

**INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES**

<b>OMB APPROVAL</b>	
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Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

<p>1. Name and Address of Reporting Person*</p> <p><u>Clough Phillip A</u></p> <hr/> <p>(Last) (First) (Middle)</p> <p><u>400 EAST PRAIT STREET</u></p> <p><u>SUITE 910</u></p> <hr/> <p>(Street)</p> <p><u>BALTIMORE MD</u>      <u>21202-3116</u></p> <hr/> <p>(City) (State) (Zip)</p>	<p>2. Date of Event Requiring Statement (Month/Day/Year)</p> <p><u>02/22/2006</u></p>	<p>3. Issuer Name and Ticker or Trading Symbol</p> <p><u>LIQUIDITY SERVICES INC [ LQDT ]</u></p> <hr/> <p>4. Relationship of Reporting Person(s) to Issuer (Check all applicable)</p> <p><input checked="" type="checkbox"/> Director                      <input checked="" type="checkbox"/> 10% Owner</p> <p>Officer (give title below)                      Other (specify below)</p>	<p>5. If Amendment, Date of Original Filed (Month/Day/Year)</p> <hr/> <p>6. Individual or Joint/Group Filing (Check Applicable Line)</p> <p><input checked="" type="checkbox"/> Form filed by One Reporting Person</p> <p>Form filed by More than One Reporting Person</p>
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**Table I - Non-Derivative Securities Beneficially Owned**

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
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**Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			
<u>Series C preferred stock</u>	(1)	(1)	<u>Common Stock</u>	<u>3,262,643<sup>(2)</sup></u>	(1)	I	<u>By ABS Capital Partners see footnote<sup>(3)</sup></u>

**Explanation of Responses:**

1. The Series C preferred stock is convertible into Liquidity Services, Inc. ("LSI") Common Stock on a 1-for-1 basis, was convertible at the date it was acquired, has no expiration date and will convert automatically upon the closing of the initial public offering of LSI.
2. The shares are owned directly by ABS Capital Partners IV, L.P. ("ABS Capital Partners IV") in the amount of 2,887,105 shares, ABS Capital Partners IV-A, L.P. ("ABS Capital Partners IV-A") in the amount of 96,664 shares, ABS Capital Partners IV Offshore, L.P. ("ABS Capital Partners IV Offshore") in the amount of 165,817 shares, ABS Capital Partners IV Special Offshore, L.P. ("ABS Capital Partners IV Special Offshore," and together with ABS Capital Partners IV, ABS Capital Partners IV-A, ABS Capital Partners IV Offshore, "The Funds") in the amount of 113,057. ABS Partners IV, L.L.C., as the general partner of "The Funds" (the "General Partner"), and Donald B. Hebb, Jr., Timothy T. Weglicki, John D. Stobo, Jr., Phillip A. Clough, Frederic G. Emry, Ashoke Goswami, Ralph S. Terkowitz, and Laura L. Witt, as the managers of the General Partner (the "Managers"), are indirect beneficial owners of the reported securities.
3. Mr. Phillip Clough is a managing member of ABS Partners IV, LLC, which is the general partner of "The Funds". ABS Partners IV, LLC exercises voting and dispositive power over the shares held by the ABS Entities. Mr. Clough disclaims beneficial ownership of these shares except to the extent of his pecuniary interest.

**Remarks:**

This filing constitutes one of three related filings by the following joint reporting persons with respect to the securities of the issuer set forth hereon: ABS Capital Partners IV LP, ABS Capital Partners IV-A LP, ABS Capital Partners IV Special Offshore LP, ABS Capital Partners IV Offshore LP, ABS Partner IV LLC, Donald B. Hebb Jr., Phillip A. Clough, John D. Stobo Jr., Frederic G. Emry III., Laura L. Witt, Timothy T. Weglicki, and Ralph S. Terkowitz.

/s/ Phillip A. Clough                      02/22/2006  
 \*\* 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 5 (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.