Net Settled for Exercise	Shares Withheld for Taxes(1)	Net Shares to Employees	Weighted Average Share Price for Withholding	Tax Withholdings (in 000s)
FY 2015—Q1	201,333	$ 19.59	124,621	35,416	41,296	$ 31.65	$ 1,121
FY 2015—Q3	139,690	$ 20.27	76,021	20,656	43,013	$ 37.27	$ 770
FY 2015—Q4	200,000	$ 12.02	66,602	52,158	81,240	$ 36.08	$ 1,882

(1) Shares withheld for taxes are treated as a repurchase of shares for accounting purposes but do not count against the Company's stock repurchase program.

No stock options were exercised by certain employees and executive officers through cashless exercises during the three months ended January 31, 2015 and October 31, 2015.

NOTE 10 – Income Taxes

The Company applies the provisions of the accounting standard for uncertain tax positions to its income taxes. For benefits to be realized, a tax position must be more likely than not to be sustained upon examination. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

As of October 31, 2015, the gross amounts of the Company's liabilities for unrecognized tax benefits of $22.4 million, including interest and penalties, were classified as long- term income taxes payable in the accompanying consolidated balance sheets. Over the next twelve months, the Company's existing positions will continue to generate an increase in liabilities for unrecognized tax benefits, as well as a likely decrease in liabilities as a result of the lapse of the applicable statute of limitations and the conclusion of income tax audits. The expected decrease in liabilities relating to unrecognized tax benefits will have a positive effect on the Company's consolidated results of operations and financial position when realized. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

The Company files income tax returns in the U.S. federal jurisdiction, various states and foreign jurisdictions. The Company is currently under examination by certain taxing authorities in the U.S. for fiscal years between 2011 and 2013. At this time, the Company does not believe that the outcome of any examination will have a material impact on the Company's consolidated results of operations and financial position.

The Company has not provided for U.S. federal income and foreign withholding taxes on its foreign subsidiaries' undistributed earnings as of October 31, 2015 because the Company intends to reinvest such earnings indefinitely in its foreign operations. Specifically, the earnings will be dedicated to the following areas outside the U.S.: (i) funding operating and capital spending needs in existing foreign markets; (ii) funding merger and acquisition deals both in existing and new foreign markets; and (iii) other investments to help expand the Company's footprint in foreign emerging markets. The Company does not anticipate the need for any foreign cash in the U.S. operations. It is not practical to determine the taxes that might be incurred if these earnings were to be distributed in the form of dividends or otherwise. If distributed, however, foreign tax credits may become available under current law to reduce or eliminate the resultant U.S. income tax liability.

NOTE 11 – Recent Accounting Pronouncements

In April 2015, the FASB issued ASU 2015- 03, Interest - Imputation of Interest (Subtopic 835- 30), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments are effective for financial statements issued for annual and interim periods beginning after December 15, 2015. The amendments are to be applied on a retrospective basis, wherein the balance sheet of each individual period presented is adjusted to reflect the period- specific effects of applying the new guidance. The Company's adoption of ASU 2015- 03 will not have a material impact on the Company's consolidated results of operations and financial position.

In February 2015, the FASB issued ASU 2015- 02, Consolidation (Topic 810), which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage- backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. In addition to reducing the number of consolidation models from four to two, the new standard simplifies the FASB Accounting Standards Codification and improves current U.S. GAAP by placing more emphasis on risk of loss when determining a controlling financial interest, reducing the frequency of the application of related- party guidance when determining a controlling financial interest in a variable interest entity (VIE), and changing consolidation conclusions for companies in several industries that typically make use of limited partnerships or VIEs. The ASU will be effective for annual and interim periods beginning after December 15, 2015. The Company's adoption of ASU 2015- 02 will not have a material impact on the Company's consolidated results of operations and financial position.

In May 2014, the FASB issued ASU 2014- 09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. ASU 2014- 09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014- 09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014- 09 is effective for annual and interim periods beginning after December 15, 2017. ASU 2014- 09 allows adoption with either retrospective application to each period presented or retrospective application with the cumulative effect recognized as of the date of initial application. The Company has not determined the potential effects of implementing ASU 2014- 09 on the consolidated financial statements.

NOTE 12 – Legal Proceedings

The Company is subject to threats of litigation and is involved in actual litigation and damage claims arising in the ordinary course of business, such as actions related to injuries, property damage, and handling or disposal of vehicles. The material pending legal proceedings to which the Company is a party, or of which any of the Company's property is subject, include the following matters.

On November 1, 2013, the Company filed suit against Sparta Consulting, Inc. (now known as KPIT) in the 44th Judicial District Court of Dallas County, Texas, alleging fraud, fraudulent inducement, and/or promissory fraud, negligent misrepresentation, unfair business practices pursuant to California Business and Professions Code § 17200, breach of contract, declaratory judgment, and attorney's fees. The Company seeks compensatory and exemplary damages, disgorgement of amounts paid, attorney's fees, pre- and post- judgment interest, costs of suit, and a judicial declaration of the parties' rights, duties, and obligations under the Implementation Services Agreement dated October 6, 2011. The suit arises out of the Company's September 17, 2013 decision to terminate the Implementation Services Agreement, under which KPIT was to design, implement, and deliver a customized replacement enterprise resource planning system for the Company. On January 2, 2014, KPIT removed this suit to the United States District Court for the Northern District of Texas. On August 11, 2014, the Northern District of Texas transferred the suit to the United States District Court for the Eastern District of California for convenience. On January 8, 2014, KPIT filed suit against the Company in the United States District Court for the Eastern District of California, alleging breach of contract, promissory estoppel, breach of the implied covenant of good faith and fair dealing, account stated, quantum meruit, unjust enrichment, and declaratory relief. KPIT seeks compensatory and exemplary damages, prejudgment interest, costs of suit, and a judicial declaration of the parties' rights, duties, and obligations under the Implementation Services Agreement. The Company is pursuing its claim for damages, and defending KPIT's claim for damages.

The Company provides for costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on the Company's future consolidated results of operations and cash flows cannot be predicted because any such effect depends on future results of operations and the amount and timing of the resolution of such matters. The Company believes that any ultimate liability will not have a material effect on its consolidated results of operations, financial position or cash flows. However, the amount of the liabilities associated with these claims, if any, cannot be determined with certainty. The Company maintains insurance which may or may not provide coverage for claims made against the Company. There is no assurance that there will be insurance coverage available when and if needed. Additionally, the insurance that the Company carries requires that the Company pay for costs and/or claims exposure up to the amount of the insurance deductibles negotiated when the insurance is purchased.

Governmental Proceedings

The Georgia Department of Revenue, or DOR, has conducted a sales and use tax audit of the Company's operations in Georgia for the period from January 1, 2007 through June 30, 2011. As a result of their initial audit, the DOR issued a notice of proposed assessment for uncollected sales taxes in which it asserted that the Company failed to collect and remit sales taxes totaling $73.8 million, including penalties and interest. According to the DOR, the proposed assessment was based on its initial determination that the Company's sales did not constitute nontaxable sales for resale.

The Company subsequently engaged a Georgia law firm and outside tax advisors to review the conduct of its business operations in Georgia, the notice of proposed assessment, and the DOR's policy position. In particular, the Company's outside legal counsel provided the Company an opinion that the sales for resale to non- U.S. registered resellers should not be subject to Georgia sales and use tax. In rendering its opinion, the Company's counsel noted that non- U.S. registered resellers are unable to comply strictly with technical requirements for a Georgia certificate of exemption but concluded that its sales for resale to non- U.S. registered resellers should not be subject to Georgia sales and use tax notwithstanding this technical inability to comply.

Since the Company's receipt of the notice of proposed assessment, the Company and its counsel have engaged in active discussions with the DOR to resolve the matter. On June 5, 2015, following the Company's most recent discussions and after additional review of documentation, the DOR provided the Company with revised audit work papers computing a sales tax liability of $2.7 million before interest and any penalties.

On June 22, 2015, representatives of the DOR and the Office of the Attorney General for the State of Georgia informed the Company's counsel that the DOR intended to issue a formal notice of assessment for an estimated $100.0 million, based on the DOR's original proposed assessment of $73.8 million plus additional accumulated interest and penalties. On August 4, 2015, the DOR issued an official Assessment and Demand for Payment for $96.1 million for sales taxes, penalties, and interest that the DOR alleges the Company owes the State of Georgia. The Company filed an appeal of this notice of assessment from the DOR with the Georgia Tax Tribunal on September 3, 2015.

Based on the opinion from the Company’s outside law firm, advice from its outside tax advisors, and the Company's best estimate of a probable outcome, the Company has adequately provided for the payment of any assessment in its consolidated financial statements. The Company believes it has strong defenses to the DOR’s notice of assessment and intends to defend this matter. There can be no assurance that this matter will be resolved in the Company’s favor or that the Company will not ultimately be required to make a substantial payment to the Georgia DOR. The Company understands that litigating and defending the matter in Georgia could be expensive and time- consuming and result in substantial management distraction. If the matter were to be resolved in a manner adverse to the Company, it could have a material adverse effect on the Company’s consolidated results of operations and financial position.

NOTE 13 – Acquisitions

During the year ended July 31, 2014, the Company acquired one facility in Montreal, Canada; a salvage vehicle auction business in Brazil, which did not include any facilities; as well as the assets of an online marketing company, which included the rights to hundreds of web domains including www.cashforcars.com and www.cash4cars.com.

During the year ended July 31, 2015, the purchase price allocations for the assets of the online marketing company and the salvage vehicle auction businesses in Montreal, Canada and Brazil were finalized. As a result, from the preliminary purchase price allocation as of July 31, 2014, goodwill decreased $0.8 million, primarily related to a $0.9 million increase in intangible assets, and changes to deferred taxes on acquired intangible assets. In accordance with ASC 805, any adjustments to the fair value of acquired assets and liabilities that occur subsequent to the measurement period will be reflected in the Company’s results of operations. There were no acquisitions during the three months ended October 31, 2015.

These acquisitions were undertaken because of their strategic fit and have been accounted for using the purchase method in accordance with ASC 805, Business Combinations, which resulted in the recognition of goodwill in the Company's consolidated financial statements. Goodwill arose because the purchase price of each acquisition reflected a number of factors, including their future earnings and cash flow potential; the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers; the competitive nature of the process by which the Company acquired these businesses; and the complementary strategic fit and resulting synergies brought to existing operations. Goodwill that arose from these acquisitions was within Level III of the fair value hierarchy as it was valued using unobservable inputs. Unobservable inputs reflect the Company’s best estimate of what hypothetical market participants would use to determine the value of acquired assets at the reporting date based on the best information available in the circumstances. When a determination is made to classify items within Level III of the fair value hierarchy, the evaluation is based upon the significance of the unobservable inputs to the overall fair value measurement. Due to the limitation of goodwill asset market values or pricing information, the determination of fair value of the goodwill asset is inherently more difficult. Goodwill is not amortized for financial reporting purposes but could be amortizable for tax purposes. The intangible assets that arose from these acquisitions were also within Level III of the fair value hierarchy as it was valued using unobservable inputs, primarily from utilizing the Multi- Period Excess Earnings Method (MPEEM) model, which is an income-based approach that allocates to goodwill any acquisition costs not specifically assigned to intangibles, fixed assets or working capital. Intangible assets acquired include covenants not to compete, supply contracts, customer relationships, trade names, licenses and databases and software with a useful life ranging from three to eight years.

These acquisitions did not result in a significant change in the Company’s consolidated results of operations individually or in the aggregate; therefore, pro forma financial information has not been presented. The operating results have been included in the Company’s consolidated results of operations and financial position since the acquisition dates.

NOTE 14 – Subsequent Events

On November 24, 2015, the Company initiated a modified "Dutch Auction" tender offer, or tender offer, to purchase up to 7,317,073 shares of its common stock at a price not greater than $41.00 nor less than $38.00 per share. Assuming 7,317,073 shares are repurchased at the maximum price of $41.00 per share in the tender offer, the Company will repurchase a total of $300.0 million of its common stock in the tender offer. The Company's directors and executive officers are expressly prohibited from participating in the tender offer by the board of directors under the Company's Insider Trading Policy. The shares to be purchased as a result of the tender offer are not part of the Company's stock repurchase program.

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

This Quarterly Report on Form 10- Q, including the information incorporated by reference herein, contains forward- looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical facts are statements that could be deemed forward- looking statements. In some cases, you can identify forward- looking statements by terms such as "may," "will," "should," "expect," "plan," "intend," "forecast," "anticipate," "believe," "estimate," "predict," "potential," "continue" or the negative of these terms or other comparable terminology. The forward-looking statements contained in this Form 10- Q involve known and unknown risks, uncertainties and situations that may cause our or our industry's actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. These forward- looking statements are made in reliance upon the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These factors include those listed in Part I, Item 1A. under the caption entitled "Risk Factors" in this Form 10- Q and those discussed elsewhere in this Form 10- Q. Unless the context otherwise requires, references in this Form 10- Q to "Copart," the "Company," "we," "us," or "our" refer to Copart, Inc. We encourage investors to review these factors carefully together with the other matters referred to herein, as well as in the other documents we file with the Securities and Exchange Commission (the SEC). We may from time to time make additional written and oral forward- looking statements, including statements contained in our filings with the SEC. We do not undertake to update any forward- looking statement that may be made from time to time by or on behalf of us.

Although we believe that, based on information currently available to us and our management, the expectations reflected in the forward- looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward- looking statements.

Overview

We are a leading provider of online auctions and vehicle remarketing services in the United States (U.S.), Canada, the United Kingdom (U.K.), Brazil, the United Arab Emirates (U.A.E.), Oman, Bahrain, and India. We also provide vehicle remarketing services in Germany and Spain.

We provide vehicle sellers with a full range of services to process and sell vehicles primarily over the Internet through our Virtual Bidding Third Generation Internet auction- style sales technology, which we refer to as VB3. Vehicle sellers consist primarily of insurance companies, but also include banks and financial institutions, charities, car dealerships, fleet operators and vehicle rental companies. We sell the vehicles principally to licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers and exporters and, at certain locations, to the general public. The majority of the vehicles sold on behalf of insurance companies are either damaged vehicles deemed a total loss or not economically repairable by the insurance companies, or are recovered stolen vehicles for which an insurance settlement with the vehicle owner has already been made. We offer vehicle sellers a full range of services that expedite each stage of the vehicle sales process, minimize administrative and processing costs, and maximize the ultimate sales price.

In the U.S. and Canada (North America), Brazil, the U.A.E., Oman, Bahrain, and India, we sell vehicles primarily as an agent and derive revenue primarily from fees paid by vehicle sellers and vehicle buyers as well as related fees for services, such as towing and storage. In the U.K., we operate both on a principal basis, purchasing the salvage vehicles outright from the insurance companies and reselling the vehicles for our own account, and as an agent. In Germany and Spain, we derive revenue from sales listing fees for listing vehicles on behalf of many insurance companies.

We monitor and analyze a number of key financial performance indicators in order to manage our business and evaluate our financial and operating performance. Such indicators include:

Service and Vehicle Sales Revenue: Our revenue consists of sales transaction fees charged to vehicle sellers and vehicle buyers, transportation revenue, purchased vehicle revenue, and other remarketing services. Revenues from sellers are generally generated either on a fixed fee contract basis, where our fees are fixed based on the sale of each vehicle regardless of the selling price of the vehicle or under our Percentage Incentive Program (PIP), where our fees are generally based on a predetermined percentage of the vehicle sales price. Under the consignment or fixed fee program, we generally charge an additional fee for title processing and special preparation. We may also charge additional fees for the cost of transporting the vehicle to our facility, storage of the vehicle, and other incidental costs not included in the consignment fee. Under the consignment program, only the fees associated with vehicle processing are recorded in revenue, not the actual sales price (gross proceeds). Sales transaction fees also include fees charged to vehicle buyers for purchasing vehicles, storage, loading, and annual registration. Transportation revenue includes charges to sellers for towing vehicles under certain contracts and towing charges assessed to buyers for delivering vehicles. Purchased vehicle revenue includes the gross sales price of the vehicle, which we have purchased or are otherwise considered to own and is primarily generated in the U.K. We have certain contracts with insurance companies in which we act as a principal, purchasing vehicles and reselling them for our own account. We also purchase vehicles in the open market, primarily from individuals and resell them for our own account.

Our revenue is impacted by several factors, including salvage frequency and the average vehicle auction selling price, as over 50% of our service revenue is associated in some manner to the ultimate selling price of the vehicle. Vehicle auction selling prices are driven primarily by: (i) changes in commodity prices, particularly the per ton price for crushed car bodies, as we believe this has an impact on the ultimate selling price of vehicles sold for scrap and vehicles sold for dismantling; (ii) used car pricing, which we believe has an impact on salvage frequency; (iii) the mix of cars sold, as insurance company cars on average command a lower average selling price than non- insurance cars; and (iv) changes in the U.S. dollar exchange rate to foreign currencies, which we believe has an impact on auction participation by international buyers. We cannot determine the impact of the movement of these influences as we cannot determine which vehicles are sold to the end user or for scrap, dismantling, retailing or export. We also cannot predict the future movements of these influences. Accordingly, we cannot quantify the specific impact that commodity pricing, used car pricing, and product sales mix has on the selling price of vehicles and ultimately on service revenue. Salvage frequency is the percentage of cars involved in accidents which insurance companies salvage rather than repair and is driven by the relationship between repairs costs, used car values, and auction returns. Over the last several years, we believe there has been an increase in overall growth in the salvage market driven by an increase in salvage frequency. The increase in salvage frequency may have been driven by the decline in used car values relative to repair costs, which we believe are generally trending upward. Conversely, increases in used car prices, such as occurred during the most recent recession, may decrease salvage frequency and adversely affect our growth rate. Used car values are determined by many factors, including the used car supply, which is tied directly to new car sales, and the average age of cars on the road. New car sales grew on a year over year basis increasing the supply of used cars. Additionally, the average age of cars on the road continued to increase, growing from 9.6 years in 2002 to 11.5 years in 2015. Contrary to what movements in these factors would indicate, recent used car values have increased. The factors that influence repair costs, used car pricing, and auction returns are many and varied and we cannot predict their movements. Accordingly, we cannot predict future trends in salvage frequency.

Operating Costs and Expenses: Yard operations expenses consist primarily of operating personnel (which includes yard management, clerical and yard employees), rent, contract vehicle towing, insurance, fuel, equipment maintenance and repair, and costs of vehicles sold under the purchase contracts. General and administrative expenses consist primarily of executive management, accounting, data processing, sales personnel, human resources, professional fees, research and development, and marketing expenses.

Other Income and Expense: Other income primarily includes income from the rental of certain real property, foreign exchange rate gains and losses, and gains and losses from the disposal of assets, which will fluctuate based on the nature of these activities each period. Other expense consists primarily of interest expense on long- term debt. See Notes to Unaudited Consolidated Financial Statements, Note 3 – Long- Term Debt.

Liquidity and Cash Flows: Our primary source of working capital is cash operating results. The primary source of our liquidity is our cash and cash equivalents. The primary factors affecting cash operating results are: (i) seasonality; (ii) market wins and losses; (iii) supplier mix; (iv) accident frequency; (v) salvage frequency; (vi) increased volume from our existing suppliers; (vii) commodity pricing; (viii) used car pricing; (ix) foreign currency exchange rates; (x) product mix; and (xi) contract mix to the extent appropriate. These factors are further discussed in the Results of Operations and Risk Factors sections of this Quarterly Report on Form 10- Q.

Potential internal sources of additional working capital are the sale of assets or the issuance of equity through option exercises and shares issued under our Employee Stock Purchase Plan. A potential external source of additional working capital is the issuance of debt and equity; however, we cannot predict if these sources will be available in the future and, if available, if they can be issued under terms commercially acceptable to us.

Recent Developments

On November 24, 2015, we initiated a modified "Dutch Auction" tender offer, or tender offer, to purchase up to 7,317,073 shares of our common stock at a price not greater than $41.00 nor less than $38.00 per share. Assuming 7,317,073 shares are repurchased at the maximum price of $41.00 per share in the tender offer, we will repurchase a total of $300.0 million of our common stock in the tender offer. Our directors and executive officers are expressly prohibited from participating in the tender offer by the board of directors under our Insider Trading Policy. The shares to be purchased as a result of the tender offer are not part of our stock repurchase program.

Acquisitions and New Operations

As part of our overall expansion strategy of offering integrated services to vehicle sellers, we anticipate acquiring and developing facilities in new regions, as well as the regions currently served by our facilities. We believe that these acquisitions and openings will strengthen our coverage, as we have facilities located in North America, the U.K., Brazil, the U.A.E., Oman, Bahrain, Germany, Spain and India, with the intention of providing national coverage for our sellers. All of these acquisitions have been accounted for using the purchase method of accounting.

The following table sets forth facilities that we have acquired or opened from August 1, 2014 through October 31, 2015:

Locations	Acquisitions or Greenfield	Date	Geographic Service Area
Manama, Bahrain	Greenfield	May 2015	Bahrain
Muscat, Oman	Greenfield	June 2015	Oman
Moncton, New Brunswick	Greenfield	July 2015	Canada
Sonepat, Haryana	Greenfield	October 2015	India

The period- to- period comparability of our consolidated operating results and financial position is affected by business acquisitions, new openings, weather and product introductions during such periods. In particular, we have certain contracts inherited through our U.K. acquisitions that require us to act as a principal, purchasing vehicles from the insurance companies and reselling them for our own account. It is our intention, where possible, to migrate these contracts to the agency model in future periods. Changes in the amount of revenue derived in a period from principal transactions relative to total revenue will impact revenue growth and margin percentages.

In addition to growth through business acquisitions, we seek to increase revenues and profitability by, among other things, (i) acquiring and developing additional vehicle storage facilities in key markets; (ii) pursuing national and regional vehicle seller agreements; (iii) increasing our service offerings to sellers and members; and (iv) expanding the application of VB3 into new markets. In addition, we implement our pricing structure and auction procedures, and attempt to introduce cost efficiencies at each of our acquired facilities by implementing our operational procedures, integrating our management information systems, and redeploying personnel, when necessary.

Results of Operations

The following table shows certain data from our consolidated statements of income expressed as a percentage of total service revenues and vehicle sales for the three months ended October 31, 2015 and 2014:

	Three Months Ended October 31,	
(In percentages)	2015	2014
Service revenues and vehicle sales:		
Service revenues	87 %	85 %
Vehicle sales	13 %	15 %
Total service revenues and vehicle sales	100 %	100 %
Operating expenses:		
Yard operations	47 %	45 %
Cost of vehicle sales	11 %	13 %
General and administrative	12 %	14 %
Total operating expenses	70 %	72 %
Operating income	30 %	28 %
Other (expense) income:	(2)%	— %
Income before income taxes	28 %	28 %
Income taxes	10 %	10 %
Net income	18 %	18 %

Comparison of the Three Months Ended October 31, 2015 and 2014

The following table presents a comparison of service revenues and vehicle sales for the three months ended October 31, 2015 and 2014:

	Three Months Ended October 31,			
(In thousands)	2015	2014	Change	% Change
Service revenues	$ 250,967	$ 246,597	$ 4,370	1.8 %
Vehicle sales	37,871	43,789	(5,918)	(13.5)%
Total service revenues and vehicle sales	$ 288,838	$ 290,386	$ (1,548)	(0.5)%

Service Revenues. The increase in service revenues during the three months ended October 31, 2015 of $4.4 million, or 1.8% as compared to the same period last year came from (i) growth in North America of $5.0 million; and (ii) growth in the U.K. of $0.5 million; partially offset by (iii) a decline in our other international markets of $1.1 million. The growth in North America was driven primarily by increased volume, partially offset by a decrease in revenue per car due to lower average auction selling prices, which we believe is due to lower commodity prices, the strengthening of the U.S. dollar against foreign currencies, and a change in mix of vehicles sold. The increase in volume in North America came from existing suppliers as we believe there may have been an increase in the overall growth in the salvage market driven by increased salvage frequency. Excluding a detrimental impact of $1.7 million due to the change in the British pound to U.S. dollar exchange rate, the growth in the U.K. of $2.2 million was driven primarily by increased volume as we increased our market share and a marginal increase in revenue per car. Excluding a detrimental impact of $1.4 million due to changes in foreign currency exchange rates, primarily from the change in the Brazilian real to U.S. dollar exchange rate, the growth in our other international markets was $0.3 million.

Vehicle Sales. The decrease in vehicle sales for the three months ended October 31, 2015 of $5.9 million, or 13.5% as compared to the same period last year came from (i) a decline in the U.K. of $5.2 million; and (ii) a decline in North America of $0.9 million; partially offset by (iii) growth in our other international markets of $0.2 million. The decline in the U.K. was primarily the result of lower average auction selling prices driven by decreased insurance volume and increased open market purchase activity from the general public and included a $1.5 million detrimental impact due to the change in the British pound to U.S. dollar exchange rate. The decline in North America was primarily the result of lower average auction selling prices, which we believe is due to lower commodity prices. The growth in our other international markets was driven primarily by increased volume.

The following table summarizes operating expenses, total other expenses and income taxes for the three months ended October 31, 2015 and 2014:

	Three Months Ended October 31,			
(In thousands)	2015	2014	Change	% Change
Operating expenses:				
Yard operations	$ 127,564	$ 122,145	$ 5,419	4.4 %
Yard depreciation and amortization	8,345	8,860	(515)	(5.8)%
Total yard operations expense	135,909	131,005	4,904	3.7 %
Cost of vehicle sales	32,068	37,073	(5,005)	(13.5)%
General and administrative	31,439	37,037	(5,598)	(15.1)%
General and administrative depreciation and amortization	3,176	2,870	306	10.7 %
Total general and administrative	34,615	39,907	(5,292)	(13.3)%
Total operating expenses	$ 202,592	$ 207,985	$ (5,393)	(2.6)%
Total other expenses	$ (4,486)	$ (178)	$ (4,308)	2,420.2 %
Income taxes	29,347	29,608	(261)	(0.9)%

Yard Operations Expense. The increase in yard operations expense for the three months ended October 31, 2015 of $4.9 million, or 3.7% as compared to the same period last year came primarily from (i) growth in North America of $5.1 million; and (ii) growth in our other international markets of $0.1 million; partially offset by (ii) a decline in the U.K. of $0.3 million. The growth in North America was driven primarily by increased volume and a marginal increase in the cost to process each car. Excluding the beneficial impact of $1.0 million due to the change in the British pound to U.S. dollar exchange rate, the growth in the U.K. was driven by increased volume, partially offset by a marginal decrease in the cost to process each car. The decrease in yard depreciation and amortization expenses for the three months ended October 31, 2015 as compared to the same period last year resulted primarily from certain assets becoming fully amortized in North America.

Cost of Vehicle Sales. The decrease in cost of vehicle sales for the three months ended October 31, 2015 of $5.0 million, or 13.5% as compared to the same period last year came primarily from (i) a decline in the U.K. of $4.9 million, which included the beneficial impact of the change in the British pound to U.S. dollar exchange rate of $1.1 million; and (ii) a decline in North America of $0.3 million; partially offset by (iii) an increase in our other international markets of $0.2 million. The decline in the U.K. resulted from decreased volume from insurance sellers and lower average purchase prices, driven by decreased insurance volume and increased open market purchase activity from the general public.

General and Administrative Expenses. The decrease in general and administrative expenses for the three months ended October 31, 2015 of $5.3 million, or 13.3% as compared to the same period last year came primarily from (i) a decrease in North America of $5.1 million as a result of decreased expenditures on technology development; partially offset by (ii) an increase in stock- based payment compensation. The increase in depreciation and amortization expenses for the three months ended October 31, 2015 as compared to the same period last year resulted primarily from depreciating certain technology assets placed into service in North America.

Other (Expense) Income. The increase in total other expenses for the three months ended October 31, 2015 of $4.3 million, or 2,420.2% as compared to the same period last year was primarily due to an increase in interest expense of $3.8 million as a result of the additional long- term debt issued in December 2014 and decreased currency gains in the U.K. of $0.5 million. See Notes to Unaudited Consolidated Financial Statements, Note 3 – Long-Term Debt.

Income Taxes. Our effective income tax rates were 35.9% and 36.0% for the three months ended October 31, 2015 and 2014.

Liquidity and Capital Resources

The following table presents a comparison of key components of our liquidity and capital resources at October 31, 2015 and July 31, 2015 and for the three months ended October 31, 2015 and 2014, respectively:

(In thousands)	October 31, 2015	July 31, 2015	Change	% Change
Cash and cash equivalents	$ 472,916	$ 456,012	$ 16,904	3.7%
Marketable securities	21,893	—	21,893	100.0%
Working capital	561,730	521,456	40,274	7.7%

	Three Months Ended October 31,			
(In thousands)	2015	2014	Change	% Change
Operating cash flows	$ 76,594	$ 83,366	$ (6,772)	- 8.1 %
Investing cash flows	(40,843)	(22,699)	(18,144)	79.9 %
Financing cash flows	(18,185)	(17,579)	(606)	3.4 %
Capital expenditures	$ (20,167)	$ (23,388)	$ 3,221	- 13.8 %
Principal payments on long- term debt	(18,750)	(18,750)	—	— %

Cash and cash equivalents, marketable securities, and working capital increased at October 31, 2015 as compared to July 31, 2015 primarily due to cash generated from operations, partially offset by capital expenditures and payments on long- term debt. Cash equivalents consisted of bank deposits, domestic certificates of deposit, and funds invested in money market accounts, which bear interest at variable rates.

Historically, we have financed our growth through cash generated from operations, public offerings of common stock, equity issued in conjunction with certain acquisitions and debt financing. Our primary source of cash generated by operations is from the collection of sellers' fees, members' fees and reimbursable advances from the proceeds of vehicle sales. Our business is seasonal as inclement weather during the winter months increases the frequency of accidents and consequently, the number of cars involved in accidents which the insurance companies salvage rather than repair. During the winter months, most of our facilities process 10% to 30% more vehicles than at other times of the year. This increased volume requires the increased use of our cash to pay out advances and handling costs of the additional business.

We believe that our currently available cash and cash equivalents and cash generated from operations will be sufficient to satisfy our operating and working capital requirements for at least the next 12 months. However, if we experience significant growth in the future, we may be required to raise additional cash through the issuance of new debt or additional equity. Although the timing and magnitude of growth through expansion and acquisitions are not predictable, the opening of new greenfield yards is contingent upon our ability to locate property that (i) is in an area in which we have a need for more capacity; (ii) has adequate size given the capacity needs; (iii) has the appropriate shape and topography for our operations; (iv) is reasonably close to a major road or highway; and (v) most importantly, has the appropriate zoning for our business. Costs to develop a new yard can range from $1.0 to $30.0 million, depending on size, location and developmental infrastructure requirements.

As of October 31, 2015, $95.9 million of the $472.9 million of cash and cash equivalents was held by our foreign subsidiaries. If these funds are needed for our operations in the U.S., we would be required to accrue and pay U.S. taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside of the U.S. and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations.

Net cash provided by operating activities decreased for the three months ended October 31, 2015 as compared to the same period in 2014 due to changes in operating assets and liabilities, partially offset by improved cash operating results from an increase in service revenues and a decrease in general and administrative expenses. The change in operating assets and liabilities was primarily the result of an increase in accounts receivable of $7.9 million and an increase in other assets of $3.6 million, partially offset by an increase in income taxes payable of $5.0 million.

Net cash used in investing activities increased for the three months ended October 31, 2015 as compared to the same period in 2014 due primarily to purchases of marketable securities, partially offset by a decrease in capital expenditures.

Net cash used in financing activities increased for the three months ended October 31, 2015 as compared to the same period in 2014 due primarily to a decrease in proceeds from the exercise of stock options, partially offset by a decrease in repurchases of common stock. See Notes to Unaudited Consolidated Financial Statements, Note 9 – Common Stock Repurchases.

Credit Facility

On December 14, 2010, we entered into an Amended and Restated Credit Facility Agreement (Credit Facility), with Bank of America, N.A. The Credit Facility was an unsecured credit agreement providing for (i) a $100.0 million revolving credit facility, including a $100.0 million alternative currency borrowing sublimit and a $50.0 million letter of credit sublimit and (ii) a term loan facility of $400.0 million. On September, 29, 2011, we amended the Credit Facility increasing the amount of the term loan facility from $400.0 million to $500.0 million.

Credit Agreement

On December 3, 2014, we entered into a Credit Agreement with Wells Fargo Bank, National Association, as administrative agent, and Bank of America, N.A., as syndication agent, which superseded the Credit Facility. The Credit Agreement provides for (a) a secured revolving loan facility in an aggregate principal amount of up to $300.0 million, none of which was drawn at closing, or at April 30, 2015 (Revolving Loan Facility), and (b) a secured term loan facility in an aggregate principal amount of $300.0 million (Term Loan), which was fully drawn at closing. Proceeds from the Credit Agreement were used to repay all outstanding amounts under the Credit Facility totaling $275.0 million at December 3, 2014. The remaining proceeds are being used for general corporate purposes. The Revolving Loan Facility and the Term Loan facility mature on December 3, 2019.

The Term Loan, which as of October 31, 2015, had $225.0 million outstanding, amortizes $18.8 million million each quarter beginning December 31, 2014 through December 31, 2015, then amortizes $7.5 million each quarter, with all outstanding borrowings due on December 3, 2019. All amounts borrowed under the Term Loan may be prepaid without premium or penalty.

The Revolving Loan Facility and Term Loan under the Credit Agreement bear interest, at our election, at either (a) the Base Rate, which is defined as a fluctuating rate per annum equal to the greatest of (i) the Prime Rate in effect on such day; (ii) the Federal Funds Rate in effect on such date plus 0.50%; or (iii) an adjusted LIBOR rate determined on the basis of a one- month interest period plus 1.0%, in each case plus an applicable margin ranging from 0.25% to 1.0% based on our consolidated total net leverage ratio during the preceding fiscal quarter; or (b) an adjusted LIBOR rate plus an applicable margin ranging from 1.25% to 2.0% depending on our consolidated total net leverage ratio during the preceding fiscal quarter. Interest is due and payable quarterly, in arrears, for loans bearing interest at the Base Rate, and at the end of an interest period (or at each three month interval in the case of loans with interest periods greater than three months) in the case of loans bearing interest at the adjusted LIBOR rate. The interest rate as of October 31, 2015 on our variable interest rate debt was the one month LIBOR rate of 0.19% plus an applicable margin of 1.25%. The carrying amount of the Credit Agreement is comprised of borrowings under which interest accrues under a fluctuating interest rate structure. Accordingly, the carrying value approximates fair value at October 31, 2015, and was classified within Level II of the fair value hierarchy.

Amounts borrowed under the Revolving Loan Facility may be repaid and reborrowed until the maturity date of December 3, 2019. We are obligated to pay a commitment fee on the unused portion of the Revolving Loan Facility. The commitment fee rate ranges from 0.20% to 0.35%, depending on our consolidated total net leverage ratio during the preceding fiscal quarter, on the average daily unused portion of the revolving credit commitment under the Credit Agreement. We had no outstanding borrowings under the Revolving Loan Facility as of October 31, 2015.

Our obligations under the Credit Agreement are guaranteed by certain of our domestic subsidiaries meeting materiality thresholds set forth in the Credit Agreement. Such obligations, including the guaranties, are secured by substantially all of our assets and the assets of the subsidiary guarantors pursuant to a Security Agreement, dated December 3, 2014, among us, the subsidiary guarantors from time to time party thereto, and Wells Fargo Bank, National Association, as collateral agent.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict us and our subsidiaries' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends, or make distributions on and repurchase stock, in each case subject to certain exceptions. We are also required to maintain compliance, measured at the end of each fiscal quarter, with a consolidated total net leverage ratio and a consolidated interest coverage ratio. We were in compliance with all covenants related to the Credit Agreement as of October 31, 2015.

Note Purchase Agreement

On December 3, 2014, we entered into a Note Purchase Agreement and sold to certain purchasers (collectively, the Purchasers) $400.0 million in aggregate principal amount of senior secured notes (Senior Notes) consisting of (i) $100.0 million aggregate principal amount of 4.07% Senior Notes, Series A, due December 3, 2024; (ii) $100.0 million aggregate principal amount of 4.19% Senior Notes, Series B, due December 3, 2026; (iii) $100.0 million aggregate principal amount of 4.25% Senior Notes, Series C, due December 3, 2027; and (iv) $100.0 million aggregate principal amount of 4.35% Senior Notes, Series D, due December 3, 2029. Interest is due and payable quarterly, in arrears, on each of the Senior Notes. Proceeds from the Note Purchase Agreement are being used for general corporate purposes.

We may prepay the Senior Notes, in whole or in part, at any time, subject to certain conditions, including minimum amounts and payment of a make-whole amount equal to the discounted value of the remaining scheduled interest payments under the Senior Notes.

Our obligations under the Note Purchase Agreement are guaranteed by certain of our domestic subsidiaries meeting materiality thresholds set forth in the Note Purchase Agreement. Such obligations, including the guaranties, are secured by substantially all of our assets and the assets of the subsidiary guarantors. Our obligations and our subsidiary guarantors under the Note Purchase Agreement will be treated on a pari passu basis with the obligations of those entities under the Credit Agreement as well as any additional debt that we may obtain.

The Note Purchase Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict us and our subsidiaries' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends, or make distributions and repurchase stock, in each case subject to certain exceptions. We are also required to maintain compliance, measured at the end of each fiscal quarter, with a consolidated total net leverage ratio and a consolidated interest coverage ratio. We are in compliance with all covenants related to the Note Purchase Agreement as of October 31, 2015.

Related to the execution of the Credit Agreement and the Note Purchase Agreement, we incurred $2.1 million in costs, of which $1.0 million was capitalized as debt issuance fees and $1.1 million was recorded as a reduction of the long- term debt proceeds as a debt discount. Both the debt issuance fees and debt discount are amortized to interest expense over the term of the respective debt instruments.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including costs related to vehicle pooling, self- insured reserves, allowance for doubtful accounts, income taxes, revenue recognition, stock- based payment compensation, purchase price allocations, long- lived asset impairment calculations and contingencies. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management has discussed the selection of critical accounting policies and estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed our disclosure relating to critical accounting policies and estimates in this Quarterly Report on Form 10- Q. There have been no significant changes to the critical accounting policies and estimates from what was disclosed in our Annual Report on Form 10- K for the fiscal year ended July 31, 2015 filed with the SEC on September 25, 2015. Our significant accounting policies are described in the Notes to Unaudited Consolidated Financial Statements, Note 1 – Description of Business and Summary of Significant Accounting Policies in this Quarterly Report on Form 10- Q.

The following discussion and analysis should be read in conjunction with our Unaudited Consolidated Financial Statements and related Notes in Part I., Item I., "Financial Statements."

Recently Issued Accounting Standards

For a description of the new accounting standards that affect us, refer to the Notes to Unaudited Consolidated Financial Statements, Note 11 – Recent Accounting Pronouncements.

Off- Balance Sheet Arrangements

As of October 31, 2015, there are no off- balance sheet arrangements pursuant to Item 303(a)(4) of Regulation S- K promulgated under the Securities Exchange Act of 1934, as amended.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes to the information required under this Item from what was disclosed in our Annual Report on Form 10- K for the fiscal year ended July 31, 2015 filed with the SEC on September 25, 2015.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Exchange Act), or Disclosure Controls, as of the end of the period covered by this Quarterly Report on Form 10- Q. This evaluation, or Controls Evaluation, was performed under the supervision and with the participation of management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO). Disclosure Controls are controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Our Disclosure Controls include some, but not all, components of our internal control over financial reporting.

Based upon the Controls Evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Quarterly Report on Form 10- Q, our Disclosure Controls were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission.

(b) Changes in Internal Controls

There have not been any changes in our internal control over financial reporting during the most recent fiscal quarter 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 are subject to threats of litigation and are involved in actual litigation and damage claims arising in the ordinary course of business, such as actions related to injuries, property damage, and handling or disposal of vehicles. The material pending legal proceedings to which we are party, or of which our property is subject, include the following matters.

On November 1, 2013, we filed suit against Sparta Consulting, Inc. (now known as KPIT) in the 44th Judicial District Court of Dallas County, Texas, alleging fraud, fraudulent inducement, and/or promissory fraud, negligent misrepresentation, unfair business practices pursuant to California Business and Professions Code § 17200, breach of contract, declaratory judgment, and attorney's fees. We seek compensatory and exemplary damages, disgorgement of amounts paid, attorney's fees, pre- and post- judgment interest, costs of suit, and a judicial declaration of the parties' rights, duties, and obligations under the Implementation Services Agreement dated October 6, 2011. The suit arises out of our September 17, 2013 decision to terminate the Implementation Services Agreement, under which KPIT was to design, implement, and deliver a customized replacement enterprise resource planning system for us. On January 2, 2014, KPIT removed this suit to the United States District Court for the Northern District of Texas. On August 11, 2014, the Northern District of Texas transferred the suit to the United States District Court for the Eastern District of California for convenience. On January 8, 2014, KPIT filed suit against us in the United States District Court for the Eastern District of California, alleging breach of contract, promissory estoppel, breach of the implied covenant of good faith and fair dealing, account stated, quantum meruit, unjust enrichment, and declaratory relief. KPIT seeks compensatory and exemplary damages, prejudgment interest, costs of suit, and a judicial declaration of the parties' rights, duties, and obligations under the Implementation Services Agreement. We are pursuing our claim for damages, and defending KPIT's claim for damages.

We have provided for costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on our future consolidated results of operations and cash flows cannot be predicted because any such effect depends on future results of operations and the amount and timing of the resolution of such matters. We believe that any ultimate liability will not have a material effect on our consolidated results of operations, financial position or cash flows. However, the amount of the liabilities associated with these claims, if any, cannot be determined with certainty. We maintain insurance which may or may not provide coverage for claims made against us. There is no assurance that there will be insurance coverage available when and if needed. Additionally, the insurance that we carry requires that we pay for costs and/or claims exposure up to the amount of the insurance deductibles negotiated when the insurance is purchased.

Governmental Proceedings

The Georgia Department of Revenue, or DOR, has conducted a sales and use tax audit of our operations in Georgia for the period from January 1, 2007 through June 30, 2011. As a result of their initial audit, the DOR issued a notice of proposed assessment for uncollected sales taxes in which it asserted that we failed to collect and remit sales taxes totaling $73.8 million, including penalties and interest. According to the DOR, the proposed assessment was based on its initial determination that our sales did not constitute nontaxable sales for resale.

Subsequently, we engaged a Georgia law firm and outside tax advisors to review the conduct of our business operations in Georgia, the notice of proposed assessment, and the DOR's policy position. In particular, our outside legal counsel provided us with an opinion that the sales for resale to non-U.S. registered resellers should not be subject to Georgia sales and use tax. In rendering its opinion, our counsel noted that non- U.S. registered resellers are unable to comply strictly with technical requirements for a Georgia certificate of exemption but concluded that our sales for resale to non- U.S. registered resellers should not be subject to Georgia sales and use tax notwithstanding this technical inability to comply.

Since our receipt of the notice of proposed assessment, our counsel and we have engaged in active discussions with the DOR to resolve the matter. On June 5, 2015, following our most recent discussions and after additional review of documentation, the DOR provided us with revised audit work papers computing a sales tax liability of $2.7 million before interest and any penalties.

On June 22, 2015, representatives of the DOR and the Office of the Attorney General for the State of Georgia informed our counsel that the DOR intended to issue a formal notice of assessment for an estimated $100.0 million, based on the DOR's original proposed assessment of $73.8 million plus additional accumulated interest and penalties. On August 4, 2015, the DOR issued an official Assessment and Demand for Payment for $96.1 million for sales taxes, penalties, and interest that the DOR alleges we owe the State of Georgia. We filed an appeal of this notice of assessment from the DOR with the Georgia Tax Tribunal on September 3, 2015.

Based on the opinion from our outside law firm, advice from our outside tax advisors, and our best estimate of a probable outcome, we believe that we have adequately provided for the payment of any assessment in our consolidated financial statements. We believe we have strong defenses to the DOR's notice of assessment and intend to defend this matter. There can be no assurance that this matter will be resolved in our favor or that we will not ultimately be required to make a substantial payment to the Georgia DOR. We understand that litigating and defending the matter in Georgia could be expensive and time- consuming and result in substantial management distraction. If the matter were to be resolved in a manner adverse to us, it could have a material adverse effect on our consolidated results of operations and financial position.

ITEM 1A. RISK FACTORS

Set forth below and elsewhere in this Quarterly Report on Form 10- Q and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward- looking statements contained in this report. The descriptions below include any material changes to and supersede the description of the risk factors affecting our business previously disclosed in "Part I, Item 1A, Risk Factors" of our Annual Report on Form 10- K for the fiscal year ended July 31, 2015.

We depend on a limited number of major vehicle sellers for a substantial portion of our revenues. The loss of one or more of these major sellers could adversely affect our consolidated results of operations and financial position, and an inability to increase our sources of vehicle supply could adversely affect our growth rates.

No single customer accounted for more than 10% of our revenue during the three months ended October 31, 2015. Historically, a limited number of vehicle sellers have collectively accounted for a substantial portion of our revenues. Seller arrangements are either written or oral agreements typically subject to cancellation by either party upon 30 to 90 days' notice. Vehicle sellers have terminated agreements with us in the past in particular markets, which has affected the pricing for sales services in those markets. There can be no assurance that our existing agreements will not be canceled. Furthermore, there can be no assurance that we will be able to enter into future agreements with vehicle sellers or that we will be able to retain our existing supply of salvage vehicles. A reduction in vehicles from a significant vehicle seller or any material changes in the terms of an arrangement with a significant vehicle seller could have a material adverse effect on our consolidated results of operations and financial position. In addition, a failure to increase our sources of vehicle supply could adversely affect our earnings and revenue growth rates.

Our expansion into markets outside North America, including recent expansions in Europe, Brazil, the Middle East, and India expose us to risks arising from operating in international markets. Any failure to successfully integrate businesses acquired outside of North America into our operations could have an adverse effect on our consolidated results of operations, financial position or cash flows.

We first expanded our operations outside North America in fiscal 2008 with a significant acquisition in the U.K. followed by acquisitions in the U.A.E., Brazil, Germany, and Spain in fiscal 2013, expansions into Bahrain and Oman in fiscal 2015, and expansion into India in fiscal 2016. In addition, we continue to evaluate acquisitions and other opportunities outside North America. Acquisitions or other strategies to expand our operations outside North America pose substantial risks and uncertainties that could have an adverse effect on our future operating results. In particular, we may not be successful in realizing anticipated synergies from these acquisitions, or we may experience unanticipated costs or expenses integrating the acquired operations into our existing business. We have and may continue to incur substantial expenses establishing new yards or operations in international markets. Among other things, we will ultimately deploy our proprietary auction technologies at all of our foreign operations and we cannot predict whether this deployment will be successful or will result in increases in the revenues or operating efficiencies of any acquired companies relative to their historic operating performance. Integration of our respective operations, including information technology and financial and administrative functions, may not proceed as anticipated and could result in unanticipated costs or expenses such as capital expenditures that could have an adverse effect on our future operating results. We cannot provide any assurance that we will achieve our business and financial objectives in connection with these acquisitions or our strategic decision to expand our operations internationally.

As we continue to expand our business internationally, we will need to develop policies and procedures to manage our business on a global scale. Operationally, acquired businesses typically depend on key seller relationships, and our failure to maintain those relationships would have an adverse effect on our consolidated results of operations and could have an adverse effect on our future operating results.

In addition, we anticipate our international operations will continue to subject us to a variety of risks associated with operating on an international basis, including:

- the difficulty of managing and staffing foreign offices and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- the need to localize our product offerings, particularly the need to implement our online auction platform in foreign countries;
- the need to comply with complex foreign and U.S. laws and regulations that apply to our international operations;

- tariffs and trade barriers and other regulatory or contractual limitations on our ability to operate in certain foreign markets;
- exposure to foreign currency exchange rate risk, which may have an adverse impact on our revenues and revenue growth rates;
- adapting to different business cultures and market structures, particularly where we seek to implement our auction model in markets where insurers have historically not played a substantial role in the disposition of salvage vehicles; and
- repatriation of funds currently held in foreign jurisdictions to the U.S. may result in higher effective tax rates.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Our failure to manage any of these risks successfully could harm our international operations and have an adverse effect on our operating results.

In addition, certain acquisitions in the U.K. may be reviewed by the Competition and Markets Authority (U.K. Regulator). If an inquiry is made by the U.K. Regulator, we may be required to demonstrate that our acquisitions will not result, or be expected to result, in a substantial lessening of competition in the U.K. market. Although we believe that there will not be a substantial lessening of competition in the U.K. market, based on our analysis of the relevant U.K. markets, there can be no assurance that the U.K. Regulator will agree with us if it decides to make an inquiry. If the U.K. Regulator determines that by our acquisitions of certain assets, there is or likely will be a substantial lessening of competition in the U.K. market, we could be required to divest some portion of our U.K. assets. In the event of a divestiture order by the U.K. Regulator, the assets disposed may be sold for substantially less than their carrying value. Accordingly, any divestiture could have a material adverse effect on our operating results in the period of the divestiture.

Our operations and acquisitions in certain foreign areas expose us to political, regulatory, economic, and reputational risks.

Although we have implemented policies, procedures and training designed to ensure compliance with anti- bribery laws, trade controls and economic sanctions, and similar regulations, our employees or agents may take actions in violation of our policies. We may incur costs or other penalties in the event that any such violations occur, which could have an adverse effect on our business and reputation.

In addition, some of our recent acquisitions have required us to integrate non- U.S. companies which had not, until our acquisition, been subject to U.S. law. In many countries outside of the United States, particularly in those with developing economies, it may be common for persons to engage in business practices prohibited by laws and regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act (FCPA), U.K. Bribery Act, Brazil Clean Companies Act or similar local anti- bribery laws. These laws generally prohibit companies and their employees or agents from making improper payments to government officials for the purpose of obtaining or retaining business. Failure by us and our subsidiaries to comply with these laws could subject us to civil and criminal penalties that could have a material adverse effect on our consolidated operating results and financial position.

We face risks associated with the implementation of our salvage auction model in markets that may not operate on the same terms as the North American market. For example, certain markets operate on a principal rather than agent basis, which may have an adverse impact on our gross margin percentages and expose us to inventory risks that we do not experience in North America.

Some of our target markets outside North America operate in a manner substantially different than our historic market in North America. For example, new markets may operate either wholly or partially on the principal model, in which the vehicle is purchased then resold for our own account, rather than the agency model employed in North America, in which we act as a sales agent for the legal owner of vehicles. Further, operating on a principal basis exposes us to inventory risks, including losses from theft, damage, and obsolescence. In addition, our business in North America and the U.K. has been established and grown based largely on our ability to build relationships with insurance carriers. In other markets, insurers have traditionally been less involved in the disposition of salvage vehicles. As we expand into markets outside North America and the U.K., we cannot predict whether markets will readily adapt to our strategy of online auctions of automobiles sourced principally through vehicle insurers. Any failure of new markets to adopt our business model could adversely affect our consolidated results of operations and financial position.

In general, acquisitions increase our sales and profitability although, given the typical size of our acquisitions, most acquisitions will not individually have a material impact on our consolidated results of operations and financial position. We may not always be able to introduce our processes and selling platform to acquired companies due to different operating models in international jurisdictions or other facts. As a result, the associated benefits of acquisitions may be delayed for years in some international situations. During this period, the acquisitions may operate at a loss and certain acquisitions, while profitable, may operate at a margin percentage that is below our overall operating margin percentage and, accordingly, have an adverse impact on our consolidated results of operations and financial position. Hence, the conversion periods vary from weeks to years and cannot be predicted.

We are transitioning various functionality of our third- party enterprise operating system to an internally developed proprietary system, and we may experience difficulties operating our business as we work to develop and design this system.

During fiscal 2014, we terminated a contract with KPIT (formerly known as Sparta Consulting, Inc.), whereby KPIT was engaged to design and implement an SAP- based replacement for our existing business operating software that, among other things, would address our international expansion needs. Following a review of KPIT's work performed to date, and an assessment of the cost to complete, deployment risk, and other factors, we ceased development of KPIT's software and are now pursuing an internally developed proprietary solution in its place. The transition of our enterprise operating system carries certain risks, including the risk of significant design or deployment errors causing disruptions, delays or deficiencies, which may make our website and services unavailable. This type of interruption could prevent us from processing vehicles for our sellers and may prevent us from selling vehicles through our Internet bidding platform, VB3, which would adversely affect our consolidated results of operations and financial position. In addition, the transition to our new internally developed proprietary system will require us to commit substantial financial, operational and technical resources before the volume of business increases, without assurance that the volume of business will increase. We began using our new internally developed proprietary system with our expansion into India in fiscal 2016.

We may also implement additional or enhanced information systems in the future to accommodate our growth and to provide additional capabilities and functionality. The implementation of new systems and enhancements is frequently disruptive to the underlying business of an enterprise and can be time- consuming and expensive, increase management responsibilities and divert management attention. Any disruptions relating to our system enhancements or any problems with the implementation, particularly any disruptions impacting our operations or our ability to accurately report our financial performance on a timely basis during the implementation period, could materially and adversely affect our business. Even if we do not encounter these material and adverse effects, the implementation of these enhancements may be much more costly than we anticipated. If we are unable to successfully implement the information systems enhancements as planned, our financial position, results of operations and cash flows could be negatively impacted.

Our success depends on maintaining the integrity of our systems and infrastructure. As our operations continue to grow in both size and scope, domestically and internationally, we must continue to provide reliable, real- time access to our systems by our customers through improving and upgrading our systems and infrastructure for enhanced products, services, features and functionality. Any failure to maintain the integrity of our systems and infrastructure may result in loss of customers due to among other things, slow delivery times, unreliable service levels or insufficient capacity, which could have a material adverse effect on our business, consolidated financial position and results of operations.

The impairment of capitalized development costs could adversely affect our consolidated results of operations and financial condition.

We capitalize certain costs associated with the development of new software products, new software for internal use and major software enhancements to existing software. These costs are amortized over the estimated useful life of the software beginning with its introduction or roll- out. If, at any time, it is determined that capitalized software provides a reduced economic benefit, the unamortized portion of the capitalized development costs will be expensed, in part or in full, as an impairment, which may have a material impact on our consolidated results of operations and financial position. During fiscal 2014, we recognized a $29.1 million impairment charge primarily related to capitalized software development costs, as we ceased development of a third- party enterprise operating system and decided to address our international technology needs through an internally developed proprietary solution.

Any failure to maintain security and prevent unauthorized access to electronic and other confidential information could disrupt our business and materially and adversely affect our reputation, consolidated results of operations and financial condition.

Information security risks for online commerce companies have significantly increased in recent years because of, in addition to other factors, the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, and other external parties. These threats may derive from fraud or malice on the part of third parties or current or former employees. In addition, human error or accidental technological failure could make us vulnerable to cyber- attacks, including the introduction of malicious computer viruses or code into our system, phishing attacks, or other information technology data security incidents.

Our operations rely on the secure processing, transmission and storage of confidential, proprietary and other information in our computer systems and networks. Our customers and other parties in the payments value chain rely on our digital technologies, computer and e- mail systems, software and networks to conduct their operations. In addition, to access our products and services, our customers and cardholders increasingly use personal smartphones, tablet PCs and other mobile devices that may be beyond our control.

Cyber- attacks or other cyber security incidents could materially and adversely affect our reputation, operating results, or financial condition by, among other things, making our auction platform inoperable for a period of time, damaging our reputation with buyers, sellers, and insurance companies as a result of the unauthorized disclosure of confidential information (including account data information), or resulting in governmental investigations, litigation, liability, fines, or penalties against us. If such attacks are not detected immediately, their effect could be compounded. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of these cyber risks, our insurance coverage may be insufficient to cover all losses and would not remedy damage to our reputation.

We have in the past identified attempts by unauthorized third parties to access our systems and disrupt our online auctions. These attempts have caused minor service interruptions, which were promptly addressed and resolved, and our online service was restored to normal business. In April 2015, we identified that unauthorized third parties had gained access to data provided to us by our members that is considered to be personal information in certain jurisdictions. We immediately investigated, including the engagement of an external expert security firm, and made the required notifications to members whose information may have been accessed and to regulatory agencies.

We are constantly evaluating and implementing new technologies and processes to manage risks relating to cyber- attacks and system and network disruptions, including but not limited to usage errors by our employees, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. We have further enhanced our security protocols based on the investigation we conducted in response to the recently discovered data breach. Nevertheless, we cannot provide assurances that our efforts to address prior data security incidents and mitigate against the risk of future data security incidents or system failures will be successful. The techniques used by criminals to obtain unauthorized access to sensitive data change frequently and are often not recognized immediately. We may be unable to anticipate these techniques or implement adequate preventative measures and believe that cyber- attacks and threats against us have occurred in the past and are likely to continue in the future. If our systems are compromised again in the future, become inoperable for extended periods of time, or cease to function properly, we may have to make a significant investment to fix or replace them, and our ability to provide many of our electronic and online solutions to our customers may be impaired. In addition, as cyber- threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Any of the risks described above could materially and adversely affect our consolidated financial position and results of operations.

Our business is exposed to risks associated with online commerce security and credit card fraud.

Consumer concerns over the security of transactions conducted on the Internet or the privacy of users may inhibit the growth of the Internet and online commerce. To securely transmit confidential information such as customer credit card numbers, we rely on encryption and authentication technology. Unanticipated events or developments could result in a compromise or breach of the systems we use to protect customer transaction data. Furthermore, our servers may also be vulnerable to viruses transmitted via the Internet. While we proactively check for intrusions into our infrastructure, a new or undetected virus could cause a service disruption.

We maintain an information security program and our processing systems incorporate multiple levels of protection in order to address or otherwise mitigate these risks. Despite these mitigation efforts, there can be no assurance that we will be immune to these risks and not suffer losses in the future. Under current credit card practices and the rules of the online auto auction industry, we may be held liable for fraudulent credit card transactions and other payment disputes with customers. As such, we have implemented certain anti- fraud measures, including credit card verification procedures; however, a failure to adequately prevent fraudulent credit card transactions could adversely affect our consolidated financial position and results of operations.

Our security measures may also be breached due to employee error, malfeasance, insufficiency, or defective design. Additionally, outside parties may attempt to fraudulently induce employees, users, or customers to disclose sensitive information in order to gain access to our data or our users' or customers' data. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and a loss of confidence in the security of our products and services that could have an adverse effect on our consolidated financial position and results of operations.

Our business is subject to a variety of domestic and international laws and other obligations regarding privacy and data protection.

We are subject to federal, state and international laws, directives, and regulation relating to the collection, use, retention, disclosure, security and transfer of personal data. These laws, directives, and regulations, and their interpretation and enforcement continue to evolve and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing privacy and data protection requirements may cause us to incur substantial costs or require us to change our business practices. For example, in October 2015, a European court decision invalidated the U.S.- EU Safe Harbor framework which allowed us and other companies to meet certain European legal requirements for the transfer of personal data from the European Economic Area to the U.S. We may find it necessary or desirable to modify our data handling practices as a result of this court decision, and it may serve as a basis for our personal data handling practices to be challenged or otherwise adversely impact our business. Noncompliance with our legal obligations relating to privacy and data protection could result in penalties, legal proceedings by governmental entities or others, and significant legal and financial exposure and could affect our ability to retain and attract customers. Any of the risks described above could adversely affect our consolidated financial position and results of operations.

Implementation of our online auction model in new markets may not result in the same synergies and benefits that we achieved when we implemented the model in North America and the U.K.

We believe that the implementation of our proprietary auction technologies across our operations over the last decade had a favorable impact on our results of operations by increasing the size and geographic scope of our buyer base, increasing the average selling price for vehicles sold through our sales, and lowering expenses associated with vehicle sales.

We implemented our online system across all of our North American and U.K. salvage yards beginning in fiscal 2004 and 2008, respectively, and experienced increases in revenues and average selling prices, as well as improved operating efficiencies in both markets. In considering new markets, we consider the potential synergies from the implementation of our model based in large part on our experience in North America and the U.K. We cannot predict whether these synergies will also be realized in new markets.

Failure to have sufficient capacity to accept additional cars at one or more of our storage facilities could adversely affect our relationships with insurance companies or other sellers of vehicles.

Capacity at our storage facilities varies from period to period and from region to region. For example, following adverse weather conditions in a particular area, our yards in that area may fill and limit our ability to accept additional salvage vehicles while we process existing inventories. For example, Hurricanes Katrina, Rita and Sandy had, in certain quarters, an adverse effect on our operating results, in part because of yard capacity constraints in the impacted areas of the United States. We regularly evaluate our capacity in all our markets and where appropriate, seek to increase capacity through the acquisition of additional land and yards. We may not be able to reach agreements to purchase independent storage facilities in markets where we have limited excess capacity, and zoning restrictions or difficulties obtaining use permits may limit our ability to expand our capacity through acquisitions of new land. Failure to have sufficient capacity at one or more of our yards could adversely affect our relationships with insurance companies or other sellers of vehicles, which could have an adverse effect on our consolidated results of operations and financial position.

Because the growth of our business has been due in large part to acquisitions and development of new facilities, the rate of growth of our business and revenues may decline if we are not able to successfully complete acquisitions and develop new facilities.

We seek to increase our sales and profitability through the acquisition of additional facilities and the development of new facilities. For example, in fiscal 2013, we acquired new facilities in Sao Paulo, Brazil; the U.A.E.; Ettlingen, Germany; Cordoba, Spain; and in North America. In fiscal 2014, we acquired a facility in Montreal, Canada. In fiscal 2015, we opened new facilities in Bahrain, Oman and Moncton, Canada. In fiscal 2016 we opened a new facility in India. Promising acquisitions are difficult to identify and complete for a number of reasons, including competition among prospective buyers, the availability of affordable financing in the capital markets and the need to satisfy applicable closing conditions and obtain antitrust and other regulatory approvals on acceptable terms. There can be no assurance that we will be able to:

- continue to acquire additional facilities on favorable terms;
- expand existing facilities in no- growth regulatory environments;
- increase revenues and profitability at acquired and new facilities;
- maintain the historical revenue and earnings growth rates we have been able to obtain through facility openings and strategic acquisitions;
- create new vehicle storage facilities that meet our current revenue and profitability requirements; or
- obtain necessary regulatory approvals under applicable antitrust and competition laws.

In addition, certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the company before we acquired it. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our financial statements. Any failure to continue to successfully identify and complete acquisitions and develop new facilities could have a material adverse effect on our consolidated results of operations and financial position.

As we continue to expand our operations, our failure to manage growth could harm our business and adversely affect our consolidated results of operations and financial position.

Our ability to manage growth depends not only on our ability to successfully integrate new facilities, but also on our ability to:

- hire, train and manage additional qualified personnel;
- establish new relationships or expand existing relationships with vehicle sellers;
- identify and acquire or lease suitable premises on competitive terms;

- secure adequate capital; and
- maintain the supply of vehicles from vehicle sellers.

Our inability to control or manage these growth factors effectively could have a material adverse effect on our consolidated results of operations and financial position.

Our annual and quarterly performance may fluctuate, causing the price of our stock to decline.

Our revenues and operating results have fluctuated in the past and can be expected to continue to fluctuate in the future on a quarterly and annual basis as a result of a number of factors, many of which are beyond our control. Factors that may affect our operating results include, but are not limited to, the following:

- fluctuations in the market value of salvage and used vehicles;
- fluctuations in commodity prices, particularly the per ton price of crushed car bodies;
- the impact of foreign exchange gain and loss as a result of international operations;
- our ability to successfully integrate our newly acquired operations in international markets and any additional markets we may enter;
- the availability of salvage vehicles;
- variations in vehicle accident rates;
- member participation in the Internet bidding process;
- delays or changes in state title processing;
- changes in international, state or federal laws or regulations affecting salvage vehicles;
- changes in local laws affecting who may purchase salvage vehicles;
- our ability to integrate and manage our acquisitions successfully;
- the timing and size of our new facility openings;
- the announcement of new vehicle supply agreements by us or our competitors;
- the severity of weather and seasonality of weather patterns;
- the amount and timing of operating costs and capital expenditures relating to the maintenance and expansion of our business, operations and infrastructure;
- the availability and cost of general business insurance;
- labor costs and collective bargaining;
- changes in the current levels of out of state and foreign demand for salvage vehicles;
- the introduction of a similar Internet product by a competitor; and
- the ability to obtain necessary permits to operate.

Due to the foregoing factors, our operating results in one or more future periods can be expected to fluctuate. As a result, we believe that period- to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance. In the event such fluctuations result in our financial performance being below the expectations of public market analysts and investors, the price of our common stock could decline substantially.

Our Internet- based sales model has increased the relative importance of intellectual property assets to our business, and any inability to protect those rights could have a material adverse effect on our business, financial position, or results of operations.

Our intellectual property rights include patents relating to our auction technologies, as well as trademarks, trade secrets, copyrights and other intellectual property rights. In addition, we may enter into agreements with third parties regarding the license or other use of our intellectual property in foreign jurisdictions. Effective intellectual property protection may not be available in every country in which our products and services are distributed, deployed, or made available. We seek to maintain certain intellectual property rights as trade secrets. The secrecy could be compromised by third parties, or intentionally or accidentally by our employees, which would cause us to lose the competitive advantage resulting from those trade secrets. Any significant impairment of our intellectual property rights, or any inability to protect our intellectual property rights, could have a material adverse effect on our consolidated results of operations and financial position.

We have in the past been and may in the future be subject to intellectual property rights claims, which are costly to defend, could require us to pay damages, and could limit our ability to use certain technologies in the future.

Litigation based on allegations of infringement or other violations of intellectual property rights are common among companies who rely heavily on intellectual property rights. Our reliance on intellectual property rights has increased significantly in recent years as we have implemented our auction-style sales technologies across our business and ceased conducting live auctions. Recent U.S. Supreme Court precedent potentially restricts patentability of software inventions by affirming that patent claims merely requiring application of an abstract idea on standard computers utilizing generic computer functions are patent ineligible, which may impact our ability to enforce our issued patent and obtain new patents. As we face increasing competition, the possibility of intellectual property rights claims against us increases. Litigation and any other intellectual property claims, whether with or without merit, can be time- consuming, expensive to litigate and settle, and can divert management resources and attention from our core business. An adverse determination in current or future litigation could prevent us from offering our products and services in the manner currently conducted. We may also have to pay damages or seek a license for the technology, which may not be available on reasonable terms and which may significantly increase our operating expenses, if it is available for us to license at all. We could also be required to develop alternative non- infringing technology, which could require significant effort and expense.

If we experience problems with our subhaulers and trucking fleet operations, our business could be harmed.

We rely solely upon independent subhaulers to pick up and deliver vehicles to and from our storage facilities in North America, Brazil, U.A.E., Oman, Bahrain, and India. We also utilize, to a lesser extent, independent subhaulers in the U.K. Our failure to pick up and deliver vehicles in a timely and accurate manner could harm our reputation and brand, which could have a material adverse effect on our business. Further, an increase in fuel cost may lead to increased prices charged by our independent subhaulers, which may significantly increase our cost. We may not be able to pass these costs on to our sellers or buyers.

In addition to using independent subhaulers, in the U.K. we utilize a fleet of company trucks to pick up and deliver vehicles from our U.K. storage facilities. In connection therewith, we are subject to the risks associated with providing trucking services, including inclement weather, disruptions in transportation infrastructure, availability and price of fuel, any of which could result in an increase in our operating expenses and reduction in our net income.

We are partially self- insured for certain losses and if our estimates of the cost of future claims differ from actual trends, our results of operations could be harmed.

We are partially self- insured for certain losses related to medical insurance, general liability, workers' compensation and auto liability. Our liability represents an estimate of the ultimate cost of claims incurred as of the balance sheet date. The estimated liability is not discounted and is established based upon analysis of historical data and actuarial estimates. Further, we utilize independent actuaries to assist us in establishing the proper amount of reserves for anticipated payouts associated with these self- insured exposures. While we believe these estimates are reasonable based on the information currently available, if actual trends, including the severity of claims and medical cost inflation, differ from our estimates, our results of operations could be impacted.

Our executive officers, directors and their affiliates hold a large percentage of our stock and their interests may differ from other stockholders.

Our executive officers, directors and their affiliates beneficially own, in the aggregate, 19.5% of our common stock as of October 31, 2015. If they were to act together, these stockholders would have significant influence over most matters requiring approval by stockholders, including the election of directors, any amendments to our certificate of incorporation and certain significant corporate transactions, including potential merger or acquisition transactions. In addition, without the consent of these stockholders, we could be delayed or prevented from entering into transactions that could be beneficial to us or our other investors. These stockholders may take these actions even if they are opposed by our other investors.

We have certain provisions in our certificate of incorporation and bylaws, which may have an anti- takeover effect or that may delay, defer or prevent acquisition bids for us that a stockholder might consider favorable and limit attempts by our stockholders to replace or remove our current management.

Our board of directors is authorized to create and issue from time to time, without stockholder approval, up to an aggregate of 5,000,000 shares of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval, and which may include rights superior to the rights of the holders of common stock. In addition, our bylaws establish advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings. These anti- takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause us to take other corporate actions the stockholders desire.

If we lose key management or are unable to attract and retain the talent required for our business, we may not be able to successfully manage our business or achieve our objectives.

Our future success depends in large part upon the leadership and performance of our executive management team, all of whom are employed on an at-will basis and none of whom are subject to any agreements not to compete. If we lose the service of one or more of our executive officers or key employees, in particular Willis J. Johnson, our Chairman; A. Jayson Adair, our Chief Executive Officer; Vincent W. Mitz, our President; and William E. Franklin, our Executive Vice President and Chief Financial Officer, or if one or more of these executives decide to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives.

Cash investments are subject to risks.

We may invest our excess cash in securities or money market funds backed by securities, which may include U.S. treasuries, other federal, state and municipal debt, bonds, preferred stock, commercial paper, insurance contracts and other securities both privately and publicly traded. All securities are subject to risk, including fluctuations in interest rates, credit risk, market risk and systemic economic risk. Changes or movements in any of these risk factors may result in a loss or impairment to our invested cash and may have a material effect on our consolidated results of operations and financial position.

Rapid technological changes may render our technology obsolete or decrease the competitiveness of our services.

To remain competitive, we must continue to enhance and improve the functionality and features of our websites and software. The Internet and the online commerce industry are rapidly changing. In particular, the online commerce industry is characterized by increasingly complex systems and infrastructures. If competitors introduce new services embodying new technologies or if new industry standards and practices emerge, our existing websites and proprietary technology and systems may become obsolete. Our future success will depend on our ability to:

- enhance our existing services;
- develop and license new services and technologies that address the increasingly sophisticated and varied needs of our prospective customers; and
- respond to technological advances and emerging industry standards and practices in a cost- effective and timely basis.

Developing our websites and other proprietary technology entails significant technical and business risks. We may use new technologies ineffectively or we may fail to adapt our websites, transaction- processing systems and network infrastructure to customer requirements or emerging industry standards. If we face material delays in introducing new services, products and enhancements, our customers and suppliers may forego the use of our services and use those of our competitors.

New member programs could impact our operating results.

We have or will initiate programs to open our auctions to the general public. These programs include the Registered Broker program through which the public can purchase vehicles through a registered member and the Market Maker program through which registered members can open Copart storefronts with Internet kiosks enabling the general public to search our inventory and purchase vehicles. Initiating programs that allow access to our online auctions to the general public may involve material expenditures and we cannot predict what future benefit, if any, will be derived.

Factors such as mild weather conditions can have an adverse effect on our revenues and operating results, as well as our revenue and earnings growth rates, by reducing the available supply of salvage vehicles. Conversely, extreme weather conditions can result in an oversupply of salvage vehicles that requires us to incur abnormal expenses to respond to market demands.

Mild weather conditions tend to result in a decrease in the available supply of salvage vehicles because traffic accidents decrease and fewer automobiles are damaged. Accordingly, mild weather can have an adverse effect on our salvage vehicle inventories, which would be expected to have an adverse effect on our revenue and operating results and related growth rates. Conversely, our inventories will tend to increase in poor weather such as a harsh winter or as a result of adverse weather- related conditions such as flooding. During periods of mild weather conditions, our ability to increase our revenues and improve our operating results and related growth will be increasingly dependent on our ability to obtain additional vehicle sellers and to compete more effectively in the market, each of which is subject to the other risks and uncertainties described in these sections. In addition, extreme weather conditions, although they increase the available supply of salvage cars, can have an adverse effect on our operating results. For example, during fiscal 2006 and fiscal 2013, we recognized substantial additional costs associated with Hurricanes Katrina, Rita and Sandy. Weather events have had, in certain quarters, an adverse effect on our operating results, in part because of yard capacity constraints in the impacted areas of the U.S. These additional costs were characterized as “abnormal” under ASC 330, Inventory, and included the additional subhauling, payroll, equipment and facilities expenses directly related to the operating conditions created by the hurricanes. In the event that we were to again experience extremely adverse weather or other anomalous conditions that result in an abnormally high number of salvage vehicles in one or more of our markets, those conditions could have an adverse effect on our future operating results.

Macroeconomic factors such as high fuel prices, declines in commodity prices, declines in used car prices, and vehicle- related technological advances may have an adverse effect on our revenues and operating results, as well as our earnings growth rates.

Macroeconomic factors that affect oil prices and the automobile and commodity markets can have adverse effects on our revenues, revenue growth rates (if any), and operating results. Significant increases in the cost of fuel could lead to a reduction in miles driven per car and a reduction in accident rates. A material reduction in accident rates, whether due to, among other things, a reduction in miles driven per car, vehicle- related technological advances such as accident avoidance systems and, to the extent widely adopted, the advent of driverless cars, could have a material impact on revenue growth. In addition, under our Percentage Incentive Program contracts, or PIP, the cost of towing the vehicle to one of our facilities is included in the PIP fee. We may incur increased fees, which we may not be able to pass on to our vehicle sellers. A material increase in tow rates could have a material impact on our operating results. Volatility in fuel, commodity, and used car prices could have a material adverse effect on our revenues and revenue growth rates in future periods.

The salvage vehicle sales industry is highly competitive and we may not be able to compete successfully.

We face significant competition for the supply of salvage vehicles and for the buyers of those vehicles. We believe our principal competitors include other auction and vehicle remarketing service companies with whom we compete directly in obtaining vehicles from insurance companies and other sellers, and large vehicle dismantlers, who may buy salvage vehicles directly from insurance companies, bypassing the salvage sales process. Many of the insurance companies have established relationships with competitive remarketing companies and large dismantlers. Certain of our competitors may have greater financial resources than us. Due to the limited number of vehicle sellers, particularly in the U.K., the absence of long- term contractual commitments between us and our sellers and the increasingly competitive market environment, there can be no assurance that our competitors will not gain market share at our expense.

We may also encounter significant competition for local, regional and national supply agreements with vehicle sellers. There can be no assurance that the existence of other local, regional or national contracts entered into by our competitors will not have a material adverse effect on our business or our expansion plans. Furthermore, we are likely to face competition from major competitors in the acquisition of vehicle storage facilities, which could significantly increase the cost of such acquisitions and thereby materially impede our expansion objectives or have a material adverse effect on our consolidated results of operations. These potential new competitors may include consolidators of automobile dismantling businesses, organized salvage vehicle buying groups, automobile manufacturers, automobile auctioneers and software companies. While most vehicle sellers have abandoned or reduced efforts to sell salvage vehicles directly without the use of service providers such as us, there can be no assurance that this trend will continue, which could adversely affect our market share, consolidated results of operations and financial position. Additionally, existing or new competitors may be significantly larger and have greater financial and marketing resources than us; therefore, there can be no assurance that we will be able to compete successfully in the future.

Government regulation of the salvage vehicle sales industry may impair our operations, increase our costs of doing business and create potential liability.

Participants in the salvage vehicle sales industry are subject to, and may be required to expend funds to ensure compliance with a variety of governmental, regulatory and administrative rules, regulations, land use ordinances, licensure requirements and procedures, including those governing vehicle registration, the environment, zoning and land use. Failure to comply with present or future regulations or changes in interpretations of existing regulations may result in impairment of our operations and the imposition of penalties and other liabilities. At various times, we may be involved in disputes with local governmental officials regarding the development and/or operation of our business facilities. We believe that we are in compliance in all material respects with applicable regulatory requirements. We may be subject to similar types of regulations by federal, national, international, provincial, state, and local governmental agencies in new markets. In addition, new regulatory requirements or changes in existing requirements may delay or increase the cost of opening new facilities, may limit our base of salvage vehicle buyers and may decrease demand for our vehicles.

Changes in laws affecting the importation of salvage vehicles may have an adverse effect on our business and financial condition.

Our Internet- based auction- style model has allowed us to offer our products and services to international markets and has increased our international buyer base. As a result, foreign importers of salvage vehicles now represent a significant part of our total buyer base. Changes in laws and regulations that restrict the importation of salvage vehicles into foreign countries may reduce the demand for salvage vehicles and impact our ability to maintain or increase our international buyer base. For example, in March 2008, a decree issued by the president of Mexico became effective that placed restrictions on the types of vehicles that can be imported into Mexico from the U.S. The adoption of similar laws or regulations in other jurisdictions that have the effect of reducing or curtailing our activities abroad could have a material adverse effect on our consolidated results of operations and financial position by reducing the demand for our products and services.

The operation of our storage facilities poses certain environmental risks, which could adversely affect our consolidated financial position, results of operations or cash flows.

Our operations are subject to federal, state, national, provincial and local laws and regulations regarding the protection of the environment in the countries which we have storage facilities. In the salvage vehicle remarketing industry, large numbers of wrecked vehicles are stored at storage facilities and during that time, spills of fuel, motor oil and other fluids may occur, resulting in soil, surface water or groundwater contamination. In addition, certain of our facilities generate and/or store petroleum products and other hazardous materials, including waste solvents and used oil. In the U.K., we provide vehicle de- pollution and crushing services for end- of- life program vehicles. We could incur substantial expenditures for preventative, investigative or remedial action and could be exposed to liability arising from our operations, contamination by previous users of certain of our acquired facilities, or the disposal of our waste at off- site locations. Environmental laws and regulations could become more stringent over time and there can be no assurance that we or our operations will not be subject to significant costs in the future. Although we have obtained indemnification for pre- existing environmental liabilities from many of the persons and entities from whom we have acquired facilities, there can be no assurance that such indemnifications will be adequate. Any such expenditures or liabilities could have a material adverse effect on our consolidated results of operations and financial position.

Adverse U.S. and international economic conditions may negatively affect our business, operating results, or financial condition.

The capital and credit markets have historically experienced extreme volatility and disruption, which has in the past and may in the future lead to economic downturns in the U.S. and abroad. As a result of any economic downturn, the number of miles driven may decrease, which may lead to fewer accident claims, a reduction of vehicle repairs, and fewer salvage vehicles. Increases in unemployment, as a result of any economic downturn, may lead to an increase in the number of uninsured motorists. Uninsured motorists are responsible for disposition of their vehicle if involved in an accident. Disposition generally is either the repair or disposal of the vehicle. In the situation where the owner of the wrecked vehicle, and not an insurance company, is responsible for its disposition, we believe it is more likely that vehicle will be repaired or, if disposed, disposed through channels other than us. Adverse credit markets may also affect the ability of members to secure financing to purchase salvaged vehicles which may adversely affect demand. In addition, if the banking system or the financial markets deteriorate or are volatile, our credit facility or our ability to obtain additional debt or equity financing may be affected. These adverse economic conditions and events may have a negative effect on our business, consolidated results of operations and financial position.

If we determine that our goodwill has become impaired, we could incur significant charges that would have a material adverse effect on our consolidated results of operations.

Goodwill represents the excess of cost over the fair market value of assets acquired in business combinations. In recent years, the amount of goodwill on our consolidated balance sheets has increased substantially, principally as a result of a series of acquisitions we have made in North America, the U.K., Brazil, Germany, the U.A.E., and Spain in fiscal 2013 and 2014. As of October 31, 2015, the amount of goodwill on our consolidated balance sheet subject to future impairment testing was $270.6 million.

Pursuant to ASC 350, Intangibles—Goodwill and Other, we are required to annually test goodwill and intangible assets with indefinite lives to determine if impairment has occurred. Additionally, interim reviews must be performed whenever events or changes in circumstances indicate that impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record a non- cash impairment charge for the difference between the carrying value of the goodwill or other intangible assets and the implied fair value of the goodwill or other intangible assets in the period the determination is made. The testing of goodwill and other intangible assets for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including changes in the definition of a business segment in which we operate; changes in economic, industry or market conditions; changes in business operations; changes in competition; or potential changes in the share price of our common stock and market capitalization. Changes in these factors, or changes in actual performance compared with estimates of our future performance, could affect the fair value of goodwill or other intangible assets, which may result in an impairment charge. For example, continued deterioration in worldwide economic conditions could affect these assumptions and lead us to determine that goodwill impairment is required with respect to our acquisitions in North America, the U.K., Brazil, Germany, the U.A.E. or Spain. We cannot accurately predict the amount or timing of any impairment of assets. Should the value of our goodwill or other intangible assets become impaired, it could have a material adverse effect on our consolidated results of operations and could result in our incurring net losses in future periods.

An adverse outcome of our appeal to the Georgia Tax Tribunal of the Georgia Department of Revenue's final assessment in connection with its sales tax audit could have a material adverse effect on our consolidated results of operations and financial condition.

The Georgia Department of Revenue, or DOR, has conducted a sales and use tax audit of our operations in Georgia for the period from January 1, 2007 through June 30, 2011. As a result of their initial audit, the DOR issued a notice of proposed assessment for uncollected sales taxes in which it asserted that we failed to collect and remit sales taxes totaling $73.8 million, including penalties and interest. According to the DOR, the proposed assessment was based on its initial determination that our sales did not constitute nontaxable sales for resale.

Subsequently, we engaged a Georgia law firm and outside tax advisors to review the conduct of our business operations in Georgia, the notice of proposed assessment, and the DOR's policy position. In particular, our outside legal counsel provided us with an opinion that the sales for resale to non-U.S. registered resellers should not be subject to Georgia sales and use tax. In rendering its opinion, our counsel noted that non- U.S. registered resellers are unable to comply strictly with technical requirements for a Georgia certificate of exemption but concluded that our sales for resale to non- U.S. registered resellers should not be subject to Georgia sales and use tax notwithstanding this technical inability to comply.

Since our receipt of the notice of proposed assessment, our counsel and we have engaged in active discussions with the DOR to resolve the matter. On June 5, 2015, following our most recent discussions and after additional review of documentation, the DOR provided us with revised audit work papers computing a sales tax liability of $2.7 million before interest and any penalties.

On June 22, 2015, representatives of the DOR and the Office of the Attorney General for the State of Georgia informed our counsel that the DOR intended to issue a formal notice of assessment for an estimated $100.0 million, based on the DOR's original proposed assessment of $73.8 million plus additional accumulated interest and penalties. On August 4, 2015, the DOR issued an official Assessment and Demand for Payment for $96.1 million for sales taxes, penalties, and interest that the DOR alleges we owe the State of Georgia. We filed an appeal of this notice of assessment from the DOR with the Georgia Tax Tribunal on September 3, 2015.

Based on the opinion from our outside law firm, advice from our outside tax advisors, and our best estimate of a probable outcome, we believe that we have adequately provided for the payment of any assessment in our consolidated financial statements. We believe we have strong defenses to the DOR's notice of assessment and intend to defend this matter. There can be no assurance that this matter will be resolved in our favor or that we will not ultimately be required to make a substantial payment to the Georgia DOR. We understand that litigating and defending the matter in Georgia could be expensive and time- consuming and result in substantial management distraction. If the matter were to be resolved in a manner adverse to us, it could have a material adverse effect on our consolidated results of operations and financial position.

New accounting pronouncements or new interpretations of existing standards could require us to make adjustments to accounting policies that could adversely affect the consolidated financial statements.

The Financial Accounting Standards Board, the Public Company Accounting Oversight Board, and the SEC, from time to time issue new pronouncements or new interpretations of existing accounting standards that require changes to our accounting policies and procedures. To date, we do not believe any new pronouncements or interpretations have had a material adverse effect on our consolidated results of operations and financial position, but future pronouncements or interpretations could require a change or changes in our policies or procedures.

Fluctuations in foreign currency exchange rates could result in declines in our reported revenues and earnings.

Our reported revenues and earnings are subject to fluctuations in currency exchange rates. We do not engage in foreign currency hedging arrangements; consequently, foreign currency fluctuations may adversely affect our revenues and earnings. Should we choose to engage in hedging activities in the future we cannot be assured our hedges will be effective or that the costs of the hedges will exceed their benefits. Fluctuations in the rate of exchange between the U.S. dollar and foreign currencies, primarily the British pound, Canadian dollar, U.A.E. dirham, Bahraini dinar, Omani rial, Brazilian real, Indian rupee, and Euro could adversely affect our consolidated results of operations and financial position.

If the interest rate swaps entered into in connection with our credit facility prove ineffective, it could result in volatility in our operating results, including potential losses, which could have a material adverse effect on our results of operations and cash flows.

We entered into two interest rate swaps to exchange our variable interest rate payment commitments for fixed interest rate payments on our variable interest rate debt through December 2015. We recorded the swaps at fair value, and are currently designated as an effective cash flow hedge under ASC 815, Derivatives and Hedging. Each quarter, we measure hedge effectiveness using the "hypothetical derivative method" and record in earnings any gains or losses resulting from hedge ineffectiveness. The hedge provided by our swaps could prove to be ineffective for a number of reasons, including early retirement of the variable interest rate debt, as is allowed under the variable interest rate debt, or in the event the counterparty to the interest rate swaps are determined in the future to not be creditworthy. Any determination that the hedge created by the swaps is ineffective could have a material adverse effect on our results of operations and cash flows and result in volatility in our operating results. In addition, any changes in relevant accounting standards relating to the swaps, especially ASC 815, Derivatives and Hedging, could materially increase earnings volatility.

ITEM 6. EXHIBITS

a) Exhibits

10.26	Executive Officer Employment Agreement, effective January 4, 2016, between the Registrant and Jeffrey Liaw (incorporated by reference herein to Exhibit 10.26 of the Registrant's Current Report on Form 8- K filed with the SEC on November 23, 2015 (File No. 000- 23255))
10.27	Executive Officer Employment Agreement, effective August 1, 2014, between the Registrant and Rama Prasad.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
32.1(1)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
32.2(1)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Extension Definition
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
(1)	In accordance with Item 601(b)(32)(ii) of Regulation S- K and SEC Release No. 33- 8238 and 34- 47986, Final Rule: Management’s Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10- Q and will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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.

COPART, INC.

/s/ William E. Franklin

William E. Franklin, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer and duly Authorized Officer)

Date: November 24, 2015

Exhibit 10.27

COPART, INC.
EXECUTIVE OFFICER
EMPLOYMENT AGREEMENT

This Executive Officer Employment Agreement is entered into with an effective date of August 1, 2014 (the "Effective Date") by and between Copart, Inc., headquartered in Texas (the "Company"), and Rama Prasad (the "Executive").

1. Duties and Scope of Employment.

(a) Position and Duties. As of the Effective Date, Executive will serve as Senior Vice- President and Chief Information Officer. Executive will render such business and professional services in the performance of his duties, consistent with Executive's position within the Company, as shall reasonably be assigned to him by the Chief Executive Officer (CEO), President, or Executive Vice- President (together, "Senior Management") and as are contemplated by the Company's bylaws. During the term of Executive's employment with the Company, Executive shall report to and be subject to the directives of the Board of Directors (the "Board") and Senior Management. Executive shall also abide by the provisions of the Company's employee handbook, any ethics and compliance directives, and other policies and procedures adopted by the Company. The period of Executive's employment under this Agreement is referred to herein as the "Employment Term." Executive's successful completion of a drug and background check with satisfactory results is a condition precedent to Company's obligations under this Agreement.

(b) Obligations. During the Employment Term, Executive will perform his duties faithfully and to the best of his ability and will devote his full business efforts and time to the Company. For the duration of the Employment Term, Executive agrees not to actively engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the prior approval of the Board.

2. Employment Terms.

(a) Basic "At Will" Rule. The Employment Term shall begin upon the Effective Date and shall continue thereafter until terminated by the Company or the Executive. The Executive acknowledges and agrees that his employment with the Company is "at will" and may be terminated at any time, with or without notice, with or without good cause, or for any or no cause, at the option of either the Company or the Executive. Executive understands and agrees that neither his job performance nor promotions, commendations, bonuses or the like from the Company shall give rise to, or in any way serve as the basis for modification, amendment, or extension, by implication or otherwise, of the Executive's at- will employment with the Company.

(b) Termination. If the Company terminates the Executive's employment at any time for any reason other than Cause or Disability, both as defined below, or if the Executive terminates his employment at any time for Good Reason, as defined below, the provisions of Section 9(a)(i) shall apply. If the Executive terminates his employment at any time other than for Good Reason, the provisions of Section 9(a)(ii) shall apply. Upon termination of the Executive's employment with the Company, the Executive's rights under any applicable benefit plans shall be determined under the provisions of those plans.
(c) Death. The Executive's employment shall terminate in the event of his death. The Company shall have no obligation to pay or provide any compensation or benefits under this Agreement on account of the Executive's death, or for periods following the Executive's death; provided, however, that the Company's obligations under Section 9(a)(i) shall not be interrupted as a result of the Executive's death subsequent to a termination to which such paragraph applies. The Executive's rights under the benefit plans of the Company in the event of the Executive's death shall be determined under the provisions of those plans.
(d) Cause. For all purposes under this Agreement, "Cause" shall mean Executive's:
(i) willful or grossly negligent failure to substantially perform his duties hereunder;
(ii) commission of gross misconduct which is injurious to the Company;
(iii) breach of a material provision of this Agreement (including, without limitation, Section 10) or the agreements, policies, practices, and ethics and compliance directives incorporated herein by reference;
(iv) material violation of a federal or state law or regulation applicable to the business of the Company;
(v) misappropriation or embezzlement of Company funds or an act of fraud or dishonesty upon the Company made by Executive;
(vi) conviction of, or plea of nolo contendre to, a felony; or
(vii) continued failure to comply with directives of Senior Management.
No act, or failure to act, by the Executive shall be considered "willful" unless committed without good faith without a reasonable belief that the act or omission was in the Company's best interest. No compensation or benefits will be paid or provided to the Executive under this Agreement on account of a termination for Cause, or for periods following the date when such a termination of employment is effective. The Executive's rights under the benefit plans of the Company shall be determined under the provisions of those plans.
(e) Disability. The Company may terminate the Executive's employment for Disability by giving the Executive 30 days' advance notice in writing. For all purposes under this Agreement, "Disability" shall mean that the Executive, at the time notice is given, has been unable to substantially perform his duties under this Agreement for a period of not less than six (6) consecutive months as the result of his incapacity due to physical or mental illness. In the event that the Executive resumes the performance of substantially all of his duties hereunder before the termination of his employment under

this subparagraph (e) becomes effective, the notice of termination shall automatically be deemed to have been revoked. No compensation or benefits will be paid or provided to the Executive under this Agreement on account of termination for Disability, or for periods following the date when such a termination of employment is effective. The Executive's rights under the benefit plans of the Company shall be determined under the provisions of those plans.

(f) Good Reason. Employment with the Company may be regarded as having been constructively terminated by the Company, and the Executive may therefore terminate his employment for "Good Reason" within 30 days following the expiration of any Company cure period (as described below) and thereupon become entitled to the benefits of Sections 9(a)(i) below, if one or more of the following events (described in clauses (i) through (iii) below) shall have occurred without the Executive's prior written consent. The Executive will not resign for "Good Reason" without first providing the Company with written notice of the acts or omissions constituting the grounds for "Good Reason" within 90 days of the initial existence of such grounds for "Good Reason" and a reasonable cure period of 30 days following the date of such notice.

(i) the assignment to the Executive of any duties or the reduction of the Executive's duties, either of which results in a material diminution in the Executive's position or responsibilities with the Company in effect immediately prior to such assignment, or the removal of the Executive from such position and responsibilities (other than a promotion or similar move to another position);

(ii) a material reduction by the Company in the Base Salary (as defined below) of the Executive as in effect immediately prior to such reduction;

(iii) a material breach by the Company of a material provision of this Agreement.

3. Dallas Relocation. Executive shall relocate to Dallas, TX and Company shall provide relocation assistance in the form set forth in the Copart Relocation Policy and Relocation Repayment Agreement, a copy of which is attached hereto as Exhibit A.

4. Compensation.

(a) Base Salary. For all services to be rendered by the Executive pursuant to this Agreement, the Company agrees to pay the Executive during the Employment Term a base salary (the "Base Salary") at an annual rate of $300,000. The Base Salary may be paid through the payroll of either Company or its subsidiary. In either case, the Base Salary shall be paid in accordance with Company's or the subsidiary's regular payroll practices. The Company agrees to review the Base Salary at least annually after the conclusion of the Company's fiscal year and to make such adjustments therein as the Board may approve.

(b) Bonus. Beginning with the Company's 2015 fiscal year and for each fiscal year thereafter during the Employment Term, the Executive will be eligible to receive an annual bonus (the "Bonus") based upon Executive's contributions and performance, in the form of cash in an amount up to 100% of Base Salary for such fiscal year as determined by Senior Management, and approved by the Board or any authorized committee (the "Committee"). Payment of an annual bonus shall be a discretionary decision of the Committee. The Bonus, if any, will be paid as soon as practical following the determination by the Board or the Committee that the Bonus has been earned, but in no event after the fifteenth day of the third month of the Company's fiscal year or the calendar year, whichever is later, following the date the Executive earns the Bonus and it is no longer subject to a substantial risk of forfeiture. To be eligible to receive the Bonus, Executive must be employed by the Company on the day the Bonus is paid.

(c) Equity Compensation. Senior Management will recommend to the Company's Board of Directors or one of its committees after commencement of Executive's employment that Executive receive a grant of options to purchase with respect to 60,000 shares of Copart's Common Stock. Any grant will be subject to the approval of the Board of Directors or its committee. Any grant will be priced in accordance with Company's equity incentive plan and Company's policies governing equity awards. Beginning with the Company's 2016 fiscal year and for each fiscal year thereafter during the Employment Term, Executive will be eligible to receive stock option grants for such fiscal year as approved by the Board or any authorized committee (the "Committee"). Awards of option grants shall be a discretionary decision of the Committee.

5. Employee Benefits. During the Employment Term, the Executive shall be entitled to participate in employee benefit plans or programs of Company, if any, to the extent that his position, tenure, salary, age, health and other qualifications make him eligible to participate, subject to the rules and regulations applicable thereto. Company reserves the right to cancel or change the benefit plans and programs it offers to its employees at any time.

6. Vacation. Executive will be entitled to paid vacation of three (3) weeks per year in accordance with the Company's vacation policy, with the timing and duration of specific vacations mutually and reasonably agreed to by the parties hereto.

7. Expenses. The Executive shall be entitled to prompt reimbursement for all reasonable ordinary and necessary travel, entertainment, and other expenses incurred by the Executive while an employee of Company (in accordance with the policies and procedures established by Company for its senior executive officers) in the performance of his duties and responsibilities under this Agreement; provided, however, that the Executive shall properly and promptly account for such expenses in accordance with Company's policies and procedures.

8. Other Activities. The Executive shall devote substantially all of his working time and efforts during Company's normal business hours to the business and affairs of Company and its subsidiaries and to the diligent and faithful performance of the duties and responsibilities duly assigned to him pursuant to this Agreement, except for vacations, holidays and sickness. The Executive may, however, devote a reasonable amount of his time to civic, community, or charitable activities and, with the prior written approval of the Senior Management, to serve as a director of other corporations and to other types of business or public activities not expressly mentioned in this paragraph.

9. Termination Benefits. The Executive shall be entitled to receive severance and other benefits upon a termination of employment only as follows:

(a) Severance.

(i) Involuntary Termination. If the Company terminates the Executive's employment other than for Disability or Cause, or if the Executive terminates his employment for Good Reason, then, in lieu of any severance benefits to which the Executive may otherwise be entitled under any Company severance plan or program, if any, and subject to the remaining provisions of this Section 9, the Executive shall be entitled to a lump sum payment equal to fifty percent (50%) of the Executive's then-current Base Salary, less applicable tax withholding.

(ii) Other Termination. In the event the Executive's employment terminates for any reason other than as described in Section 9(a)(i) above, including by reason of the Executive's death or Disability, the Company's termination of Executive for Cause, or Executive's resignation other than for Good Reason, then the Executive shall be entitled to receive severance and any other benefits only as may then be established under the Company's existing severance and benefit plans and policies at the time of such termination, if any.

(b) Release of Claims Agreement. The receipt of any severance payments or benefits pursuant to this Agreement is contingent upon Executive signing and not revoking a severance agreement and release of claims in a form reasonably acceptable to the Company (the "Release"), which must become effective no later than the 60th day following the Executive's delivery of the Release (the "Release Deadline"), and if not, the Executive will forfeit any right to severance payments or benefits under this Agreement. To become effective, the Release must be executed by the Executive and any revocation periods (as required by statute, regulation, or otherwise) must have expired without the Executive having revoked the Release. In addition, no severance payments or benefits will be paid or provided until the Release actually becomes effective.

(c) Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to the Executive, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the final regulations and any guidance promulgated thereunder ("Section 409A") (together, the "Deferred Payments") will be paid or otherwise provided until the Executive has a "separation from service" within the meaning of Section 409A. Similarly, no severance payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A- 1(b)(9) will be payable until Executive has a "separation from service" within the meaning of Section 409A

(ii) Any severance payments or benefits under this Agreement that would be considered Deferred Payments will be paid on, or, in the case of installments, will not commence until, the sixtieth (60th) day following Executive's separation from service, or, if later, such time as required by Section 8(c)(iii). Except as required by Section 8(c)(iii), any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's separation from service but for the preceding sentence will be paid to Executive on the sixtieth (60th) day following Executive's separation from service and the remaining payments shall be made as provided in this Agreement.

(iii) Notwithstanding anything to the contrary in this Agreement, if Executive is a "specified employee" ("Specified Employee") within the meaning of Section 409A at the time of Executive's termination, then any Deferred Payments, which are otherwise due to Executive on or within the six (6) month period following Executive's termination will accrue during such six (6) month period and will become payable in a lump sum payment on the date six (6) months and one (1) day following the date of Executive's separation from service or the date of the Executive's death, if earlier. All Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Treasury Regulation Section 1.409A- 2(b)(2).

(iv) Any amount paid under this Agreement that satisfies the requirements of the "short- term deferral" rule set forth in Treasury Regulation Section 1.409A- 1(b)(4) will not constitute Deferred Payments for purposes of clause (i) above.

(v) Amounts paid under the Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Treasury Regulation Section 1.409A- 1(b)(9)(iii) that do not exceed the Section 409A Limit will not constitute Deferred Payments for purposes of clause (i) above. For this purpose, "Section 409A Limit" means the lesser of two (2) times: (A) the Executive's annualized compensation based upon the annual rate of pay paid to Executive during the Executive's taxable year preceding the taxable year of the Executive's termination of employment as determined under Treasury Regulation 1.409A- 1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (B) the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which Executive's employment is terminated.

(vi) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and the Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

(d) No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner).

10. Protective Covenants. Executive agrees that the covenants below (i) are reasonable and necessary for the protection of legitimate business interests of Company, (ii) are not against the public interest, and (iii) do not place a unreasonable burden upon the Executive's ability to earn a living.

(a) **Definitions.** "Customer" means a person or entity with whom/which Executive has had Company business- related contact or about whom/which Executive has obtained knowledge through his employment with the Company. A "Competing Business" is a person or entity that is in the business of auctioning, processing, or selling salvage vehicles, or auctioning used vehicles, or otherwise provides products or services that would displace the products or services of the Company.

(b) Proprietary Information. During the Employment Term and thereafter, the Executive shall not, without the prior written consent of the Board, disclose or use for any purpose (except in the course of his employment under this Agreement and in furtherance of the business of the Company or any of its affiliates or subsidiaries) any confidential information or proprietary data of the Company, including, without limitation, information regarding the Company's computer and information technology systems (and the means and methods for securing such systems). As an express condition of the Executive's employment with the Company, the Executive agrees to execute a Confidentiality and Intellectual Property Assignment Agreement in the form attached hereto as Exhibit B, and any such additional confidentiality agreements as requested by the Company.

(c) Restriction on Interfering with Employee Relationships**.** During the Employment Term and for twelve (12) complete calendar months thereafter, Executive will not, either directly or indirectly, (a) solicit, induce, or encourage any employee of the Company to leave the Company, or (b) help another person or entity to hire away an employee of the Company, unless otherwise expressly authorized in writing to do so by an authorized officer of the Company.

(d) Restriction on Interfering with Customer Relationships**.** During the Employment Term and for twelve (12) complete calendar months thereafter, Executive will not, directly or indirectly, interfere with the relationship between the Company and a Customer. It shall be considered a prohibited act of interference for Executive to participate in soliciting, encouraging, or inducing a Customer (a) to do business with a Competing Business, or (b) to stop or reduce doing business with the Company, except where such conduct is expressly authorized in writing by an authorized officer of the Company. The parties stipulate that this restriction is inherently limited to a reasonable geography or geographic substitute because it is limited to the place or location where the Customer is located at the time.

(e) Restriction Against Unfair Competition**.** Executive agrees that during the Employment Term and for a period of twelve (12) complete calendar months thereafter, Executive will not, directly or indirectly, as an employee, consultant, advisor, contractor, shareholder, director, partner, joint- venturer, or investor, assist in the management, administration, information technology, or related sales activities of any Competing Business within the United States. The foregoing shall not be construed to prohibit passive investments such as mutual funds or ownership of less than 1% of a publicly- held company's outstanding stock. The parties stipulate that the geographic limitation used in this restriction is a reasonable given Executive's high level duties for the Company, the Company's nationwide business, and Executive's in- depth knowledge of the Company's Proprietary Information.

11. Right to Advice of Counsel. The Executive acknowledges that he has had the opportunity to consult with counsel and is fully aware of his rights and obligations under this Agreement.

12. Successors. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption agreement prior to the effectiveness of any such succession shall entitle the Executive to the benefits described in Section 9(a)(i) of this Agreement, subject to the terms and conditions therein.

13. Assignment. This Agreement and all rights under this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective personal or legal representatives, executors, administrators, heirs, distributees, devisees, legatees, successors and assigns. This Agreement is personal in nature, and the Executive shall not, without the prior written consent of the Company, assign or transfer this Agreement or any right or obligation under this Agreement to any other person or entity. If the Executive should die while any amounts are still payable to the Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

14. Absence of Conflict. The Executive materially represents and warrants that his employment by the Company as described herein will not conflict with and will not be constrained by any prior employment or consulting agreement or relationship.

15. Notices. All notices, requests, demands and other communications called for hereunder shall be in writing and shall be deemed given (i) on the date of delivery, or, if earlier, (ii) one (1) day after being sent by a well- established commercial overnight service, or (iii) three (3) days after being mailed by registered or certified mail, return receipt requested, prepaid and addressed to the parties or their successors at the following addresses, or at such other addresses as the parties may later designate in writing:

If to the Executive: Rama Prasad
If to the Company: Copart, Inc.
14185 Dallas Parkway, Suite 300
Dallas, TX 75215
Attn: General Counsel

or to such other address or the attention of such other person as the recipient party has previously furnished to the other party in writing in accordance with this paragraph.

16. Waiver. Failure or delay on the part of either party hereto to enforce any right, power, or privilege hereunder shall not be deemed to constitute a waiver thereof. Additionally, a waiver by either party or a breach of any promise hereof by the other party shall not operate as or be construed to constitute a waiver of any subsequent waiver by such other party.

17. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

18. Arbitration.

(a) Arbitration. In consideration of Executive's employment with the Company, the Company's promise to arbitrate all employment- related disputes and Executive's receipt of the compensation and other benefits paid to Executive by the Company, at present and in the future, Executive agrees that any and all controversies, claims, or disputes with anyone (including the Company and any employee, officer, director, shareholder or benefit plan of the Company in their capacity as such or otherwise) arising out of, relating to, or resulting from Executive's employment with the Company or the termination of Executive's employment with the Company, including any breach of this agreement, shall be subject to binding arbitration. Disputes which Executive agrees to arbitrate, and thereby agrees to waive any right to a trial by jury, include any statutory claims under State or Federal law, including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Texas Labor Code claims of harassment, discrimination or wrongful termination and any statutory claims, as well as and all disputes arising out of or relating to the interpretation or application of Section 18 of this Agreement, including the enforceability, revocability, or validity of this Section. Executive and the Company agree that workers' compensation claims (other than wrongful discharge claims), claims for unemployment, and disputes that are not subject to arbitration under the Dodd- Frank Wall Street Reform and Consumer Protection Act are excluded from arbitration under this agreement. Executive further understands that this agreement to arbitrate also applies to any disputes that the Company may have with employee.

(b) Procedure. The Federal Arbitration Act ("FAA") applies to this Agreement. Executive agrees that any arbitration will be administered by the American Arbitration Association ("AAA") and that a neutral arbitrator will be selected in a manner consistent with its national rules for the resolution of employment disputes. The arbitration proceedings will allow for discovery according to the rules set forth in the National Rules for the Resolution of Employment Disputes. Executive agrees that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. Executive agrees that the arbitrator shall issue a written decision on the merits. Executive also agrees that the arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under applicable law. Executive understands the Company will pay for any administrative or hearing fees charged by the arbitrator or AAA except that Executive shall pay the first $2,000.00 of any fees associated with any arbitration Executive initiates. Any arbitration hereunder shall be conducted in Dallas, Texas.

(c) Remedy. Except as provided by Section 18(d) of this Agreement, arbitration shall be the sole, exclusive and final remedy for any dispute between Executive and the Company. Accordingly, except as provided by the FAA, neither Executive nor the Company will be permitted to pursue court action regarding claims that are subject to arbitration. Notwithstanding any other provision of this Agreement, the arbitrator will not have the authority to disregard or refuse to enforce any lawful Company policy, and the arbitrator shall not order or require the Company to adopt a policy not otherwise required by law which the Company has not adopted.

(d) Availability of Injunctive Relief. Notwithstanding any other provision of this Agreement, either party may pursue in court injunctive, declaratory, and other relief incidental to the enforcement of any confidential information, non- disclosure, non- solicitation, and/or non- competition provisions contained in any agreement between the Company and Executive, including, without limitation, the provisions contained in Section 10 of this Agreement. In the event either party seeks such relief, the prevailing party shall be entitled to recover reasonable costs and attorneys' fees.

(e) Administrative Relief. Executive understands that this agreement does not prohibit Executive from pursuing an administrative claim with a local, state or federal administrative body such as the equal employment opportunity commission or the workers' compensation commission. This agreement does, however, preclude Executive from pursuing court action or remedies regarding any such claim.

19. Voluntary Nature of Agreement. Executive acknowledges and agrees that Executive is executing this agreement voluntarily and without any duress or undue influence by the Company or anyone else. Executive further acknowledges and agrees that Executive has carefully read this agreement and that Executive has asked any questions needed for Executive to understand the terms, consequences and binding effect of this agreement and fully understand it, including that Executive is waiving Executive's right to a jury trial. Finally, Executive agrees that he/she has been provided an opportunity to seek the advice of an attorney before signing this agreement.

20. Integration. This Agreement, together with the Confidential Information Agreement represents, the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in writing and signed by the Company.

21. Headings. The headings of the paragraphs contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this Agreement.

22. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of Texas. The state and federal courts of Texas shall be the exclusive forum for any non- arbitral disputes arising between the parties to this Agreement.

23. Cooperation. Executive shall, without further remuneration, provide Executive's reasonable cooperation in connection with any action or proceeding by a third party (or any appeal from any action or proceeding) that relates to events occurring during or relating to Executive's employment hereunder. If Executive's cooperation is needed under this paragraph, the Company shall use reasonable best efforts to schedule Executive's participation at a mutually convenient time, and shall reimburse Executive for reasonable travel and out- of–pocket expenses (following presentment of reasonable substantiation). This provision shall survive any termination of this Agreement or Executive's employment.

24. Counterparts. This Agreement may be executed in one or more counterparts, none of which need contain the signature of more than one party hereto, and each of which shall be deemed to be an original, and all of which together shall constitute a single agreement.

25. Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

26. Acknowledgment. Executive acknowledges that he has had the opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

IN WITNESS WHEREOF, each of the parties has executed this Executive Officer Employment Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

COMPANY:

Copart, Inc.

By: /s/ William E. Franklin Date: July 8, 2014
William E. Franklin
Executive Vice- President

EXECUTIVE:

By: /s/ Rama K. Prasad Date: July 8, 2014
Rama Prasad

Exhibit A

COPART RELOCATION POLICY AND RELOCATION REPAYMENT AGREEMENT

Manager Relocation Policy

General Policy Guidelines

Prepared for Rama Prasad
July 8, 2014

Copart reserves sole authority to interpret and change this policy, including determining eligibility for benefits and assistance. This policy is not intended to create any promises or contractual rights of employment. Employment with **Copart** is “at will”. This policy is proprietary and confidential.

Introduction

Congratulations on your decision to relocate! We hope that your relocation will help advance your personal and professional growth. While it is an exciting time, it can also be a very stressful time. We at Copart (Copart) realize that your decision affects your entire family. That's why we're going to assist you throughout the process.

While we're committed to helping you in any way possible, we're asking that you share the responsibility for a cost- effective, successful move. This simply means that you strictly adhere to the relocation policy and communicate and cooperate with those who are helping you throughout this process.

We believe the full service relocation option will help you maximize your relocation allowance and avoid unnecessary tax obligations while also freeing you from the hassles of moving cross- country.

We've contracted with Cornerstone Relocation Group to assist you throughout your relocation. Cornerstone Relocation is a global relocation management and consulting company that has helped thousands of relocating families. You will be assigned an experienced Relocation Counselor to provide guidance and to act as your advocate throughout your relocation. Once your relocation is completed, Cornerstone will send you a survey inquiring about your experience with them. Your candid feedback assists us with ongoing improvements to the program. We appreciate your taking the time to complete the satisfaction survey.

Eligibility

To be eligible for this relocation policy you must meet the following criteria:

- You must be a regular, full- time, employee of Copart.
- You have received a request from Copart to relocate. Employee- initiated relocations are NOT eligible for relocation benefits.
- Per IRS requirements, the distance between your former residence and your new job site must be at least 50 miles greater than the distance between your former residence and your former job site.
- You must be a full- time employee in the new location for at least 52 weeks in the 12- month period immediately following the date of relocation.
- You must work through Cornerstone for all services including, temporary housing and transportation of your household goods. We recommend that you also work with their network of real estate agents for your home listing and home search. Cornerstone's supplier network will provide you with professional relocation services and, at the same time, Copart will realize cost efficiencies by working with their recommended providers.

Relocation assistance is provided to you and your immediate family members who permanently reside with you and are relocating with you. Please refer to your Relocation Allowance schedule for specific limitations.

Repayment Agreement

The costs that Copart will incur as a result of this move are extensive. For this reason and to be sure we have your commitment to the new position, we require that you sign a Repayment Agreement, which stipulates that you will repay all of the costs should you voluntarily terminate employment or be terminated for misconduct with Copart within one year of the date your relocation is complete. The Repayment Agreement must be signed and returned to Human Resources <u>prior to</u> implementing any relocation services. For purposes of repayment, the relocation will be deemed "complete" once all expenses and invoices from suppliers are approved and paid by Cornerstone & Copart.

Policy Administration

Cornerstone Relocation Group will administer Copart's relocation benefits. A qualified Relocation Counselor will contact you to review all aspects of the benefits and help you to get the relocation started in a positive direction. Your Cornerstone Relocation Counselor will serve as your advocate and "go to" person throughout the process.

Relocation Expense Limits

The costs of the various policy benefits outlined in this document each have an overall spend limit as a guideline to help you manage your total relocation budget. Your relocation budget is provided to you in your offer letter from Copart. For purposes of the relocation policy, any reference to "reimbursement", "allowance", or "payment" will be considered to be made against your overall Relocation Allowance cap. Your Relocation Counselor will help you establish your initial relocation budget based upon the distance of your move and the size of your family. Each policy element will have an overall cap amount, this is to ensure that you maximize the funds being provided to you for a smooth and efficient transition for you and your family, if applicable. If you feel like you need to reallocate dollars from one policy benefit to another because of the specific circumstances of your move, speak with your Relocation Counselor and they will discuss your options with you.

Your Responsibilities

Your cooperation throughout the process will help ensure that your move is handled with the least inconvenience as possible. Specifically:

- We recommend that you use pre- qualified brokers recommended by Cornerstone Relocation, who are trained and experienced in corporate relocation transactions. They will recommend brokers for both selling your current home and purchasing a home in the destination location. You should retain receipts and other documentation to verify relocation expenses and to support payments made to you by Copart through Cornerstone.
- Please comply with all timelines spelled out in this policy and in the instructions you receive from your Cornerstone Relocation Counselor.
- Please prepare and submit expense reports in a timely manner.
- Sign and return the Relocation Payback Agreement.
- Provide feedback through the web- based survey you will receive at the end of your move.

Expense Reimbursement

Most ordinary expenses involved in relocation are covered under this policy either by a direct payment to a supplier or through the reimbursement of relocation expense reports that you submit. Because of potential tax implications, you must submit your out- of- pocket costs on a Relocation Expense Report form. It is very important that the expenses on this report are strictly related to the relocation vs. other business expenses. Your Cornerstone Relocation Counselor will provide you with instructions for completing these forms on- line and will also provide you with hard copy Relocation Expense Reports for your convenience. It is also important that you retain records and submit receipts. Whether you choose to submit your expenses on- line through Cornerstone's password- protected website or via a paper expense report, you must submit original or scanned receipts to:

Copart Relocation Expense Administration
c/o Cornerstone Relocation Group
106 Allen Road
Basking Ridge, NJ 07920

Or your expenses can be completed and submitted online for faster service at www.crgglobal.com

Relocation Benefits at a Glance

Copart has contracted with Cornerstone Relocation Group to administer employee relocation benefits. Cornerstone will issue reimbursements and payments, and coordinate the services Copart has authorized. After authorization, a Cornerstone Counselor will contact the employee to review the allowed benefits. Transferring employees are required to speak with a Cornerstone Counselor PRIOR TO making any relocation plans or talking to real estate agents, either in the old or new location.

Eligibility	Full- time Copart employees who are asked by Copart to relocate.
Relocation Budget	The total amount Copart has committed to spend on your relocation as identified in your Offer to Relocate.
Home Marketing Assistance	Home Marketing Assistance Program will facilitate the timely sale of your existing home
Home Selling Costs	Normal and customary one- time costs to sell your home will be reimbursed up to 8% of the sale price.
Home Finding Trips	Employee and eligible spouse/ significant other allowed up to 1 trip to the new location not to exceed 4 days/3 nights total, airfare or mileage, lodging, and meals (subject to daily maximums).
Home Search and Purchase Assistance	Home Search Assistance Program provides an efficient, coordinated process to locate a home in the new location. The closing costs to purchase a home will be reimbursed, including a loan origination fee capped at 2.5% of the purchase price.
Lease Cancellation	If you are bound by a lease that you must cancel to make the move, Copart will reimburse you for a cancellation penalty of up to one month of your rent payment.
Temporary Living	An allowance based upon 30 days of temporary lodging will be provided if the employee must move before the household members or hasn't located a new residence yet.
Household Goods Shipment	Covered costs include packing and moving household goods through van line, up to 2 automobiles, storage up to 30 days.
Final Move Costs	Covered costs include transportation, meals and lodging for the employee and household members (subject to daily maximums).
Misc. Relocation Allowance	An allowance will be paid to you based on your family size to cover moving related costs not covered in policy.

Departure Services

Home Marketing Assistance Program (Home Owners Only)

If you own a home and plan to sell it, Cornerstone will provide you with professional assistance on how to market your home to ensure optimum success. **Do not contact a Realtor® before talking to your Cornerstone Relocation Counselor.** Your Cornerstone Counselor will recommend a broker that is experienced in working on corporate relocation transactions and the specific requirements of these transactions. Furthermore, recommended brokers will have a proven track record of market knowledge and sales success, as well as familiarity with Cornerstone's service standards. In addition to ensuring top- of- the- line service delivery to you, Cornerstone Relocation collects commissions from these brokers, which offsets and lowers the relocation costs for Copart.

Cornerstone Relocation Group requires its brokers to meet the following standards:

- Brokerage must have a Relocation Department or proven relocation- related experience.
- Real Estate firm must have no interest (actual or contemplated) in Copart, departure property, or home to be purchased, including any business or family relationship with the owners of the properties.
- Broker must have a proven track record in the selling community. Cornerstone tracks list price to sales price ratio, number of current listings and number of recent sales.

Your Counselor will contact two qualified brokers in your area and ask them to complete a Broker's Market Analysis (BMA) on your home, which will include suggested marketing tips, competing listing information and recent sales in the neighborhood. Based on the data they gather and their knowledge of the marketplace, they will provide a most probable sales price range. Your Cornerstone Counselor will review and analyze the market data contained in the BMA's to help you formulate a competitive list price and marketing strategy to achieve the highest possible sales price within a reasonable timeframe. If the recommended list price indicated by the BMA's are not within 5% of each other, a third one will be ordered and the two closest will be used to formulate listing and marketing strategies. You and your Cornerstone Counselor will work with the agent you select to list and market your home and identify potential buyers. You will receive continuous feedback and updates on marketing activity throughout the process. To assist with a successful sale, Copart recommends that you use an agent or broker who has been qualified by Cornerstone and present all offers to your Cornerstone Relocation Counselor for review.

Disclosure
Real estate transactions are governed by laws and regulations designed to protect the interests of both sellers and buyers. Every home seller has certain duties and obligations to a buyer, including full disclosure of all pertinent information about the condition of the home and its surroundings. In this regard, you can protect both yourself from potential litigation by the timely and thorough completion of all forms and documents pertaining to the condition of the property. It is not the intent of Copart to relieve you of your duties and obligations including completing all necessary repairs and full disclosure. You will be asked to complete property disclosure forms for the real estate agent and for Cornerstone. You must complete and return these forms at the beginning of the listing period.

Home Sale Closing Costs and Agent Commission (Home Owners Only)
Once you have an offer on your home, your Relocation Consultant will assist you with the negotiation of the offer and will review your estimated closing costs to help you identify which costs will be covered by Copart. The total costs eligible for reimbursement are limited to 8% of the sale price (2% for non- recurring closing costs and 6% for the real estate agent commission) (Subject to Relocation Schedule Limits)

Lease Cancellation (Renters Only)
If you are currently bound by a lease agreement, your Cornerstone Relocation Counselor can provide assistance on how to terminate your lease and possibly avoid penalties. In most States the Lessee can advertise for a replacement tenant to take over the lease and as long as the tenant meets the landlord's requirements, the lease can be cancelled without penalty. In addition your Counselor can provide documentation of your job change to assist in lease cancellation negotiations. If you are obligated to pay a lease cancellation penalty, Copart will reimburse for this penalty up to one month of your rent capped at $3,000. Payment of this penalty must be documented either with a receipt or letter from your landlord.

Destination Services

Home Finding Trip
Copart will reimburse expenses for you and your spouse/significant other for up one trip for a maximum of 4 days and 3 nights of expenses. Covered expenses include:

- Round trip economy air fare for you and your spouse/significant other (if the distance between your old and new locations is greater than 200 miles).
- If the distance between your old and new locations is less than 200 miles, mileage will be paid based on the Copart current mileage reimbursement rate, plus tolls using the most direct route.
- Lodging for 3 night's total.
- Local transportation (including mid- sized car rental, tolls, parking, etc.)
- Meals up to $40 per day per person with receipts
- Total reimbursement should not exceed $3,500.

New Home Search Assistance - Purchase or Rental
Home Purchase
If you want to purchase a home in the new location, your Relocation Counselor will help you with this process. Buying a home is a personal decision and while Copart is not reimbursing any of the costs to purchase a home, we are providing guidance and assistance through Cornerstone.
Your Cornerstone Relocation Counselor will first conduct a needs assessment and develop a preference profile including type of housing, commuting requirements, schools, amenities, lifestyle, etc. Once the profile is developed, the Counselor will have a preapproved broker/agent contact you to begin the home search. This representative will accompany you to preview specific homes and assist you in preparing an offer once you have found a home. If your hiring manager or a fellow Copart employee refers you to a real estate agent, DO NOT CONTACT that agent until you speak with your Relocation Counselor. Employee referrals are strongly discouraged because of the potential for a conflict of interest.
The agents/brokers recommended by Cornerstone's Counselors are vetted and evaluated. This means that they are experts in assessing your housing preferences and are professional "Buyer Agents" trained and evaluated on representing your interests, not the interest of the seller who is ultimately paying their commission. This is an important distinction because if they are not a "buyer's agent", even if they show you the home, they are still representing the interests of the seller who is

paying their commission and not looking out for your best interests. In addition, Cornerstone's agents are familiar with both the wide range of market areas that a relocating employee will consider, as well as the individual neighborhoods and micro- markets. Their expertise affords them the knowledge to refer you to locations where the availability of housing, price ranges and neighborhood amenities match your preferences.

Your Cornerstone Counselor will be in regular contact with you and your agent throughout the home search process to provide assistance and advice in negotiating an offer, obtaining pre- qualification letters from our approved mortgage lenders and helping you and your agent manage the escrow and closing process. If for any reason you are not satisfied with the agent(s) we have recommended, please call your Relocation Counselor and let him/her know. We will quickly remedy the situation and get a replacement agent(s) for you to meet with and evaluate for your home finding needs.

Understanding that new home developments are available in the new location we need to caution you in the event you decide to purchase new construction. Buying a new home versus buying an existing property is a personal decision. It may lead to longer- than- expected interim housing needs, the costs for which will be your responsibility. You may be encouraged by the builder to purchase the home without professional representation from a real estate professional. In most cases, community builders will work with an agent representing you, and we encourage you to utilize that agent so that your family and financial interests are represented in the transaction.

Closing Cost Reimbursement

If you decide to purchase a home in the new location through one of Cornerstone's recommended agents, Copart will reimburse your one-time, non- recurring closing costs capped at 2.5% of the purchase price (Subject to Relocation Schedule Limits). This includes up to 1% which may be used as a loan origination or discount fee.

Rental Assistance

If you wish to rent a home or apartment in the new location, your Relocation Counselor will refer you to rental resources and services in the new location to help you settle into a new home. In addition Cornerstone will provide professional rental assistance services to help you find a new rental home in your new location. Due to the competitive nature of many rental markets, we recommend you utilize the services made available for you so that you can locate and settle into a new home as quickly as possible.

Temporary Living Allowance

If it is necessary to begin work prior to moving, a Temporary Living Allowance of up to $3,000 will be provided for the employee to cover or offset the cost of interim housing for up to 30 days. Expenses intended to be covered or offset by this allowance include:

- Thirty (30) days' lodging in furnished corporate housing with kitchen facilities (arranged through Cornerstone Relocation) or an extended stay hotel.
- In moves over 500 miles, a mid- size car rental for up to seven (7) days while the employee's car is transported to the new location will be provided.
- If the distance between the old and new locations is less than 500 miles, personal auto mileage will be reimbursed.

Miscellaneous Relocation Allowance

You will incur some expenses that may not be specifically covered under this policy. For this reason, the company will provide you with a Miscellaneous Relocation Allowance as calculated in the table below. This allowance should be used to cover things such as:

- New auto registrations
- Installation of new appliances
- Pet transportation
- Moving antiques or valuables that are not covered under transportation of household goods
- Housecleaning
- Security deposits for temporary living or rentals

The Miscellaneous Allowance will be paid when you begin working in the new location.

Allowance Calculation and Limits:

	Single Employee	Employee with Family
Home Owner:	$6,000	$7,500
Renter:	$4,500	$6,000

Mortgage Assistance

If you decide to purchase a new home Cornerstone has agreements with several national lenders that have special programs, rates and underwriting processes for relocating employees. While you are under no obligation to use any of these companies, you may find their rates competitive and their processes and products conducive to corporate relocation situations.

Transportation of Your Household Goods

Your Cornerstone Relocation Counselor will help you with the arrangements for moving your household goods to the new location. The Counselor will explain the process and put you in touch with a professional mover. It is important that you or an adult family member arrange to be present to supervise the move and that you provide a telephone number where the moving company can reach you prior to your move date. Copart will be billed directly from the carrier for the cost of shipping your household goods. **Copart does not reimburse tips to the movers, if you wish to tip the mover you may utilize your Miscellaneous Relocation Allowance.**

Authorized Charges

The company will pay the following charges in connection with your professional move by an approved van line:

- Charges for normal containers and standard packing of your household items.
- Charges for transporting the household goods to the new location.
- Normal appliance services, including wiring and plumbing modifications required within the house for disconnection and reconnection of appliances.
- Storage (if necessary) for up to 30 days at the new location site.
- Warehouse handling.
- Delivery to the new home. Weekend or holiday delivery will not be covered.
- Unpacking of mattresses and box springs as well as five (5) carrier- packed cartons.
- One (1) debris pickup.

The amount of household goods that can be shipped is limited to certain weight allowances (Your Cornerstone Relocation representative will assist you in setting a budget for the movement of household goods that works with your specific needs and Relocation Schedule Limits). As a guideline,:

	Employee Only	**Employee Plus One (1)**	**Employee Plus 2 - 4**	**Family Size >4**
Moving Cost Limit	**$8,000**	**12,000**	**$16,000**	**$20,000**

(1) Family size must meet the requirements of legal dependents based on Copart company policies.

Copart will not pay for the following:

- Exclusive use of the van, expedited service or extra drop off/pick up stops.
- Housecleaning, maid, or debris removal service at either the old or new home.
- Removal or installation of wall- to- wall carpeting, draperies and/or rods, electrical fixtures, water softeners, or similar items.
- Packing or transportation of boats, trailers, airplanes, household pets, plants, building materials, wood, or any perishable item.
- Disassembly or reassembly of children’s playhouses or swing sets, portable swimming pools, waterbeds, utility sheds, fencing, or items of similar nature.

Insuring Your Household Goods

Insurance will be provided on your shipment of household goods for up to $100,000. High value items must be listed on a separate inventory form and are not covered by Copart. The company cannot replace (nor will shippers generally agree to handle) high value items like securities, cash, art, heirlooms or precious jewelry. We recommend you pack and transport these items yourself.

Automobile Shipping

Your automobiles will be handled by the same carrier who handles your household goods or, in some cases, a dedicated automobile carrier. The company will pay the cost of moving up to two automobiles, provided the distance of your move is greater than 500 miles.

If the distance of your move is less than 500 miles, you may ship one automobile and your mileage (at the current mileage reimbursement rate) for one vehicle will be reimbursed. If you do not ship an automobile, mileage will be covered for up to two automobiles. Travel will be based on the most direct route.

Moving Day - (Enroute Expenses)

The company will reimburse you for actual travel and lodging expenses incurred for you, your spouse/significant other, and family members for your final move to the new location. Expenses include:

- Mileage based on the current IRS reimbursement rate and using the most direct route will be paid for up to two vehicles.
- If you drive, you will be expected to drive at least 350 miles per day using the most direct route.
- If you are shipping your automobiles, you will be reimbursed for airfare for all family members at the coach class rate for one- way tickets purchased seven days in advance.
- Rental car until your automobiles are delivered.
- Meals at the company approved rate.
- Expenses should not exceed $2,000.

Tax Considerations

The current tax law and Internal Revenue Service (IRS) regulations require that we report as income all relocation expense reimbursements made to you, or paid on your behalf. Therefore, the tax effects of relocation transactions can only be determined on an individual basis. It is important that you talk to a tax professional to find out how certain kinds of assistance may affect your own tax situation. Keep in mind that Copart will not reimburse tax preparation or tax counseling expenses.

All non- deductible relocation expenses that Copart pays on your behalf or directly to you are reported to the IRS as compensation, which will be included in your gross annual W2 income. **Therefore as each reimbursement is processed through Cornerstone, the estimates income taxes will be withheld from the reimbursement to comply with payroll reporting and timeliness of tax deposit requirements**. The only exceptions are:

- Expenses associated with the shipment of your household goods.
- Storage costs up to 30 consecutive days after your household goods are removed from your former home and before they are delivered to your new home.
- The travel and lodging (not meals) for you and your family during the final move.

These costs are considered “excludable from income” and will not be shown on your W- 2 form.

NOTE: This includes expenses for the day you arrive. You can include any lodging expenses you had in the area of your former home within one day after you could not live in your former home because your furniture had been moved.

Based on IRS and state requirements, Copart will include reimbursed relocation expenses on your W- 2 form in the year in which they are paid.

You will be responsible for all local taxes applicable in either the departure or destination location. Nothing in this policy should be construed as providing, directly or indirectly, Income Tax Advice. For more information about moving expenses, we suggest that you obtain IRS Publication 521 “Moving Expenses” and that you retain the services of a professional tax advisor/preparer.

Copart's tax provision for the various "relocation expense" items is outlined below.

Relocation Expense		Tax Withholding Calculation
House Hunting	Yes	At statutory supplemental wage rate
Home Sale Costs	Yes	At statutory supplemental wage rate
Temporary Living	Yes	At statutory supplemental wage rate
Home Purchase Costs	Yes	At statutory supplemental wage rate
Final Move Meals	Yes	At statutory supplemental wage rate
Miscellaneous Relocation Allowance	Yes	At statutory supplemental wage rate
Final Move Lodging/Transportation	No	None - Not included in employee income
Final Move Meals	Yes	At statutory supplemental wage rate
Transportation of Household goods and first 30 days of storage	No	None - Not included in employee income
Automobile shipment	No	None - Not included in employee income

Relocation Plan Election & Repayment Agreement

I, ____**RAMA PRASAD**____, hereby agree to the repayment terms outlined in the Copart Relocation Policy. My signature also confirms that I have read, accept, and understand the attached policy guidelines.
SERVICES PROVIDED THROUGH CORNERSTONE RELOCATION SERVICES
RELOCATION BUDGET: $100,000.00 (Gross)
Move to be completed by: June 30, 2015

In consideration of payments made to me, or on my behalf to third- party vendors (i.e., shipment of household goods, corporate housing, etc.), I agree that if I voluntarily terminate my employment, or if my employment is terminated by Copart for cause, within the first twelve months (12) of the completion of my relocation, I will be liable to Copart for the repayment of all or a prorated amount including gross up (tax treatment). I hereby agree to repay the relocation costs to Copart within thirty (30) days as of my effective termination date of employment. If full repayment or repayment arrangements are not made within thirty (30) days of termination, Copart reserves the right to involve the services of a collection agency to recover the money owed. I further understand that I am personally indebted to Copart for any amounts required to be repaid to Copart under the terms of this Agreement and that these amounts can be deducted from any compensation or payments due to me from Copart upon termination, including salary, bonuses, vacation, and/or other forms of compensation. I understand and agree that this Relocation Repayment Agreement does not affect my status as an at- will employee and nothing contained in this policy is intended to imply a promise for continued employment.

This Agreement supersedes any and all agreements either oral or written, between Employer/Manager and Employee.

Please mail or email this signed Relocation Repayment Agreement within 7 days of receipt directly to:
Rory Seidens, Vice President Human Resources
Copart Inc
14185 Dallas Parkway #400
Dallas, TX 75254

Acknowledged and Agreed,

Rama Prasad July 8, 2014
Employee Name (Print) Date

/s/ Rama K. Prasad
Employee Signature

<u>Exhibit B</u>

COPART CONFIDENTIALITY AND INTELLECTUAL PROPERTY ASSIGNMENT AGREEMENT

COPART CONFIDENTIALITY AND
INTELLECTUAL PROPERTY ASSIGNMENT AGREEMENT

1. Confidential Information and Trade Secrets

a. You agree that all non- public information communicated to you with respect to the business of Copart, Inc. and its subsidiaries and affiliated entities (collectively, “Copart”), including without limitation Copart’s business management information system and any other confidential or trade secret information (collectively “Confidential Information”) gained by you by reason of association or employment with Copart, whether or not that Confidential Information was directly, indirectly or unintentionally communicated, shall be treated by you as confidential and shall not be disclosed to anyone without Copart’s express authorization. “Confidential Information” includes, but is not limited to, all data, systems, compilations, programs, devices, strategies, concepts, ideas or methods, regardless of whether kept in a document, electronic storage medium, or in your memory, and any and all information concerning or related to:

(i) Copart’s financial condition, results of operations, and amounts of compensation paid to officers and employees;

(ii) marketing and sales programs of Copart and the terms and conditions (including prices) of sales and offers of sales for products and/or services by Copart along with information regarding Copart’s proposed products or designs, whether or not pursued by Copart;

(iii) the terms, conditions and current status of Copart’s agreements and relationships with any customers, suppliers or other entities;

(iv) the identities and business preferences of Copart’s actual and prospective customers and/or suppliers or any employee or agent of Copart’s actual and prospective customers and/or suppliers with whom Copart communicates along with Copart’s practices and procedures for identifying prospective customers;

(v) the names and identities of any and all of Copart’s customers, including any and all customer lists or similar compilations;

(vi) the manufacturing processes and techniques, regulatory approval strategies, computer programs, data, formulae, and compositions, service techniques and protocols, new product designs and other skills, ideas, and strategic plans possessed, developed, accumulated or acquired by Copart;

(vii) personnel information including the productivity and profitability (or lack thereof) of Copart’s employees, agents, or independent contractors;

(viii) any communications between Copart, its officers, directors, shareholders or employees, and/or any attorney retained by Copart for any purpose, or any person retained or employed by such attorney for the purpose of assisting such attorney in his or her representation of Copart;
(ix) the cost or overhead associated with the goods and services provided by Copart along with Copart's pricing structure for its goods or services, including its margins, discounts, volume purchases, rebates, mark- ups and/or incentives; and
(x) any other matter or thing, whether or not recorded on any medium or kept in your memory, (A) by which Copart derives actual or potential economic value from such matter or thing being not generally known to other persons or entities who might obtain economic value from its disclosure or use, or (B) which gives Copart an opportunity to obtain an advantage over its competitors who do not know or use the same.

b. You promise and agree that, both during and after your employment relationship or association with Copart, you shall not use or disclose any Confidential Information to any other person, unless specifically authorized in writing by an officer of Copart to do so. If an officer of Copart gives you written authorization to make any such disclosures or to use such information, you shall do so only within the limits and to the extent of that authorization. If a time limit is required in order to make this restriction enforceable, then the restrictions on use or disclosure of Confidential Information will only apply for three (3) years after the end of your employment or association where information that does not qualify as a trade secret is concerned (the restrictions will apply to trade secret information for as long as the information remains qualified as a trade secret).

c. You acknowledge and agree that the unauthorized use of or disclosure of any Confidential Information constitutes unfair competition for which Copart has no adequate remedy at law thereby making injunctive relief appropriate.

d. You agree that during your employment or association with Copart, you will not improperly use, disclose, or induce Copart to use any proprietary information or trade secrets of any former employer or other person or entity which you have an obligation to keep in confidence. You further agree that you will not bring onto Copart's premises or transfer onto Copart's technology systems any unpublished document, proprietary information, or trade secrets belonging to any such third party unless disclosure to, and use by, Copart has been consented to in writing by such third party.

e. You acknowledge that Copart has received and will in the future receive confidential or proprietary information belonging to third parties ("Third Party Confidential Information") subject to a duty on Copart's part to maintain the confidentiality of such information and to use it only for certain limited purposes. You hereby agree to hold all such Third Party Confidential Information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out your work for Copart consistent with Copart's agreement with such third party. You further agree to comply with any and all Copart policies and guidelines that may be adopted from time to time regarding Third Party Confidential Information.

2. Intellectual Property Assignment

a. As between Copart and you, you agree that all right, title, and interest in and to any and all Company Inventions and Intellectual Property, as defined herein, are the sole property of Copart. "Company Inventions and Intellectual Property" or "CIIP" refers to all inventions, works of authorship, copyright eligible works (such as materials, records, notes, drawings, and software), ideas, designs, developments, improvements, discoveries, and other intellectual property you develop, discover, or create (i) that relate to Copart's business, or to any actual or demonstrably anticipated research, future work, or projects of Copart, whether or not conceived or developed alone or with others, and whether or not conceived or developed during regular working hours, or (ii) that result from any work you performed for Copart, performed on company time, or performed using Copart's property, resources, or Confidential Information. You hereby assign to Copart, without further consideration, your entire right, title, and interest (throughout the United States and in all foreign countries) free and clear of all liens and encumbrances in and to all such CIIP, which shall be the sole property of Copart, whether or not patentable. You also agree to promptly make full written disclosure to Copart of any CIIP.

b. You hereby acknowledge and agree that all writings, ideas, information, and other works which may be copyrighted (including software and computer programs) which are related to the present or planned, or reasonably anticipated business of Copart and are prepared by you (solely or jointly with others) during your relationship with Copart shall be, to the extent permitted by law, deemed to be "works for hire" or the result of "works for hire," as defined by U.S. copyright laws, with the copyright automatically vesting in Copart. To the extent that such writings and works are not works for hire, you hereby waive any and all rights in such writings and works and hereby assign to Copart all of your present and future rights, title and interest, including copyright, in such writings and works.

c. Any assignment to Copart of CIIP includes all rights of attribution, paternity, integrity, modification, disclosure and withdrawal, and any other rights throughout the world that may be known as or referred to as "moral rights," "artist's rights," "droit moral," or the like (collectively, "Moral Rights"). To the extent that Moral Rights cannot be assigned under applicable law, you hereby waive and agree not to enforce any and all Moral Rights, including, without limitation, any limitation on subsequent modification, to the extent permitted under applicable law.

d. You agree to keep and maintain adequate, current, accurate, and authentic written records of all CIIP made by you (solely or jointly with others) during the term of your employment or association with Copart. The records will be in the form of notes, sketches, drawings, electronic files, reports, or any other format that may be specified by Copart. As between Copart and you, the records are and will be available to and remain the sole property of Copart at all times.

e. You further agree to reasonably cooperate with Copart, both during and after employment or association with Copart, in obtaining and enforcing patents, copyrights, trademarks, and other protections of Copart's rights in and to all CIIP. Without limiting the generality of the foregoing, you shall, at any time during or after employment or association with Copart, at Copart's request, execute all papers, render all assistance, and perform all lawful acts which Copart considers necessary or advisable for the preparation, filing, prosecution, issuance, procurement, maintenance or enforcement of patents, trademarks, copyrights and other protections, and any applications for any of the foregoing, of the United States or any foreign country for any CIIP and for the transfer of any interest you may have therein. You shall execute any and all papers and documents required to vest title in Copart or its nominee in any CIIP. If Copart is unable because of your mental or physical incapacity or for any reason to secure your signature to apply for or pursue any application for any United States or foreign patent, copyright or other registration covering CIIP, then you hereby irrevocably designate and appoint Copart and its duly authorized officers and agents as your agent and attorney in fact, to act for and on your behalf to do all lawfully permitted acts to further the prosecution and issuance of such registrations with the same legal force and effect as if executed by you.

f. Attached hereto as Schedule A is a list describing all inventions, original works of authorship, developments, improvements and trade secrets that were made by you prior to your employment with Copart, that relate to Copart's proposed business, products or research and development, and are owned in whole or in part by you ("Prior Inventions"); or, if no such list is attached or if Schedule A is unsigned, you represent that there are no such Prior Inventions. You agree that you will not incorporate, or permit to be incorporated, any Prior Invention into any Copart product, process or service without Copart's prior written consent. Nevertheless, if, in the course of your employment with Copart, you incorporate into an Copart product, process or service a Prior Invention, you hereby grant to Copart a nonexclusive, royalty- free, fully paid- up, irrevocable, perpetual, transferable, sublicensable, worldwide license to reproduce, make derivative works of, distribute, perform, display, import, make, have made, modify, use, sell, offer to sell, and exploit in any other way such Prior Invention as part of or in connection with such product, process or service, and to practice any method related thereto.

g. Some state laws may not allow the assignment of certain inventions under this Agreement, including certain inventions that you develop entirely on your own time without using Copart's equipment, supplies, facilities, trade secret information or Confidential Information (an "Other Invention"). You agree to advise Copart promptly in writing of any invention that you believe constitutes an Other Invention and is not otherwise disclosed on Schedule A. You agree that you will not incorporate, or permit to be incorporated, any Other Invention owned by you or in which you have an interest into a Copart product, process or service without Copart's prior written consent. Notwithstanding the foregoing sentence, if, in the course of your employment with Copart, you incorporate into a Copart product, process or service an Other Invention owned by you or in which you have an interest, you hereby grant to Copart a nonexclusive, royalty- free, fully paid- up, irrevocable, perpetual, transferable, sublicensable, worldwide license to reproduce, make derivative works of, distribute, perform, display, import, make, have made, modify, use, sell, offer to sell, and exploit in any other way such Other Invention as part of or in connection with such product, process or service, and to practice any method related thereto.

3. Conflicting Obligations

You hereby represent and warrant that you have no other agreements, relationships, or commitments to any other person or entity that conflict with the provisions of this Agreement, your obligations to Copart under this Agreement, or your ability to perform the services for which you are being retained by Copart. You further agree that if you have signed a confidentiality agreement or similar type of agreement with any former employer or other entity, you will comply with the terms of any such agreement to the extent that its terms are lawful under applicable law. You represent and warrant that after undertaking a careful search (including searches of your computers, cell phones, electronic devices, and documents), you have returned all property and confidential information belonging to all prior employers (and/or other third parties you have performed services for in accordance with the terms of your applicable agreement).

4. Return of Company Materials

Following the end of your employment or association with Copart or at any time upon demand from Copart, you will immediately deliver to Copart, and will not keep in your possession, recreate, or deliver to anyone else, any and all Copart property, including, but not limited to, Confidential Information, Third Party Confidential Information, all devices and equipment belonging to Copart (including computers, handheld electronic devices, telephone equipment, and other electronic devices), all tangible embodiments of the CIIP, all electronically stored information and passwords to access such property, Copart credit cards, records, data, notes, notebooks, reports, files, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, photographs, charts, any other documents and property, and reproductions of any of the foregoing items, including, without limitation, those records maintained pursuant to Section 2(e). You also hereby consent to an exit interview (at Copart's election) to confirm your compliance with this Section 4.

5. Miscellaneous

a. The laws of the State of Texas (without regard to Texas's conflict of law rules), as well as any and all applicable federal law, including U.S. copyright laws, shall apply to this Agreement. You hereby expressly consent to the personal and exclusive jurisdiction and venue of the state and federal courts located in Dallas County, Texas, for any lawsuit arising out of this Agreement.

b. This Agreement will be binding upon your heirs, executors, assigns, administrators, and other legal representatives, and will be for the benefit of Copart, its successors, and its assigns. There are no intended third- party beneficiaries to this Agreement, except as may be expressly otherwise stated. Notwithstanding anything to the contrary herein, Copart may assign this Agreement and its rights and obligations under this Agreement to any successor to all or substantially all of Copart's relevant assets, whether by merger, consolidation, reorganization, reincorporation, sale of assets or stock, or otherwise, without the need for further consent by you.

c. This Agreement, together with Schedule A, sets forth the entire agreement and understanding between the Company and you with respect to the subject matters contained herein and supersedes all prior written and oral agreements, discussions, or representations between us regarding these subject matters.

d. If a court or other body of competent jurisdiction finds, or the parties mutually believe, any provision of this Agreement, or portion thereof, to be invalid or unenforceable, such provision will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

e. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in a writing signed by the President or CEO of Copart and you. Waiver by Copart of a breach of any provision of this Agreement will not operate as a waiver of any other or subsequent breach.

f. The rights and obligations of the parties to this Agreement will survive termination of your employment or association with Copart.

Acknowledged and agreed:

____________________________ __________________________

Signature Date

____

Name of Employee/Consultant (printed)

Schedule A

LIST OF PRIOR INVENTIONS

If you have Prior Inventions, please list them in the space below. If you do not have any Prior Inventions or you would like to include additional Prior Inventions on separate pages, check the appropriate box at the bottom of the page.

Title	Date	Identifying Number or Brief Description

Check the following as applicable:

_____All of my Prior Inventions are listed above

_____I have no Prior Inventions

_____I have attached additional sheets describing my Prior Inventions

Signature of Employee:_________________________
Type or Print Name of Employee:________________
Date:_________________

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13a- 14(a)/15d- 14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES- OXLEY ACT OF 2002

I, A. Jayson Adair, certify that:

1. I have reviewed this Quarterly Report on Form 10- Q of Copart, Inc.;
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 24, 2015

/s/ A. Jayson Adair
A. Jayson Adair
Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a- 14(a)/15d- 14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES- OXLEY ACT OF 2002**

I, William E. Franklin, certify that:

1. I have reviewed this Quarterly Report on Form 10- Q of Copart, Inc.;
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 24, 2015

/s/ William E. Franklin
William E. Franklin
Executive Vice President and Chief Financial Officer

EXHIBIT 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

I, A. Jayson Adair, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that to the best of my knowledge, the Quarterly Report of Copart, Inc. on Form 10- Q for the quarter ended October 31, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of Copart, Inc.

/s/ A. Jayson Adair
A. Jayson Adair
Chief Executive Officer

Date: November 24, 2015

A signed original of this written statement required by Section 906 has been provided to Copart, Inc. and will be retained by Copart, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing except to the extent that the Company specifically incorporates it by reference.

EXHIBIT 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

I, William E. Franklin, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that to the best of my knowledge, the Quarterly Report of Copart, Inc. on Form 10- Q for the quarter ended October 31, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of Copart, Inc.

/s/ William E. Franklin
William E. Franklin
Executive Vice President
and Chief Financial Officer
Date: November 24, 2015

A signed original of this written statement required by Section 906 has been provided to Copart, Inc. and will be retained by Copart, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing except to the extent that the Company specifically incorporates it by reference.