

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 | |
|--|-----------|
| OMB Number: | 3235-0287 |
| Estimated average burden hours per response: | 0.5 |

| | | |
|---|---|---|
| 1. Name and Address of Reporting Person * <u>Rallo James M</u> (Last) (First) (Middle) C/O LIQUIDITY SERVICES, INC. 6931 ARLINGTON ROAD, SUITE 200 (Street) BETHESDA MD 20814 (City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol <u>LIQUIDITY SERVICES INC [LQDT]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) President RSCG and CAG |
| | 3. Date of Earliest Transaction (Month/Day/Year) 12/04/2018 | |
| 4. If Amendment, Date of Original Filed (Month/Day/Year) | | |

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 | | | | | | | | 15,039 ⁽¹⁾ | I | By James M. Rallo 401k |
| Common Stock | | | | | | | | 8,000 | I | By James M. Rallo IRA |
| Common Stock | | | | | | | | 685 | I | By James M. Rallo Cust. Michael Rallo MD UTMA ⁽²⁾ |
| Common Stock | | | | | | | | 460 | I | By James M. Rallo Cust. Melissa Rallo MD UTMA ⁽²⁾ |

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 | | | | | |
| Employee Stock Option | \$7.48 | | | | | | | (3) | 10/01/2018 | Common Stock | 2,338 | 2,338 | D | |
| Employee Stock Option | \$15.47 | | | | | | | (4) | 10/01/2020 | Common Stock | 6,678 | 6,678 | D | |
| Employee Stock Grant | \$15.47 | | | | | | | (5) | 10/01/2020 | Common Stock | 5,527 | 5,527 | 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 Option | \$31.37 | | | | | | | (6) | 10/01/2021 | Common Stock | 12,358 | | 12,358 | D | |
| Employee Stock Option | \$38.09 | | | | | | | (7) | 10/01/2022 | Common Stock | 3,335 | | 3,335 | D | |
| Employee Stock Option | \$29.47 | | | | | | | (8) | 07/18/2023 | Common Stock | 24,871 | | 24,871 | D | |
| Employee Stock Option | \$21.99 | | | | | | | (9) | 10/01/2023 | Common Stock | 9,938 | | 9,938 | D | |
| Employee Stock Option | \$10.41 | | | | | | | (10) | 10/01/2024 | Common Stock | 12,675 | | 12,675 | D | |
| Employee Stock Grant | \$6.63 | | | | | | | (11) | 10/01/2025 | Common Stock | 6,380 | | 6,380 | D | |
| Employee Stock Grant | \$5.8 | | | | | | | (5) | 10/01/2025 | Common Stock | 6,380 | | 6,380 | D | |
| Employee Stock Option | \$6.63 | | | | | | | (12) | 10/01/2025 | Common Stock | 13,987 | | 13,987 | D | |
| Employee Stock Option | \$6.63 | | | | | | | (13) | 10/01/2025 | Common Stock | 3,497 | | 3,497 | D | |
| Employee Stock Grant | \$8.3 | | | | | | | (14) | 10/01/2026 | Common Stock | 3,925 | | 3,925 | D | |
| Employee Stock Grant | \$8.3 | | | | | | | (5) | 10/01/2026 | Common Stock | 7,850 | | 7,850 | D | |
| Employee Stock Option | \$8.3 | | | | | | | (15) | 10/01/2026 | Common Stock | 4,650 | | 4,650 | D | |
| Employee Stock Option | \$8.3 | | | | | | | (13) | 10/01/2026 | Common Stock | 4,650 | | 4,650 | D | |
| Employee Stock Option | \$4.47 | | | | | | | (16) | 10/01/2027 | Common Stock | 93,420 | | 93,420 | D | |
| Employee Stock Grant | \$4.47 | | | | | | | (17) | 10/01/2027 | Common Stock | 24,540 | | 24,540 | D | |
| Employee Stock Option | \$4.47 | | | | | | | (18) | 10/01/2027 | Common Stock | 62,280 | | 62,280 | D | |
| Employee Stock Grant | \$4.47 | | | | | | | (19) | 10/01/2027 | Common Stock | 16,360 | | 16,360 | D | |
| Employee Stock Option | \$6.11 | 12/04/2018 | | A | | 36,550 | | (20) | 10/01/2028 | Common Stock | 36,550 | \$0 | 36,550 | D | |
| Employee Stock Grant | \$6.11 | 12/04/2018 | | A | | 5,950 | | (21) | 10/01/2028 | Common Stock | 5,950 | \$0 | 5,950 | D | |
| Employee Stock Option | \$6.11 | 12/04/2018 | | A | | 36,550 | | (16) | 10/01/2028 | Common Stock | 36,550 | \$0 | 36,550 | D | |
| Employee Stock Grant | \$6.11 | 12/04/2018 | | A | | 5,950 | | (17) | 10/01/2028 | Common Stock | 5,950 | \$0 | 5,950 | D | |

Explanation of Responses:

- The number of securities shown as being held in Issuer's 401(k) account for the Reporting Person's benefit is the approximate number of shares of common stock. De minimis fractional interests reported by the Issuer's 401(k) Plan trustee/administrator and held indirectly through the Plan's stock purchase account are not reflected.
- Mr. Rallo disclaims beneficial ownership of these shares.
- These options became fully vested on October 1, 2013.
- These options became fully vested on October 1, 2014.
- These restricted stock units will vest, if at all, based on the Issuer's achievement of certain financial milestones.
- These options became fully vested on October 1, 2015.
- These options became fully vested on October 1, 2016.

8. Twenty-five percent of this option grant vested on July 18, 2014 and thereafter 1/48th of the option grant will vest each month for thirty-six months.
9. These options became fully vested on October 1, 2017.
10. Twenty-five percent of this option grant vested on October 1, 2015 and thereafter 1/48th of the option grant will vest each month for thirty-six months.
11. Twenty-five percent of this restricted stock grant vested on October 1, 2016 and thereafter 1/4th of the restricted stock grant will vest on October 1 of each year for three years.
12. Twenty-five percent of this option grant vested on October 1, 2016 and thereafter 1/48th of the option grant will vest each month for thirty-six months.
13. This option becomes exercisable, if at all, based on the Issuer's achievement of certain financial milestones.
14. Twenty-five percent of this restricted stock grant vested on April 1, 2018 and thereafter 1/4th of the restricted stock grant will vest on each of October 1, 2018, October 1, 2019, and October 1, 2020.
15. 18/48th of this option grant vested on April 1, 2018 and thereafter 1/48th of this option grant will vest each month for thirty months.
16. This option becomes exercisable, if at all, based on total shareholder return (TSR) milestones. TSR is calculated based on the change in a the issuer's stock price during the performance period, taking into account any dividends paid during that period, which are assumed to be reinvested in the stock
17. These restricted stock units vest, if at all, based on total shareholder return (TSR) milestones. TSR is calculated based on the change in a the issuer's stock price during the performance period, taking into account any dividends paid during that period, which are assumed to be reinvested in the stock.
18. 15/48th of this option grant will vest on January 1, 2019 and thereafter 1/48th of the option grant will vest each month for thirty three months.
19. Twenty-five percent of this restricted stock grant will vest on January 1, 2019 and thereafter 1/4th of the restricted stock grant will vest on each October 1, 2019, October 1, 2020, and October 1, 2021.
20. 15/48th of this option grant will vest on January 1, 2020 and thereafter 1/48th of the option grant will vest each month for thirty three months.
21. Twenty-five percent of this restricted stock grant will vest on January 1, 2020 and thereafter 1/4th of the restricted stock grant will vest on each October 1, 2020, October 1, 2021, and October 1, 2022.

Remarks:

/s/ Mark A. Shaffer, by power 12/06/2018
of attorney

** 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.