

Rallo James M  
Form 4  
October 19, 2010

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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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)  
10/15/2010

\_\_\_ 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) | (A) or (D) | 5. Amount or Price | 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 Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|------------|--------------------|---|--|---|
| Common Stock                    | 10/15/2010                           |  | M                              | 25,000  | A          | \$ 7.48            | 29,000  | D  |   |
| Common Stock                    | 10/15/2010                           |  | S <sup>(1)</sup>               | 25,000  | D          | \$ 16.93           | 4,000   | D  |   |
| Common Stock                    | 10/18/2010                           |  | M                              | 12,124  | A          | \$ 7.48            | 16,124  | D  |   |
| Common Stock                    | 10/18/2010                           |  | S <sup>(1)</sup>               | 12,124  | D          | \$ 17.06           | 4,000   | D  |   |

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

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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) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|
|  |  |                                      |  | Code                           | V (A) (D)   | Date Exercisable Expiration Date                         | Title Amount or Number of Shares                              |
| Employee Stock Option                      | \$ 12.89   |                                      |  |                                |   | <sup>(2)</sup> 03/30/2016                                | Common Stock 16,876   |
| Employee Stock Option                      | \$ 10.93   |                                      |  |                                |   | <sup>(3)</sup> 10/01/2017                                | Common Stock 70,000   |
| Employee Stock Option                      | \$ 7.48  | 10/15/2010                           |  | M                              | 25,000  | <sup>(4)</sup> 10/01/2018                                | Common Stock 121,124  |
| Employee Stock Option                      | \$ 7.48  | 10/18/2010                           |  | M                              | 12,124  | <sup>(4)</sup> 10/01/2018                                | Common Stock 96,124   |

## 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

10/19/2010

\*\*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 13, 2010.
  - (2) These options became fully vested on March 30, 2010.
  - (3) Twenty-five percent of this option grant vested on October 1, 2008 and thereafter 1/48th of the option grant will vest each month for thirty-six months.
  - (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.

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.