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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

October, 3, 2011
Date of Report (Date of earliest event reported)

Commission file number 0-51813

LIQUIDITY SERVICES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**52-2209244** (I.R.S. Employer Identification No.)
1920 L Street, N.W., 6th Floor, Washington, D.C. (Address of Principal Executive Offices)	**20036** (Zip Code)

(202) 467-6868
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, 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:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre—commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre—commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Introductory Note

On October 7, 2011, Liquidity Services, Inc. (the "Company") filed a Current Report on Form 8—K (the "Current Report") to report the completion of its acquisitions of the assets of Jacobs Trading, LLC's Salvage Business ("Jacobs").

The purpose of this Amendment No. 1 to the Current Report (the "Amendment") is to file the financial statements and pro forma information required by Item 9.01 of Form 8-K and the Amendment amends Item 9.01 of the Current Report to read in its entirety as set forth below. The Amendment does not amend or otherwise affect Items 1.01, 2.01 or 8.01 of the Current Report.

Item 9.01 Financial Statements and Exhibits.

(a) **Financial Statements of Businesses Acquired**

The unaudited balance sheets of Jacobs as of June 30, 2011 and December 31, 2010, and the related statements of operations for each of the three- and six-month periods ended June 30, 2011 and 2010, the related statements of cash flows for each of the six-month periods ended June 30, 2011 and 2010 and the related statement of business unit equity for the six-month period ended June 30, 2011, are filed as Exhibit 99.2 and incorporated herein by reference.

In addition, the audited balance sheets of Jacobs as of December 31, 2010 and 2009, and the related statements of operations, cash flows and business unit equity for each of the three years in the period ended December 31, 2010, are filed as Exhibit 99.3 and incorporated herein by reference.

(b) **Pro Forma Financial Information**

The required unaudited pro forma financial information with respect to Jacobs is attached hereto as Exhibit 99.4 and incorporated herein by reference.

(d) Exhibits

23.1	Consent of Pricewaterhouse Coopers LLP, Independent Auditors
99.1	Press release dated October 3, 2011(1)
99.2	Unaudited financial statements of Jacobs listed in Item 9.01(a)
99.3	Audited financial statements of Jacobs listed in Item 9.01(a)
99.4	Unaudited pro forma financial information listed in Item 9.01(b)
(1)	Previously filed as Exhibit 99.1 to the registrant's Current Report on Form 8-K filed on October 7, 2011.

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)

Dated: November 25, 2011

By: /s/ James M. Rallo
James M. Rallo
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
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99.3	Audited financial statements of Jacobs listed in Item 9.01(a)
99.4	Unaudited pro forma financial information listed in Item 9.01(b)
(1)	Previously filed as Exhibit 99.1 to the registrant's Current Report on Form 8-K filed on October 7, 2011.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in Registration Statement on Form S-8 (No. 333-159004 and 333-132192) of Liquidity Services, Inc. of our report dated September 23, 2011 relating to the financial statements of Jacobs Trading LLC's Salvage Business, which appears in the Amendment No. 1 to the Current Report on Form 8-K of Liquidity Services, Inc. dated November 25, 2011.

/s/ / PricewaterhouseCoopers LLP

November 25, 2011
Minneapolis, MN

Exhibit 99.2

Jacobs Trading LLC's
Salvage Business
Financial Statements (Unaudited)
June 30, 2011 and 2010

Jacobs Trading LLC's Salvage Business
Index
June 30, 2011 and 2010

Jacobs Trading LLC's Salvage Business
Balance Sheets (Unaudited)
June 30, 2011 and December 31, 2010

	June 30, 2011	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents	$ 543,198	$ 859,256
Accounts receivable, net	4,461,157	3,164,160
Inventories	8,524,824	7,739,587
Prepaid expenses and other assets	360,704	229,339
Total current assets	13,889,883	11,992,342
Property and equipment, net	995,019	1,030,840
Total assets	$ 14,884,902	$ 13,023,182
Liabilities		
Current liabilities		
Line of credit	$ —	$ 7,100,000
Accounts payable	3,456,069	1,583,460
Accrued liabilities	2,698,445	2,733,665
Total current liabilities	6,154,514	11,417,125
Commitments and contingencies		
Business Unit Equity	8,730,388	1,606,057
Total liabilities and business unit equity	$ 14,884,902	$ 13,023,182

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

Jacobs Trading LLC's Salvage Business
Statements of Operations (Unaudited)
Three and Six-Month Periods Ended June 30, 2011 and 2010

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net sales	$ 18,990,127	$ 16,267,958	$ 39,588,542	$ 31,665,593
Cost of goods sold	12,554,765	9,815,086	25,534,305	18,245,832
Gross margin	6,435,362	6,452,872	14,054,237	13,419,761
Operating expenses				
Technology and operations	793,179	718,431	1,518,825	1,478,595
Sales and marketing	362,889	315,465	758,861	631,602

General and administrative	1,237,809	2,182,776	2,236,231	3,132,465
Depreciation and amortization	58,443	52,088	118,719	103,128
Total operating expenses	2,452,320	3,268,760	4,632,636	5,345,790
Operating income	3,983,042	3,184,112	9,421,601	8,073,971
Interest expense	(69,585)	(6,714)	(176,811)	(13,029)
Net income	$ 3,913,457	$ 3,177,398	$ 9,244,790	$ 8,060,942

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

Jacobs Trading LLC's Salvage Business
Statement of Business Unit Equity (Unaudited)
Six-Month Period Ended June 30, 2011

	Total Business Unit Equity
Balance at December 31, 2010	$ 1,606,057
Net income	9,244,790
Equity-based compensation expense	115,000
Distributions to members of Jacobs Trading LLC	(4,971,230)
Net transfers from Jacobs Trading LLC	2,735,771
Balance at June 30, 2011	$ 8,730,388

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

Jacobs Trading LLC's Salvage Business
Statements of Cash Flows (Unaudited)
Six-Month Periods Ended June 30, 2011 and 2010

	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities		
Net income	$ 9,244,790	$ 8,060,942
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	151,801	136,671
Noncash equity-based compensation expense	115,000	1,308,000
Changes in operating assets and liabilities		
Accounts receivable	(1,296,997)	(1,216,917)
Inventories	(785,237)	(1,312,522)
Prepaid expenses and other assets	(131,365)	113,441
Accounts payable	1,872,609	423,223
Accrued liabilities	(35,220)	(851,028)
Net cash provided by operating activities	9,135,381	6,661,810
Cash flows from investing activities		
Purchase of property and equipment	(115,980)	(24,039)
Net cash used in investing activities	(115,980)	(24,039)
Cash flows from financing activities		
Distributions to members of Jacobs Trading LLC	(4,971,230)	(4,227,779)
Net transfers from (to) Jacobs Trading LLC	2,735,771	(1,665,169)
Payments on line of credit	(23,550,000)	(10,265,556)
Borrowings on line of credit	16,450,000	6,500,000
Retirement of member interest	—	(1,600,000)
Net cash used in financing activities	(9,335,459)	(11,258,504)
Decrease in cash and cash equivalents	(316,058)	(4,620,733)
Cash and cash equivalents		
Beginning of year	859,256	5,088,556
End of year	$ 543,198	$ 467,823
Supplemental information		
Cash paid for interest	$ 182,809	$ 26,571

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

1. Organization and Basis of Presentation

Jacobs Trading LLC ("Jacobs") is a limited liability company with headquarters in Hopkins, Minnesota. On September 1, 2011, Jacobs Trading LLC entered into an agreement to sell its Salvage Business (the "Company"). The Company provides a single-source solution to retail, mail order and manufacturing entities with problem inventories resulting from closeouts, excess merchandise and customer returns. The Company sells to wholesalers, outlet stores and secondary retail stores located primarily in North America and sells directly to customers over the Internet. The Company also operates value-added processing centers in Appleton, Minnesota; Taft, Oklahoma; Las Vegas, Nevada; Sneads, Florida; Mexia, Texas; Marlin, Texas; East Flat Rock, North Carolina; Olean, New York; and Salamanca, New York. The processing facilities are used to inspect, sort, deface and repackage goods for sale.

These financial statements reflect the historical financial position, results of operations and cash flow of the Salvage Business to be transferred by Jacobs as if the carve out had occurred prior to the periods presented. Prior to the separation, Jacobs has not accounted for the Company as, and Company was not operated as, a stand-alone company for the periods presented. The Company's historical financial statements have been carved out from Jacobs' financial statements and reflect assumptions and allocations made by Jacobs. The financial statements do not fully reflect what the Company's financial position, results of operations and cash flows would have been had the Company been a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of what results of operations, financial position and cash flow will be in the future.

Unaudited Interim Financial Information

The accompanying unaudited condensed financial statements have been prepared by the Company. Certain information and accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. In the opinion of management, all adjustments, consisting of normal, recurring adjustments, considered necessary for a fair presentation have been included. The information disclosed in the notes to the financial statements for these periods is unaudited. Operating results for the three and six-months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 or any future period. These interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2010. The year-end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company evaluated events occurring between the end of the most recent fiscal year and September 23, 2011, the date the financial statements were available to be issued.

3. Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued ASU No. 2010-6, *Improving Disclosures About Fair Value Measurements*, that amends existing disclosure requirements under ASC 820 by adding required disclosures about items transferring into and out of levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchases, sales, issuances, and settlements relative to level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. For the Company, this ASU was effective for the first quarter of 2010, except for the requirement to provide level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which is effective beginning the first quarter of 2011. Since this standard impacts disclosure requirements only, its adoption did not have a material impact on the Company's results of operations or financial condition.

4. Selected Financial Statement Information

Accounts Receivable, Net

	June 30, 2011	December 31, 2010
Accounts receivable	$ 4,651,465	$ 3,354,469
Less: Allowance for doubtful accounts	(190,308)	(190,309)
	$ 4,461,157	$ 3,164,160

Inventories

		June 30, 2011		December 31, 2010
Inventory	$	8,798,618	$	8,102,524
Less: Valuation reserves		(273,794)		(362,937)
	$	8,524,824	$	7,739,587

Property and Equipment, Net

	Useful Life (Years)		June 30, 2011		December 31, 2010
Leasehold improvements	Lessor of 7 or lease term	$	808,756	$	800,217
Furniture and fixtures	7		793,947		631,552
Office equipment	3-7		310,783		347,724
Construction in process			60,579		115,338
			1,974,065		1,894,831
Less: Accumulated depreciation and amortization			(979,046)		(863,991)
Property and equipment, net		$	995,019	$	1,030,840

Accrued Liabilities

		June 30, 2011		December 31, 2010
Payroll and incentive-related	$	765,421	$	1,079,425
Management fees		16,200		121,998
Freight		428,000		316,582
In-transit inventory		561,864		694,255
Other		926,960		521,405
	$	2,698,445	$	2,733,665

5. Line of credit

Jacobs has a Line of Credit Agreement ("Credit Agreement") that provides for a revolving line of credit of up to $20,000,000, which expires on September 30, 2011. The Company periodically utilizes the line of credit for certain cash flow needs. The line of credit bears interest at a rate equal to 5.00% over the 30-day LIBOR rate. Jacobs had outstanding borrowings under this facility of $7,100,000 at December 31, 2010. There were no outstanding borrowings at June 30, 2011. Included within the line of credit is a commitment to provide a $6,000,000 letter of credit to support a related party.

Under the credit agreement, Jacobs is required to meet certain financial covenants including a minimum level of net worth; minimum cash flow leverage ratio; and a limit on investment in a consolidated subsidiary. Jacobs was in compliance with covenants for all periods presented. The agreement includes subjective acceleration clauses which permit the financial institution to accelerate the due date under certain circumstances, including, but not limited to, material adverse effects on the Jacobs' financial status or otherwise.

6. Related Party Transactions

Management and Other Fees Paid to Related Parties

Pursuant to a Management Services Agreement, the Company paid Jacobs Management Corporation ("JMC"), an entity affiliated with the Company through common ownership, fees of $300,000 and $600,000 for the three and six-month periods ended June 30, 2011, respectively, and fees of $269,500 and $539,000 for the three and six-month periods ended June 30, 2010, respectively. All expenses recognized for JMC are general and administrative expenses on the accompanying statements of operations.

7. Commitments and Contingencies

Operating Leases

The Company leases property under operating leases with expiration dates through 2014. Rental expense under these leases was $442,977 and $426,177 for the six-month periods ended June 30, 2011 and 2010, respectively.

The following is a schedule of future minimum lease payments required under all noncancelable operating leases at June 30, 2011:

2011	$	323,504
2012		647,008
2013		647,008
2014		215,369
	$	1,832,889

Purchase Contract with a Significant Vendor

The Company has an agreement with a third party supplier to purchase customer-returned merchandise, damaged merchandise and certain specified excess merchandise at stated prices. The agreement is subject to annual renewal by both parties. Purchases from this supplier aggregated approximately $19,748,000 and $13,941,000 for the six-month periods ended June 30, 2011 and 2010, respectively. The Company's accounts payable balance with this vendor was $1,363,554 and $495,699 at June 30, 2011 and December 31, 2010, respectively.

Legal

The Company is a defendant in legal proceedings arising in the ordinary course of business. Although the outcome of these matters cannot be determined, in the opinion of management and outside counsel, disposition of these proceedings will not have a material effect on the Company's financial position, results of operations or cash flows.

Exhibit 99.3

Jacobs Trading LLC's
Salvage Business
Financial Statements
December 31, 2010, 2009 and 2008

Jacobs Trading LLC's Salvage Business
Index
December 31, 2010, 2009 and 2008

Report of Independent Auditors

To the Board of Directors and Members of
Jacobs Trading LLC

In our opinion, the accompanying balance sheets and the related statements of operations, business unit equity and cash flows present fairly, in all material respects, the financial position of Jacobs Trading LLC's Salvage Business (the "Company"), a component of Jacobs Trading LLC, at December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ Pricewaterhouse Coopers LLP

Minneapolis, Minnesota

September 23, 2011

Jacobs Trading LLC's Salvage Business
Balance Sheets
December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 859,256	$ 5,088,556
Accounts receivable, net	3,164,160	1,467,230
Inventories	7,739,587	6,286,481
Prepaid expenses and other assets	229,339	249,098
Total current assets	11,992,342	13,091,365
Property and equipment, net	1,030,840	1,089,247
Total assets	$ 13,023,182	$ 14,180,612
Liabilities		
Current liabilities		
Line of credit	$ 7,100,000	$ 4,165,556

Accounts payable	1,583,460	800,983
Accrued liabilities	2,733,665	2,352,737
Total liabilities	11,417,125	7,319,276
Commitments and contingencies		
Business Unit Equity	1,606,057	6,861,336
Total liabilities and business unit equity	$ 13,023,182	$ 14,180,612

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

Jacobs Trading LLC's Salvage Business
Statements of Operations
Years Ended December 31, 2010 and 2009 and 2008

	2010	2009	2008
Net sales	$ 65,255,837	$ 49,554,748	$ 40,472,730
Cost of goods sold	39,218,640	31,456,984	30,656,839
Gross margin	26,037,197	18,097,764	9,815,891
Operating expenses			
Technology and operations	2,849,134	2,949,085	3,190,178
Sales and marketing	1,332,162	1,244,704	862,181
General and administrative	4,964,042	3,808,814	3,503,553
Depreciation and amortization	210,310	131,477	52,485
Total operating expenses	9,355,648	8,134,080	7,608,397
Operating income	16,681,549	9,963,684	2,207,494
Interest expense	(101,057)	(262,693)	—
Net income	$ 16,580,492	$ 9,700,991	$ 2,207,494

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

Jacobs Trading LLC's Salvage Business
Statements of Business Unit Equity
Years Ended December 31, 2010, 2009 and 2008

	Total Business Unit Equity
Balance at December 31, 2007	$ 10,749,991
Net income	2,207,494
Equity-based compensation expense (Note 6)	159,709
Distributions to members of Jacobs Trading LLC	(3,044,483)
Net transfers from Jacobs Trading LLC	3,494,383
Balance at December 31, 2008	13,567,094
Net income	9,700,991
Equity-based compensation expense (Note 6)	410,000
Retirement of Jacobs Trading LLC member interest	(154,205)
Distributions to members of Jacobs Trading LLC	(5,248,598)
Net transfers to Jacobs Trading LLC	(11,413,946)
Balance at December 31, 2009	6,861,336
Net income	16,580,492
Equity-based compensation expense (Note 6)	1,340,000
Retirement of Jacobs Trading LLC member interest	(1,600,000)
Distributions to members of Jacobs Trading LLC	(6,573,163)
Net transfers to Jacobs Trading LLC	(15,002,608)
Balance at December 31, 2010	$ 1,606,057

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

Jacobs Trading LLC's Salvage Business
Statements of Cash Flows
Years Ended December 31, 2010, 2009 and 2008

	2010	2009	2008
Cash flows from operating activities			
Net income	$ 16,580,492	$ 9,700,991	$ 2,207,494
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	277,504	193,857	111,762
Noncash equity-based compensation expense	1,340,000	410,000	159,709
Provisions for bad debt expense	38,250	119,572	342,500
Write-down of inventory to recoverable value	90,000	—	—
Loss on disposal of property and equipment	—	11,473	—
Changes in operating assets and liabilities			
Accounts receivable	(1,735,180)	154,885	(200,297)
Inventories	(1,543,106)	2,759,040	(1,762,626)
Prepaid expenses and other assets	19,759	145,625	(132,648)
Accounts payable	782,477	(4,796)	(22,304)
Accrued liabilities	380,928	792,048	8,893
Net cash provided by operating activities	16,231,124	14,282,695	712,483
Cash flows from investing activities			
Purchase of property and equipment	(219,097)	(1,096,372)	(126,552)
Proceeds from sale of property and equipment	—	20,000	—
Net cash used in investing activities	(219,097)	(1,076,372)	(126,552)
Cash flows from financing activities			
Distributions to members of Jacobs Trading LLC	(6,573,163)	(5,248,598)	(3,044,483)
Net transfers (to) from Jacobs Trading LLC	(15,002,608)	(11,413,946)	3,494,383
Payments on line of credit	(27,415,556)	20,900,000	—
Borrowings on line of credit	30,350,000	(16,734,444)	—
Retirement of member interest	(1,600,000)	(154,205)	—
Net cash (used in) provided by financing activities	(20,241,327)	(12,651,193)	449,900
(Decrease) increase in cash and cash equivalents	(4,229,300)	555,130	1,035,831
Cash and cash equivalents			
Beginning of year	5,088,556	4,533,426	3,497,595
End of year	$ 859,256	$ 5,088,556	$ 4,533,426
Supplemental information			
Cash paid for interest	$ 87,513	$ 230,378	$ —

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

Jacobs Trading LLC's Salvage Business
Notes to Financial Statements
Years Ended December 31, 2010, 2009 and 2008

1. Organization and Basis of Presentation

Jacobs Trading LLC ("Jacobs") is a limited liability company with headquarters in Hopkins, Minnesota. On September 1, 2011, Jacobs Trading LLC entered into an agreement to sell its Salvage Business (the "Company"). The Company provides a single-source solution to retail, mail order and manufacturing entities with problem inventories resulting from closeouts, excess merchandise and customer returns. The Company sells to wholesalers, outlet stores and secondary retail stores located primarily in North America and sells directly to customers over the Internet. The Company also operates value-added processing centers in Appleton, Minnesota; Taft, Oklahoma; Las Vegas, Nevada; Sneads, Florida; Mexia, Texas; Marlin, Texas; East Flat Rock, North Carolina; Olean, New York; and Salamanca, New York. The processing facilities are used to inspect, sort, deface and repackage goods for sale.

These financial statements reflect the historical financial position, results of operations and cash flow of the Salvage Business to be transferred by Jacobs as if the carve out had occurred prior to the periods presented. Prior to the separation, Jacobs has not accounted for the Company as, and Company was not operated as, a stand-alone company for the periods presented. The Company's historical financial statements have been carved out from Jacobs' financial statements and reflect assumptions and allocations made by Jacobs. The financial statements do not fully reflect what the Company's financial position, results of operations and cash flows would have been had the Company been a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of what results of operations, financial position and cash flow will be in the future.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains cash deposits which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to significant credit risk in cash and cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of amounts due from customers, net of an allowance for doubtful accounts. When determining the allowance for doubtful accounts, the Company takes several factors into consideration including the overall composition of accounts receivable aging, prior history of accounts receivable write-offs, the type of customer and knowledge of specific customers.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventories consist principally of purchased merchandise. Write-downs are recorded for estimated excess and obsolete inventories based primarily on forecasts of product demand and historical experience.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives of 3 to 7 years using the straight-line method. Depreciation of leasehold improvements is recorded on a straight-line basis over the estimated useful lives of the asset or the lease term, whichever is shorter. The cost and related accumulated depreciation or amortization of assets sold or otherwise disposed of is removed from the related accounts with resulting gains or losses included in operations. Major renewals and betterments are capitalized while maintenance and repairs are charged to expense as incurred.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. An impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of an asset (asset group) compared to its carrying value. If impairment is recognized, the carrying value of the impaired asset (asset group) is reduced to its fair value, based on discounted estimated future cash flows.

Business Unit Equity

Business unit equity refers to the net assets of the Company and is impacted by cumulative net earnings of the Company, distributions to member's of Jacobs and compensation expense recorded on notes receivable issued by Jacobs in exchange membership units. In addition, business unit equity includes certain asset and liability transfers and payments between the Company and Jacobs. The total net effect of the settlement of these transactions is reflected in the statements of business unit equity as net transfers (to) from Jacobs Trading LLC and in statements of cash flows as a financing activity.

Revenue Recognition

The Company recognizes revenue when ownership and risk of loss passes to the customer and collectability is reasonably assured. This criterion is generally met at the time the product is shipped. The Company records estimated discounts, rebates and returns in the same period revenue is recognized based on estimated and historical experience. Amounts billed to customers related to shipping and handling are reported as revenue, and the costs incurred are reported as cost of sales.

Income Taxes

Jacobs is a limited liability company. Net income or loss is passed through to the members and reported on their individual tax returns. Distributions to members of Jacobs are made annually equal to an estimate of the income tax liability due by the members arising out of their share of income passed through from Jacobs. The Company records income taxes under the tax status of Jacobs.

Fair Value of Financial Instruments

Financial instruments include trade receivables, accounts payable, accrued liabilities and debt. Management believes that the fair value of its financial instruments approximate their carrying value due to the short-term nature of these instruments and other market factors. The fair value of debt is estimated to approximate carrying value given the debt's interest rates and other market factors.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company evaluated events occurring between the end of the most recent fiscal year and September 23, 2011, the date the financial statements were available to be issued.

3. Recent Accounting Pronouncements

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued ASU No. 2010-6, *Improving Disclosures About Fair Value Measurements*, that amends existing disclosure requirements under ASC 820 by adding required disclosures about items transferring into and out of levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchases, sales, issuances, and settlements relative to level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. For the Company, this ASU was effective for the first quarter of 2010, except for the requirement to provide level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which is effective beginning the first quarter of 2011. Its adoption did not have a material impact on the Company's results of operations or financial condition.

4. Selected Financial Statement Information

Accounts Receivable, Net

	2010	2009
Accounts receivable	$ 3,354,469	$ 1,697,640
Less: Allowance for doubtful accounts	(190,309)	(230,410)
	$ 3,164,160	$ 1,467,230

Accounts receivable outstanding from one customer accounted for 22% of the Company's accounts receivable balance as of December 31, 2010. Another customer accounted for 11% and 12% of total accounts receivable as of December 31, 2010 and 2009, respectively. Two other customers accounted for 11%, and 10%, respectively, of the Company's accounts receivable balance as of December 31, 2009.

Inventories

	2010	2009
Inventory	$ 8,102,524	$ 6,644,019
Less: Valuation reserves	(362,937)	(357,538)
	$ 7,739,587	$ 6,286,481

Property and Equipment, Net

	Useful Life (Years)	2010	2009
Leasehold improvements	Lessor of 7 or lease term	$ 800,217	$ 774,332
Furniture and fixtures	7	631,552	556,948
Office equipment	3-7	347,724	344,315
Construction in process		115,338	139
		1,894,831	1,675,734
Less: Accumulated depreciation and amortization		(863,991)	(586,487)
Property and equipment, net		$ 1,030,840	$ 1,089,247

Accrued Liabilities

	2010	2009
Payroll and incentive-related	$ 1,079,425	$ 1,034,738
Management fees	121,998	537,678
Freight	316,582	354,128
In-transit inventory	694,255	115,375
Other	521,405	310,818
	$ 2,733,665	$ 2,352,737

5. Line of Credit

Jacobs has a Line of Credit Agreement ("Credit Agreement") that provides for a revolving line of credit up to $20,000,000, which expires on September 30, 2011. The Company periodically utilizes the line of credit for certain cash flow needs. The line of credit bears interest at a rate equal to 5.00% over the 30-day LIBOR rate. Jacobs had outstanding borrowings under this facility of $7,100,000 and $4,165,556 at December 31, 2010 and 2009, respectively. Included within the line of credit is a commitment to provide a $6,000,000 letter of credit to support a related party.

Under the credit agreement, Jacobs is required to meet certain financial covenants including a minimum level of net worth; minimum cash flow leverage ratio; and a limit on investment in a consolidated subsidiary. Jacobs was in compliance with covenants for the periods presented. This agreement includes subjective acceleration clauses which permit the financial institution to accelerate the due date under certain circumstances, including, but not limited to, material adverse effects on the Jacobs' financial status or otherwise.

6. Related Party Transactions

Management and Other Fees Paid to Related Parties
Pursuant to a Management Services Agreement, the Company paid Jacobs Management Corporation ("JMC"), an entity affiliated with the Company through common ownership, fees of $1,078,000, $528,600 and $390,000 in 2010, 2009 and 2008, respectively. Additionally, the Company made an additional payment of $22,000 in 2010 and $400,000 in 2009 and 2008 to JMC for new merchandise program development and sales related services. All expenses recognized for JMC are included in general and administrative expenses on the accompanying statements of operations.

Notes Receivable for Purchase of Equity
Jacobs has promissory notes receivable from certain membership unit holders arising from their membership unit purchases in 2002 and 2004. The notes receivable are recorded as a reduction of equity and bear interest of 5%. There were no principal payments received on the notes receivable during 2010 or 2009. Jacobs' Board of Directors approved the forgiveness of interest aggregating $14,757, $15,256 and $15,297 during 2010, 2009 and 2008, respectively, which was recorded as compensation expense. Membership units for which notes receivable remain outstanding are subject to recognition of noncash compensation expense for changes in the underlying estimated fair value of the Jacob's membership units through the date the notes receivable have been paid in full.

During 2010, Jacobs issued 250,000 membership units to officers of the Company at a price of $4.00 per share which were financed with promissory notes maturing December 2012 at the per annum rate of 0.79%. The estimated fair market value of the shares issued was calculated at $9.00 per share. As a result, the Company has recognized compensation expense for the difference between the market value and the purchase price of the units. Additional compensation expense was recorded to recognize the difference in interest expense from a presumed market rate of 5% versus the 0.79% provided in the promissory notes.

Although the legal entity holding these notes is Jacobs and not the carved-out business, these notes relate to employees that provide services to Jacobs Trading LLC's salvage operations. As a result, the compensation expense has been pushed down to the Company. During 2010, 2009 and 2008, $1,340,000, $410,000 and $159,709, respectively, compensation expense was recognized on membership units purchased with promissory notes.

The Company made a payment of $15,000 to one director of Jacobs for services in 2010. During both 2010 and 2009, the Company recognized $100,000, respectively for consulting services performed by a director which is included in selling, general and administrative expenses on the accompanying statement of operations. The fees recognized in 2010 were included in accrued expenses at December 31, 2010, and paid in 2011.

7. Commitments and Contingencies

Operating Leases
The Company leases certain equipment and property under operating leases with expiration dates through 2014. Rental expense under these leases was $845,468, $926,902 and $864,188 for the years ended December 31, 2010, 2009 and 2008, respectively.

The following is a schedule of future minimum lease payments required under all noncancellable operating leases at December 31, 2010:

2011	$	647,008
2012		647,008
2013		647,008
2014		215,369
	$	2,156,393

Purchase Contract with a Significant Vendor
The Company has an agreement with a third party supplier to purchase customer-returned merchandise, damaged merchandise and certain specified excess merchandise at stated prices. The agreement is subject to annual renewal by both parties. Purchases from this supplier aggregated approximately $28,656,284, $16,077,705 and $18,664,038 for the years ended December 31, 2010, 2009 and 2008, respectively. The Company's accounts payable balance with this vendor was $495,699 and $85,540 at December 31, 2010 and 2009, respectively.

Legal

The Company is a defendant in legal proceedings arising in the ordinary course of business. Although the outcome of these matters cannot be determined, in the opinion of management and outside counsel, disposition of these proceedings will not have a material effect on the Company's financial position, results of operations or cash flows.

8. Significant Customers

One customer accounted for 16% and 12% of the Company's total net sales for the years ended December 31, 2010 and 2009, respectively. Another customer accounted for 14% of total net sales for the year ended December 31, 2010.

9. Employee Benefit Plans

Jacobs sponsors a defined contribution plan covering the Company's employees that are at least 21 years old and work a minimum of six months with the Company. The plan allows participants to make contributions by salary reduction pursuant to section 401(k) of the Internal Revenue Code. The Company contributes a matching amount equal to 25% of the first 6% of the employees' annual income. The Company contributed $23,433, $19,276 and $19,966 to the plan for the period ended December 31, 2010, 2009 and 2008, respectively.

Unaudited Pro Forma Financial Information

On September 1, 2011, Liquidity Services, Inc. ("LSI" or the "Company") entered into an agreement to acquire the assets of Jacobs Trading LLC's Salvage Business ("Jacobs"). Effective on October 1, 2011, the Company closed its acquisition of Jacobs.

The following unaudited pro forma consolidated financial statements have been prepared to give effect to the completed acquisition of Jacobs. The unaudited pro forma consolidated balance sheet as of June 30, 2011 gives effect to the acquisition of Jacobs as if it had occurred on June 30, 2011. The unaudited pro forma consolidated balance sheet as of June 30, 2011 is derived from the unaudited historical financial statements of LSI and Jacobs as of June 30, 2011. The unaudited pro forma consolidated statement of operations for the nine months ended June 30, 2011 gives effect to the Jacobs acquisition as if it had occurred on October 1, 2010. The unaudited pro forma consolidated statement of operations, for the nine months ended June 30, 2011, is derived from the unaudited historical financial statements of LSI for the nine months ended June 30, 2011 and Jacobs for the six months ended June 30, 2011 along with the unaudited internally prepared financial statements of Jacobs for the three months ended December 31, 2010. The unaudited pro forma consolidated statement of operations for the twelve month period is derived from the audited historical financial statements of LSI for the year ended September 30, 2010 and Jacobs for the year ended December 31, 2010.

The Jacobs acquisition was accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total estimated purchase price, calculated as described in Notes 1 and 2 to the unaudited pro forma consolidated financial statements, is allocated to the net tangible and intangible assets acquired and liabilities assumed in connection with the Jacobs acquisition, based on their estimated fair values as of the effective date of the Jacobs acquisition. The preliminary allocation of the purchase price was based upon management's preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed and such estimates and assumptions are subject to change.

The unaudited pro forma consolidated financial statements do not include any adjustments regarding liabilities incurred or cost savings achieved resulting from the integration of the companies, as management is in the process of assessing what, if any, future actions are necessary. However, additional liabilities ultimately may be recorded for costs associated with removing redundant operations that could affect amounts in the unaudited pro forma consolidated financial statements, and their effects may be material and would be reflected in the statement of operations.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical audited consolidated financial statements and related notes of LSI, the section entitled *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in LSI's Annual Report on Form 10-K for the year ended September 30, 2010, filed on December 10, 2010 and the Quarterly Report on Form 10-Q for the nine months ended June 30, 2011, filed on August 9, 2011, as well as the audited historical financial statements and related notes of Jacobs as of December 31, 2010 and for the year then ended, which are attached as Exhibit 99.3 to this Form 8K/A, and the unaudited historical financial statements and related notes of Jacobs as of June 30, 2011 and for the three and six months ended June 30, 2011 and 2010, which are attached as Exhibit 99.2 to this Form 8K/A. The unaudited pro forma consolidated financial statements are not intended to represent or be indicative of the consolidated results of operations or financial condition of LSI that would have been reported had the acquisition of Jacobs been completed as of the dates presented, and should not be construed as representative of the future consolidated results of operations or financial condition of the combined entity.

Liquidity Services, Inc. and Subsidiaries
Consolidated Unaudited Pro Forma Balance Sheet
As of June 30, 2011
(Dollars in Thousands)

	LSI	Jacobs	Pro Forma Adjustments	Consolidated Total
Assets				
Current assets:				
Cash and cash equivalents	$ 93,512	$ 543	$ (80,000)(a)	$ 14,055
Short-term investments	10,910	—	—	10,910
Accounts receivable, net of allowance for doubtful accounts of $446 and $190 at June 30, 2011 for LSI and Jacobs, respectively	5,258	4,461	—	9,719
Inventory	14,714	8,525	—	23,239
Prepaid expenses, deferred taxes and other current assets	15,253	361	—	15,614
Total current assets	139,647	13,890	(80,000)	73,537
Property and equipment, net	7,984	995	—	8,979
Intangible assets, net	3,368	—	35,700(b)	39,068
Goodwill	40,538	—	108,294(c)	148,832
Other assets	6,361	—	—	6,361
Total assets	$ 197,898	$ 14,885	$ 63,994	$ 276,777
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	$ 6,388	$ 3,456	—	$ 9,844
Accrued expenses and other current liabilities	18,307	2,699	$ 1,761(d)	22,767
Profit-sharing distributions payable	5,358	—	—	5,358
Acquisition earn out payable	7,248	—	—	7,248
Customer payables	13,471	—	—	13,471
Total current liabilities	50,772	6,155	1,761	58,688
Acquisition earn out payable	4,741	—	8,185(e)	12,926
Deferred taxes and other long-term liabilities	2,105	—	40,000(f)	42,105
Total liabilities	57,618	6,155	49,946	113,719
Stockholders' equity:				

Common stock, $0.001 par value; 120,000,000 shares authorized; 30,259,365 shares issued and 28,097,309 shares outstanding at June 30, 2011	28	—	1	29
Additional paid-in capital	107,765	—	24,538(g)	132,303
Treasury stock, at cost	(21,884)	—	—	(21,884)
Accumulated other comprehensive loss	(832)	—	—	(832)
Retained earnings	55,203	8,730	(10,491)(h)	53,442
Total stockholders' equity	140,280	8,730	14,048	163,058
Total liabilities and stockholders' equity	$ 197,898	$ 14,885	$ 63,994	$ 276,777

See accompanying notes to the unaudited pro forma consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Unaudited Pro Forma Consolidated Statements of Operations
For the Nine Months Ended June 30, 2011
(Dollars in Thousands, Except Per Share Data)

	LSI	Jacobs	Pro Forma Adjustments	Consolidated Total
Revenue	$ 256,671	$ 56,535	—	$ 313,206
Costs and expenses:				
Cost of goods sold (excluding amortization)	108,228	36,236	—	144,464
Profit-sharing distributions	34,949	—	—	34,949
Technology and operations	41,256	2,225	—	43,481
Sales and marketing	17,984	1,084	—	19,068
General and administrative	20,797	3,185	—	23,982
Amortization of contract intangibles	610	—	$ 5,449(i)	6,059
Depreciation and amortization	3,932	174	360(j)	4,466
Acquisition costs and goodwill impairment	21,589	—	—	21,589
Total costs and expenses	249,345	42,904	5,809	298,058
Income from operations	7,326	13,631	(5,809)	15,148
Interest income and other (expense), net	(49)	(245)	(1,615)(k)	(1,909)
Income before provision for income taxes	7,277	13,386	(7,424)	13,239
Provision for income taxes	(1,892)	—	(1,550)(l)	(3,442)
Net income	$ 5,385	$ 13,386	$ (8,974)	$ 9,797
Basic earnings per common share	$ 0.20			$ 0.35
Diluted earnings per common share	$ 0.19			$ 0.34
Basic weighted average shares outstanding	27,478,342		900,171(m)	28,378,513
Diluted weighted average shares outstanding	28,096,078		900,171(m)	28,996,249

See accompanying notes to the unaudited pro forma consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Unaudited Pro Forma Consolidated Statements of Operations
For the Twelve Months Ended
(Dollars in Thousands, Except Per Share Data)

	LSI September 30, 2010	Jacobs December 31, 2010	Pro Forma Adjustments	Consolidated Total
Revenue	$ 286,791	$ 65,256	—	$ 352,047
Costs and expenses:				
Cost of goods sold (excluding amortization)	119,150	39,219	—	158,369
Profit-sharing distributions	42,876	—	—	42,876
Technology and operations	49,032	2,849	—	51,881
Sales and marketing	21,250	1,332	—	22,582
General and administrative	24,884	4,964	—	29,848
Amortization of contract intangibles	813	—	$ 7,266(i)	8,079

Depreciation and amortization	4,124	210	480(j)	4,814
Acquisition costs	524	—	—	524
Total costs and expenses	262,653	48,574	7,746	318,973
Income from operations	24,138	16,682	(7,746)	33,074
Interest income and other (expense), net	69	(101)	(2,379)(k)	(2,411)
Income before provision for income taxes	24,207	16,581	(10,125)	30,663
Provision for income taxes	(12,194)	—	(3,228)(l)	(15,422)
Net income	$ 12,013	$ 16,581	$ (13,353)	$ 15,241
Basic earnings per common share	$ 0.44			$ 0.54
Diluted earnings per common share	$ 0.44			$ 0.54
Basic weighted average shares outstanding	27,098,016		900,171(m)	27,998,187
Diluted weighted average shares outstanding	27,406,883		900,171(m)	28,307,054

See accompanying notes to the unaudited pro forma consolidated financial statements.

Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Pro Forma Consolidated Financial Statements

1. Basis of Pro Forma Presentation

The unaudited pro forma consolidated financial statements have been prepared by Liquidity Services, Inc. (“LSI” or the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission for the purposes of inclusion in LSI’s amended Form 8-K prepared and filed in connection with the completion of the acquisition of Jacobs Trading LLC’s Salvage Business (“Jacobs”).Certain information and certain disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures provided herein are adequate to make the information presented not misleading.

The information concerning LSI has been derived from the audited consolidated financial statements of LSI for the year ended September 30, 2010 and unaudited historical consolidated financial statements of LSI as of and for the nine months ended June 30, 2011. The information concerning Jacobs has been derived from the audited financial statements of Jacobs for the year ended December 31, 2010 and the unaudited historical financial statements as of and for the six months ended June 30, 2011 along with the unaudited internally prepared financial statements of Jacobs for the three months ended December 31, 2010.

The unaudited pro forma consolidated financial statements are provided for informational purposes only and do not purport to be indicative of the Company’s financial position or results of operations which would actually have occurred had such transaction been completed as of the date or for the periods presented, or of the financial position or results of operations that may be obtained in the future.

2. Purchase Price Allocation - Jacobs

Effective on October 1, 2011, LSI completed its acquisition of the assets of Jacobs for an upfront payment of $80.0 million cash, a seller subordinated 5% note of $40.0 million and 900,171 restricted shares ($20 million of consideration based on the average trading price of LSI’s stock ten days before the announcement of the transaction) and a potential earn-out payment up to $30.0 million. Under the terms of the agreement, the earn-out is based on EBITDA earned by Jacobs during the trailing 12 months ending December 31, 2012 and 2013. Jacobs is a leading remarketer for the sale of surplus and returned consumer goods. Jacobs conducts its sales on a purchase model basis using its marketplace, an extensive global buyer base and product domain expertise.

The unaudited pro forma consolidated financial statements have been prepared to give effect to the completed acquisition of Jacobs, which was accounted for under the acquisition method of accounting. For accounting purposes, a total estimated purchase price of approximately $152.7 million was used for purposes of preparing the unaudited pro forma consolidated financial statements and total estimated direct transaction costs of approximately $1.8 million were excluded in the purchase price allocation. The accounting purchase price includes the upfront cash payment, the seller subordinated note, stock consideration of $24.5 million (900,171 restricted shares at the closing price of $32.07 on September 30, 2011, discounted at 15% to account for the six-month restriction), and the estimated fair value of the earn-out of $8.2 million.

Under the acquisition method of accounting, the total estimated purchase price is allocated to Jacobs’ net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of October 1, 2011, the effective date of the acquisition of Jacobs. Based on management’s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on estimates and assumptions that are subject to change, and other factors as described in the introduction to these unaudited pro forma consolidated financial statements, the preliminary estimated purchase price is allocated as follows:

	Consideration Amount (in thousands)
Accounts receivable	$ 4,710
Inventory	6,059

Prepaid expenses		120
Goodwill		110,226
Vendor contract intangible asset		33,300
Covenants not to compete		2,400
Property and equipment		847
Accounts payable		(1,837)
Accrued liabilities		(3,101)
Total consideration	$	152,724

2. Purchase Price Allocation — Jacobs — (Continued)

Prior to the end of the measurement period for finalizing the purchase price allocation, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively.

Of the total estimated purchase price, a preliminary estimate of $35.7 million has been allocated to definite—lived intangible assets acquired. Definite—lived intangible assets of $35.7 million consist of the value assigned to Jacobs' vendor contract with Wal-Mart of $33.3 million, and covenants not to compete of $2.4 million.

The value assigned to Jacobs' vendor contract was primarily determined by discounting the estimated cash flows associated with the Wal-Mart contract as of the date the acquisition was consummated. The estimated cash flows were based on revenues for the Wal-Mart contract net of operating expenses and net of capital charges for other tangible and intangible assets that contribute to the projected cash flow. The projected revenues were based on assumed revenue growth rates. Operating expenses were estimated based on the supporting infrastructure expected to sustain the assumed revenue growth rates. Net capital charges for assets that contribute to projected contract cash flows were based on the estimated fair value of those assets. A discount rate of 15.5% was deemed appropriate for valuing the contract and was based on the risks associated with the respective cash flows taking into consideration the Company's weighted average cost of capital. LSI expects to amortize the value of the Wal-Mart contract on a straight—line basis over approximately four and half years. Amortization of the Wal-Mart contract is deductible for tax purposes.

The value assigned to Jacobs' covenants not to compete was primarily determined by discounting the estimated cash flows with and without the non-compete agreements in place for the Jacobs' management team as of the date the acquisition was consummated. The estimated cash flows were based on revenues net of operating expenses and net of capital charges for other tangible and intangible assets that contribute to the projected cash flow. The projected revenues were based on assumed revenue growth rates. Operating expenses were estimated based on the supporting infrastructure expected to sustain the assumed revenue growth rates. Net capital charges for assets that contribute to projected cash flows were based on the estimated fair value of those assets. A discount rate of 15.5% was deemed appropriate for valuing the contract and was based on the risks associated with the respective cash flows taking into consideration the Company's weighted average cost of capital. LSI expects to amortize the value of the covenants not to compete on a straight—line basis over approximately five years. Amortization of the covenants not to compete is deductible for tax purposes.

The definite—lived intangible assets acquired will result in approximately the following annual amortization expense:

Years ending September 30,		(in millions)
2012	$	7.7
2013		7.7
2014		7.7
2015		7.7
2016		4.9
Total	$	35.7

Of the total estimated purchase price, approximately $110.3 million has been allocated to goodwill and is deductible for tax purposes. Goodwill represents factors including expected synergies from combining operations and is the excess of the purchase price of an acquired business over the fair value of the net tangible and intangible assets acquired and liabilities assumed. Goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if indicators of impairment arise). In the event that management determines that the goodwill has become impaired, the Company will incur an accounting charge for the amount of the impairment during the fiscal quarter in which the determination is made.

3. Pro Forma Adjustments

Pro forma adjustments are made to reflect the estimated purchase price, to adjust amounts related to Jacobs, tangible assets and liabilities and intangible assets to a preliminary estimate of the fair values of those assets and liabilities, to reflect the amortization expense related to the intangible assets and to reclassify certain financial statement amounts to conform to LSI's financial statement presentation.

The specific pro forma adjustments included in the unaudited pro forma consolidated financial statements are as follows:

a) To reflect cash payment made in connection with closing the Jacobs acquisition of $80.0 million.

b) To reflect the fair value from the acquisition of Jacobs of the Wal-Mart contract estimated to be $33.3 million and covenant not to compete intangible asset of $2.4 million.

c) To reflect the fair value of acquired goodwill based on net assets acquired and liabilities assumed as if the Jacobs acquisition occurred on June 30, 2011. The difference between the amount recorded on a pro forma basis and the actual balance as of the effective dates of the Jacobs acquisition is the result of changes in the assets and liabilities of Jacobs between June 30, 2011 and the effective closing date of October 1, 2011.

d) To reflect an accrual of $1.8 million for estimated LSI transaction costs associated with the Jacobs acquisition that were incurred between June 30, 2011 and October 1, 2011.

e) To reflect the estimated earn-out liability associated with the closing of the Jacobs acquisition of $8.2 million.

f) To reflect the $40 million 5% seller subordinated note in connection with closing the Jacobs acquisition.

g) To reflect the value of the 900,171 restricted shares issued by LSI, associated with the closing of the Jacobs acquisition, of $24.5 million, which reflects a 15% discount from the acquisition date closing price due to the share restrictions.

h) To eliminate the retained earnings balance of Jacobs. The adjustment also reflects the corresponding $1.8 million adjustment to accrued expenses as noted in note (d) above.

i) LSI has estimated the pro forma amortization expense for the periods preceding the Jacobs acquisition for the nine months ended June 30, 2011 and the twelve month period presented related to the Wal-Mart contract intangible asset acquired to be $5.4 million and $7.3 million, respectively.

j) LSI has estimated the pro forma amortization expense for the periods preceding the Jacobs acquisition for the nine months ended June 30, 2011 and the twelve month period presented related to the covenant not to compete intangible asset acquired to be $0.4 million and $0.5 million, respectively.

k) To adjust interest expense to reflect as if the acquisition had occurred at the beginning of the respective periods presented. Of the $1.6 million adjustment to the nine months ended June 30, 2011, $0.4 million relates to the elimination of interest income from the cash used for the acquisition and $1.5 million relates to interest expense on the $40 million 5% seller subordinated note. Of the $2.4 million adjustment to the twelve month period presented, $0.5 million relates to the elimination of interest income from the cash used for the acquisition and $2.0 million relates to interest expense on the $40 million 5% seller subordinated note. The remaining amount of the adjustment for both periods represents the elimination of Jacobs' interest expense.

l) To properly record the income tax provision to reflect the effect of Jacobs' acquisition adjustments.

m) To reflect the number of shares of LSI's common stock issued as consideration in the acquisition of Jacobs.

The unaudited pro forma consolidated financial statements do not include adjustments for liabilities related to business integration activities for the acquisition of Jacobs as management is in the process of assessing what, if any, future actions are necessary. However, liabilities ultimately may be recorded for costs associated with business integration activities for the acquisition of Jacobs in the Company's consolidated financial statements.

LSI has not identified any material pre—acquisition contingencies where the related asset, liability or impairment is probable and the amount of the asset, liability or impairment can be reasonably estimated.

4. Pro Forma Earnings Per Share

The pro forma basic and diluted earnings per common share is based on the weighted average number of common shares of LSI's common stock outstanding during the period as adjusted to reflect the shares of common stock issued as consideration in the Jacobs acquisition.