

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

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

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

| OMB APPROVAL                                 |           |
|--|-----------|
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|   |  |  |  |  |  |   |  |  |
|---|--|--|--|--|--|---|--|--|
| 1. Name and Address of Reporting Person*<br><u>Rallo James M</u><br><hr/> (Last) (First) (Middle)<br><u>C/O LIQUIDITY SERVICES, INC.</u><br><u>1920 L STREET, N.W., 6TH FLOOR</u><br><hr/> (Street)<br><u>WASHINGTON DC 20036</u><br><hr/> (City) (State) (Zip) |  |  | 2. Issuer Name and Ticker or Trading Symbol<br><u>LIQUIDITY SERVICES INC [ LQDT ]</u>  |  |  | 5. Relationship of Reporting Person(s) to Issuer<br>(Check all applicable)<br>Director 10% Owner<br><input checked="" type="checkbox"/> Officer (give title below) Other (specify below)<br><u>CFO, Treasurer</u> |  |  |
|   |  |  | 3. Date of Earliest Transaction (Month/Day/Year)<br><u>09/11/2013</u>  |  |  |   |  |  |
|   |  |  | 4. If Amendment, Date of Original Filed (Month/Day/Year)   |  |  |   |  |  |
|   |  |  | 6. Individual or Joint/Group Filing (Check Applicable Line)<br><input checked="" type="checkbox"/> Form filed by One Reporting Person<br><input type="checkbox"/> 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 Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|---------|---|--|---|
|                                 |                                      |  | Code                           | V | Amount  | (A) or (D) | Price   |   |  |   |
| Common Stock                    | 09/11/2013                           |  | M                              |   | 7,000   | A          | \$7.48  | 8,320   | D  |   |
| Common Stock                    | 09/11/2013                           |  | M                              |   | 1,541   | A          | \$15.47 | 9,861   | D  |   |
| Common Stock                    | 09/11/2013                           |  | S                              |   | 8,541   | D          | \$35.77 | 1,320   | D  |   |

**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 Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |       |
|--|--|--------------------------------------|--|--------------------------------|---|--|-------|--|-----------------|---|--|--|---|--|-------|
|  |  |                                      |  | Code                           | V | (A)  | (D)   | Date Exercisable   | Expiration Date |   |  |  |   |  | Title |
| Employee Stock Option                      | \$7.48   | 09/11/2013                           |  | M                              |   |  | 7,000 | (1)  | 10/01/2018      | Common Stock  | 9,338                                      | \$7.48   | 2,338   | D  |       |
| Employee Stock Grant                       | \$15.47  |                                      |  |                                |   |  |       | (2)  | 10/01/2020      | Common Stock  | 8,343                                      |  | 8,343   | D  |       |
| Employee Stock Option                      | \$15.47  | 09/11/2013                           |  | M                              |   |  | 1,541 | (3)  | 10/01/2020      | Common Stock  | 8,219                                      | \$15.47  | 6,678   | D  |       |
| Employee Stock Grant                       | \$15.47  |                                      |  |                                |   |  |       | (4)  | 10/01/2020      | Common Stock  | 5,526                                      |  | 5,526   | D  |       |
| Employee Stock Grant                       | \$31.11  |                                      |  |                                |   |  |       | (5)  | 10/01/2021      | Common Stock  | 5,585                                      |  | 5,585   | D  |       |
| Employee Stock Option                      | \$31.11  |                                      |  |                                |   |  |       | (6)  | 10/01/2021      | Common Stock  | 12,358                                     |  | 12,358  | D  |       |
| Employee Stock Grant                       | \$38.09  |                                      |  |                                |   |  |       | (7)  | 10/01/2022      | Common Stock  | 5,003                                      |  | 5,003   | D  |       |
| Employee Stock Grant                       | \$38.09  |                                      |  |                                |   |  |       | (8)  | 10/01/2022      | Common Stock  | 5,003                                      |  | 5,003   | D  |       |
| Employee Stock Option                      | \$38.09  |                                      |  |                                |   |  |       | (9)  | 10/01/2022      | Common Stock  | 3,335                                      |  | 3,335   | D  |       |
| Employee Stock Option                      | \$38.09  |                                      |  |                                |   |  |       | (10)   | 10/01/2022      | Common Stock  | 3,335                                      |  | 3,335   | D  |       |
| Employee Stock Grant                       | \$29.47  |                                      |  |                                |   |  |       | (11)   | 07/18/2023      | Common Stock  | 12,216                                     |  | 12,216  | D  |       |

**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 Securities Underlying Derivative Security (Instr. 3 and 4) |                            | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|--|-----------------|---|----------------------------|--|--|---|--|
|  |  |                                      |  | Code                           | V | (A)  | (D) | Date Exercisable   | Expiration Date | Title   | Amount or Number of Shares |  |  |   |  |
| Employee Stock Grant                       | \$29.47  |                                      |  |                                |   |  |     | (12)   | 07/18/2023      | Common Stock  | 28,503                     |  | 28,503   | D   |  |
| Employee Stock Option                      | \$29.47  |                                      |  |                                |   |  |     | (13)   | 07/18/2023      | Common Stock  | 24,871                     |  | 24,871   | D   |  |
| Employee Stock Option                      | \$29.47  |                                      |  |                                |   |  |     | (14)   | 07/18/2023      | Common Stock  | 58,031                     |  | 58,031   | D   |  |

**Explanation of Responses:**

- 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.
- 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.
- 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.
- These restricted shares will vest, if at all, based on the Issuer's achievement of certain financial milestones.
- Twenty-five percent of this restricted stock grant vested on October 1, 2012 and thereafter 1/4th of the restricted stock grant will vest on October 1 of each year for three years.
- 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.
- Twenty-five percent of this restricted stock grant will vest on October 1, 2013 and thereafter 1/4th of the restricted stock grant will vest on October 1 of each year for three years.
- These restricted shares will vest, if at all, based on the Issuer's achievement of certain financial milestones.
- Twenty-five percent of this option grant will vest on October 1, 2013 and thereafter 1/48th of the option grant will vest each month for thirty-six months.
- This option becomes exercisable, if at all, based on the Issuer's achievement of certain financial milestones.
- Twenty-five percent of this restricted stock grant will vest on July 1, 2014 and thereafter 1/4th of the restricted stock grant will vest on July 1 of each year for three years.
- These restricted shares will vest, if at all, based on the Issuer's achievement of certain financial milestones.
- Twenty-five percent of this option grant will vest on July 18, 2014 and thereafter 1/48th of the option grant will vest each month for thirty-six months.
- This option becomes exercisable, if at all, based on the Issuer's achievement of certain financial milestones.

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

09/13/2013

\*\* Signature of Reporting Person

Date

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

\* 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).

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

**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 Number.**