

Rallo James M
 Form 4
 February 13, 2009

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)
 02/11/2009

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
 CFO, Treasure

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. 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 or Price		
Common Stock	02/11/2009		M		42,209 A \$ 2	68,333	D
Common Stock	02/11/2009		P		4,000 A \$ 5.76	72,333	D
Common Stock	02/11/2009		P		4,000 A \$ 5.76	4,000	I By wife
Common Stock	02/11/2009		P		125 A \$ 5.76	125	I By son
	02/11/2009		P		125 A	125	I

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Common Stock \$ 5.76 By daughter

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

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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					(1) 10/28/2015	Common Stock 67,500
Employee Stock Option	\$ 2	02/11/2009		M	42,209	(2) 02/24/2015	Common Stock 42,209
Employee Stock Option	\$ 12.89					(3) 03/30/2016	Common Stock 16,876
Employee Stock Option	\$ 10.93					(4) 10/01/2017	Common Stock 70,000
Employee Stock Option	\$ 7.48					(5) 10/01/2018	Common Stock 140,000

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, Treasure	

Signatures

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

02/13/2009

__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).

- On October 28, 2005, the reporting person was granted an option to purchase 75,000 shares of common stock. On February 28, 2006, the option vested as to 10% (7,500 shares) upon the completion of the Company's initial public offering; the remaining 90% (67,500 shares) shall vest upon the delivery of the Company's independent accountants of an unqualified opinion on management's assessment of the Company's internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.
- (1) shall vest upon the delivery of the Company's independent accountants of an unqualified opinion on management's assessment of the Company's internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.
 - (2) The option vested as to 25% on February 25, 2005 and vested at 2.083% per month thereafter on the 25th of each month for the 36 months following the month of grant.
 - (3) Twenty-five percent of this option grant vested on March 30, 2007, with the remaining options vesting in monthly installments through March 30, 2010.
 - (4) 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.
 - (5) Twenty percent of this option grant will vest 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.

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