

OMB APPROVAL	
OMB Number:	3235-0104
Expires:	December 31, 2014
Estimated average burden hours per response	0.5

**INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

<b>1. Name and Address of Reporting Person*</b> Rallo James M <hr/> (Last) (First) (Middle) C/O LIQUIDITY SERVICES, INC., 1920 L STREET, N.W., 6TH FLOOR <hr/> (Street) WASHINGTON DC 20036 <hr/> (City) (State) (Zip)	<b>2. Date of Event Requiring Statement (Month/Day/Year)</b> 02/22/2006	<b>3. Issuer Name and Ticker or Trading Symbol</b> LIQUIDITY SERVICES INC [LQDT]	
		<b>4. Relationship of Reporting Person(s) to Issuer</b> (Check all applicable) Director 10% Owner X Officer (give title below) Other (specify below) CFO & Treasurer	<b>5. If Amendment, Date of Original Filed (Month/Day/Year)</b>  <b>6. Individual or Joint/Group Filing (Check Applicable Line)</b> X Form filed by One Reporting Person Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned			
1. Title of Security (Instr. 4)	2. Amount of Securities Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	93,750	D	

**Table II - Derivative Securities Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares <sup>M</sup>			
Employee Stock Option (right to buy)	(1)	02/24/2015	Common Stock	156,250	\$ 2	D	

**Explanation of Responses:**

1. The option vests as to 25% on February 25, 2005 and 2.083% per month thereafter on the 25th of each month for the following 36 months.

**Remarks:**

Exhibits List: Exhibit 24 - Power of Attorney.

/s/ James E. Williams, by      02/22/2006  
power of attorney

\*\* Signature of Reporting      Date  
Person

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 5(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.**

**POWER OF ATTORNEY**

The undersigned hereby constitutes and appoints James E. Williams the undersigned's true and lawful attorney-in-fact to:

- (1) execute for and on behalf of the undersigned Forms 3, 4 and 5 in accordance with Section 16(a) of the Securities Exchange Act of 1934 and the rules thereunder;
- (2) do and perform any and all acts for and on behalf of the undersigned which may be necessary or desirable to complete the execution of any such Form 3, 4, or 5 and the timely filing of such form with the United States Securities and Exchange Commission and any other authority; and
- (3) take any other action of any type whatsoever in connection with the foregoing which, in the opinion of such attorney-in-fact, may be of benefit to, in the best interest of, or legally required by, the undersigned.

The undersigned hereby grants to such attorney-in-fact full power and authority to do and perform all and every act and thing whatsoever requisite, necessary, and proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact, or such attorney-in-fact's substitute or substitutes, shall lawfully do or cause to be done by virtue of this power of attorney and the rights and powers herein granted. The undersigned acknowledges that the foregoing attorney-in-fact, in serving in such capacity at the request of the undersigned, is not assuming any of the undersigned's responsibilities to comply with Section 16 of the Securities Exchange Act of 1934. This Power of Attorney can only be revoked by delivering a signed, original "Revocation of Power of Attorney" to the attorney-in-fact.

**IN WITNESS WHEREOF**, the undersigned has caused this Power of Attorney to be executed as of this 21<sup>st</sup> day of February, 2006.

\_\_\_\_\_  
/s/ James M. Rallo  
Name: James M. Rallo  
Title: Chief Financial Officer and  
Treasurer

---