

Rallo James M  
Form 4  
October 12, 2011

**FORM 4**

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

OMB APPROVAL

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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

(Print or Type Responses)

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

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)  
10/10/2011

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

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

(Street)

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

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

WASHINGTON, DC 20036

(City) (State) (Zip)

**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 Indirect Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	10/10/2011		M		16,876	A	\$ 12.89
Common Stock	10/10/2011		M		1,961	A	\$ 10.93
Common Stock	10/10/2011		M		6,163	A	\$ 15.47
Common Stock	10/10/2011		S <sup>(1)</sup>		25,000	D	\$ 31.43
	10/11/2011		M		25,000	A	25,600

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Common Stock						\$ 10.93		
Common Stock	10/11/2011	S <sup>(1)</sup>	25,000	D		\$ 30.75	600	D
Common Stock	10/12/2011	M	17,439	A		\$ 10.93	18,039	D
Common Stock	10/12/2011	M	2,997	A		\$ 7.48	21,036	D
Common Stock	10/12/2011	S <sup>(1)</sup>	20,436	D		\$ 30.83	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 required to respond unless the form displays a currently valid OMB control number.**

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(9-02)

**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)	Amount or Number of Shares	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option	\$ 12.89	10/10/2011		M		(2)	03/30/2016	Common Stock	16,876
Employee Stock Option	\$ 10.93	10/10/2011		M		(3)	10/01/2017	Common Stock	44,400
Common Stock	\$ 10.93	10/11/2011		M		(3)	10/01/2017	Common Stock	42,439
Employee Stock Option	\$ 10.93	10/12/2011		M		(3)	10/01/2017	Common Stock	17,439
Employee Stock Option	\$ 7.48	10/12/2011		M		(4)	10/01/2018	Common Stock	59,000
	\$ 15.47					(5)	10/01/2020		12,514

Employee Stock Grant								Common Stock	
Employee Stock Option	\$ 15.47	10/10/2011		M	6,163	(6)	10/01/2020	Common Stock	24,655
Employee Stock Grant	\$ 15.47					(7)	10/01/2020	Common Stock	10,000

## Reporting Owners

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

## Signatures

/s/ James E. Williams, by power of attorney  
10/12/2011

\_\_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) The transactions reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on September 9, 2011.
- (2) These options became fully vested on March 30, 2010.
- (3) These options became fully vested on October 1, 2011.
- (4) 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.
- (5) Twenty-five percent of this restricted stock grant vested on October 1, 2011 and thereafter 1/48th of the restricted stock grant will vest on October 1 of each year for three years.
- (6) 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.
- (7) These restricted shares will vest, if at all, based on the Issuer's achievement of certain financial milestones.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.