LIQUIDITY SERVICES INC

Form 4

December 12, 2006

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

OMB Number:

3235-0287

Check this box if no longer

January 31, Expires: 2005

OMB APPROVAL

subject to Section 16. Form 4 or

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF **SECURITIES**

Estimated average burden hours per response... 0.5

Form 5 obligations may continue. See Instruction

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(b).

(Print or Type Responses)

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

2. Issuer Name and Ticker or Trading

5. Relationship of Reporting Person(s) to Issuer

Symbol

LIQUIDITY SERVICES INC

(Check all applicable)

[LQDT]

(First) (Middle) 3. Date of Earliest Transaction (Month/Day/Year)

Director 10% Owner X_ Officer (give title Other (specify below)

CFO, Treasurer

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

FLOOR

(Last)

4. If Amendment, Date Original

Applicable Line)

(Street)

Filed(Month/Day/Year)

12/08/2006

X Form filed by One Reporting Person Form filed by More than One Reporting

6. Individual or Joint/Group Filing(Check

WASHINGTON, DC 20036

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)

Stock

2. Transaction Date 2A. Deemed (Month/Day/Year) Execution Date, if

3. 4. Securities Acquired Transaction(A) or Disposed of (D) Code (Instr. 3, 4 and 5) (Instr. 8)

5. Amount of 6. Ownership 7. Nature of Form: Direct Indirect Securities Beneficially (D) or Beneficial Owned Indirect (I) Ownership Following (Instr. 4) (Instr. 4)

(A)

Reported Transaction(s) (Instr. 3 and 4)

Common 12/08/2006 Code V Amount (D) Price S 5,734

88,016

D

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

(Month/Day/Year)

Persons who respond to the collection of SEC 1474 information contained in this form are not (9-02)required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

Edgar Filing: LIQUIDITY SERVICES INC - Form 4

| 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. Transactic Code (Instr. 8) | 5. onNumber of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | Pate | 7. Title and 2. Underlying 9 (Instr. 3 and | Securities | 8. Pri Deriv Secu (Insti |
|---|---|--------------------------------------|---|--|---|---------------------|--------------------|--|-------------------------------------|-----------------------------------|
| | | | | Code V | (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | |
| Employee Stock Option | \$ 12.89 | | | | | <u>(1)</u> | 03/30/2016 | Common Stock | 30,000 | |
| Employee Stock Option | \$ 7 | | | | | (2) | 10/28/2015 | Common Stock | 75,000 | |

Reporting Owners

| Reporting Owner Name / Address | Relationships |
|--------------------------------|---------------|
| Reporting Owner Name / Address | |

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 12/12/2006

**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) One-quarter of the options vest on March 30, 2007, with the remaining options vesting in monthly installments through March 30, 2010.
- 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 by 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.

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.

Reporting Owners 2