

Rallo James M  
Form 4  
September 21, 2012

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

Check this box  
if no longer  
subject to  
Section 16.  
Form 4 or  
Form 5  
obligations  
may continue.  
*See* Instruction  
1(b).

**STATEMENT OF CHANGES IN 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

## OMB APPROVAL

OMB  
Number: 3235-0287  
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2005  
Estimated average  
burden hours per  
response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Rallo James M

(Last) (First) (Middle)

C/O LIQUIDITY SERVICES,  
INC., 1920 L STREET, N.W., 6TH  
FLOOR

(Street)

WASHINGTON, DC 20036

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading  
Symbol  
LIQUIDITY SERVICES INC  
[LQDT]

3. Date of Earliest Transaction  
(Month/Day/Year)  
09/19/2012

4. If Amendment, Date Original  
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to  
Issuer

(Check all applicable)

\_\_\_\_ Director \_\_\_\_ 10% Owner  
\_\_X\_\_ Officer (give title below) \_\_\_\_ Other (specify below)  
CFO, Treasurer

6. Individual or Joint/Group Filing(Check  
Applicable Line)  
\_\_X\_\_ Form filed by One Reporting Person  
\_\_\_\_ Form filed by More than One Reporting  
Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) |        |            |          | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-------------------------------------------------------------------|--------|------------|----------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------|
|                                 |                                      |                                                    | Code                           | V                                                                 | Amount | (A) or (D) | Price    |                                                                                               |                                                          |                                   |
| Common Stock                    | 09/19/2012                           |                                                    | M                              |                                                                   | 7,002  | A          | \$ 7.48  | 7,602                                                                                         |                                                          | D                                 |
| Common Stock                    | 09/19/2012                           |                                                    | M                              |                                                                   | 1,541  | A          | \$ 15.47 | 9,143                                                                                         |                                                          | D                                 |
| Common Stock                    | 09/19/2012                           |                                                    | S                              |                                                                   | 8,543  | D          | \$ 54.8  | 600                                                                                           |                                                          | D                                 |

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

**Persons who respond to the collection of  
information contained in this form are not**

SEC 1474  
(9-02)

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

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) |     | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) |                 |              |                            |
|--------------------------------------------|--------------------------------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------|-----|---------------------------------------------------------------|-----------------|--------------|----------------------------|
|                                            |                                                        |                                      |                                                    | Code                           | V                                                                                       | (A)                                                      | (D) | Date Exercisable                                              | Expiration Date | Title        | Amount or Number of Shares |
| Employee Stock Option                      | \$ 7.48                                                | 09/19/2012                           |                                                    | M                              |                                                                                         | 7,002                                                    |     | <u>(1)</u>                                                    | 10/01/2018      | Common Stock | 41,236                     |
| Employee Stock Grant                       | \$ 15.47                                               |                                      |                                                    |                                |                                                                                         |                                                          |     | <u>(2)</u>                                                    | 10/01/2020      | Common Stock | 12,514                     |
| Employee Stock Option                      | \$ 15.47                                               | 09/19/2012                           |                                                    | M                              |                                                                                         | 1,541                                                    |     | <u>(3)</u>                                                    | 10/01/2020      | Common Stock | 14,383                     |
| Employee Stock Grant                       | \$ 15.47                                               |                                      |                                                    |                                |                                                                                         |                                                          |     | <u>(4)</u>                                                    | 10/01/2020      | Common Stock | 7,801                      |
| Employee Stock Option                      | \$ 31.11                                               |                                      |                                                    |                                |                                                                                         |                                                          |     | <u>(5)</u>                                                    | 10/01/2021      | Common Stock | 7,446                      |
| Employee Stock Option                      | \$ 31.11                                               |                                      |                                                    |                                |                                                                                         |                                                          |     | <u>(6)</u>                                                    | 10/01/2021      | Common Stock | 12,358                     |

## Reporting Owners

| Reporting Owner Name / Address                                                                          | Relationships                    |
|---------------------------------------------------------------------------------------------------------|----------------------------------|
|                                                                                                         | Director 10% Owner Officer Other |
| Rallo James M<br>C/O LIQUIDITY SERVICES, INC.<br>1920 L STREET, N.W., 6TH FLOOR<br>WASHINGTON, DC 20036 | CFO, Treasurer                   |

## Signatures

/s/ James E. Williams, by power of  
attorney

09/21/2012

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(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).
- (1) Twenty percent of this option grant vested on October 1, 2009 and thereafter 1/60th of the option grant will vest each month for forty-eight months.
- (2) Twenty-five percent of this restricted stock grant vested on October 1, 2011 and thereafter 1/4th of the restricted stock grant will vest on October 1 of each year for three years.
- (3) Twenty-five percent of this option grant vested on October 1, 2011 and thereafter 1/48th of the option grant will vest each month for thirty-six months.
- (4) These shares will vest, if at all, based on the Issuer's achievement of certain financial milestones.
- (5) Twenty-five percent of this restricted stock grant will vest on October 1, 2012 and thereafter 1/4th of the restricted stock grant will vest on October 1 of each year for three years.
- (6) Twenty-five percent of this option grant will vest on October 1, 2012 and thereafter 1/48th of the option grant will vest each month for thirty-six months.

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