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DYNABAZAAR INC
Form 10-K/A
April 17, 2007

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

FORM 10-K/A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

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 000-29423

DYNABAZAAR, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

04-3351937
(I.R.S. Employer
Identification No.)

888 SEVENTH AVENUE, NEW YORK, NY
(Address of principal executive offices)

10019
(Zip Code)

Registrant's telephone number, including area code: (212) 974-5730

Securities Registered pursuant to Section 12(b) of the Act: NONE

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

COMMON STOCK, \$0.001 PAR VALUE
(Title of each class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 and Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 June 30, 2006, the aggregate market value of the registrant's voting stock held by non-affiliates was approximately \$8,884,408 based on the closing sales price of the registrant's common stock as reported on the Over-the-Counter Bulletin Board as of such date.

The number of shares outstanding of the registrant's common stock as of March 14, 2007 was 23,691,756.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which was filed with the Securities and Exchange Commission on April 4, 2007.

Dynabazaar, Inc. (the "Company" or "Dynabazaar") hereby amends and restates in its entirety each of the following items of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (the "Original Form 10-K") filed with the Securities and Exchange Commission (the "SEC") on April 4, 2007.

This Amendment No. 1 on Form 10-K/A to the Annual Report on Form 10-K filed on April 4, 2007 does not reflect any events occurring after the filing of the Original Form 10-K, and does not modify or update the disclosures therein in any way other than as required to reflect the amendments described above and set forth below. Terms used but not defined herein have the meanings given to them in the Original Form 10-K.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

Our board of directors (the "Board") is currently comprised of three directors. Each Board member holds office for a term of three years or until his or her respective successor has been duly elected and qualified. Our Board is divided into three classes, consisting of one Class I director (Raymond Steele); one Class II director (Rory J. Cowan); and one Class III director (James A Mitarotonda).

Set forth below is certain information regarding the directors of Dynabazaar, Inc.

Name	Age	Position with the Company	Director Since
James A. Mitarotonda....	52	President, Chief Executive Officer and Director	2003
Rory J. Cowan.....	54	Chairman of the Board of Directors(1) (2) (3)	2001
Raymond Steele.....	72	Director(1) (2) (3)	2004

- (1) Member of Audit Committee
- (2) Member of Nominating and Corporate Governance Committee
- (3) Member of Compensation Committee

Mr. Mitarotonda has served as one of our directors since September 2003 and as our President and Chief Executive Officer since May 2006. He also served as our President and Chief Executive Officer from January 2004 to December 17, 2004. Mr. Mitarotonda is Chairman of the Board, President and Chief Executive Officer of Barington Capital Group, L.P., an investment firm that he co-founded in November 1991. Mr. Mitarotonda is also Chairman of the Board, President and Chief Executive Officer of Barington Companies Investors, LLC, the general partner of Barington Companies Equity Partners, L.P., a small capitalization value fund. In addition, he is the Chairman of the Board, President and Chief Executive Officer of Barington Offshore Advisors II, LLC, the investment advisor of Barington Companies Offshore Fund, Ltd., a small capitalization value fund. Mr. Mitarotonda is also a director of The Pep Boys - Manny, Moe & Jack (NYSE:PBLY) and A. Schulman, Inc. (NASDAQ:SHLM). He also has served as L Q Corporation, Inc.'s Co-Chief Executive Officer and Co-Chairman from April 2003

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to May 2004, its sole Chief Executive Officer from May 2004 to October 2004, a director from September 2002 through October 2006 and as its sole Chairman from May 2004 to October 2006. In May 1988, Mr. Mitarotonda co-founded Commonwealth Associates, an investment banking, brokerage and securities trading firm. Mr. Mitarotonda served as Chairman of the Board and Co-Chief Executive Officer of JMJ Management Company Inc., the general partner of Commonwealth Associates.

Mr. Cowan has served as one of our directors since March 2001. Mr. Cowan is the founder of Lionbridge Technologies, Inc. ("Lionbridge"), a provider of globalization products and services for worldwide deployment of technology and information-based products, where he has served as Chairman of the Board and Chief Executive Officer since September 1996. From September 1996 to March 2000, Mr. Cowan also served as President of Lionbridge. Before founding Lionbridge, Mr. Cowan served as Chief Executive Officer of Interleaf, Inc., a document automation software services company, from October 1996 to January 1997. From May 1995 to June 1996, Mr. Cowan served as Chief Executive Officer of Stream International, Inc., a software and services provider and a division of R.R. Donnelley & Sons ("R.R. Donnelley"), a provider of commercial print and print-related services. Mr. Cowan joined R.R. Donnelley in 1988 and served most recently as Executive Vice President from 1991 to June 1996. Before joining R.R. Donnelley, Mr. Cowan was founder of CSA Press, a software duplication firm, and held positions at Compugraphic Corporation, an automated publishing hardware firm.

Mr. Steele has served as one of our directors since December 2004. Mr. Steele is a retired businessman. Prior to his retirement, he held various senior positions such as Executive Vice President of Pacholder Associates, Inc. (from

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August 1990 until September 1993), Executive Advisor at the Nickert Group (from 1989 through 1990), and Vice President, Trust Officer and Chief Investment Officer of the Provident Bank (from 1984 through 1988). Mr. Steele currently serves on the board of directors of American BankNote Corporation (OTCBB:ABNTQ), Globix Corporation (AMEX:GEX), Motient Corporation (PNK:MNCP) and Horizon Offshore, Inc. (PNK:HOFF). He is also a member of the board of directors of Newcastle Holdings, Inc.

There are no family relationships among any of our directors or executive officers.

Executive Officers

As of March 29, 2007, the following persons were serving as our executive officers:

Name	Age	Position with the Company	Held Office Since
James A. Mitarotonda....	52	President, Chief Executive Officer and Director	2006
Melvyn Brunt.....	63	Chief Financial Officer and Secretary	2004
Sebastian E. Cassetta...	57	Chief Executive Officer of Costar	2006
James D. Pritchett.....	60	President of Costar	2006

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Mr. Mitarotonda's biographical information is detailed above. Mr. Mitarotonda has served as our President and Chief Executive Officer since May 2006, replacing William J. Fox who resigned as President and Chief Executive Officer and from the Board of Directors during that same month. Mr. Mitarotonda also served as our President and Chief Executive Officer from January 2004 to December 17, 2004.

Mr. Brunt has served as our Chief Financial Officer and Secretary since January 2004. He has also served as Chief Financial Officer of Barington Capital Group, L.P. since January 2002 and as Chief Financial Officer and Secretary to L Q Corporation, Inc. (OTCBB:LQCI.OB) since April 2003. In addition, from January 2002 to May 2004, he served as Chief Financial Officer and Secretary to MM Companies, Inc., now known as George Foreman Enterprises, Inc. (PNK:GFME.PK). From 1985 to 2001, Mr. Brunt was a Director and Chief Financial Officer of Davies Turner & Co., an international freight forwarding company. From 1996 to 2001, Mr. Brunt was President of Air Mar, Inc. and a Director of TCX International Inc. Both of those companies provided logistics support services to a wide variety of importing and exporting companies.

Mr. Cassetta has served as the Chief Executive Officer of Costar Video Systems, LLC, a wholly-owned subsidiary of the Company ("Costar"), since June 2006. He has also served as a director, President and Chief Executive Officer of L Q Corporation, Inc. (OTCBB:LQCI) since May 2006. Mr. Cassetta was the Chairman and Chief Executive Officer of SmartServ Online, Inc., a company specializing in the delivery of content to desktop and wireless devices, from August 1992 to July 2003. Prior to that, he was the President of Burns and Roe Securacom Inc., a company specializing in engineering and large-scale systems integration, and a director and vice president of Brinks Inc., an international security company. He is a former Special Assistant to New York Governor and Vice President Nelson A. Rockefeller. Mr. Cassetta currently also serves as a Senior Managing Director and the Chief Operating Officer of Barington, a position he has held since August 2003.

Mr. Pritchett has served as the President of Costar since June 2006. Prior to that, he was the President of Video Solutions Technology Center, LLC and a director of Southern Imaging, Inc. from March 2001 until June 2006. Mr. Pritchett served as an independent business consultant from 1999 until March 2001. From 1988 until March 1999, Mr. Pritchett was an executive officer of Ultrak, Inc., a publicly-traded company that manufactured and sold products for the security and surveillance and industrial video markets, serving as the Executive Vice-President and Chief Operating Officer from 1988-1997 and as the President and Chief Executive Officer from 1997 until March 1999.

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Audit Committee

The Company has a separately-designated standing audit committee. The members of the audit committee are Raymond Steele and Rory Cowan. The Board has determined that each member is "independent" under the Nasdaq listing standards and the applicable rules of the SEC, that each member is "financially literate" under the Nasdaq's listing standards and that Mr. Steele qualifies as an Audit Committee Financial Expert under the applicable rules of the SEC.

The Audit Committee hires our independent accountants and is charged with the responsibility of overseeing our financial reporting process. In the course of performing its functions, the Audit Committee reviews, with management and the

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independent accountants, our internal accounting controls, the annual financial statements, the report and recommendations of the independent accountants, the scope of the audit and the qualifications and independence of the auditors. A copy of the Audit Committee charter is available upon request to the following address: Dynabazaar, Inc., 888 Seventh Avenue, 17th Floor, New York, NY 10019 Attn: Secretary.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee currently consists of Raymond Steele and Rory Cowan. The Board has determined that each member is independent under the Nasdaq's listing standards. The Committee is responsible for identifying individuals who are qualified to become directors, recommending nominees for membership on the Board and committees of the Board, promulgating minimum qualifications that it believes must be met by director nominees, establishing policies for considering director candidates recommended by stockholders, implementing procedures for stockholders in submitting recommendations for director candidates and developing and recommending to the Board corporate governance guidelines.

The Committee has established the following minimum qualifications for prospective nominees: (1) high accomplishments in his or her respective field, with superior credentials and recognition, (2) if applicable, a demonstrated history of actively contributing at board meetings, (3) high personal and professional integrity, exceptional ability and judgment, and effectiveness, in conjunction with the other nominees to the Board, in serving the long-term interests of the stockholders and (4) sufficient time and availability to devote to the affairs of the Company, particularly in light of the number of boards on which the nominee may serve. In addition, the Committee may consider a variety of other qualities and skills, including whether the nominee has direct experience in the industry or in the markets in which we operate and the definition of independence within the meaning of Rule 4200 of the Nasdaq listing standards. Nominees must also meet any applicable requirements of the SEC's regulations, state law and our charter and by-laws.

The Committee has established a process for identifying and evaluating nominees for director. The Committee may solicit recommendations from any or all of the following sources: non-management directors, the Chief Executive Officer, other executive officers, third-party search firms or any other source it deems appropriate. The Committee will then, without regard to the source of the initial recommendation of such proposed director candidate, review and evaluate the qualifications of any such proposed director candidate, and conduct inquiries it deems appropriate. Upon identifying individuals qualified to become members of the Board, consistent with the minimum qualifications and other criteria approved by the Board from time to time, and provided that we are not legally required to provide third parties with the ability to nominate individuals for election as a member of the Board, the Committee will then recommend that the Board select the director nominees for election at each annual meeting of stockholders.

The Committee will consider director candidates recommended by our stockholders. A stockholder wishing to propose a nominee should submit a recommendation in writing to our Secretary at least 120 days before the mailing date for proxy material applicable to the annual meeting for which such nomination is proposed for submission, setting forth, among other things required by the Committee's charter, (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each such nominee for the past five years, (iii) the consent of the proposed director candidate to be named in the proxy statement relating to our annual meeting of stockholders and to serve as a director if elected at such annual meeting and (iv) any additional information regarding director nominees pursuant to the rules of the SEC. The Committee anticipates that it would use these sources as well as

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stockholder recommendations to identify candidates in the future.

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Copies of the Nominating and Corporate Governance Committee charter and the Corporate Governance Guidelines are available upon request to the following address: Dynabazaar, Inc., 888 Seventh Avenue, 17th Floor, New York, NY 10019 Attn: Secretary.

Compensation Committee

The Compensation Committee currently consists of Raymond Steele and Rory Cowan. The Board has determined that each member is independent under the Nasdaq's listing standards. The Compensation Committee sets the compensation of our Chief Executive Officer and other senior executives, administers our stock option plans and executive compensation programs, determines eligibility for, and awards under, such plans and programs, and makes recommendations to the Board with regard to the adoption of new employee benefit plans, stock option plans and executive compensation plans. A copy of the Compensation Committee charter is available upon request to the following address: Dynabazaar, Inc., 888 Seventh Avenue, 17th Floor, New York, NY 10019 Attn: Secretary.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors and persons who beneficially own more than 10% of our common stock to file reports of ownership and changes in ownership with the SEC and to furnish copies to us.

Based upon a review of the Forms 3, 4 and 5 furnished to us and certain representations made to us, we believe that, for the fiscal year ended December 31, 2006, all reports required by Section 16(a) of the Exchange Act to be filed by our officers and directors and 10% beneficial owners were filed on a timely basis.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics which applies to directors, officers, senior management and certain other employees of the Company, including its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Company shall provide a copy of its Code of Business Conduct and Ethics to any person without charge, upon request. Requests for a copy of the Code of Business Conduct and Ethics can be made in writing to the following address: Dynabazaar, Inc., 888 Seventh Avenue, 17th Floor, New York, New York 10019, Attn: Secretary.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

We compensate our executive management through a combination of base salaries, merit based performance bonuses and long-term equity compensation. Our executive compensation is structured to align management's incentives with the long-term interests of our shareholders, and to maximize profitability and shareholder value.

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We adhere to the following compensation policies, which are designed to support the achievement of our business strategies:

- o Our executive compensation should strengthen the relationship between compensation, both cash and equity-based, and performance by emphasizing variable compensation that is dependent upon the successful achievement of corporate and individual performance goals.
- o A portion of each executive's total compensation should be comprised of long-term compensation to focus management on the long-term interests of shareholders.
- o An appropriately balanced mix of incentive cash and equity-based compensation aligns the interests of our executives with that of our shareholders. The equity-based component promotes a continuing focus on building profitability and shareowner value.

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- o Total compensation should enhance our ability to attract, retain, motivate and develop knowledgeable and experienced executives upon whom, in large part, our successful operation and management depends.

A core principle of our executive compensation is the belief that compensation paid to executive officers should be closely aligned with our near- and long-term success, while simultaneously giving us the flexibility to recruit and retain qualified key executives. Our compensation program is structured so that it is related to our stock performance and other factors, direct and indirect, which may influence long-term shareholder value.

As a result, we have designed our executive compensation to include the following elements:

- o Annual Base Salaries;
- o Annual Performance-Based Cash Bonuses; and
- o Long-Term Equity-Based Compensation.

We utilize each of these elements of executive compensation to ensure proper balance between our short- and long-term success as well as between our financial performance and shareholder return. In this regard, we believe that the executive compensation for our named executive officers is consistent with our financial performance and the performance of each named executive officer.

Elements of Compensation

Base Salaries

The base salaries of the Company's named executive officers are evaluated annually. In evaluating appropriate pay levels and salary increases for such officers, the Compensation Committee considers achievement of the Company's strategic goals, level of responsibility, individual performance and time commitment, and internal equity and external pay practices. In addition, the Committee considers the scope of the executives' responsibilities, taking into

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account to the extent deemed appropriate competitive market compensation for similar positions, the seniority of the individual, our ability to replace the individual and other primarily judgmental factors deemed relevant by our Board of Directors and Compensation Committee. The Compensation Committee and our Board have also taken into account the contribution certain executive officers made to the Acquisition as well as the fact that, from September 2003 until June 2006, we did not operate any business.

In 2006, James Mitarotonda, our President and Chief Executive Officer, agreed to not be paid a base salary, Melvyn Brunt, our Chief Financial Officer, was paid a salary of \$10,500, Sebastian Cassetta, the Chief Executive Officer of Costar, was paid a salary of \$35,000 and James Pritchett, the President of Costar, was paid a salary of \$78,978.

Bonuses

Bonus awards are designed to focus management attention on achieving key operational and performance goals for the current fiscal year. Cash bonus awards are distributed based upon the Company and the individual's performance. The final determination for all bonus payments is made by our Compensation Committee. The Compensation Committee and our Board have also taken into account the contribution certain executive officers made to the Acquisition as well as the fact that, from September 2003 until June 2006, we did not operate any business. In 2006, James Mitarotonda, our President and Chief Executive Officer, agreed to not be paid a bonus, Melvyn Brunt, our Chief Financial Officer, was paid a bonus of \$5,000, Sebastian Cassetta, the Chief Executive Officer of Costar, was paid a bonus of \$35,000 and James Pritchett, the President of Costar, was not paid a bonus but received an incentive payment of \$2,660 under the terms of the employment agreement between him and Costar.

Equity Incentive Grants

Long-term incentives also comprise an important component of our executives' total compensation package. These incentives are designed to motivate and reward executives for maximizing shareowner value and encourage the long-term employment of key employees.

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To date, stock options have been our primary long-term compensation vehicle for our executive officers. Stock options are granted at the prevailing market price on the date of grant and will have value only if our stock price increases. Grants of stock options generally are based upon our performance, the level of the executive's position, and an evaluation of the executive's past and expected future performance. In connection with the Acquisition, James Pritchett, President of Costar, was granted 37,000 options subject to four year vesting at the rate of 25% per annum. James A. Mitarotonda, President and Chief Executive Officer of the Company, was granted 25,000 options in his capacity as a non-executive director. None of our other Named Executive Officers received stock option grants in their capacity as such in 2006.

No decision has been made whether or not stock options will continue to be used as the predominant form of stock-based compensation. The Compensation Committee is in the process of considering all forms of long-term equity compensation, including restricted stock grants.

Other Benefits

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There are no other benefits provided to employees at this time, including pension, severance or change in control benefits.

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Summary Compensation Table for Year Ended December 31, 2006

The following table provides information as to compensation paid by the Company to our Chief Executive Officer, former Chief Executive Officer, Chief Financial Officer, Chief Executive Officer of our Costar subsidiary and the President of our Costar subsidiary (collectively, the "Named Executive Officers") for services rendered for the fiscal year ended December 31, 2006.

Name and Principal Position	Year	Annual Compensation		Options Awards (\$)
		Salary (\$)	Bonus (\$)	
William J. Fox Former President and Chief Executive Officer (1)	2006	\$20,000	--	--
James A. Mitarotonda President and Chief Executive Officer (principal executive officer) (3)	2006	--	--	\$ 4,000 (4)
Melvyn Brunt Chief Financial Officer (principal financial officer)	2006	\$10,500	\$ 5,000	--
Sebastian Cassetta Chief Executive Officer (Costar)	2006	\$35,000	\$35,000	--
James Pritchett President (Costar) (5)	2006	\$78,978	--	--

(1) Mr. Fox resigned as our President and Chief Executive Officer and from our Board of Directors, effective the close of business on May 15, 2006.

(2) In May, 2006, the Company repurchased all stock options held by Mr. Fox for \$30,855, the market value of all vested stock options held by Mr. Fox at such time.

(3) In 2006, Mr. Mitarotonda was granted 25,000 options and paid \$1,000 in meeting fees in his capacity as a non-executive director during such year.

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- (4) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006 in accordance with SFAS 123(R). A discussion of valuation assumptions used for purposes of the SFAS 123(R) calculation is included under Note 2 to the Company's Consolidated Financial Statements set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
- (5) Mr. Pritchett has served as the President of Costar since June 2006. In April 2007, Mr. Prtichett received a 2006 incentive payment of \$2,660 under the terms of the employment agreement between him and Costar dated June 20, 2006.

Grants of Plan-Based Awards for Year Ended December 31, 2006

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock
James A. Mitarotonda	3/28/2006	25,000	\$ 0.36	\$0.36
James Pritchett	6/20/2006	37,000	\$0.5475	\$0.36

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

We do not have employment agreements or contracts with any of our Named Executive Officers other than James Pritchett. Mr. Mitarotonda was granted 25,000 options in his capacity as a non-executive director. The stock option award granted to Mr. Pritchett, Costar's president, was given to him in connection with the Acquisition.

Employment Contracts and Termination of Employment Arrangements

Costar is party to an employment agreement with James Pritchett dated June 20, 2006. The agreement has a three year term ending June 20, 2009. The agreement provides that Mr. Pritchett is to receive a base salary of \$150,000 per annum, at least 3 weeks paid vacation and reimbursement of travel and business expenses incurred in connection with the performance of his duties. In addition, Mr. Pritchett is eligible to receive an annual incentive payment to the extent that the consolidated net income of Costar before interest, income taxes, depreciation and amortization exceeds certain established annual targets. The agreement is subject to early termination as follows: (a) by Costar (i) due to Mr. Pritchett's death or total disability, (ii) without "cause" or (iii) for "cause," and (b) by Mr. Pritchett for "good reason." "Cause" and "good reason" are as defined in the employment agreement. In the event that the agreement is terminated by reason of the death or total disability of Mr. Pritchett, by the Company for "cause" or by Mr. Pritchett other than for "good reason," then

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Costar shall be obligated to pay Mr. Pritchett (or his spouse or estate, as the case may be) (a) any accrued but unpaid base salary for services rendered to the date of termination, (b) any accrued but unpaid reimbursable expenses, (c) any accrued but unpaid vacation time and (d) for each full bonus eligible year worked by Mr. Pritchett, any incentive payment due and payable under the agreement. In the event the agreement is terminated by Costar without "cause," then Costar shall be obligated to pay Mr. Pritchett (a) any accrued but unpaid base salary for services rendered to the date of termination, (b) any accrued but unpaid reimbursable expenses, (c) any accrued but unpaid vacation time, (d) Mr. Pritchett's base salary for a period of six (6) months following the date of termination and (e) for each full bonus eligible year worked by Mr. Pritchett, any incentive payment due and payable under the agreement, and for each partial bonus eligible year worked by Mr. Pritchett, a pro-rated portion of any incentive payment that would be due and payable under the agreement assuming that Mr. Pritchett had worked for Costar for the full bonus eligible year. In the event that the agreement is terminated by Mr. Pritchett for "good reason," then Costar shall be obligated to pay Mr. Pritchett (a) any accrued but unpaid base salary for services rendered to the date of termination, (b) any accrued but unpaid reimbursable expenses, (c) any accrued but unpaid vacation time, (d) Mr. Pritchett's base salary for a period of six (6) months following the date of termination and (e) for each full bonus eligible year worked by Mr. Pritchett, any incentive payment due and payable under the agreement.

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Outstanding Equity Awards at Fiscal Year-End Table

The following table provides summary information concerning stock options held by the Named Executive Officers as of December 31, 2006.

Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
William J. Fox (1)	--	--	--	--
James A Mitarotonda (2)	320,000	--	\$ 0.33	12/1/2008
	298,000	--	\$ 0.31	12/17/2014
	25,000	--	\$ 0.36	3/28/2016
Sebastian Cassetta	80,000	--	\$ 0.31	12/17/2014
Melvyn Brunt	100,000	--	\$ 0.31	12/17/2014
James Pritchett	--	37,000	\$0.5475	6/20/2016

(1) In May 2006, the Company repurchased all stock options held by Mr. Fox for \$30,855, the market value of all vested stock options held by Mr. Fox at such time.

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- (2) In 2006, Mr. Mitarotonda was granted 25,000 options in his capacity as a non-executive director during such year.

Option Exercises and Stock Vested Table for Fiscal Year Ended December 31, 2006

None of our Named Executive Officers exercised any stock options during 2006. In May 2006, the Company repurchased all stock options held by Mr. Fox for \$30,855, the market value of all vested stock options held by Mr. Fox at such time.

2000 Stock Option and Incentive Plan

In February 2000, our Board of Directors and stockholders approved the 2000 Stock Option and Incentive Plan (the "2000 Plan"), which provides for the issuance of up to 4,017,250 shares of common stock plus the number of shares as to which options granted under the Amended and Restated 1997 Stock Option Plan, as amended and the 1999 Stock Option Plan are forfeited or otherwise terminate unexercised. The 2000 Plan provides for awards in the form of ISOs, NSOs, restricted stock awards and other forms of awards to officers, directors, employees and consultants of the Company. At December 31, 2006, there were 5,385,662 shares available for issuance under the 2000 Plan.

The Board of Directors determines the term of each option, the option price, the number of shares for which each option is granted and the times at which each option vests. For holders of 10% or more of our outstanding common stock, ISOs may not be granted at less than 110% of the fair market value of the common stock at the date of grant.

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2000 Employee Stock Option and Incentive Plan

In October 2000, our Board of Directors approved the 2000 Employee Stock Option and Incentive Plan (the "2000 Employee Plan"), which originally provided for the issuance of up to 1,500,000 shares of common stock, under NSOs to our employees and key persons other than any member of our Board of Directors or any other individual who is subject to the reporting and other provisions of Section 16 of the Securities Exchange Act of 1934. In January 2001, in connection with the one-time employee option exchange incentive program, the Board of Directors amended this plan to increase the number of shares of common stock available for issuance under the plan to 2,654,750. At December 31, 2006, there were 2,250,374 shares available for issuance under this plan. The Board of Directors determines the term of each option, the option price, the number of shares for which each option is granted and the times at which each option vests.

The Company calculates the fair value of each option grant on the date of grant using the Black-Scholes option pricing method as set forth in SFAS No. 123(R) using the following assumptions:

	Year Ended December 31,		
	2006	2005	2004
Risk-free interest rate	4.34%	4.30%	4.20%
Weighted-average expected life (in years)	10	10	10
Expected dividend yield	0.0%	0.0%	0.0%

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Expected stock price volatility 55% 55% 55%

Director Compensation Table for Year Ended December 31, 2006

The following table contains information concerning the compensation of our directors for the fiscal year ended December 31, 2006.

DIRECTOR COMPENSATION
(For the Year Ended December 31, 2006)

Name	Fees Earned or Paid in Cash	Option Awards (1)	Total
----	-----	-----	-----
James A. Mitarotonda	\$ 1,000	\$ 4,000 (2) (4)	\$ 5,000
Rory J. Cowan	\$ 9,000	\$ 8,000 (3) (4)	\$17,000
Raymond Steele	\$11,000	\$ 4,000 (2) (4)	\$15,000

-
- (1) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006 in accordance with SFAS 123(R). A discussion of valuation assumptions used for purposes of the SFAS 123(R) calculation is included under Note 2 to the Company's Consolidated Financial Statements set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
 - (2) Awards consist of grants made to Mr. Mitarotonda and Mr. Steele as non-executive directors in March 2006.
 - (3) Amount includes stock options due to Mr. Cowan for service as Chairman in 2005 and 2006.
 - (4) As of December 31, 2006, James A. Mitarotonda, Rory J. Cowan and Raymond Steel have received in the aggregate 643,000, 100,000 and 75,000 option awards, respectively.

Narrative to Director Compensation Table

In June 2004, our Board approved a plan that entitles our Chairman to cash compensation of \$20,000 upon initial election and upon the anniversary of being appointed and entitles our other non-employee directors to cash compensation of \$10,000 upon initial election and on each anniversary of becoming a director during their term of service. The plan also provides non-employee directors with \$1,000 per meeting of the Board attended during their term of service. In addition, the plan provides that attendance at committee meetings will be compensated at the rate of \$1,000 per meeting for members and \$2,000 per meeting for the chairperson. While the Company has paid the

Chairman and our other non-employee directors meeting fees during the fiscal year ended December 31, 2006, it has not paid such directors their base compensation during this time period but expects to do so in the future.

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Non-employee directors are entitled to fully vested options to purchase 50,000 shares of common stock upon initial election and a fully vested option to purchase 25,000 shares of common stock on each anniversary of becoming a director during their term of service.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is currently composed of independent, non-employee directors. No interlocking relationships exist among our Board, Compensation Committee or executive officers and the Board, Compensation Committee or executive officers of any other company, nor has an interlocking relationship existed in the past.

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed and discussed with our management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K promulgated by the SEC. Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Compensation Committee:

Rory J. Cowan

Raymond Steele

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table presents information with respect to beneficial ownership of the common stock as of April 1, 2007 by

- o each person known by us to beneficially own more than 5% of the common stock;
- o individuals serving as our Named Executive Officers;
- o each of our directors and the nominees for director; and
- o all executive officers and directors as a group.

Except as otherwise noted, the address of each person/entity listed in the table is c/o Dynabazaar, Inc., 888 Seventh Avenue, 17th Floor, New York, NY 10019. The table includes all shares of common stock issuable within 60 days of April 1, 2007 upon the exercise of options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to all shares of common stock. To our knowledge, except under applicable community property laws or as otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares of common stock beneficially owned. The applicable percentage of ownership for each stockholder is based on 23,691,756 shares of common stock outstanding as of April 1, 2007 together with applicable options for that stockholder. Shares of common stock issuable upon exercise of options and other rights beneficially owned are deemed outstanding for the purpose of computing the percentage ownership of the person holding those options and other rights,

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but are not deemed outstanding for computing the percentage ownership of any other person.

Shares Beneficially Owned

Name of Beneficial Owner -----	Number -----	Percent -----
Barington Capital Group, L.P. and related entities 888 Seventh Avenue, 17th Floor New York, NY 10019	2,612,775 (1)	11.03
Jay Gottlieb 27 Misty Brook Lane New Fairfield, CT	2,000,000 (2)	8.44
Lloyd I. Miller, III	2,843,000 (3)	12.00
Melvyn Brunt	100,000 (4)	*
Sebastian E. Cassetta	80,000 (5)	*
Rory J. Cowan	100,000 (6)	*
James Mitarotonda	2,612,775 (7)	11.03
Raymond Steele	75,000 (8)	*
All executive officers and directors as a group consisting of 6 persons) (4)-(9)	2,967,775 (9)	12.53

 (*) Represents less than 1% of the outstanding shares of common stock.

- (1) This information is based solely on a Schedule 13D, as amended, filed with the SEC on March 14, 2007 by Barington Companies Equity Partners, L.P., Barington Companies Investors, LLC, Barington Companies Offshore Fund, Ltd., Barington Offshore Advisors II, LLC, Barington Capital Group, L.P., LNA Capital Corp. and James Mitarotonda. Includes 1,969,775 shares of common stock beneficially owned by Barington Capital Group, L.P., Barington Companies Offshore Fund, Ltd. and Barington Companies Equity Partners, L.P., entities which are directly or indirectly controlled by Mr. Mitarotonda. Mr. Mitarotonda disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. Also includes 643,000 shares of common stock issuable upon the exercise of options granted to Mr. Mitarotonda.
- (2) This information is based on a Schedule 13D, as amended, filed by Jay Gottlieb with the SEC on July 20, 2006. According to such Schedule 13D, 1,509,030 of these shares are owned by Mr. Gottlieb, and 490,970 are beneficially owned by the Laurick Trust. The trust is for the benefit of Mr. Gottlieb's adult children. Mr. Gottlieb, as trustee of both trusts, has sole responsibility to vote and dispose of these shares as well as the shares in his name. Mr. Gottlieb disclaims beneficial ownership of any such shares held by him as trustee for the benefit of his adult children

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- (3) This information is based on a Schedule 13G filed by Lloyd I. Miller, III with the SEC on October 10, 2006. According to such Schedule 13G, Mr. Miller has sole voting and dispositive power with respect to 2,205,500 of the reported securities as (i) a manager of a limited liability company that is the general partner of a certain limited partnership and (ii) as an individual. The reporting person has shared voting and dispositive power with respect to 637,500 of the reported securities as an investment advisor to the trustee of a certain family trust.
- (4) Consists of 100,000 shares of common stock issuable upon the exercise of options.
- (5) Consists of 80,000 shares of common stock issuable upon the exercise of options.
- (6) Consists of 100,000 shares of common stock issuable upon the exercise of options.
- (7) Includes 1,969,775 shares of common stock beneficially owned by Barington Capital Group, L.P., Barington Companies Offshore Fund, Ltd. and Barington Companies Equity Partners, L.P., entities which are directly or indirectly controlled by Mr. Mitarotonda. Mr. Mitarotonda disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. Also includes 643,000 shares of common stock issuable upon the exercise of options granted to Mr. Mitarotonda.
- (8) Consists of 75,000 shares of common stock issuable upon the exercise of options.
- (9) Includes 1,048,000 shares of common stock issuable upon the exercise of options.

Equity Compensation Plan Information

The following table provides information as of December 31, 2006 regarding shares of common stock of the Company that may be issued under our existing equity compensation plans, including the Company's 1997 Stock Option Plan (the "1997 Plan"), 1999 Stock Option Plan (the "1999 Plan"), and 2000 Stock Option and Incentive Plan (the "2000 Plan") and the Company's 2000 Employee Stock Purchase Plan (the "ESPP").

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)
-----	-----	-----

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Equity compensation plans approved by security holders (1)	1,313,000 (2)	\$0.32
Equity compensation plans not approved by security holders (4)	100,000 -----	\$0.55 -----
TOTAL	1,413,000 =====	\$0.39 =====

-
- (1) Consists of shares from the 1997 Plan, the 1999 Plan and the 2000 Plan.
 - (2) Does not include purchase rights accruing under the ESPP because the purchase price (and therefore the number of shares to be purchased) will not be determined until the end of the purchase period.
 - (3) Includes shares available for future issuance under the ESPP.
 - (4) Consists of shares from the 2000 Employee Plan.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

In connection with the Company's cessation of its online auction business, the Company relocated its principal executive offices as of January 1, 2004 to 888 Seventh Avenue, 17th Floor, New York, New York 10019, an office maintained by Barington, a limited partnership whose general partner is a corporation of which James Mitarotonda is Chairman, President and Chief Executive Officer. Mr. Mitarotonda is a director of the Company and our President and Chief Executive Officer.

Pursuant to an administrative services agreement we entered into with Barington in December 2003 (which ran through December 31, 2004), the Company paid Barington a monthly fee of \$8,000 for performing certain administrative services on behalf of the Company. In connection with the agreement, the Company granted to Mr. Mitarotonda an option to purchase 320,000 shares of our common stock. The option is fully exercisable and was granted with an exercise price per share equal to \$0.33, the fair market value of our common stock on the grant date.

The Company entered into an amended administrative services agreement with Barington dated as of December 17, 2004. Under the amended agreement, which ran through December 31, 2006, Barington was to be paid a fee of \$15,000 per month for performing certain administrative, accounting and other services on behalf of the Company. As of March 1, 2006, the Company and Barington agreed to reduce the fee to \$7,500 per month. In addition, Barington is to be paid a fee of \$175 an hour for any legal services provided by Barington on behalf of the Company at the Company's request. The Company has also agreed that in the event that Barington identifies for the Company at its request a business transaction such as a merger, acquisition or joint venture, and/or provides the Company with financial consulting or merger and acquisition services in connection with such

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business transaction, the Company will pay Barington a fee to be agreed upon between Barington and the Board of Directors of the Company. In connection with the amended agreement, the Company granted options to certain designees of Barington to purchase, in the aggregate, 320,000 shares of the Company's common stock. The options were granted with an exercise price per share equal to \$0.31, the fair market value of the Company's common stock on the grant date.

On March 30, 2007, the Company entered into an amendment to the administrative services agreement with Barington, effective as of January 1, 2007. Under the amended agreement, which runs through December 31, 2007, Barington is to continue to be paid a fee of \$7,500 per month for performing certain administrative, accounting and other services on behalf of the Company until the closing of the transactions contemplated by the Amended and Restated Merger Agreement, at which point the fee is to increase to a rate of \$10,000 per month.

Barington and certain of its affiliates which have joined with Barington in the filing of a statement on Schedule 13D, collectively own greater than 10% of the outstanding common stock of both Dynabazaar and L Q Corporation. Pursuant to a letter agreement dated February 26, 2007, Barington agreed to vote, and to cause its affiliates to vote, all of our shares now owned or hereafter acquired by Barington and its affiliates in favor of the transactions contemplated by the Amended and Restated Merger Agreement, in proportion to the votes of our other stockholders.

James A. Mitarotonda, who serves as a director and our President and Chief Executive Officer, is Chairman, President and Chief Executive Officer of a corporation that is the general partner of Barington. Sebastian E. Cassetta, who serves as the Chief Executive Officer of Costar, is a Senior Managing Director and the Chief Operating Officer of Barington. Mr. Cassetta is also a director, President and Chief Executive Officer of L Q Corporation. Dianne K. McKeever, a research analyst at Barington, serves as a director of L Q Corporation, and Michael McManus, a director of L Q Corporation, holds an equity interest in certain affiliates of Barington. Barington is party to separate administrative services agreements with us and L Q Corporation, pursuant to which Barington performs certain administrative, accounting and other services on behalf of each company. Our and L Q Corporation's principal executive offices are maintained by Barington.

Review, Approval or Ratification of Transactions with Related Persons

Pursuant to the Charter of the Audit Committee, the Audit Committee is charged, on behalf of the Board, with conducting an appropriate review of all related party transactions for potential conflict of interest situations on an

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ongoing basis, and the approval of the Audit Committee is required for all such transactions.

Director Independence

Our Board has determined that Rory Cowan and Raymond Steele qualify as independent under Nasdaq listing standards.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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The public accounting firm of Rothstein Kass & Company, P.C. has served as our independent accountant to perform the audit of our financial statements for the fiscal year ended December 31, 2006 and December 31, 2005. The table below sets forth the aggregate audit fees, audit-related fees, tax fees and all other fees billed for services rendered by our principal accountants in our fiscal years ended December 31, 2006 and 2005.

Fee Category	Fiscal 2006	Fiscal 2005
-----	-----	-----
Audit Fees (1)	\$122,000	\$ 76,000
Audit-Related Fees (2)	76,000	--
Tax Fees (3)	28,000	12,000
Total Fees	\$226,000	\$ 88,000
	=====	=====

-
- (1) Audit Fees. These consist of fees billed for professional services rendered for the audit of our annual financial statements and review of the interim financial statements included in quarterly 10-Q reports and for services normally provided in connection with statutory and regulatory filings.
 - (2) Audit-Related Fees. These consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements that are not reported under "Audit Fees." These services include accounting consultations in connection with acquisitions and consultations concerning financial accounting and reporting standards.
 - (3) Tax Fees. These consist of fees billed for professional services for tax compliance, tax advice and tax planning.

PRE-APPROVAL POLICIES AND PROCEDURES OF AUDIT COMMITTEE

The Audit Committee has responsibility for the appointment, compensation and oversight of the work of the independent accountant. As part of this responsibility, the Audit Committee must pre-approve all permissible services to be performed by the independent accountant.

The Audit Committee has adopted an auditor pre-approval policy which sets forth the procedures and conditions pursuant to which pre-approval may be given for services performed by the independent auditor. Under the policy, the Committee must give prior approval for all auditing services and the terms thereof (which may include providing comfort letters in connection with securities underwritings) and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board) to be provided. Prior approval need not be given with respect to the provision of non-audit services if certain "de minimis" provisions of Section 10A(i) (1) (B) of the Exchange Act are satisfied. The Audit Committee may delegate to one or more of its members authority to approve a request for pre-approval provided the member reports any approval so given to the Audit Committee at its next scheduled meeting.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(b) EXHIBITS

The following exhibits are incorporated herein by reference or are filed with this report as indicated below. Exhibits indicated with (+) constitute all of the management contracts and compensation plans and arrangements required to be filed as exhibits to the Report on Form 10-K.

EXHIBIT NO.	TITLE
2.1	Asset Purchase Agreement dated as of June 20, 2006 by and among Southern Imaging, Video Solutions, the shareholders of Southern Imaging, Costar and VSTC(5)
2.2	Agreement and Plan of Merger dated as of January 5, 2007 among Dynabazaar, L Q Corporation and LMC(6)
2.3	Letter Agreement dated January 5, 2007(6)
2.4	Amended and Restated Agreement and Plan of Merger dated as of February 26, 2007 by and among Dynabazaar, L Q Corporation and LMC(7)
2.5	Letter Agreement dated February 26, 2007(7)
3.1	Form of Fifth Amended and Restated Certificate of Incorporation of the Company(1)
3.2	Composite Amended and Restated Bylaws of the Company as amended by Amendment to Bylaws adopted May 16, 2001(2)
4.1	Form of Specimen Certificate for the Company's Common Stock(2)
10.1	Form of Indemnity Agreement entered into by the Company with each of its directors(1)
10.2	Amended and Restated 1997 Stock Option Plan(1)+
10.3	October 2001 Amendment to Amended and Restated 1997 Stock Option Plan(2)+
10.4	1999 Stock Option Plan(1)+
10.5	2000 Stock Option and Incentive Plan(1)+
10.6	Composite Transaction Bonus Plan adopted August 28, 2001 as amended on March 12, 2002(2)+
10.7	Employee Stock Purchase Plan(1)+
10.21	Services Agreement dated as of November 17, 2004 between the Company and Barington Capital Group, L.P.(3)

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- 10.22 Amendment to Administrative Services Agreement dated as of March 23, 2006 between the Company and Barington Capital Group, L.P.(4)
- 10.23 Amendment to Administrative Services Agreement dated as of March 30, 2007 between the Company and Barington Capital Group, L.P.(8)
- 10.30 Employment Agreement between Costar Video Systems, LLC and James Pritchett dated June 20, 2006*
- 21.1 Subsidiaries(8)
- 23.1 Consent of Rothstein, Kass & Company(8)
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(8)
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(8)
- 31.3 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
- 31.4 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(8)
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(8)

* Filed with this Report.

- (1) Included as an exhibit to, and incorporated in this Report by reference to, the Company's Registration Statement on Form S-1 (No. 333-92677), as amended, filed with the SEC.

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- (2) Included as an exhibit to, and incorporated in this Report by reference to, the Company's Annual Report on Form 10-K for the year ended December 31, 2001 filed with the SEC on March 29, 2002.
- (3) Included as an exhibit to, and incorporated in this Report by reference to, the Company's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC on March 30, 2005.
- (4) Included as an exhibit to, and incorporated in this Report by reference to, the Company's Quarterly Report on Form 10-Q for the quarter ended March 6, 2006 filed with the SEC on May 15, 2006.
- (5) Included as an exhibit to, and incorporated in this Report by reference to, the Company's Current Report on Form 8-K dated June 20, 2006 filed with the SEC on June 26, 2006.

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- (6) Included as an exhibit to, and incorporated in this Report by reference to, the Amendment to the Company's Current Report on Form 8-K dated January 5, 2007 filed with the SEC on January 11, 2007.
- (7) Included as an exhibit to, and incorporated in this Report by reference to, the Company's Current Report on Form 8-K dated February 26, 2007 filed with the SEC on February 27, 2007.
- (8) Included as an exhibit to, and incorporated in this Report by reference to, the Company's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC on April 4, 2007.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on April 17, 2007.

DYNABAZAAR, INC.

By: /s/ James A. Mitarotonda

 James A. Mitarotonda
 President and Chief Executive Officer
 (Principal Executive Officer)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ James A, Mitarotonda ----- James A. Mitarotonda	President, Chief Executive Officer and Director (Principal Executive Officer)	April 17, 2007
/s/ Melvyn Brunt ----- Melvyn Brunt	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	April 17, 2007
/s/ Rory J. Cowan ----- Rory J. Cowan	Director and Chairman of the Board	April 17, 2007
/s/ Raymond Steele ----- Raymond Steele	Director	April 17, 2007

