

**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) **August 29, 2006**

**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))

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**Item 1.01. Entry into a Material Definitive Agreement.**

On August 29, 2006, Liquidity Services, Inc., a Delaware corporation ("LSI"), entered into an asset purchase agreement (the "Asset Purchase Agreement") with Southern Textile Recycling, Inc., a Tennessee corporation ("STR"), and Carl C. Jones, Eddie Fischer and Bradley Fischer, each of whom is a shareholder of STR. Pursuant to the Asset Purchase Agreement, LSI will acquire all of the assets used by STR in conducting its wholesale business (the "Acquisition"). The closing of the Acquisition (the "Closing") is expected to occur on October 16, 2006 or at such other date as the parties agree, subject to the satisfaction of various closing conditions.

The aggregate consideration to be paid to STR at Closing will consist of a cash payment of \$8.5 million, subject to certain post-closing adjustments. The Asset Purchase Agreement may be terminated under various circumstances, including, among others, by STR or LSI if the transaction fails to close by December 31, 2006.

Prior to the Acquisition, there were no material relationships between LSI or its affiliates, on the one hand, and STR, or the shareholders of STR, on the other hand. In connection with the Closing of the Acquisition, LSI expects to enter into employment agreements with a shareholder party to the Asset Purchase Agreement and certain of the employees of STR.

A press release, issued on August 30, 2006, announcing the Asset Purchase Agreement is attached as Exhibit 99.1 hereto and is incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

The following exhibit is filed as part of this report:

99.1 Press Release, dated August 30, 2006, with respect to the Asset Purchase Agreement.

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**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: August 30, 2006

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

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**Exhibit Index**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated August 30, 2006, with respect to the Asset Purchase Agreement.

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**Liquidity Services, Inc. to Acquire STR**  
*Acquisition extends LSI's service offering to an expanded base of large commercial  
sellers and traditional discount retail chain buyers*

**WASHINGTON – August 30, 2006** – Liquidity Services, Inc. (LSI), a leading online auction marketplace for wholesale, surplus and salvage assets, today announced it has agreed to acquire the wholesale business of STR, Inc. (STR) for \$8.5 million. STR is a California-based remarketer of reverse supply chain merchandise, including retail customer returns, overstocks, shelf pulls, and seasonal merchandise, to wholesale buyers.

The acquisition strengthens LSI's business by adding STR's long-standing relationships with traditional discount store chain buyers, as well as a complementary base of large commercial sellers, including Fortune 500 retailers. In addition, the acquisition will expand LSI's presence on the West Coast through the addition of an approximately 117,000 square foot leased distribution center in southern California providing efficiencies for both domestic and international buyers and sellers.

"We believe that the acquisition of STR is a natural complement to our organization and is a win-win for LSI's and STR's established customer base of sellers and buyers," said Bill Angrick, Chairman and CEO of LSI. "These customers will be able to benefit from LSI's innovative solution as well as the STR team's over 30 years of product domain expertise in major categories such as electronics, apparel, entertainment and general merchandise. The addition of more seller and buyer activity also accelerates our self-reinforcing growth dynamic and increases the value we provide our clients through our online auction marketplaces such as [www.liquidation.com](http://www.liquidation.com)."

LSI expects the STR deal to add approximately \$18 million of revenues and approximately \$480,000 in net income to its fiscal year 2007 results.

The acquisition is expected to close in October 2006 and is subject to customary closing conditions and post-closing price adjustments related to working capital items.

**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 350 employees. Additional information can be found at: [www.liquidityservicesinc.com](http://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 benefits, impact on fiscal 2007 operating results and expected closing date, of the acquisition of STR's business by LSI. 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

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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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, including, but not limited to, those set forth in Part II, Item IA (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. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statement occurring after the date of this document.

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