

**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) **September 2, 2008**

**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. Other Events.**

In connection with (i) the phase-in of the Surplus Usable Property Sales Contract (Sales Contract Number 08-0001-0001) (the "New Surplus Contract") between Liquidity Services, Inc. (the "Company") and the Defense Reutilization and Marketing Service of the U.S. Department of Defense (the "DRMS") and (ii) the wind-down of Commercial Venture II (CV-II) (Sales Contract Number 99-0001-0002) (the "Surplus Contract") between the DRMS and the Company, the DRMS provided written notice to the Company on September 2, 2008 that the DRMS was terminating the performance period of the Surplus Contract effective as of November 1, 2008. The Company expects to commence operations under the New Surplus Contract on or about November 1, 2008.

The New Surplus Contract was awarded to the Company on July 31, 2008, and is filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2008. The Company and the DRMS previously entered into a Supplemental Agreement effective as of May 13, 2008, extending the performance period of the Surplus Contract by 180 days from the original termination date to December 19, 2008 and allowing either party to terminate the Surplus Contract (without cost to the Government) upon 60 days written notice to the other party.

The notice from the DRMS terminating the performance period of the Surplus Contract effective as of November 1, 2008 is attached hereto as Exhibit 10.1.

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

(d) Exhibits

The following exhibit is filed as part of this report:

10.1 Notice of Termination of Commercial Venture II (CV-II) (Sales Contract Number 99-0001-0002)

**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: September 5, 2008

By: /s/ James E. Williams

Name: James E. Williams

Title: Vice President, General Counsel and  
Corporate Secretary

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**Exhibit Index**

<u>Exhibit No.</u>	<u>Description</u>
10.1	Notice of Termination of Commercial Venture II (CV-II) (Sales Contract Number 99-0001-0002)

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**DEFENSE REUTILIZATION AND MARKETING SERVICE  
74 WASHINGTON AVENUE NORTH  
BATTLE CREEK, MICHIGAN 49037-3092**

IN REPLY  
REFER TO DRMS J-362

Liquidity Services, Inc.,  
1920 L Street, NW – 6<sup>th</sup> Floor  
Washington, DC 20036

Dear Mr. Angrick:

This is in reference to the Defense Reutilization and Marketing Service sales contract 99-0001-0002 for usable property. Specifically, modification 14, dated May 13, 2008, extended the performance period of the contract for an additional 180 days and provided a termination clause whereby either party may terminate the contract, without cost, provided a 60-day written notice is issued to the other party.

It has been determined to be in the best interest of the U.S. Government to terminate sales contract 99-0001-0002 pursuant to the terms and conditions stated in modification 14. This letter is your notice of intent that contract 99-0001-0002 will terminate effective November 1, 2008. No further Delivery Orders will be issued by DRMS under contract 99-0001-0002 after that date. DRMS expects you to continue performing on contract 99-0001-0002 through contract termination date, to include all contract performance requirements of the wind-up period. Failure to perform will be cause to place your contract in default.

As also provided for in modification 14 to contract 99-0001-0002, DRMS elects to modify the product pool of property being made available. DRMS intends to terminate Controlled Property Centers (CPCs) property verification duties described in modification 11 to contract 99-0001-0002 as follows:

Huntsville and Columbus – effective October 17, 2008  
Norfolk and Stockton – effective November 21, 2008

All property previously issued to you on a Delivery Order at the CPCs must be verified by your staff and made available to DRMS for inspection and certification by the dates stated above.

As provided in modification 14 to contract 99-0001-0002, you are required to remove property previously issued to you within 90 days from the date of the last Delivery Order. Property verified by your staff at the CPCs may not be removed until inspected and certified by DRMS.

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If you have any questions regarding the termination of your contract, please feel free to contact me at (269) 961-5705.

Sincerely,

/s/ Neil A. Watters  
NEIL A. WATTERS  
Sales Contracting Officer  
Chief of Sales  
Disposal Operations