

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

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **May 21, 2007**

LIQUIDITY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-51813
(Commission
File Number)

52-2209244
(IRS Employer
Identification No.)

1920 L Street, N.W., 6th Floor, Washington, D.C.
(Address of principal executive offices)

20036
(Zip Code)

Registrant's telephone number, including area code **(202) 467-6868**

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On May 21, 2007, Liquidity Services, Inc. (the "Company"), through its wholly-owned subsidiary DOD Surplus, LLC ("DODS"), and the Defense Reutilization and Marketing Service (the "DRMS") of the U.S. Department of Defense ("DoD") entered into two Supplemental Agreements (the "Amendments"), relating to Sales Contract Number 99-4001-0004, dated as of June 9, 2005, between DODS and the DRMS (the "Scrap Contract"), under which the Company acquires, manages and sells substantially all scrap property of the DoD turned in to the DRMS. The Scrap Contract was previously filed by the Company as Exhibit 10.2 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on November 14, 2005.

The Amendments are effective as of June 1, 2007. Amendment No. 1 (i) obligates the Company to provide additional services with respect to the handling and mutilation of the scrap property and (ii) increases the profit-sharing distribution payable to the Company under the Scrap Contract from 20.0% to 23.0%. Amendment No. 2 expands the geographic area covered by the Scrap Contract to include Hawaii and Guam.

A copy of Amendment No. 1, Amendment No. 2 and an associated press release are attached hereto as Exhibits 10.1, 10.2 and 99.1, respectively. The description of the terms of the Amendments in this Item 1.01 is qualified in its entirety by reference to Exhibits 10.1 and 10.2.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are filed as part of this report:

- 10.1 Amendment No. 1 to Sales Contract Number 99-4001-0004, dated as of May 21, 2007, between DOD Surplus, LLC (a wholly-owned subsidiary of Liquidity Services, Inc.) and the Defense Reutilization and Marketing Service of the U.S. Department of Defense.
- 10.2 Amendment No. 2 to Sales Contract Number 99-4001-0004, dated as of May 21, 2007, between DOD Surplus, LLC (a wholly-owned subsidiary of Liquidity Services, Inc.) and the Defense Reutilization and Marketing Service of the U.S. Department of Defense.
- 99.1 Press Release, dated May 29, 2007, with respect to the amendments to the Scrap Contract.

SIGNATURES

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

LIQUIDITY SERVICES, INC.
(Registrant)

Date: May 29, 2007

By: /s/ James E. Williams_
Name: James E. Williams
Title: Vice President,
General Counsel and Corporate Secretary

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amendment No. 1 to Sales Contract Number 99-4001-0004, dated as of May 21, 2007, between DOD Surplus, LLC (a wholly-owned subsidiary of Liquidity Services, Inc.) and the Defense Reutilization and Marketing Service of the U.S. Department of Defense.
10.2	Amendment No. 2 to Sales Contract Number 99-4001-0004, dated as of May 21, 2007, between DOD Surplus, LLC (a wholly-owned subsidiary of Liquidity Services, Inc.) and the Defense Reutilization and Marketing Service of the U.S. Department of Defense.
99.1	Press Release, dated May 29, 2007, with respect to the amendments to the Scrap Contract.

**SALE OF GOVERNMENT PROPERTY
AMENDMENT OF INVITATION FOR BIDS/MODIFICATION OF CONTRACT**

1. AMENDMENT TO INVITATION FOR BIDS NO.: 99-4001-0004	2. EFFECTIVE DATE	PAGE 1 OF 5 PAGES
SUPPLEMENTAL AGREEMENT NO.: 5		
3. ISSUED BY DEFENSE REUTILIZATION AND MARKETING SERVICE ATTN: DRMS-BBS 74 WASHINGTON AVE. N. BATTLE CREEK, MI 49017-3092	4. NAME AND ADDRESS WHERE BIDS ARE RECEIVED DEFENSE REUTILIZATION AND MARKETING SERVICE ATTN: DRMS-BBS 74 WASHINGTON AVE. N. BATTLE CREEK, MI 49017-3092	
5. <input type="radio"/> AMENDMENT OF INVITATION FOR BIDS NO. (See item 6)	DATED	<input checked="" type="radio"/> MODIFICATION OF CONTRACT NO. (See item 8) 994001-00004
		DATED 03/28/07

6. THIS BLOCK APPLIES ONLY TO AMENDMENTS OF INVITATIONS FOR BIDS
The above numbered invitation for bids is amended as set forth in Item 9. Bidders must acknowledge receipt of this amendment unless indicated otherwise in item 11 prior to the hour and date specified in the invitation for bids, or as amended, by one of the following methods:

(a) By signing and returning _____ copies of this amendment;

(b) By acknowledging receipt of this amendment on each copy of the bid submitted; or

(c) By separate letter or telegram which includes a reference to the invitation for bids and amendment number.

FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR BID. If by virtue of this amendment you desire to change a bid already submitted, such change may be made by telegram or letter, provided such telegram or letter makes reference to the invitation for bids and this amendment, and is received prior to the opening hour and date specified.

7. ACCOUNTING AND APPROPRIATION DATE *(If required)*

8. THIS APPLIES ONLY TO MODIFICATION OF CONTRACTS
This Supplemental Agreement is entered into pursuant to authority of
MUTUAL AGREEMENT

9. DESCRIPTION OF AMENDMENT/MODIFICATION *(Except as provided below all terms and conditions of the document referenced in item 6 remain in full force and effect)*

Whereas Contract 99-4001-0004 was entered into on June 9, 2005 by and between the United States of America, hereinafter referred to as the Government and Liquidity Services, Inc. hereinafter referred to as the contractor, and DOD Surplus, LLC formed by the contractor to serve as the entity that processes DRMS assets, hereinafter referred to as the Purchaser, and Whereas the contract involved the follow item in Invitation for Bid 99-4001:

0001: All scrap material located in the continental United States (other than Tennessee and the Carolinas) and in Alaska that is demilitarization code A, B, E, or Q or that is subject to demilitarization as a condition of sale other than material and items in the list of excluded SCLs and FSCs set forth in Part IV. Contract performance is 7 years with three one year renewal option periods.

THE HOUR AND DATE FOR RECEIPT OF BIDS IS NOT EXTENDED, IS EXTENDED UNTIL _____ O'CLOCK _____ M
(LOCAL TIME) DATE

10. BIDDER/PURCHASE NAME AND ADDRESS <i>(Include zip Code)</i> DOD Surplus, LLC 15051 N. Kierland Blvd. Third Floor Scottsdale, AZ 85254	11. <input type="radio"/> BIDDER IS NOT REQUIRED TO SIGN THIS DOCUMENT <input checked="" type="radio"/> PURCHASER IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN ORIGINAL AND <u>0</u> COPIES TO THE ISSUING OFFICE
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12. SIGNATURE FOR BIDDER/PURCHASER

BY /s/ Thomas B. Burton
(Signature of person authorized to sign)

15. UNITED STATES OF AMERICA

BY /s/ Gregory E. Ortiz
(Signature of Contracting Officer)

13. NAME AND TITLE OF SIGNER *(type or print)*
Thomas B. Burton, President

14. DATE SIGNED
5-20-07

16. NAME OF CONTRACTING OFFICER
(type or print)
GREGORY E. ORTIZ

17. DATE
SIGNED
5/21/07

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Prescribed by GSA PPRM (41 CFR) 101-45.3.

DRMS CONTRACT NUMBER 99-4001-0004
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WHEREAS, the Defense Reutilization and Marketing Service ("DRMS") requires that property being sold as scrap material receive increased scrutiny to ensure that mutilation is being performed in accordance with the requirements of this sales contract; and

WHEREAS, in order to effectively scrutinize the mutilation of property that presents a risk of release in its useable configuration to the public, while maintaining an efficient flow of saleable scrap material that represents lower risk, and where mutilation is not critical to its sale;

NOW, THEREFORE, it is mutually agreed between the two parties hereto to this modification that:

1. Part II, Section V, "Demil "B" and "Q" Property," shall be amended as follows:

Third paragraph shall be deleted in its entirety and replaced with the following paragraph:

All Property offered under this contract including DEMIL Code "A" property, requires Mutilation, (destructively scrapping in a manner that prevents recognition or reconstruction of the original item and sub components) unless specifically excluded from Mutilation by the Government. Property generally excluded from Mutilation requirement includes: Demil code "A" vehicles, tires, lockers, ammunition cans, production stock/residue (bars, plate rod, wire, borings and turnings), wire and cable, pipe and tube construction material/residue (lumber, block, brick, windows, I-beams), wood products, furniture and white goods (appliances, *e.g.*, refrigerators) The Purchaser may request from the SCO that other property be excluded from the Mutilation requirement. DRMS will evaluate such requests in the exercise of its sole discretion. Mutilation is not required for scrap material generated from Puget Sound Naval Shipyard and CDC Texarkana, TX, as this scrap is already mutilated prior to referral to the Purchaser. In instances where scrap is not mutilated at these locations prior to release under the SV contract, mutilation will be required.

8th paragraph shall be deleted in its entirety and replaced with the following paragraph:

If the material (Demil "A", "B" and "Q" Property) has not been mutilated before re-sale, the Purchaser will either perform the mutilation at the DRMO or witness mutilation by the re-sale buyer and attest to the mutilation by signing as a witness to the mutilation process on the Certificate of Destruction. The Purchaser's reasonable costs associated with verifying the destructive scrapping shall be submitted as seller indirect costs.

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2. Part VI, Article Seven, Section 5, Part C(1) shall be amended as follows:

Delete paragraph in its entirety and replace with the following paragraph:

For MLI and CCLI (i.e. DEMIL "B" and "Q") Property not mutilated by the Purchaser, the Purchaser shall promulgate in all re-sale advertisements and catalogs, as well as in the terms and conditions of sale, a notice to prospective buyers that the terms will require export permits. The wording of such notice shall be approved in advance by DRMS in the exercise of its sole discretions. Before releasing a particular item of DEMIL "B" or "Q" Property to a prospective re-sale buyer, (i) Purchaser shall obtain a completed EUC from such buyer for each lot (or group of lots at a single re-sale event) of such Property and furnish a copy thereof to DRMS, (ii) Purchaser shall confirm with DRMS through the SCO that such buyer is cleared for the purchase of DEMIL "B" and "Q" items. Purchaser shall promulgate in all resale advertisements and catalogs, as well as in the terms and conditions of sale, a notice to prospective buyers that the terms will require mutilation of material not excluded from the mutilation requirement. The Purchaser will either perform the mutilation at the DRMO, or witness the re-sale buyer's mutilation process and attest to the mutilation by signing as a witness to the mutilation process on the Certificate of Destruction for every removal.

3. Purchaser shall promulgate in all sales advertisements and catalogs, as well as in the terms and conditions of sale, a notice to prospective buyers that the Government has the right to Surveillance to allow Government personnel to accompany GL personnel in the performance of witnessing and attesting to the mutilation process performed at the re-sale Buyer's facility.
4. Government personnel will witness and attest to the Mutilation of all scrap received, and provided under this contract identified as Standard Waste and Scrap Classification (SCL) Codes MUT, MFS and CSI. All SCL Codes MUT, MFS, and CSI will be destroyed at no more than two locations in CONUS with the requirements listed below. The Government reserves the rights to inspect and approve the locations identified by GL to process these scrap codes to ensure the processing requirements can be met. The DRMOs will be provided instructions to ship this property to the approved locations.
 - a. Material will be completely destroyed using a process that will input items up to 8' foot X 8 foot in size and result in residue not to exceed 4 inches X 4 inches in size. Automated size reduction prior to shredding is allowed.
 - b. End items whose original size is smaller than 4 inches X 4 inches must be destroyed beyond recognition and destroyed so that it cannot be used for its original intended purpose.
 - c. For special type items (i.e., material hardness and thickness) which cannot be destroyed in the manner prescribed above, the degree and method of destruction will then be prescribed by a government representative.

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- d. Military markings and data plates identified on residue must be removed and destroyed beyond recognition.
- e. Parts removal to any degree is strictly forbidden.
- f. The Purchaser will be required to process 100,000 lbs of metallic material per day and 30,000 lbs of non-metallic material per day or a minimum of 6 hours of shredding per day as quantities warrant.
- g. The processing locations must provide a secure area at their facility in the event that the property cannot be destroyed the day it arrives.

- h. GL will provide an Operational Plan which identifies the capability to accomplish destruction as described above.
5. Part II, Article Sixteen, Section 3, "Calculate Net Worth Allocations," shall be amended as followed:
- Section 3(A), "Calculate Contractor Net Worth Allocation," change to read,
- "Purchaser shall calculate the amount of the 'Contractor Net Worth Allocation' as Operating Net Worth multiplied by 23%
6. Section 3(B), "Calculate DRMS Net Worth Allocation," change to read,
- "Purchaser shall calculate the amount of the 'DRMS Net Worth Allocation' as Operating Net Worth multiplied by 75.2%.
- Section 3(C), "Calculate KGP Net Worth Allocation," shall remain the same.
7. Mutilation Timeline:
- a. Implement new mutilation requirements in all spot sales and new term contract offerings – 30 days after effective date of modification
 - b. Implement new mutilation requirements in all existing term contracts or offer new term contracts with the mutilation requirements – 120 days after effective date of modification
8. Reports
- a. Provide a monthly report NLT 15 days after the end of the month all completed certificates of destruction in Microsoft excel format. Separate worksheets shall be kept for term sales and spot sales.
 - b. Report shall include the following information:
 - i. Sale & Lot Number
 - ii. Buyers name
 - iii. Property sales location
 - iv. Type of Property
 - v. Weight

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- vi. Date of removal
 - vii. Date of destruction
 - viii. Certifiers Name (GL)
 - c. Report shall contain copies of the certificate of destruction. Certificate of destruction will be provided for every removal.
 - d. Monthly report identifying contracts with outstanding certificates of destruction.
9. Calculations for DRMS and Contractor net worth allocations outlined in sections 5 and 6 above shall commence on the 1 day of the month following execution of this modification.
10. All existing terms and conditions including Supplemental Agreements 1-4 remain in effect.

//////// NOTHING FOLLOWS //////////

SALE OF GOVERNMENT PROPERTY
AMENDMENT OF INVITATION FOR BIDS/MODIFICATION OF CONTRACT

1. AMENDMENT TO INVITATION FOR BIDS NO.: 99-4001-0004 SUPPLEMENTAL AGREEMENT NO.: 6	2. EFFECTIVE DATE PAGE 1 OF 2 PAGES
3. ISSUED BY DEFENSE REUTILIZATION AND MARKETING SERVICE ATTN: DRMS-BBS 74 WASHINGTON AVE. N. BATTLE CREEK, MI 49017-3092	4. NAME AND ADDRESS WHERE BIDS ARE RECEIVED DEFENSE REUTILIZATION AND MARKETING SERVICE ATTN: DRMS-BBS 74 WASHINGTON AVE. N. BATTLE CREEK, MI 49017-3092
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- (a) By signing and returning 0 copies of this amendment;
 (b) By acknowledging receipt of this amendment on each copy of the bid submitted; or
 (c) By separate letter or telegram which includes a reference to the invitation for bids and amendment number.
- FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR BID.** If by virtue of this amendment you desire to change a bid already submitted, such change may be made by telegram or letter, provided such telegram or letter makes reference to the invitation for bids and this amendment, and is received prior to the opening hour and date specified.

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- 0001: All scrap material located in the continental United States (other than Tennessee and the Carolinas) and in Alaska that is demilitarization code A, B, E, or Q or that is subject to demilitarization as a condition of sale other than material and items in the list of excluded SCLs and FSCs set forth in Part IV. Contract performance is 7 years with three one year renewal option periods.

THE HOUR AND DATE FOR RECEIPT OF BIDS IS NOT EXTENDED, IS EXTENDED UNTIL O'CLOCK M
 (LOCAL TIME) DATE

10. BIDDER/PURCHASE NAME AND ADDRESS (<i>Include zip Code</i>) DOD Surplus, LLC 15051 N. Kierland Blvd. Third Floor Scottsdale, AZ 85254	11. <input type="radio"/> BIDDER IS NOT REQUIRED TO SIGN THIS DOCUMENT <input checked="" type="checkbox"/> PURCHASER IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN ORIGINAL AND <u> 0 </u> COPIES TO THE ISSUING OFFICE
12. SIGNATURE FOR BIDDER/PURCHASER BY <u> /s/ Thomas B. Burton </u> (<i>Signature of person authorized to sign</i>)	15. UNITED STATES OF AMERICA BY <u> /s/ Gregory E. Ortiz </u> (<i>Signature of Contracting Officer</i>)
13. NAME AND TITLE OF SIGNER (<i>type or print</i>) Thomas B. Burton, President	14. DATE SIGNED 5-20-07
16. NAME OF CONTRACTING OFFICER (<i>type or print</i>) GREGORY E. ORTIZ	17. DATE SIGNED 5/21/07

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WHEREAS, Part II, Section B, Product Pool and Property Flow states in pertinent part that:

The property in the Product Pool is all "scrap" material, and all items that are subject to "Demilitarization as a Conditions of Sale," for which DRMS is accountable, other than material and items in the list of excluded SCLs and FSCs set forth in Part IV, with DEMIL Codes "A," "B," "E," or "Q" or that are subject to "Demilitarization as a Condition of Sale," that become available in the Continental United States (other than Tennessee and the Carolinas) or in Alaska.

WHEREAS, the contract currently does not cover either Hawaii and Guam, albeit these sites are all in close proximity to the existing sites on the Commercial Venture (CV) contract which covers DRMS's usable property,

and, **WHEREAS**, in the interest of achieving cost savings for both, the Purchaser and the Agency, as was used for the rational of the consolidation for the Scrap Venture (SV) and CV contract, executed in Supplemental Agreement 1 under this contract, the parties hereto mutually agree to modify Part II, Section

B. to include Hawaii and Guam into the contract property stream.

NOW, THEREFORE, it is mutually agreed between the two parties hereto to this modification that:

1. Part II, Section B. is hereby modified to include Hawaii and Guam into the Scrap Venture property stream.
2. Purchaser to implement scrap operations for both sites no later than 60 days after effective date of modification.
3. Purchaser agrees to pay for all property received at the original bid price of \$0.0001 per pound and that revenue distributions will maintain the current split of 23/75.2/1.8 as outlined in Supplemental Agreement 5, paragraphs 5 and 6
4. All other applicable terms and conditions of the contract remain in effect, including but not limited to Parts I-VI, and Articles One (1) through Twenty-Three (23); and Supplemental Agreements 1-5 remain in effect
5. This modification will become effective upon the date of the last affixed signature to this modification.

//////// NOTHING FOLLOWS //////////

Liquidity Services, Inc. Expands its Scope of Work Under its Scrap Contract with the U.S. DoD

WASHINGTON – May 29, 2007 – Liquidity Services, Inc. (LSI), a leading online auction marketplace for wholesale, surplus and salvage assets, today announced its joint effort with the U.S. Department of Defense (DoD) to strengthen control procedures related to the mutilation of DoD scrap property offered for sale to the public. In addition, LSI will broaden the geographic scope of its services and commence the sale of DoD scrap property located in Hawaii and Guam. These initiatives expand LSI's scope of work under its Scrap Venture contract (the Scrap Contract) with the Defense Reutilization and Marketing Service (DRMS) and leverage LSI's surplus property and supply chain management domain expertise.

Through a modification to LSI's existing Scrap Contract with the DoD, LSI will provide additional value-added services designed to ensure compliance with requirements relating to the mutilation of scrap material as part of the sales process LSI manages. As part of these value-added services, LSI will manage centralized processing centers that provide a secure area to complete the mutilation of scrap metal prior to removal of the material from the DoD sales location. In addition, LSI will provide oversight and verification procedures to enhance the audit trail related to sales of scrap material. The modification of the Scrap Contract increases LSI's share of net proceeds to 23% from 20% in exchange for LSI's agreement to provide the additional value-added services.

Also, under the terms of the contract modification, LSI will manage the receipt, marketing and sale of virtually all surplus scrap property generated by the DoD in Hawaii and Guam. All terms and conditions set forth in the modified Scrap Contract will apply to material processed and sold in these locations.

The contract modification will be effective June 1, 2007. All other principal terms of the original contract remain in effect.

LSI believes the marginal benefits and costs of the modified Scrap Contract will offset one another, resulting in no change to its fiscal year 2007 guidance at this time.

About Liquidity Services, Inc. (LQDT)

Liquidity Services, Inc. (NASDAQ: LQDT) and its subsidiaries enable corporations and government agencies to market and sell surplus assets and wholesale goods quickly and conveniently using online auction marketplaces and value-added services. The company is based in Washington, D.C. and has over 500 employees. Additional information can be found at: www.liquidityservicesinc.com.

Forward-Looking Statements

This document contains forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995, including, without limitation, statements regarding the potential costs and benefits of the new joint initiative under LSI's Scrap Contract and statements relating to LSI's projected results of operations for fiscal year 2007. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause our actual results to differ materially from any future results expressed or implied by these

forward-looking statements. You can identify forward-looking statements by terminology such as "expects," or the negative of these terms or other comparable terminology. We cannot guarantee future results, levels of activity, performance or achievements. There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this document. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements are set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 2006, including, but not limited to, those set forth in Part II, Item 1A (Risk Factors). There may be other factors of which we are currently unaware that may cause our actual results to differ materially from the forward-looking statements. All forward-looking statements apply only as of the date of this document and are expressly qualified in their entirety by the cautionary statements included in this document. We undertake no obligation to publicly update or revise any forward-looking statement occurring after the date of this document.
