

Rallo James M
 Form 5
 November 14, 2012

FORM 5

**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).
 Form 3 Holdings Reported Form 4 Transactions Reported

ANNUAL 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

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. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
 09/30/2012

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 Reporting

(check applicable line)

WASHINGTON, DC 20036

Form Filed by One Reporting Person
 Form Filed by More than One Reporting Person

(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)			5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				Amount	(A) or (D)	Price			
Common Stock	10/07/2011		G	600	D	\$ 0	600	D	
Common Stock	05/14/2012		M	3,900	A	\$ 7.48	3,900	D	
Common Stock	05/14/2012		G	3,900	D	\$ 0	0	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)	Amount or Number of Shares
					(A)	(D)	Date Exercisable	Expiration Date		
Employee Stock Option	\$ 7.48	05/14/2012	Â	M	Â	3,900	Â <u>(1)</u>	10/01/2018	Common Stock	34,234
Employee Stock Grant	\$ 15.47	Â	Â	Â	Â	Â	Â <u>(2)</u>	10/01/2020	Common Stock	8,343
Employee Stock Option	\$ 15.47	Â	Â	Â	Â	Â	Â <u>(3)</u>	10/01/2020	Common Stock	12,842
Employee Stock Grant	\$ 15.47	Â	Â	Â	Â	Â	Â <u>(4)</u>	10/01/2020	Common Stock	6,553
Employee Stock Grant	\$ 31.11	Â	Â	Â	Â	Â	Â <u>(5)</u>	10/01/2021	Common Stock	5,585
Employee Stock Option	\$ 31.11	Â	Â	Â	Â	Â	Â <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 C/O LIQUIDITY SERVICES, INC. 1920 L STREET, N.W., 6TH FLOOR WASHINGTON, DC 20036	Â	Â	Â CFO, Treasurer	Â

Signatures

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

11/14/2012

__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 share 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 share grant vested on October 1, 2012 and thereafter 1/4th of the restricted share grant will vest each on October 1 of each year for three years.
- (6) Twenty-five percent of this option grant vested 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 provided 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.