

**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) **October 16, 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))

Item 8.01. Other Events.

On October 16, 2006, Liquidity Services, Inc., a Delaware corporation, completed its previously announced acquisition of all of the assets used by Southern Textile Recycling, Inc., a Tennessee corporation, in conducting its wholesale business (the "Acquisition"). A press release, issued on October 16, 2006, announcing the closing of the Acquisition 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 October 16, 2006, with respect to the closing of the Acquisition.

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: October 16, 2006

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

Liquidity Services, Inc. Completes Acquisition of STR

WASHINGTON — October 16, 2006 — Liquidity Services, Inc. (LSI), a leading online auction marketplace for wholesale, surplus and salvage assets, today announced that it has completed the acquisition of the wholesale business of STR, Inc. (STR) for approximately \$10.1million in cash. The final purchase price is based on purchase price adjustments as outlined in the purchase agreement. 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 closing date of the transaction is October 16, 2006.

“The acquisition of STR strengthens LSI’s business by adding long-standing relationships with traditional discount store chain buyers as well as Fortune 500 commercial sellers,” said Bill Angrick, Chairman and CEO of LSI. “We are excited to now provide these new clients with access to our innovative online auction platform and value-added services. The addition of these buyers and sellers accelerates our self-reinforcing growth dynamic and increases the value we provide our clients through our online auction marketplace www.liquidation.com.”

The acquisition will also 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.

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.

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