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MILLER LLOYD I III
Form PREC14A
March 19, 2003

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant []

Filed by a Party other than the Registrant [X]

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

FAIRMARKET INC.

(Name of Registrant as Specified In Its Charter)

Lloyd I. Miller, III

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ANNUAL MEETING OF STOCKHOLDERS OF
FAIRMARKET, INC.

PROXY STATEMENT OF
LLOYD I. MILLER, III

This proxy statement and the accompanying GREEN proxy card are being furnished to you in connection with the solicitation of proxies by me, Mr. Lloyd I. Miller, III, to be used at the 2003 Annual Meeting of Stockholders of FairMarket, Inc., a Delaware corporation, and any adjournments or postponements thereof (the "Annual Meeting"). Pursuant to this proxy statement, I am soliciting proxies from holders of shares of FairMarket common stock to vote FOR the election of myself, Mr. Lloyd I. Miller, III, to FairMarket's board of directors and, if two directors are elected at the Annual Meeting, FOR the election of Mr. Raymond L. Steele.

This proxy statement and the accompanying Green proxy card are first being sent to stockholders on or about _____, 2003. FairMarket has not yet announced the time or location of the Annual Meeting. I am soliciting proxies for use at the Annual Meeting whenever and wherever it may be held.

* * * * *

A proxy may be given by any person who holds shares of FairMarket common stock on the record date set for the Annual Meeting, which will be announced when the date of the Annual Meeting is announced. Whether or not you plan to attend the Annual Meeting, you are urged to sign and date the enclosed GREEN proxy card and return it in the postage-paid envelope provided. Your latest-dated proxy is the only one that counts, so you may return the GREEN proxy card even if you have already delivered any other proxy. Please do not return any proxy sent to you by FairMarket. If you have already returned a white proxy card sent to you by FairMarket, that card will be automatically revoked if

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you complete and return the enclosed GREEN proxy card. It is very important that you date your proxy.

This proxy statement is provided by Lloyd I. Miller, III.

* * * * *

Stockholders of FairMarket will be asked at the Annual Meeting to consider and vote upon the election of one Class III director whose term will expire in 2006. I am soliciting your proxy in support of the election of myself, Mr. Lloyd I. Miller, III (the "Nominee"), and if you are asked to consider and vote for two directors, Mr. Raymond L. Steele (together, the "Nominees"). My solicitation of proxies is in opposition to the directors nominated for election by FairMarket's management. I believe that if one or both of the Nominees are elected, such

Nominee or Nominees will be able to encourage FairMarket to take steps to increase stockholder value and to monitor closely management's progress with respect to enhancing stockholder value. If elected, the Nominee or Nominees will lead efforts to improve stockholders' rate of return and determine whether stockholder value can be maximized through a sale of FairMarket or other strategic transaction.

If you wish to vote for the Nominee, or both of the Nominees if two directors are elected at the Annual Meeting, you may do so by completing and returning a Green proxy card. All shares represented by Green proxy cards that are received prior to the Annual Meeting and are not subsequently revoked will be voted, and voted in accordance with the directions specified in the Green proxy card. In the event no directions are specified, Green proxy cards that are not revoked will be voted FOR the Nominee or Nominees, as the case may be. Should either of the Nominees decline or prove unable to serve as a director at the time of the Annual Meeting, proxies voted FOR the Nominees that are not revoked will be voted for the nominee or nominees designated by me to fill the vacancy. The Nominees have consented to being named in this proxy statement and to serve if elected. As of the date this proxy statement is mailed to stockholders, no Nominee intends to decline service as a director or will prove unable to serve as a director.

Currently, one director is to be elected at the Annual Meeting. However, the Company has not yet filed its proxy statement to nominate directors for election at the Annual Meeting, and therefore I have nominated two directors for election at the Annual Meeting. If only one director is proposed by the Company for election at the Annual Meeting, I will amend this proxy statement so that Lloyd I. Miller III is my sole nominee for election at the Annual Meeting. If you vote on my GREEN proxy card, you have the opportunity to withhold authority to vote for either of the Nominees by writing his name on the GREEN proxy card in the space provided. There can be no assurance that any Nominee will be elected and if one Nominee is elected, there can be no assurance that the other Nominee will also be elected. For information regarding FairMarket's nominee or nominees for election as directors, please refer to FairMarket's definitive proxy statement, when it becomes available.

Any stockholder who has executed and returned a proxy, whether solicited by FairMarket's board of directors or by me, may revoke it at any time before the proxy is voted. A proxy may be revoked by sending a written revocation of such proxy to me, by submitting another proxy to me with a later date marked on it or by appearing in person at the Annual Meeting and voting. Attendance at the meeting will not, by itself, revoke a proxy. There is no limit

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on the number of times that a stockholder may revoke a proxy prior to the Annual Meeting. Only the latest dated proxy card will be counted.

If you send written revocation of your proxy to FairMarket, I am requesting that either the original or a copy of all revocations be sent to my proxy solicitor at the address on the back page of this proxy statement so that I will be aware of the revocations and can more accurately determine if and when the requisite proxies have been received.

-2-

REASONS FOR THE SOLICITATION

I have nominated the Nominees for election to FairMarket's board of directors because I believe that FairMarket has shown poor operating results and poor stock market performance since its initial public offering and needs directors to lead efforts to enhance stockholder value, improve operating results and determine whether stockholder value can be maximized through a sale of FairMarket or other strategic transaction.

I believe that by electing one or both of the Nominees, stockholders can give to FairMarket directors who are advocates of stockholder value and who are interested in seeking ways to improve FairMarket's performance while examining strategic alternatives to maximize stockholder value. If elected, the Nominee or Nominees, as the case may be, would ask the board to consider strategic alternatives and if necessary, the hiring of an investment banking firm to study potential opportunities.

Continued Operating Losses; No Cash Distributions. FairMarket continues to invest its available cash in unprofitable business activities in the pursuit of a losing business strategy. Instead of returning value to its stockholders, FairMarket continues to incur expenses to fund projects advocated by management that only result in further operating losses. Although operating losses in the third quarter of 2002 were not as severe as operating losses in the second quarter of 2002, such operating losses are still unacceptable, representing approximately 172% of FairMarket's revenue for the same period.

In its quarterly report on Form 10-Q for the quarter ended September 30, 2002, FairMarket discusses using available cash to fund acquisitions or investments in other complementary businesses. I believe that using available cash to fund such projects is without justification and has so far proven to be an unsuccessful strategy. FairMarket's prolonged operating losses cast serious doubts on the board's commitment to achieving operating cash flow breakeven and on the possibility that FairMarket will ever be profitable.

If elected, the Nominee or Nominees would oppose transactions that are likely to result in even poorer stock performance, and instead would advocate the distribution of available cash to stockholders. I believe that now is the right time for FairMarket to improve earnings per share through cash distributions because new tax rules may provide tax relief. Distributing cash to its stockholders would allow FairMarket to enhance shareholder value while allowing its stockholders to take advantage of these new rules. If elected, the Nominee or Nominees would ask the board to consider these as well as other similar transactions that would increase the return on investment for FairMarket stockholders.

Poor stock performance. FairMarket's common stock, as can be seen on page 20 of last year's proxy statement, has drastically underperformed its peer group and the Nasdaq Market Index since FairMarket's initial public offering.

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According to last year's proxy statement, if you invested \$100 in each of FairMarket, the Nasdaq Market Index, FairMarket's peer group and the 100 Index on March 14, 2000 (the date FairMarket's common stock was first publicly traded), the rate of return would have been as follows:

-3-

| | 3/14/00 | 3/31/00 | 6/30/00 | 9/30/00 | 12/31/00 | 3/31/01 | 6/30/01 | 9/30/01 |
|--------------------------|---------|---------|----------|---------|----------|---------|---------|---------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| FairMarket..... | \$100 | \$46.91 | \$ 4.565 | \$ 6.70 | \$ 3.09 | \$ 2.58 | \$ 2.04 | \$ 2.04 |
| Nasdaq Market Index..... | \$100 | \$97.65 | \$84.91 | \$78.13 | \$52.32 | \$39.05 | \$46.03 | \$46.03 |
| Peer Group..... | \$100 | \$76.06 | \$55.54 | \$79.79 | \$31.43 | \$15.76 | \$24.28 | \$24.28 |
| 100 Index..... | \$100 | \$83.97 | \$62.29 | \$59.53 | \$30.93 | \$19.12 | \$24.09 | \$24.09 |

Recent declines. In the last year, FairMarket's stock has decreased in value even more. At March 11, 2003, FairMarket common stock was trading at \$1.54. Such underperformance makes a strong case for electing new directors to conduct a review of FairMarket's strategies. If elected, the Nominee or Nominees, as the case may be, will advocate increasing the current rate of return through the distribution of cash to the stockholders and considering alternative strategic transactions.

Poor market perception of management's performance. I believe that the performance of FairMarket's common stock reflects, among other things, the market's loss of confidence in management's ability and commitment to produce any profits. Therefore, I believe that consuming more cash to pursue the current business strategy will only produce further operating losses while revenues continue to decrease and stock performance continues to decline. Available cash should be distributed to stockholders instead of used to fund unsuccessful business activities.

Entrenchment of management. I strongly believe that FairMarket's financial performance is closely linked to its corporate governance policies and procedures, and the level of management accountability those policies and procedures impose. Certain actions by FairMarket's board of directors, such as the adoption of the poison pill, along with certain provisions of FairMarket's Certificate of Incorporation and Bylaws, entrench management and FairMarket's board of directors. As a result, management's incentives to protect stockholder value have diminished.

Strategic Alternatives. In addition to the distribution of available cash, if elected to FairMarket's board of directors, the Nominee or Nominees, as the case may be, would ask the board to consider such strategic alternatives as the sale or liquidation of FairMarket. Based on FairMarket's stock performance and operating results, I believe that a review of strategic alternatives should be conducted, with the aim of engaging in a transaction or transactions, in addition to cash distributions, that would produce substantially more value for stockholders than its present stock price, if such a transaction can be achieved.

If elected, I believe the Nominee or Nominees, as the case may be, would be committed to act in the best interests of FairMarket's stockholders and, subject to each Nominee's duties as a director of FairMarket, to pursue diligently and promptly the actions described above. No assurance can be given that the Nominee or Nominees will be successful in these efforts or that, if

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successful, stockholder value will be enhanced. If elected, the Nominee or Nominees would advocate but would have no practical ability to cause changes to be made at FairMarket. I believe that the election of the Nominee or Nominees is critical to stockholders interested in making FairMarket more accountable to its stockholders.

-4-

There is no assurance that any change in FairMarket's policies will increase the value of FairMarket's stock. As directors, with director duties to FairMarket and a personal financial stake in enhancing stockholder value, the Nominee or Nominees, as the case may be, would work to increase stockholder value.

VOTING PROCEDURES

To vote FOR the Nominee as director, or if stockholders are asked to elect two directors, FOR the Nominees as directors, please sign and date the enclosed GREEN proxy card and return it to my proxy solicitor in the enclosed postage-paid envelope. Submitting a proxy will not affect your right to attend the Annual Meeting and vote in person.

How do I vote in person if I am a record holder?

If you are a stockholder of record of FairMarket common stock on the record date, which will be set at the time the Annual Meeting is announced, you may attend the Annual Meeting and vote in person.

How do I vote by proxy if I am a record holder?

To vote by proxy, you should complete, sign and date the enclosed GREEN proxy card and return it promptly in the enclosed postage-paid envelope. To be able to vote your shares in accordance with your instructions at the Annual Meeting, we must receive your proxy as soon as possible but in any event prior to the meeting. You may vote your shares without submitting a proxy to us if you vote in person or submit a proxy to the secretary of FairMarket.

What if I am not the record holder of my shares?

If your shares are held in the name of a brokerage firm, bank nominee or other institution, only it can give a proxy with respect to your shares. You may have received either a GREEN proxy card from the record holder (which you can complete and send directly to my proxy solicitor) or an instruction card (which you can complete and return to the record holder to direct its voting of your shares). If the record holder has not sent you either a GREEN proxy card or an instruction card, you may contact the record holder directly to provide it with instructions.

You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which your shares are held. You should complete, sign and date and return each GREEN proxy card and voting instruction card you receive.

You may also receive a white proxy or voting instruction card that is being solicited by the FairMarket board of directors. We urge you to discard any white proxy card or voting instruction cards sent to you by FairMarket. If you have previously signed a white proxy card or voting instruction card sent by FairMarket, we urge you to sign, date and promptly mail the enclosed GREEN proxy

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card or voting instruction card for the Annual Meeting. By doing so, this will revoke any earlier dated proxy card or voting instruction cards solicited by the

-5-

FairMarket board of directors. It is very important that you date your proxy. It is not necessary to contact FairMarket for your revocation to be effective.

If you need assistance, please contact my proxy solicitor by telephone at 1-800-_____.

If you do not have record ownership of your shares and want to vote in person at the Annual Meeting or if you are voting for someone else at the Annual Meeting, you may obtain a document called a "legal proxy" from the record holder of the shares or such other person and bring it to the Annual Meeting. If you need assistance, please contact my proxy solicitor by telephone at 1-800-_____.

What should I do if I receive a white proxy card from FairMarket's management?

Proxies on the white proxy card are being solicited by FairMarket's management. If you submit a proxy to us by signing and returning the enclosed GREEN proxy card, do not sign or return the white proxy card or follow any voting instructions provided by FairMarket unless you intend to change your vote, because only your latest-dated proxy will be counted.

If you have already sent a white proxy card to FairMarket, you may revoke it and vote for my Nominees by signing, dating and returning the enclosed GREEN proxy card.

What if I want to revoke my proxy or change my voting instruction?

If you give a proxy, you may revoke it at any time before it is voted on your behalf. You may do so by:

- o delivering a later-dated proxy to either my proxy solicitor or the secretary of FairMarket; or
- o delivering a written notice of revocation to either my proxy solicitor or the secretary of FairMarket; or
- o voting in person at the Annual Meeting.

If you hold your shares in street name, you may change your vote by:

- o submitting new voting instructions to your broker or nominee; or
- o attending the Annual Meeting and voting in person, provided you have obtained a signed proxy from the record holder giving you the right to vote your shares.

If you choose to revoke a proxy by giving written notice or a later-dated proxy to the secretary of FairMarket or by submitting new voting instructions to your broker or nominee, we would appreciate if you would assist us in representing the interests of stockholders on an informed basis by sending us a copy of your revocation, proxy or new voting instructions or by calling our proxy solicitor at 1-800-_____. Remember, your latest-dated proxy is the

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only one that counts.

-6-

If I plan to attend the Annual Meeting, should I still submit a proxy?

Whether you plan to attend the Annual Meeting or not, we urge you to submit a proxy. Returning the enclosed proxy card will not affect your right to attend the Annual Meeting and vote.

Who can vote?

You are eligible to vote or to execute a proxy only if you owned FairMarket common stock on the record date for the Annual Meeting, which has not yet been set by FairMarket. Even if you sell your shares after the record date, you will retain the right to execute a proxy in connection with the Annual Meeting. It is important that you grant a proxy regarding shares you held on the record date, or vote those shares in person, even if you no longer own those shares. FairMarket will include in its preliminary proxy statement the approximate number of shares of FairMarket common stock outstanding on the record date for the Annual Meeting.

How many votes do I have?

With respect to each matter to be considered at the Annual Meeting, you are entitled to one vote for each share of FairMarket common stock owned on the record date. Based on documents publicly filed by FairMarket, FairMarket has no outstanding voting securities other than its common stock.

How will my shares be voted?

If you give a proxy on the accompanying GREEN proxy card, your shares will be voted as you direct. If you submit a signed GREEN proxy card to my proxy solicitor without instructions, your shares will be voted FOR the Nominee or Nominees, as the case may be, as directors of FairMarket. Submitting a signed GREEN proxy card without instructions will also entitle me to vote your shares in my discretion on adjournment and postponement of the Annual Meeting and on matters not described in this proxy statement that I do not know, a reasonable time before this solicitation, are to be presented at the Annual Meeting and that properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting. If no specification is made, such shares will be voted FOR the Nominee or Nominees, as the case may be.

If FairMarket stockholders holding shares of FairMarket common stock in street name do not provide voting instructions, their shares will not be voted and will therefore be considered broker "non-votes."

Unless a proxy specifies otherwise, it will be presumed to relate to all shares held of record on the record date by the person who submitted it.

What is a quorum and why is it necessary?

A quorum of stockholders is necessary to have a valid meeting of FairMarket stockholders. A majority of the shares of FairMarket common stock issued and outstanding and entitled to vote on the record date must be present in person or by proxy at the Annual Meeting

-7-

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in order for a quorum to be established. Abstentions and broker "non-votes" count as present for establishing the quorum described above. A broker "non-vote" occurs on an item when a broker is not permitted to vote on that item without instructions from the beneficial owner of the shares and no instructions are given. Shares held by FairMarket in its treasury do not count toward the quorum.

What vote is required to elect a director and approve each proposal and how will votes be counted?

FairMarket currently has five directors, divided into three classes serving staggered three-year terms. FairMarket's common stock is the only class of security entitled to vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of common stock held of record by such stockholder as of the close of business on the record date set for the annual meeting. Directors are elected by a plurality of the affirmative votes cast by holders of shares present in person, or represented by proxy, and entitled to vote at the Annual Meeting, assuming the presence of a quorum. Abstentions and broker "non-votes" will be included in determining whether a quorum is present at a meeting, but will not have an effect on the outcome of a vote for directors. Shares of common stock may not be voted cumulatively.

Can the meeting be adjourned or postponed?

FairMarket's bylaws provide that any adjournment of the FairMarket Annual Meeting may be made at any time by the presiding officer of the meeting if (a) no quorum exists, (b) the board of directors determines adjournment is necessary to give stockholders more time to consider information that was not sufficiently or timely made available to stockholders, or (c) the board of directors determines adjournment is in the best interests of FairMarket.

How can I receive more information?

If you have any questions about giving your proxy or about our solicitation, or if you require assistance, please call our proxy solicitor at 1-800-_____.

PROXY SOLICITATION AND EXPENSES

Proxies may be solicited by mail, telephone, telefax, telegraph, the Internet, e-mail, newspapers and other publications of general distribution and in person. The persons listed in Annex A who are or may be deemed to be participants in the solicitation may assist in the solicitation of proxies without additional remuneration, except as otherwise set forth in this proxy statement.

In connection with this solicitation of proxies, banks, brokers, custodians, nominees, other institutional holders and other fiduciaries will be asked to forward all soliciting materials to the beneficial owners of the shares that those institutions hold of record. I will reimburse those institutions for reasonable expenses that they incur in connection with forwarding these materials.

I have retained a proxy solicitor to solicit proxies in connection with the Annual Meeting. My proxy solicitor may solicit proxies from individuals, banks, brokers custodians, nominees,

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other institutional holders and other fiduciaries and will employ approximately 50 people in its efforts. I have agreed to reimburse my proxy solicitor for its reasonable expenses, to indemnify it against certain losses, costs and expenses and to pay it fees in connection with the proxy solicitation. It is currently expected that the fees payable to my proxy solicitor in connection with this proxy solicitation will not exceed \$100,000. To date, our proxy solicitor has not received any fees for its services.

In addition to the costs related to the engagement of my proxy solicitor, costs related to this solicitation of proxies include expenditures for printing, postage, legal services and other related items. I am bearing the entire expense of this proxy solicitation. Total expenditures are expected to be approximately \$150,000. Total payments of costs to date are approximately \$30,000.

The Soliciting Stockholder AND NOMINEES

Lloyd I. Miller, III (age 48) is a registered investment advisor and has been a member of the Chicago Board of Trade since 1978 and a member of the Chicago Stock Exchange since 1996. Mr. Miller graduated from Brown University in 1977 with a Bachelor's Degree. Mr. Miller is currently a director of Stamps.com, American BankNote Corp, Denny's Corp. (formerly Advantica Restaurant Group) and Aldila, Inc. Mr. Miller's principal occupation is investing assets held by Mr. Miller on his own behalf and on behalf of his family. Mr. Miller's principal business address is as set forth above.

Raymond L. Steele (age 68) has been a retired businessman for over nine years. Mr. Steele has served as a director of American BankNote Corp. since March 2001, Modernfold, Inc. since 1991 and DualStar Technologies Corporation since 1998. Mr. Steele has previously served as a director of I.C.H. Corporation, Video Services Corp., Orion Pictures Corporation and Emerson Radio Corp. Prior to his retirement, Mr. Steele held various senior positions such as Executive Vice President of Pacholder Associates, Inc. (from August 1990 until September 1993) and Executive Advisor at the Nickert Group (from 1989 through 1990).

-9-

Contracts, Arrangements and Understandings Beneficial Ownership by Nominee

The following table sets forth information with respect to common stock beneficially owned by me as of the close of business on [March 10], 2003. Percentage figures are computed on the basis of 26,239,682 shares of common stock outstanding as of October 30, 2002.

| Title of | Name and address | Amount and nature of beneficial |
|----------|------------------|------------------------------------|
|----------|------------------|------------------------------------|

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| class | of beneficial owner | ownership | Percent of class |
|--------------|--|--------------|------------------|
| Common Stock | Lloyd I. Miller, III 4550 Gordon Drive Naples, Florida 34102 | 3,687,988(1) | 14.06% |

(1) As of March 10, 2003, 1,097,536 of such shares are beneficially owned by Trust A-4; 227,505 of such shares are beneficially owned by Trust C; 456,254 of such shares are beneficially owned by MILGRAT II(G); 176,253 of such shares are beneficially owned by Milfam I, L.P.; 979,375 of such shares are beneficially owned by Milfam II, L.P.; 617,165 of such shares are owned of record by Miller directly; 21,800 of such shares are beneficially owned by Alexandra UGMA; 21,900 of such shares are beneficially owned by Catherine Miller GST; 9,000 of such share are beneficially owned by Dail Miller; 15,400 of such shares are beneficially owned by Kimberley Miller GST; 15,400 of such shares are beneficially owned by LLC; 15,000 of such shares bare beneficially owned by Lloyd Crider GST; 10,500 of such shares are beneficially owned by Tyler UGMA; 10,500 of such share are beneficially owned by Wylie UGMA; 14,400 of such shares are beneficially owned by Kimberley Miller. This information shall not be deemed an admission that Lloyd I. Miller, III is the beneficial owner of any equity securities mentioned above, other than the shares he holds of record.

YOUR VOTE IS IMPORTANT. IT WILL HELP DECIDE WHETHER THE STOCKHOLDERS WILL HAVE AN ADEQUATE VOICE IN THE AFFAIRS OF FAIRMARKET. PLEASE MARK, SIGN AND DATE THE ENCLOSED GREEN PROXY CARD AND RETURN IT PROMPTLY IN THE PROVIDED POSTAGE-PAID ENVELOPE.

-10-

Schedule 1

The following table sets forth information with respect to all purchases and sales by the participant in this solicitation and his associates during the past two years. Except as set forth below, the participant and his associates have not purchased or sold securities of FairMarket within the past two years.

FAIRMARKET INC.

SEE LEGEND BELOW FOR EXPLANATION OF ENTITIES

| ENTITY | DATE | BUY/SELL |
|--------|-----------|----------|
| A4 | 11/6/2000 | 500 |
| A4 | 11/6/2000 | 15,910 |
| A4 | 11/8/2000 | 8,025 |

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| | | |
|-------|------------|--------|
| Lloyd | 11/8/2000 | 8,025 |
| M-2 | 11/9/2000 | 16,078 |
| Lloyd | 11/10/2000 | 8,000 |
| Lloyd | 11/13/2000 | 2,200 |
| A4 | 11/14/2000 | 17,000 |
| M-2 | 11/14/2000 | 16,920 |
| A4 | 11/15/2000 | 5,500 |
| C | 11/16/2000 | 5,000 |
| C | 11/17/2000 | 8,250 |
| M-2 | 11/17/2000 | 8,250 |
| A4 | 11/20/2000 | 8,550 |
| A4 | 11/21/2000 | 21,700 |
| M-2 | 11/22/2000 | 23,600 |
| M-2 | 11/24/2000 | 4,000 |
| A4 | 11/27/2000 | 15,050 |
| Lloyd | 11/27/2000 | 15,000 |
| C | 11/28/2000 | 17,900 |
| Lloyd | 11/28/2000 | 17,900 |
| A4 | 11/29/2000 | 35,900 |
| Lloyd | 11/29/2000 | 35,900 |
| M-2 | 11/29/2000 | 35,950 |
| A4 | 11/30/2000 | 34,600 |
| Lloyd | 12/1/2000 | 5,000 |
| A4 | 12/4/2000 | 8,500 |
| C | 12/4/2000 | 8,600 |
| Lloyd | 12/4/2000 | 8,600 |
| A4 | 12/6/2000 | 19,900 |
| Dail | 12/6/2000 | 5,000 |
| M-2 | 12/6/2000 | 19,900 |
| A4 | 12/7/2000 | 8,000 |

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| | | |
|-----|------------|--------|
| M-2 | 12/7/2000 | 8,000 |
| A4 | 12/8/2000 | 19,300 |
| M-2 | 12/8/2000 | 19,215 |
| A4 | 12/11/2000 | 17,100 |

-11-

FAIRMARKET INC.

SEE LEGEND BELOW FOR EXPLANATION OF ENTITIES

| ENTITY | DATE | BUY/SELL |
|---------------|------------|----------|
| Alex | 12/11/2000 | 4,400 |
| C | 12/11/2000 | 17,100 |
| Catherine GST | 12/11/2000 | 4,400 |
| A4 | 12/12/2000 | 17,343 |
| M-2 | 12/12/2000 | 17,300 |
| Kim GST | 12/13/2000 | 3,500 |
| Lloyd | 12/13/2000 | 8,100 |
| LLC | 12/13/2000 | 3,500 |
| Kim GST | 12/14/2000 | 3,500 |
| C | 12/14/2000 | 6,400 |
| LLC | 12/14/2000 | 3,500 |
| A4 | 12/15/2000 | 30,696 |
| Crider | 12/15/2000 | 4,000 |
| Catherine GST | 12/15/2000 | 3,500 |
| C | 12/18/2000 | 21,200 |
| Crider | 12/19/2000 | 6,000 |
| M-1 | 12/19/2000 | 24,900 |
| KM | 12/19/2000 | 6,000 |
| A4 | 12/20/2000 | 42,496 |
| M-2 | 12/20/2000 | 42,500 |
| A4 | 12/21/2000 | 38,375 |

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| | | |
|---------|------------|--------|
| C | 12/21/2000 | 38,375 |
| A4 | 12/22/2000 | 20,000 |
| Lloyd | 12/22/2000 | 20,300 |
| Lloyd | 12/26/2000 | 18,230 |
| A4 | 12/27/2000 | 7,485 |
| Alex | 12/27/2000 | 3,400 |
| Kim GST | 12/27/2000 | 3,400 |
| LLC | 12/27/2000 | 3,400 |
| KM | 12/27/2000 | 3,400 |
| A4 | 12/28/2000 | 34,432 |
| Lloyd | 12/28/2000 | 34,432 |
| Tyler | 12/28/2000 | 3,000 |
| Wylie | 12/28/2000 | 3,000 |
| A4 | 12/29/2000 | 25,000 |
| Lloyd | 12/29/2000 | 25,000 |
| M-2 | 12/29/2000 | 22,719 |
| Tyler | 1/3/2001 | 2,500 |
| Wylie | 1/3/2001 | 2,500 |
| Lloyd | 1/4/2001 | 10,000 |
| M-1 | 1/5/2001 | 25,500 |
| C | 1/8/2001 | 15,700 |
| Lloyd | 1/8/2001 | 10,000 |
| M-2 | 1/8/2001 | 15,650 |
| Lloyd | 1/9/2001 | 5,345 |

-12-

FAIRMARKET INC.

SEE LEGEND BELOW FOR EXPLANATION OF ENTITIES

| ENTITY | DATE | BUY/SELL |
|--------|------|----------|
|--------|------|----------|

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| | | |
|-------|-----------|---------|
| A4 | 2/22/2001 | 15,500 |
| C | 2/22/2001 | 15,450 |
| M-2 | 2/22/2001 | 15,500 |
| A4 | 2/23/2001 | 8,351 |
| A4 | 2/28/2001 | 13,000 |
| C | 3/2/2001 | 10,206 |
| A4 | 3/5/2001 | 1,900 |
| C | 3/6/2001 | 6,400 |
| C | 3/7/2001 | 6,325 |
| C | 3/8/2001 | 22,120 |
| C | 3/9/2001 | 1,900 |
| A4 | 3/12/2001 | 4,150 |
| M-2 | 3/12/2001 | 4,150 |
| A4 | 3/13/2001 | 13,000 |
| C | 3/14/2001 | 7,700 |
| A4 | 3/15/2001 | 10,000 |
| C | 3/15/2001 | 10,300 |
| C | 3/20/2001 | 2,175 |
| M-2 | 3/21/2001 | 63,700 |
| Lloyd | 3/22/2001 | 15,100 |
| A4 | 3/23/2001 | 10,300 |
| A4 | 3/26/2001 | 9,700 |
| C | 3/27/2001 | 25,000 |
| A4 | 3/28/2001 | 25,000 |
| Lloyd | 3/29/2001 | 7,100 |
| A4 | 3/29/2001 | 7,100 |
| A4 | 3/29/2001 | (7,100) |
| M-2 | 3/30/2001 | 34,850 |
| A4 | 3/30/2001 | 34,850 |
| A-4 | 4/3/2001 | 100,000 |

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| | | |
|---------------|----------|---------|
| M-1 | 4/3/2001 | 100,000 |
| C | 4/3/2001 | 100,000 |
| M-2 | 4/3/2001 | 100,000 |
| Lloyd | 4/3/2001 | 85,600 |
| Tyler | 4/3/2001 | 5,000 |
| Wylie | 4/3/2001 | 5,000 |
| Alex | 4/3/2001 | 5,000 |
| Kim GST | 4/3/2001 | 5,000 |
| Milfam LLC | 4/3/2001 | 5,000 |
| Catherine GST | 4/3/2001 | 5,000 |
| Crider | 4/3/2001 | 5,000 |
| A-4 | 4/4/2001 | 14,800 |
| Lloyd | 4/5/2001 | 4,300 |
| KM | 4/6/2001 | 5,000 |
| M-2 | 4/9/2001 | 25,350 |

-13-

FAIRMARKET INC.

SEE LEGEND BELOW FOR EXPLANATION OF ENTITIES

| ENTITY | DATE | BUY/SELL |
|--------|-----------|----------|
| A-4 | 4/9/2001 | 25,350 |
| A-4 | 4/10/2001 | 9,650 |
| M-2 | 4/10/2001 | 9,650 |
| A-4 | 4/11/2001 | 27,500 |
| Lloyd | 4/12/2001 | 12,100 |
| Lloyd | 4/18/2001 | 3,700 |
| Lloyd | 4/23/2001 | 5,700 |
| Lloyd | 4/24/2001 | 22,500 |
| Lloyd | 4/25/2001 | 10,100 |

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| | | |
|---------------|-----------|----------|
| Lloyd | 5/16/2001 | 9,000 |
| Lloyd | 5/17/2001 | 4,900 |
| A-4 | 6/11/2001 | 3,200 |
| C | 6/13/2001 | 20,000 |
| Lloyd | 6/18/2001 | 25,000 |
| A-4 | 6/19/2001 | 25,000 |
| C | 6/19/2001 | 25,000 |
| M-2 | 6/19/2001 | 25,000 |
| A-4 | 6/20/2001 | 11,000 |
| Lloyd | 6/21/2001 | 13,000 |
| Dail | 6/21/2001 | 4,000 |
| M-2 | 6/22/2001 | 49,600 |
| A-4 | 6/25/2001 | 29,800 |
| C | 6/25/2001 | 29,800 |
| M-2 | 6/25/2001 | 29,900 |
| A-4 | 7/16/2001 | 19,000 |
| M-2 | 7/17/2001 | 16,600 |
| C | 7/18/2001 | 10,000 |
| A-4 | 7/19/2001 | 37,175 |
| Lloyd | 7/19/2001 | 37,175 |
| C | 7/24/2001 | 8,600 |
| M-2 | 8/2/2001 | 33,200 |
| A-4 | 8/3/2001 | 18,000 |
| Lloyd | 8/7/2001 | 18,000 |
| Lloyd | 8/7/2001 | (18,000) |
| Alex | 8/7/2001 | 9,000 |
| Catherine GST | 8/7/2001 | 9,000 |
| M-1 | 8/15/2001 | 25,853 |
| M-2 | 8/16/2001 | 29,500 |
| A-4 | 8/17/2001 | 25,000 |
| M-2 | 8/22/2001 | 20,000 |

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| | | |
|-----|-----------|--------|
| A-4 | 8/22/2001 | 20,000 |
| C | 8/22/2001 | 20,000 |
| A-4 | 8/29/2001 | 1,200 |
| M-2 | 9/4/2001 | 18,500 |
| M-2 | 9/5/2001 | 22,770 |

-14-

FAIRMARKET INC.

SEE LEGEND BELOW FOR EXPLANATION OF ENTITIES

| ENTITY | DATE | BUY/SELL |
|--------|-----------|----------|
| M-2 | 9/6/2001 | 7,300 |
| Lloyd | 9/7/2001 | 3,000 |
| C | 9/10/2001 | 6,086 |
| Lloyd | 9/17/2001 | 12,058 |
| Lloyd | 9/18/2001 | 56,000 |
| M-2 | 9/18/2001 | 56,223 |
| C | 9/19/2001 | 25,000 |
| A-4 | 9/19/2001 | 25,000 |
| A-4 | 9/20/2001 | 3,100 |
| A-4 | 9/21/2001 | 1,900 |
| A-4 | 9/24/2001 | 26,800 |
| M-2 | 9/25/2001 | 9,900 |
| Lloyd | 9/26/2001 | 13,000 |
| A-4 | 9/28/2001 | 13,800 |
| C | 10/1/2001 | 95,872 |
| Lloyd | 10/3/2001 | 12,700 |
| M-2 | 10/4/2001 | 6,000 |
| A-4 | 10/9/2001 | 8,600 |

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| | | |
|----------------|------------|-----------|
| M-2 | 10/17/2001 | 19,700 |
| M-2 | 10/23/2001 | 17,300 |
| A-4 | 10/24/2001 | 1,100 |
| M2 | 11/5/2001 | 10,400 |
| M2 | 11/7/2001 | 5,300 |
| C | 11/26/2001 | 4,900 |
| M2 | 11/27/2001 | 11,100 |
| C | 11/28/2001 | 2,000 |
| C | 11/30/2001 | 9,600 |
| C | 12/3/2001 | 17,600 |
| C | 12/4/2001 | 38,200 |
| C | 12/5/2001 | 25,000 |
| Lloyd | 12/6/2001 | 14,100 |
| C | 12/11/2001 | (683,759) |
| MILGRAT II (G) | 12/11/2001 | 683,759 |
| M2 | 12/11/2001 | 1,000 |
| M2 | 12/12/2001 | 8,800 |
| M2 | 12/13/2001 | 45,300 |
| Lloyd | 12/14/2001 | 2,700 |
| A4 | 12/17/2001 | 1,300 |
| A4 | 12/18/2001 | 9,300 |
| A4 | 12/19/2001 | 11,900 |
| Lloyd | 12/20/2001 | 4,800 |
| M2 | 12/21/2001 | 32,700 |
| A4 | 12/24/2001 | 3,000 |
| Lloyd | 12/26/2001 | 9,500 |
| A4 | 12/28/2001 | 8,600 |

-15-

FAIRMARKET INC.
SEE LEGEND BELOW FOR EXPLANATION OF ENTITIES

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| ENTITY | DATE | BUY/SELL |
|--------|------------|-----------|
| A4 | 12/31/2001 | 15,580 |
| A4 | 1/4/2002 | 3,768 |
| Lloyd | 2/7/2002 | 2,000 |
| | | 3,687,988 |

LEGEND

Trust A-4 ("A4")

Alan Goldman, VP
PNC Bank, N.A.
500 PNC Center
201 East Fifth Street
Cincinnati, OH 45202

Lloyd I. Miller, III ("Miller") is the Trust A-4 and Trust C (the "Trusts"). created pursuant to a Declaratory Judgment of the Honorable Wayne F. Wilke for the Pleas, Probate Division, Hamilton County, Ohio, dated October 17, 1992, pursuant to which Trust A-4 was divided into four separate trusts. The Trusts were created pursuant to an Amended and Restated Trust Agreement (the "Trust Agreement"), dated September 17, 1992. Miller was named as advisor to PNC Bank, N.A. (formerly The Central Trust Company, Ohio), the trustee named in the Trust Agreement. Miller's appointment became effective on April 17, 1992, the date of death of Lloyd I. Miller, the Trusts. All of the shares purchased by Miller as advisor to the Trusts were purchased and generated and held by the Trusts.

Trust C ("C")

Alan Goldman, VP
PNC Bank, N.A.
500 PNC Center
201 East Fifth Street
Cincinnati, OH 45202

Pursuant to an Irrevocable Trust Agreement dated December 11, 2001, all of the shares of Trust C were transferred into a grantor trust annuity trust ("MILGRAT II (G)"). Miller was named the trustee to MILGRAT II (G).

Milgrat II (G) ("MILGRAT II (G)")

Steve Hendrickson
Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

Milfam I, L.P. ("M-1")

Alan Goldman, VP
PNC Bank, N.A.
500 PNC Center
201 East Fifth Street
Cincinnati, OH 45202

Miller is the manager of Milfam LLC, a limited liability company established pursuant to the Operating Agreement of Milfam LLC, dated December 10, 1996. Milfam LLC is the general partner of (i) Milfam I, L.P., a Georgia limited partnership established pursuant to the

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| | |
|--|---|
| <p>Milfam II, L.P. ("M-2")</p> <p>Steve Hendrickson Northern Trust Company 50 South Lasalle Street Chicago, IL 60675</p> | <p>Agreement for Milfam I, L.P., dated D and (ii) Milfam II, L.P. a Georgia li established, pursuant to the Partners Milfam II, L.P., dated December 11, 1 shares Miller may be deemed to benefi manager of the managing general partn L.P. were purchased with money contri II, L.P. by its partners, or money ge by Milfam II, L.P.</p> |
| <p>-----</p> <p>Catherine Miller GST ("Catherine GST") Lloyd Crider GST ("Crider") Kimberley Miller GST ("Kim GST")</p> | <p>Miller is the trustee for certain gen trusts (each a "GST") including Cathe Lloyd Crider GST and Kimberley Miller shares Mr. Miller may be deemed to be the trustee for the GST's were purcha generated and held by the GST's.</p> |
| <p>-----</p> <p>Alexandra UGMA ("Alex")</p> | <p>Miller is the custodian to certain ac pursuant to the Florida Uniform Gift ("UGMA") for Alexandra Miller. All of Miller may be deemed to beneficially Alexandra UGMA were purchased with mo Alexandra UGMA.</p> |
| <p>-----</p> <p>Dail Miller ("Dail") Tyler UGMA ("Tyler") Wylie UGMA ("Wylie")</p> | <p>Dail Miller is the former wife of Mil shares Miller may be deemed to benefi Dail Miller's former spouse were purc personal funds held by Dail Miller. D custodian for certain UGMA accounts f Tyler Dulmage and Wylie Dulmage.</p> |
| <p>-----</p> <p>LLC ("LLC")</p> | <p>Lloyd I. Miller LLC ("LLC") is a Limi Company of which Miller has sole cont shares Miller is deemed to beneficial were purchased with money which was g by LLC.</p> |
| <p>-----</p> <p>Kimberley Miller ("KM") 2660 Half Moon Walk Naples, FL 34102</p> | <p>Kimberley Miller is the former wife o</p> |
| <p>-----</p> <p>Lloyd I. Miller, III ("Lloyd") 4550 Gordon Drive Naples, FL 34102</p> <p>-----</p> | <p>Lloyd I. Miller is a registered inves</p> |

Except as shown in the table above, the address for each person or entity is as follows:

Gradison McDonald
580 Walnut Street
Cincinnati, OH 45202

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Lloyd I. Miller, III

Raymond L. Steele

-18-

FORM OF PROXY

THIS PROXY IS SOLICITED IN OPPOSITION TO THE BOARD OF DIRECTORS OF FAIRMARKET, INC. BY LLOYD I. MILLER, III FOR THE _____, 2003 ANNUAL MEETING OF STOCKHOLDERS OF FAIRMARKET, INC.

The undersigned holder of shares of common stock, par value \$.001 per share, of FairMarket, Inc. hereby appoints Lloyd I. Miller, III as attorney and proxy for the undersigned, with full powers of substitution and revocation, to represent the undersigned and vote on behalf of the undersigned all shares of common stock of FairMarket that the undersigned is entitled to vote at the Annual Meeting of Stockholders of FairMarket to be held at ____ local time on _____, 2003 at the Goodwin Procter LLP Conference Center, 53 State Street, Boston, Massachusetts 02109, and any adjournments or postponements thereof. The undersigned hereby acknowledges receipt of the Proxy Statement in opposition to the Board of Directors of FairMarket and hereby instructs said attorney and proxy to vote said shares as indicated thereon. The proxy is authorized to vote in his discretion upon matters incident to the conduct of the Annual Meeting and matters which Mr. Miller does not know, as of the date the Proxy Statement is mailed to stockholders, are to be presented at the Annual Meeting. The undersigned hereby revokes any proxy previously given.

Please complete, sign and date the reverse side of this proxy card and return it in the enclosed envelope.

- 1. ELECTION OF DIRECTORS - To elect LLOYD I. MILLER III, and if two directors are elected at the Annual Meeting, RAYMOND L. STEELE, as directors of the Company

_____ FOR _____ WITHHOLD

_____ FOR both Nominees except as noted here:

_____ (insert name of Nominee for whom you wish to WITHHOLD your vote).

To withhold authority to vote for the election of both Lloyd I. Miller, III and Raymond L. Steele, place an X next to "Withhold". [To withhold authority to vote for the election of one of the Nominees, place an X next to "FOR both Nominees except as noted here" and write in the name of the Nominee for whom you wish to withhold authority to vote for.]

- 2. ADJOURNMENTS AND POSTPONEMENTS OF THE ANNUAL MEETING

_____ FOR _____ AGAINST

In my discretion, the proxy is authorized to vote upon such other business as

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may properly come before the meeting, or any adjournments or postponements thereof, as provided in the proxy statement provided herewith.

Please sign exactly as your name appears hereon or on your proxy cards previously sent to you. When shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporation name by the President and other duly authorized officer. If a partnership, please

-19-

sign in partnership name by authorized person. This proxy card votes all shares held in all capacities.

Dated: _____

(Signature)

(Signature, if jointly held)

Title: _____

PLEASE SIGN, DATE, AND MAIL THIS PROXY CARD TODAY.