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

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission File No. 000-31332

LIQUIDMETAL TECHNOLOGIES, INC.

(*Exact name of Registrant as specified in its charter***)**

Delaware	**33-0264467**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

30452 Esperanza
Rancho Santa Margarita, CA 92688
(Address of principal executive offices, zip code)
Registrant's telephone number, including area code: **(949) 635-2100**
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Title of each Class
Common Stock, $0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2011 was approximately $52,784,183. For purposes of this calculation only, (i) shares of common stock are deemed to have a market value of $0.49 per share, the closing price of the common stock as reported on the OTC Bulletin Board on June 30, 2011 and (ii) each of the executive officers, directors and persons holding more than 10% of the outstanding common stock as of June 30, 2011 is deemed to be an affiliate. The number of shares of common stock outstanding as of March 15, 2012 was 160,137,306.

EXPLANATORY NOTE

In this Annual Report on Form 10-K ("Form 10-K"), we are restating our consolidated financial statements for the fiscal year ended December 31, 2010 as filed with the U.S. Securities and Exchange Commission ("SEC") on Form 10-K on December 6, 2011, and each of the interim quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011, as filed with the SEC on Form 10-Q on May 16, 2011, August 10, 2011 and November 10, 2011, respectively, to properly account for certain previously issued warrants and to include required earnings per share disclosures.

Restatement of Consolidated Financial Statements

Warrant. On November 2, 2010, we filed an Amended and Restated Certificate of Designations, Preferences, and Rights (the "Amended Designation") for our Series A-1 and Series A-2 Preferred Stock. The Amended Designation was approved by the requisite votes from the holders of our Series A Preferred Stock and was filed with the Delaware Secretary of State in accordance with a consent agreement entered into between us and the holders of 2/3 of the Series A Preferred Stock (the "Consent Agreement"). The Consent Agreement provided that, in exchange for voting in favor of the Amended Designation, the warrants held by the holders who signed the Consent Agreement would be extended to an expiration date of July 2015, and the price-based anti-dilution rights on such warrants would be removed.

The number of warrants held by the holders who signed the Consent Agreement totaled 40,032,833 shares (the "Consent Warrants") out of our total number of warrants of 47,232,459 shares as of the date of the Amended Designation. The Consent Warrants were initially recorded as liabilities on our consolidated financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 815-10, *Derivatives and Hedging*, and FASB ASC 815-40, *Contracts in Entity's Own Equity,* due to their price-based anti-dilution rights ("FASB ASC 815"). We recently determined that once the anti-dilution rights were removed, the Consent Warrants no longer met the criteria under FASB ASC 815. After further evaluation under FASB ASC 815 we concluded that the Consent Warrants should no longer be recorded as liabilities and instead should be recorded as equity. This resulted in $24.4 million of warrant valuation being recorded into equity as of the date of the Amended Designation.

Additionally, we reversed the periodic warrant liability valuation gains/losses at December 31, 2010 for the Consent Warrants and restated our financial statements for the year ended December 31, 2010 resulting in an additional loss of $12.9 million. Selected information about the impact of the restatement on our interim quarterly periods during 2011 is provided in Note 2 to our consolidated financial statements, which appears beginning on page 53 of this Form 10-K.

Earnings per share attributable to common shareholders. During the year ended December 31, 2010, we had recorded $653 thousand as a dividend accrual for the Series A Preferred Stock and should have calculated net loss attributable to common shareholders net of the dividends accrued in accordance with FASB ASC 260, *Earnings Per Share*. The impact of the dividend accrual resulted in additional $0.01 of basic loss per share for the year ended December 31, 2010.

All of the restatements are non-cash in nature and are not related to our operations.

Other than the changes referred to above, all other information included in our Annual Report on Form 10-K for the fiscal year December 31, 2010 and in our Quarterly Reports on Form 10-Q for the interim periods ended March 31, 2011, June 30, 2011 and September 30, 2011 remains unchanged.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K of Liquidmetal Technologies, Inc. contains "forward-looking statements" that may state our management's plans, future events, objectives, current expectations, estimates, forecasts, assumptions or projections about the company and its business. Any statement in this report that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as "believes," "estimates," "projects," "expects," "intends," "may," "anticipate," "plans," "seeks," and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or result. These statements are not guarantees of future performance, and undue reliance should not be placed on these statements. It is important to note that our actual results could differ materially from what is expressed in our forward-looking statements due to the risk factors described in the section of this report entitled "Risk Factors" (Item 1A of this report) as well as the following risks and uncertainties:

- Our ability to fund our operations in the short and long term through financing transactions on terms acceptable to us, or at all;
- Our history of operating losses and the uncertainty surrounding our ability to achieve or sustain profitability;
- Our limited history of developing and selling products made from our bulk amorphous alloys;
- Lengthy customer adoption cycles and unpredictable customer adoption practices;
- Our ability to identify, develop, and commercialize new product applications for our technology;
- Competition from current suppliers of incumbent materials or producers of competing products;
- Our ability to identify, consummate, and/or integrate strategic partnerships;
- The potential for manufacturing problems or delays; and
- Potential difficulties associated with protecting or expanding our intellectual property position.

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Business

In this Annual Report on Form 10-K, unless the context indicates otherwise, references to "the Company", "Liquidmetal Technologies", "our Company", "we", "us", and similar references refer to Liquidmetal Technologies, Inc. and its subsidiaries.

Overview

We are a materials technology company that develops and commercializes products made from amorphous alloys. Our Liquidmetal® family of alloys consists of a variety of proprietary bulk alloys and composites that utilize the advantages offered by amorphous alloy technology. We design, develop and sell products and components from bulk amorphous alloys to customers in various industries. We also partner with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products.

Amorphous alloys are, in general, unique materials that are distinguished by their ability to retain a random atomic structure when they solidify, in contrast to the crystalline atomic structure that forms in other metals and alloys when they solidify. Liquidmetal alloys are proprietary amorphous alloys that possess a combination of performance, processing, and potential cost advantages that we believe will make them preferable to other materials in a variety of applications. The amorphous atomic structure of our alloys enables them to overcome certain performance limitations caused by inherent weaknesses in crystalline atomic structures, thus facilitating performance and processing characteristics superior in many ways to those of their crystalline counterparts. For example, in laboratory testing, our zirconium-titanium Liquidmetal alloys are approximately 250% stronger than commonly used titanium alloys such as Ti-6Al-4V, but they also have some of the beneficial processing characteristics more commonly associated with plastics. We believe these advantages could result in Liquidmetal alloys supplanting high-performance alloys, such as titanium and stainless steel, and other incumbent materials in a variety of applications. Moreover, we believe these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

General Corporate Information

We were originally incorporated in California in 1987, and we reincorporated in Delaware in May 2003. Our principal executive office is located at 30452 Esperanza, Rancho Santa Margarita, California 92688. Our telephone number at that address is (949) 635-2100. Our Internet website address is www.liquidmetal.com and all of our filings with the Securities and Exchange Commission ("SEC") are available free of charge on our website.

Our Technology

The performance, processing, and potential cost advantages of Liquidmetal alloys are a function of their unique atomic structure and their proprietary material composition.

Unique Atomic Structure

The atomic structure of Liquidmetal alloys is the fundamental feature that differentiates them from other alloys and metals. In the molten state, the atomic particles of all alloys and metals have an amorphous atomic structure, which means that the atomic particles appear in a completely random structure with no discernible patterns. However, when non-amorphous alloys and metals are cooled to a solid state, their atoms bond together in a repeating pattern of regular and predictable shapes or crystalline grains. This process is analogous to the way ice forms when water freezes and crystallizes. In non-amorphous metals and alloys, the individual crystalline grains contain naturally occurring structural defects that limit the potential strength and performance characteristics of the material. These defects, known as dislocations, consist of discontinuities or inconsistencies in the patterned atomic structure of each grain. Unlike other alloys and metals, bulk Liquidmetal alloys can retain their amorphous atomic structure throughout the solidification process and therefore do not develop crystalline grains and the associated dislocations. Consequently, bulk Liquidmetal alloys exhibit superior strength and other superior performance characteristics compared to their crystalline counterparts.

Prior to 1993, commercially viable amorphous alloys could be created only in thin forms, such as coatings, films, or ribbons. However, in 1993, researchers at the California Institute of Technology (Caltech) developed the first commercially viable amorphous alloy in a bulk form. Today, bulk Liquidmetal alloys can be formed into objects that are up to one inch thick, and we are not aware of any other commercially available amorphous alloys that can achieve this thickness. We obtained the exclusive right to commercialize the bulk amorphous alloy through a license agreement with Caltech and have developed the technology to enable the commercialization of the bulk amorphous alloys.

Proprietary Material Composition

The constituent elements and percentage composition of Liquidmetal alloys are critical to their ability to solidify into an amorphous atomic structure. We have several different alloy compositions that have different constituent elements in varying percentages. These compositions are protected by various patents that we own or exclusively license from third parties, including Caltech. The raw materials that we use in Liquidmetal alloys are readily available and can be purchased from multiple suppliers.

Advantages of Liquidmetal Alloys

Liquidmetal alloys possess a unique combination of performance, processing and cost advantages that we believe makes them superior in many ways to other commercially available materials for a variety of existing and potential future product applications.

Performance Advantages

Our bulk Liquidmetal alloys provide several distinct performance advantages over other materials, and we believe that these advantages make the alloys desirable in applications that require high yield strength, strength-to-weight ratio, elasticity and hardness.

The comparatively high yield strength of bulk Liquidmetal alloys means that a high amount of stress must be exerted to create permanent deformation. However, because the yield strength is so high, the yield strength of many of our bulk Liquidmetal alloys compositions is very near their ultimate strength, which is the measure of stress at which total breakage occurs. Therefore, very little additional stress may be required to break an object made of bulk Liquidmetal alloys once the yield strength is exceeded. Although we believe that the yield strength of many of our bulk alloys exceeds the ultimate strength of most other commonly used alloys and metals, our bulk alloys may not be suitable for certain applications, such as pressurized tanks, in which the ability of the material to yield significantly before it breaks is more important than its strength advantage. Additionally, although our bulk alloys show a high resistance to crack initiation because of their very high strength and hardness, certain of our bulk alloys are sensitive to crack propagation under certain long-term, cyclical loading conditions. Crack propagation is the tendency of a crack to grow after it forms. We are currently developing new alloy compositions that have improved material properties to overcome these limitations.

Processing Advantages

The processing of a material generally refers to how a material is shaped, formed, or combined with other materials to create a finished product. Bulk Liquidmetal alloys possess processing characteristics that we believe make them preferable to other materials in a wide variety of applications. In particular, our alloys are amenable to processing options that are similar in many respects to those associated with plastics. For example, we believe that bulk Liquidmetal alloys have superior net-shape casting capabilities as compared to high-strength crystalline metals and alloys. "Net-shape casting" is a type of casting that permits the creation of near-to-net shaped products that reduce costly post-cast processing or machining. Additionally, unlike most metals and alloys, our bulk Liquidmetal alloys are capable of being thermoplastically molded in bulk form. Thermoplastic molding consists of heating a solid piece of material until it is transformed into a moldable state, although at temperatures much lower than the melting temperature, and then introducing it into a mold to form near-to-net shaped products. Accordingly, thermoplastic molding can be beneficial and economical for net shape fabrication of high-strength products.

Bulk Liquidmetal alloys also permit the creation of composite materials that cannot be created with most non-amorphous metals and alloys. A composite is a material that is made from two or more different types of materials. In general, the ability to create composites is beneficial because constituent materials can be combined with one another to optimize the composite's performance characteristics for different applications. In other metals and alloys, the high temperatures required for processing could damage some of the composite's constituent materials and therefore limit their utility. However, the relatively low melting temperatures of bulk Liquidmetal alloys allow mild processing conditions that eliminate or limit damage to the constituent materials when creating composites. In addition to composites, we believe that the processing advantages of Liquidmetal alloys will ultimately allow for a variety of other finished forms, including sheets and extrusions.

Notwithstanding the foregoing advantages, our bulk Liquidmetal alloys possess certain limitations relative to processing. The beneficial processing features of our bulk alloys are made possible in part by the alloys' relatively low melting temperatures. Although a lower melting temperature is a beneficial characteristic for processing purposes, it renders certain bulk alloy compositions unsuitable for certain high-temperature applications, such as jet engine exhaust components. Additionally, the current one-inch thickness limitation of our zirconium-titanium bulk alloy renders our alloys currently unsuitable for use as structural materials in large-scale applications, such as load-bearing beams in building construction. We are currently engaged in research and development with the goal of developing processing technology and new alloy compositions that will enable our bulk alloys to be formed into thicker objects.

Cost Advantages

Liquidmetal alloys have the potential to provide cost advantages over other high-strength metals and alloys in certain applications. Because bulk Liquidmetal alloys have processing characteristics similar in some respects to plastics, which lends itself to near-to-net shape casting and molding, Liquidmetal alloys can in many cases be shaped efficiently into intricate, engineered products. This capability can eliminate or reduce certain post-casting steps, such as machining and re-forming, and therefore has the potential to significantly reduce processing costs associated with making parts in high volume.

Our Strategy

The key elements of our strategy include:

- *Focusing Our Marketing Activities on Select Products with Expected Higher Gross-Margins.* We intend to focus our marketing activities on select products with anticipated higher gross margins. This strategy is designed to align our product development initiatives with our processes and cost structure, and to reduce our exposure to more commodity-type product applications that are prone to unpredictable demand and fluctuating pricing. Our focus is primarily on higher-margin products that possess design features that take advantage of our existing and developing manufacturing technology and that command a price commensurate with the performance advantages of our alloys. In addition to our focus on products with higher gross margins, we will continue to engage in prototype manufacturing, both for internally manufactured products and for products that will ultimately be licensed to or manufactured by third parties.

- *Pursuing Strategic Partnerships In Order to More Rapidly Develop and Commercialize Products.* We intend to actively pursue and support strategic partnerships that will enable us to leverage the resources, strength, and technologies of other companies in order to more rapidly develop and commercialize products. These partnerships may include licensing transactions in which we license full commercial rights to our technology in a specific application area, or they may include transactions of a more limited scope in which, for example, we outsource manufacturing activities or grant limited licensing rights. We believe that utilizing such a partnering strategy will enable us to reduce our working capital burden, better fund product development efforts, better understand customer adoption practices, leverage the technical and financial resources of our partners, and more effectively handle product design and process challenges.

- *Advancing the Liquidmetal® Brand.* We believe that building our corporate brand will foster continued adoption of our technology. Our goal is to position Liquidmetal alloys as a superior substitute for materials currently used in a variety of products across a range of industries. Furthermore, we seek to establish Liquidmetal alloys as an enabling technology that will facilitate the creation of a broad range of commercially viable new products. To enhance industry awareness of our company and increase demand for Liquidmetal alloys, we are reviewing various brand development strategies that could include collaborative advertising and promotional campaigns with select customers, industry conference and trade show appearances, public relations, and other means.

Applications for Liquidmetal Alloys

We have focused our commercialization efforts for Liquidmetal alloys on three identified product areas. We believe that these areas are consistent with our strategy in terms of determining market size, building brand recognition, and providing an opportunity to develop and refine our processing capabilities. Although we believe that strategic partnership transactions could create valuable opportunities beyond the parameters of these target markets, we anticipate continuing to pursue these markets both internally and in conjunction with partners.

Components for "Non-Consumer Electronic" Products

We design, develop and produce components for "non-consumer electronic" devices utilizing our bulk Liquidmetal alloys and believe that our alloys offer enhanced performance and design benefits for these components in certain applications. Our strategic focus is primarily on higher-margin parts that command a price commensurate with the performance advantages of our alloys. These product categories in the non-consumer electronics field include, but are not limited to, parts for high end printers, commercial imaging devices, aerospace components, medical devices and industrial machines. We believe that there are multiple applications and opportunities in the non-consumer electronics product category for us to produce parts that command the higher margin and premium prices consistent with our core business strategy.

We believe that the continued miniaturization of, and the introduction of advanced features to non-consumer electronic devices is a primary driver of growth, market share, and profits in our industry. The high strength-to-weight ratio and elastic limit and the processing advantages of bulk Liquidmetal alloys enable the production of smaller, thinner, but stronger electronic parts. We also believe that the strength characteristics of our alloys could facilitate the creation of a new generation of non-consumer electronic devices which currently may not be viable because of strength limitations of conventional metal parts in the marketplace today. Lastly, we believe that our alloys offer style and design flexibility, such as shiny metallic finishes, to accommodate the changing tastes of our customers.

On August 5, 2010, we entered into a license transaction with Apple Inc. ("Apple") pursuant to which, for a one time license fee, we granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize our intellectual property in the field of "consumer electronic" products, as defined in the license agreement. As a result, we will not pursue application of our bulk Liquidmetal alloys in the consumer electronics field. For more information regarding our transaction with Apple, see " – Significant Transactions" below.

Sporting Goods and Leisure Products

We are developing a variety of applications for Liquidmetal alloys in the sporting goods and leisure products area.

In the sporting goods industry, we believe that the high strength, hardness, and elasticity of our bulk alloys have the potential to enhance performance in a variety of products including but not limited to golf clubs, tennis rackets and skis, and we further believe that many sporting goods products are conducive to our strategy of focusing on high-margin products that meet our design criteria.

In the leisure products category, we believe that bulk Liquidmetal alloys can be used to efficiently produce intricately engineered designs with high-quality finishes, such as premium watchcases, and we further believe that Liquidmetal alloy technology can be used to make high-quality, high-strength jewelry from precious metals. We have successfully produced prototype rings made from an amorphous Liquidmetal platinum alloy that is harder (and hence more scratch resistant) than conventional platinum jewelry.

In order to facilitate the commercialization of Liquidmetal alloys in the jewelry and high-end luxury products market, in June 2003, we entered into an exclusive license agreement with LLPG, Inc. ("LLPG"). Under the terms of the agreement, LLPG has the right to commercialize Liquidmetal alloys, particularly precious-metal based compositions, in jewelry and high-end luxury product markets.

In March 2009, we entered into a license agreement with Swatch Group, Ltd. ("Swatch") under which Swatch was granted a perpetual non-exclusive license to our technology to produce and market watches and certain other luxury products. In March 2011, this license agreement was amended to grant Swatch exclusive rights as to watches, and our license agreement with LLPG was simultaneously amended to exclude watches from LLPG's rights.

Medical Devices

We are engaged in product development efforts relating to various medical devices that could be made from bulk Liquidmetal alloys. We believe that the unique properties of bulk Liquidmetal alloys provide a combination of performance and cost benefits that could make them a desirable replacement to incumbent materials, such as stainless steel and titanium, currently used in various medical device applications. Our ongoing emphasis has been on surgical instrument applications for Liquidmetal alloys. These include, but are not limited to, specialized blades, orthopedic instruments utilized for implant surgery procedures, dental devices, and general surgery devices. The potential value offered by our alloys is higher performance in some cases and cost reduction in others, the latter stemming from the ability of Liquidmetal alloys to be net shape cast into components, thus reducing costs of secondary processing. The status of most components in the prototyping phase is subject to non-disclosure agreements with our customers.

We believe that our future success in the medical device market will be driven largely by strategically aligning ourselves with well-established companies that are uniquely positioned to facilitate the introduction of Liquidmetal alloys into this market, especially as it relates to the unique processing challenges and stringent material qualification requirements that are prevalent in this industry. We also believe that our prospects for success in this market will be enhanced through our focus on optimizing existing alloy compositions and developing new alloy compositions to satisfy the industry's rigorous material qualification standards.

Significant Transactions

On December 20, 2011, our former majority owned subsidiary, Liquidmetal Coatings, LLC ("LMC"), entered into a transaction pursuant to which LMC issued and sold additional membership interests to a related party and third party investors for an aggregate purchase price of $3.0 million (the "LMC Investment"). The LMC Investment was entered into pursuant to a Membership Interest Purchase Agreement between the investors and LMC (the "Purchase Agreement"). The investors in the LMC Investment were Rockwall Holdings, Inc. ("Rockwall"), C3 Capital Partners, L.P. and C3 Capital Partners II, L.P. (the "C3 Entities"). The C3 Entities were minority investors in LMC prior to the transaction, and Rockwall is a company controlled by John Kang, our former Chief Executive Officer and Chairman. As of December 31, 2011, Mr. Kang beneficially owned 5.0% of our common stock.

The transactions contemplated by the Purchase Agreement were deemed to be effective as of November 30, 2011. In connection with the LMC Investment, our Company and the C3 Entities agreed to terminate a letter agreement, dated July 30, 2010, under which we would have been obligated to contribute additional capital to LMC if requested by LMC. As a result of the LMC Investment and the termination of such letter agreement, we no longer have any contingent obligation to contribute additional capital to LMC. As a result of the LMC Investment, our equity interest in LMC was reduced from approximately 72.86% to 0.667%. However, we did not sell any of our membership interests in LMC in the transaction. LMC represented approximately 42% of the net book value of our assets and 64% of the net book value of our liabilities as of November 30, 2011, and LMC represented approximately 92% of our revenue and operating income that reduced our operating loss by 33% for the eleven months ended November 30, 2011. As a result of the reduction in our percentage interest in LMC, we will no longer consolidate LMC's financial results with our financial statements and the previous results of operations for LMC are reclassified as discontinued operations in the financial statements included in this Form 10-K for all periods presented. However, Ricardo Salas, our Executive Vice President, will continue to serve as a member of LMC's board of directors.

In connection with the LMC Investment, we entered into a Second Amended and Restated Operating Agreement with LMC and other members of LMC, and we also entered into a Second Amended and Restated License and Technical Support Agreement with LMC terminating certain technology cross-licenses between LMC and us and continuing LMC's right to use the Liquidmetal trademark in connection with LMC's business.

On December 1, 2011, we entered into a Share Purchase Agreement (the "Share Purchase Agreement") with LMTK Holdings, Inc. ("LMTK Holdings") to sell our former Korean subsidiary and manufacturing facility, Liquidmetal Technologies Korea ("LMTK"), that was discontinued in November 2010. Under the Share Purchase Agreement, we sold all of LMTK's shares of common stock to LMTK Holdings for an aggregate purchase price of one hundred dollars. The results of operations of LMTK have been previously included as discontinued operations in our financial statements, and as a result of the transaction, we will no longer consolidate LMTK's financial results with our financial statements.

In June 2010, we created a wholly owned subsidiary, Advanced Metals Materials ("AMM"), in Weihei China as a holding company for certain assets that were acquired in China. During the first quarter of 2011, AMM started production and manufacturing of certain bulk Liquidmetal alloy parts. On August 5, 2011, we sold all of the stock of Advanced Metals Materials ("AMM") to Innovative Materials Group, which is majority owned by John Kang, our former Chief Executive Officer and Chairman, for $720 thousand of which $200 thousand was paid in the form of a promissory note due August 5, 2012, bearing an interest rate of 8% per annum.

On August 6, 2010, SAGA, SpA in Padova, Italy ("SAGA"), a specialist parts manufacturer, filed a litigation case against us claiming damages of $3.2 million for payment on an alleged loan and for alleged breach of contract in connection with the formation of joint venture agreement called Liquidmetal SAGA Italy, Srl ("LSI"). On April 6, 2011 (the "Effective Date"), we entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between SAGA and us was terminated, (ii) SAGA and we both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we paid SAGA $2.8 million in the form of 4,496,429 restricted shares ("Shares") of our common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated.

The number of Shares issued to SAGA on the Effective Date was based on the 30 day trailing, volume weighted average price of our common stock as of the Effective Date. An additional provision of the SAGA settlement and Equity Interest Purchase Agreement was the obligation for us to issue a promissory note to compensate for a decrease in the market price of our common stock over a six month period from the Effective Date of the settlement. On October 10, 2011, we issued to SAGA a promissory note in the principal amount of $1.7 million due October 10, 2012 ("Maturity Date") bearing interest of 8% per annum to account for the decrease in the market price of our common stock. All of the principal and accrued interest is due on the Maturity Date.

On August 5, 2010, we entered into a license transaction with Apple Inc. ("Apple") pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC ("CIP"), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, in exchange for a license fee, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. Additionally, in connection with the license transaction, Apple required us to complete a statement of work related to the exchange of Liquidmetal intellectual property information. The Company recognized a portion of the one-time license fee upon receipt of the initial payment and completion of the foregoing requirements under the license transaction. The remaining portion of the one-time license fee was recognized at the completion of the required statement of work.

Under the agreements relating to the license transaction, we are obligated to contribute all intellectual property that we develop through February 2012 to CIP. In addition, we are obligated to refrain from encumbering any assets subject to the Apple security interest through August 2012 and are obligated to refrain from granting any security in our interest in CIP at any time. We are also obligated to maintain certain limited liability company formalities with respect to CIP at all times after the closing of the license transaction. If we are unable to comply with these obligations, Apple may be entitled to foreclose on our assets.

Our Intellectual Property

Pursuant to our transaction with Apple described under " – Significant Transactions" above, we license substantially all our intellectual property from our wholly-owned subsidiary, Crucible Intellectual Property, LLC. Our intellectual property consists of patents, trade secrets, know-how, and trademarks. Protection of our intellectual property is a strategic priority for our business, and we intend to vigorously protect our patents and other intellectual property. Our intellectual property portfolio includes 55 owned or licensed U.S. patents and numerous patent applications relating to the composition, processing, and application of our alloys, as well as various foreign counterpart patents and patent applications.

Our initial bulk amorphous alloy technology was developed by researchers at the California Institute of Technology ("Caltech"). We have purchased patent rights that provide us with the exclusive right to commercialize the amorphous alloy and other amorphous alloy technology acquired from Caltech through a license agreement ("Caltech License Agreement") with Caltech. In addition to the patents and patent applications that we license from Caltech, we are building a portfolio of our own patents to expand and enhance our technology position. These patents and patent applications primarily relate to various applications of our bulk amorphous alloys and the processing of our alloys. The patents expire on various dates between 2013 and 2028. Our policy is to seek patent protection for all technology, inventions, and improvements that are of commercial importance to the development of our business, except to the extent that we believe it is advisable to maintain such technology or invention as a trade secret.

In order to protect the confidentiality of our technology, including trade secrets, know-how, and other proprietary technical and business information, we require that all of our employees, consultants, advisors and collaborators enter into confidentiality agreements that prohibit the use or disclosure of information that is deemed confidential. The agreements also obligate our employees, consultants, advisors and collaborators to assign to us developments, discoveries and inventions made by such persons in connection with their work with us.

Research and Development

We are engaged in ongoing research and development programs that are driven by the following key objectives:

- *Enhance Material Processing and Manufacturing Efficiencies.* We are working with our strategic partners to enhance material processing and manufacturing efficiencies. We plan to continue research and development of processes and compositions that will decrease our cost of making products from Liquidmetal alloys.

- *Optimize Existing Alloys and Develop New Compositions.* We believe that the primary technology driver of our business will continue to be our proprietary alloy compositions. We plan to continue research and development on new alloy compositions to generate a broader class of amorphous alloys with a wider range of specialized performance characteristics. We believe that a larger alloy portfolio will enable us to increase the attractiveness of our alloys as an alternative to incumbent materials and, in certain cases, drive down product costs. We also believe that our ability to optimize our existing alloy compositions will enable us to better tailor our alloys to our customers' specific application requirements.

- *Develop New Applications.* We will continue the research and development of new applications for Liquidmetal alloys. We believe the range of potential applications will broaden by expanding the forms, compositions, and methods of processing of our alloys.

We conduct our research and development programs internally and also through strategic relationships that we enter into with third parties. As of December 31, 2011, our internal research and development efforts are conducted by a team of four scientists and engineers each of whom we either employ directly or engage as a consultant.

In addition to our internal research and development efforts, we enter into cooperative research and development relationships with leading academic institutions. We have entered into development relationships with other companies for the purpose of identifying new applications for our alloys and establishing customer relationships with such companies. Some of our product development programs are partially funded by our customers. We are also engaged in negotiations with other potential customers regarding possible product development relationships. Our research and development expenses for the years ended December 31, 2011, and 2010 remained flat at $1.1 million for both years.

Raw Materials

Liquidmetal alloy compositions are comprised of many elements, all of which are generally available commodity products. We believe that each of these raw materials is readily available in sufficient quantities from multiple sources on commercially acceptable terms. However, any substantial increase in the price or interruption in the supply of these materials could have an adverse effect on our business.

Manufacturing

We historically built and maintained our own manufacturing facilities and manufactured substantially all of our bulk amorphous alloy products internally. Our current manufacturing strategy is to partner with global companies that are contract manufacturers and alloy producers. We are seeking third party companies with a proven track record of success and that can gain specialized skills and knowledge of our alloys through close collaborations with our team of scientists and engineers. We believe that partnering with these global companies will allow us to forgo the capital intensive requirements of maintaining our own manufacturing facilities and allow us to focus on our core business which is to expand our patent portfolio of intellectual property and develop long term relationships with our customers.

Customers

During 2011, there were three major customers, who together accounted for 66% of our revenue. During 2010, there was one major customer, who accounted for 98% of our revenue. In the future, we expect that a significant portion of our revenue may continue to be concentrated in a limited number of customers, even if our bulk alloys business grows.

Competition

Other than our authorized licensees, we are not aware of any other company or business that manufactures, markets, distributes, or sells bulk amorphous alloys or products made from bulk amorphous alloys. We believe it would be difficult to develop a competitive bulk amorphous alloy without infringing our patents. However, our bulk Liquidmetal alloys face competition from other materials, including metals, alloys, plastics and composites, which are currently used in the commercial applications that we pursue. For example, we face significant competition from plastics, zinc and stainless steel in our non-consumer electronics components business, and titanium and composites will continue to be used widely in medical devices and sporting goods. Many of these competitive materials are produced by domestic and international companies that have substantially greater financial and other resources than we do. Based on our experience with developing products for a variety of customers, we believe that the selection of materials by potential customers will continue to be product-specific in nature, with the decision for each product being driven primarily by the performance needs of the application and secondarily by cost considerations and design flexibility. Because of the relatively high strength of our alloys and the design flexibility of our process, we are most competitive when the customer is seeking a higher strength as well as greater design flexibility than currently available with other materials. However, if currently available materials, such as plastics, are strong enough for the application, our alloys are often not competitive in those applications with respect to price. We also believe that our alloys are generally not competitive with the cost of some of the basic metals, such as steel, aluminum or copper, when such basic metals can be used in specific applications, but our alloys are generally more competitive with price on more exotic metals, such as titanium. Our alloys could also face competition from new materials that may be developed in the future, including new materials that could render our alloys obsolete.

We will also experience indirect competition from the competitors of our customers. Because we will rely on our customers to market and sell finished goods that incorporate our components or products, our success will depend in part on the ability of our customers to effectively market and sell their own products and compete in their respective markets.

Backlog

Because of the minimal lead-time associated with orders of bulk alloy parts, we generally do not carry a significant backlog. The backlog as of any particular date gives no indication of actual sales for any succeeding period.

Sales and Marketing

We direct our marketing efforts towards customers that will incorporate our components and products into their finished goods. To that end, we intend to hire additional business development personnel who, in conjunction with engineers and scientists, will actively identify potential customers that may be able to benefit from the introduction of Liquidmetal alloys to their products.

Employees

As of December 31, 2011, we had 14 full-time employees and one part-time employee for a total of 15 employees. As of that date, none of our employees were represented by a labor union. We have not experienced any work stoppages and we consider our employee relations to be favorable.

Governmental Regulation

Government regulation of our products will depend on the nature and type of product and the jurisdictions in which the products are sold. For example, medical instruments incorporating our Liquidmetal alloys will be subject to regulation in the United States by the FDA and corresponding state and foreign regulatory agencies. Medical device manufacturers to whom we intend to sell our products may need to obtain FDA approval before marketing their medical devices that incorporate our products and may need to obtain similar approvals before marketing these medical device products in foreign countries.

Environmental Law Compliance

Beryllium is a minor constituent element of some of our alloys. The processing of beryllium can result in the release of beryllium into the workplace and the environment and in the creation of beryllium oxide as a by-product. Beryllium is classified as a hazardous air pollutant, a toxic substance, a hazardous substance, and a probable human carcinogen under environmental, safety, and health laws, and various acute and chronic health effects may result from exposure to beryllium. We are required to comply with certain regulatory requirements and to obtain a permit from the U.S. Environmental Protection Agency or other government agencies to process beryllium.

Our operations are subject to other national, state, and local environmental laws in the United States. We believe that we are in material compliance with all applicable environmental regulations. While we continue to incur costs to comply with environmental regulations, we do not believe that such costs will have a material effect on our capital expenditures, earnings, or competitive position.

Non-Core Subsidiary

From 1997 until September 2001, we were engaged in the retail marketing and sale of golf clubs through a majority owned subsidiary, Liquidmetal Golf. The retail business of Liquidmetal Golf was discontinued in September 2001. Although the retail golf club business has been discontinued, Liquidmetal Golf is engaged in the development of golf club components for golf original equipment manufacturers that will integrate these components into their own clubs and then sell them under their respective brand names. Liquidmetal Technologies owns 79% of the outstanding common stock in Liquidmetal Golf.

Our Liquidmetal Golf subsidiary has the exclusive right and license to utilize our Liquidmetal alloy technology for purposes of golf equipment applications. This right and license is set forth in an intercompany license agreement between Liquidmetal Technologies and Liquidmetal Golf. This license agreement provides that Liquidmetal Golf has a perpetual and exclusive license to use Liquidmetal alloy technology for the purpose of manufacturing, marketing, and selling golf club components and other products used in the sport of golf. In consideration of this license, Liquidmetal Golf has issued 4,500,000 shares of Liquidmetal Golf common stock to Liquidmetal Technologies.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. The risks described below are not the only ones facing us. Additional risks not currently known to us or that we currently believe are immaterial also may impair our business, operations, liquidity and stock price materially and adversely. You should carefully consider the risks and uncertainties described below in addition to the other information included or incorporated by reference in this Annual Report on Form 10-K. If any of the following risks actually occur, our business, financial condition or results of operations would likely suffer. In that case, the trading price of our common stock could fall and you could lose all or part of your investment

We have limited funding to support our current operations.

We anticipate that our current capital resources, together with anticipated cash from operations, will be sufficient to fund our operations through April 30, 2012. Following April 30, 2012, we will require additional funding in order to continue operations as a going concern. Although we are actively pursuing financing transactions, we cannot guarantee that adequate funds will be available when needed and even if available, cannot guarantee that we will achieve favorable terms. If we raise additional funds by issuing securities, existing stockholders may be diluted. If funding is insufficient at any time in the future, we will be required to alter or reduce the scope of our operations or to cease our operations entirely.

Our level of indebtedness reduces our financial flexibility and could impede our ability to operate.

As a result of our legal settlement with SAGA, SpA (See Part I, Item 3 – Legal Proceedings of this Annual Report on Form 10-K for more information regarding this settlement), as of December 31, 2011, we have $1.7 million in principal outstanding as short-term debt due on October 10, 2012. Our cash flow from operations is expected to be insufficient to meet the required principal and interest payments on this debt, which managements anticipates will require the restructuring of such debt in 2012. SAGA may not be willing to restructure such debt on terms acceptable to us, or at all. A significant portion of our cash flow from operations may be dedicated to the payment of the principal and interest on this debt. We may seek to refinance this debt but we may be unable to achieve such refinancing on terms acceptable to us, or at all.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which would adversely affect our consolidated operating results, our ability to operate our business and our stock price.

We determined that we had a material weakness with respect to warrant recognition, resulting in a restatement of our financial statements for the year ended December 31, 2010 and for the quarters ended March 30, 2011, June 30, 2011 and September 30, 2011. We also determined that we had a material weakness with respect to earnings per share disclosure, resulting in a restatement of our financial statements for the year ended December 31, 2010.

As of December 31, 2011, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were not effective. Since the restatement, we are implementing new processes and procedures to improve our internal control over financial reporting. We believe that these actions will remediate the identified material weaknesses and internal control deficiencies.

We have incurred significant operating losses in the past and may not be able to achieve or sustain profitability in the future.

We have experienced significant cumulative operating losses since our inception. Our operating loss for the fiscal year ended December 31, 2011 was $6.5 million while our operating income for the fiscal year ended December 31, 2010 was $11.9 million. We had an accumulated deficit of approximately $175.9 million at December 31, 2011. Of this accumulated deficit, $52.1 million was attributable to losses generated by our discontinued parts manufacturing and coatings businesses. We anticipate that we may continue to incur operating losses for the foreseeable future. Consequently, it is possible that we may never achieve positive earnings and, if we do achieve positive earnings, we may not be able to achieve them on a sustainable basis.

We have a limited history of developing and selling products made from our bulk amorphous alloys.

We have a relatively limited history of producing bulk amorphous alloy components and products on a mass-production scale. Furthermore, our supplier’s ability to produce our products in desired quantities and at commercially reasonable prices is uncertain and is dependent on a variety of factors that are outside of its control, including the nature and design of the component, the customer’s specifications, and required delivery timelines.

We rely on assumptions about the markets for our products and components that, if incorrect, may adversely affect our profitability.

We have made assumptions regarding the market size for, and the manufacturing requirements of, our products and components based in part on information we received from third parties and also from our limited history. If these assumptions prove to be incorrect, we may not achieve anticipated market penetration revenue targets or profitability.

Our historical results of operations may not be indicative of our future results.

As a result of our limited history of developing and marketing bulk amorphous alloy components and products, as well as our new manufacturing strategy of partnering with contract manufacturers and alloy producers, our historical results of operations may not be indicative of our future results.

We rely on multiple, sole source suppliers for mold making, manufacturing and alloying of our bulk amorphous alloy and parts, as well as the manufacturing of our bulk amorphous alloy production machines.

We currently have one supplier who fulfills the mold making and manufacturing of our bulk amorphous alloy parts. Our supplier may allocate its limited capacity to fulfill the production requirements of its other customers. In the event of a disruption of the operations of our supplier, we may not have a secondary manufacturing source immediately available. Such an event could cause significant delays in shipments and may adversely affect our revenue, cost of goods sold and results of operations.

We currently have one supplier who fulfills our alloying/manufacturing of bulk amorphous alloys. In the event of a disruption of the operations of our alloy supplier, we may not have a secondary alloying source immediately available. Such an event could cause significant delays in shipments and may adversely affect our revenue, cost of goods sold and results of operations.

Our bulk amorphous alloy production machines are manufactured by one supplier. Orders for additional machines are estimated to be built with a 26-week lead time. If our bulk alloy parts supplier requires more production machines to manufacture customer parts due to an unexpected demand, we may experience delays in shipment, increased cost of goods sold or loss in revenues. Additionally, in the event of a disruption in the operations of our production machine supplier, our bulk alloy parts supplier may not have a secondary machine manufacturer immediately available. Such an event could cause significant delays in fulfilling customers' orders and may adversely affect our revenue, cost of goods sold and results of operations.

We rely on a supplier that has limited experience in manufacturing our products, and our supplier may encounter manufacturing problems or delays or may be unable to produce high-quality products at acceptable costs.

We intend to rely on our supplier to manufacture all of our Liquidmetal alloy products, including products that we develop in conjunction with our customers. Our supplier has limited experience in manufacturing our products and may be required to manufacture a range of products in high volumes while ensuring high quality and consistency. We cannot assure you that our supplier will be able to meet all of our manufacturing needs. We also cannot assure you that our supplier's will be able to produce the intended products with the production yields, quality controls, and production costs that we currently assume.

If we cannot establish and maintain relationships with customers that incorporate our components and products into their finished goods, we will not be able to increase our revenue and commercialize our products.

Our business is based upon the commercialization of a new and unique materials technology. Our ability to increase our revenues will depend on our ability to successfully maintain and establish relationships with customers who are willing to incorporate our proprietary alloys and technology into their finished products. However, we believe that the size of our company and the novel nature of our technology and manufacturing process may continue to make it challenging to maintain and establish such relationships. In addition, we rely and will continue to rely to a large extent on the manufacturing, research, and development capabilities, as well as the marketing and distribution capabilities, of our customers in order to commercialize our products. Our future growth and success will depend in large part on our ability to enter into these relationships and the subsequent success of these relationships. Even if our products are selected for use in a customer's products, we still may not realize significant revenue from that customer if that customer's products are not commercially successful.

It may take significant time and cost for us to develop new customer relationships, which may delay our ability to generate additional revenue or achieve profitability.

Our ability to generate revenue from new customers is generally affected by the amount of time it takes for us to, among other things:

- identify a potential customer and introduce the customer to Liquidmetal alloys;
- work with the customer to select and design the parts to be fabricated from Liquidmetal alloys;
- make the molds and tooling to be used to produce the selected part;
- make prototypes and samples for customer testing;
- work with our customers to test and analyze prototypes and samples; and
- with respect to some types of products, such as medical devices, obtain regulatory approvals.

We believe that our average sales cycle (the time we deliver a proposal to a customer until the time our customer fully integrates our Liquidmetal alloys into its product) could be a significant period of time. Our history to date has demonstrated that the sales cycle could extend significantly longer than we anticipate. The time it takes to transition a customer from limited production to full-scale production runs will depend upon the nature of the processes and products into which our Liquidmetal alloys are integrated. Moreover, we have found that customers often proceed very cautiously and slowly before incorporating a fundamentally new and unique type of material into their products.

After we develop a customer relationship, it may take a significant amount of time for that customer to develop, manufacture, and sell finished goods that incorporate our components and products.

Our experience has shown that our customers will perform numerous tests and extensively evaluate our components and products before incorporating them into their finished products. The time required for testing, evaluating, and designing our components and products into a customer's products, and in some cases, obtaining regulatory approval, can be significant, with an additional period of time before a customer commences volume production of products incorporating our components and products, if ever. Moreover, because of this lengthy development cycle, we may experience a delay between the time we accrue expenses for research and development and sales and marketing efforts and the time when we generate revenue, if any. We may incur substantial costs in an attempt to transition a customer from initial testing to prototype and from prototype to final product. If we are unable to minimize these transition costs, or to recover the costs of these transitions from our customers, our operating results will be adversely affected.

A limited number of our customers generate a significant portion of our revenue.

For the near future, we expect that a significant portion of our revenue may be concentrated in a limited number of customers. A reduction, delay, or cancellation of orders from one or more of these customers or the loss of one or more customer relationships could significantly reduce our revenue and harm our business. Unless we establish long-term sales arrangements with these customers, they will have the ability to reduce or discontinue their purchases of our products on short notice.

We expect to rely on our customers to market and sell finished goods that incorporate our products and components, a process over which we will have little control.

Our future revenue growth and ultimate profitability will depend in part on the ability of our customers to successfully market and sell their finished goods that incorporate our products. We will have little control over our customers' marketing and sales efforts. These marketing and sales efforts may be unsuccessful for various reasons, any of which could hinder our ability to increase revenue or achieve profitability. For example, our customers may not have or devote sufficient resources to develop, market, and sell their finished goods that incorporate our products. Because we typically will not have exclusive sales arrangements with our customers, they will not be precluded from exploring and adopting competing technologies. Also, products incorporating competing technologies may be more successful for reasons unrelated to the performance of our customers' products or the marketing efforts of our customers.

Our growth depends on our ability to identify, develop, and commercialize new applications for our technology.

Our future growth and success will depend in part on our ability to identify, develop, and commercialize, either alone or in conjunction with our customers, new applications and uses for Liquidmetal alloys. If we are unable to identify and develop new applications, we may be unable to develop new products or generate additional revenue. Successful development of new applications for our products may require additional investment, including costs associated with research and development and the identification of new customers. In addition, difficulties in developing and achieving market acceptance of new products would harm our business.

We may not be able to effectively compete with current suppliers of incumbent materials or producers of competing products.

The future growth and success of our Liquidmetal alloy business will depend in part on our ability to establish and retain a technological advantage over other materials for our targeted applications. For many of our targeted applications, we will compete with manufacturers of similar products that use different materials many of which have substantially greater financial and other resources than we do. These different materials may include plastics, titanium alloys, or stainless steel, among others, and we will compete directly with suppliers of the incumbent material. In addition, in each of our targeted markets, our success will depend in part on the ability of our customers to compete successfully in their respective markets. Thus, even if we are successful in replacing an incumbent material in a finished product, we will remain subject to the risk that our customer will not compete successfully in its own market.

Our bulk amorphous alloy technology is still at an early stage of commercialization relative to many other materials.

Our bulk amorphous alloy technology is a relatively new technology as compared to many other material technologies, such as plastics and widely-used high-performance crystalline alloys. Historically, the successful commercialization of a new materials technology has required the persistent improvement and refining of the technology over a sometimes lengthy period of time. Accordingly, we believe that our company's future success will be dependent on our ability to continue expanding and improving our technology platform by, among other things, constantly refining and improving our processes, optimizing our existing amorphous alloy compositions for various applications, and developing and improving new bulk amorphous alloy compositions. Our failure to further expand our technology base could limit our growth opportunities and hamper our commercialization efforts.

Future advances in materials science could render Liquidmetal alloys obsolete.

Academic institutions and business enterprises frequently engage in the research and testing of new materials, including alloys and plastics. Advances in materials science could lead to new materials that have a more favorable combination of performance, processing, and cost characteristics than our alloys. The future development of any such new materials could render our alloys obsolete and unmarketable or may impair our ability to compete effectively.

Our growth depends upon our ability to retain and attract a sufficient number of qualified employees.

Our business is based upon the commercialization of a new and unique materials technology. Our future growth and success will depend in part on our ability to retain key members of our management and scientific staff, who are familiar with this technology and the potential applications and markets for it. We do not have "key man" or similar insurance on any of the key members of our management and scientific staff. If we lose their services or the services of other key personnel, our financial results or business prospects may be harmed. Additionally, our future growth and success will depend in part on our ability to attract, train, and retain scientific engineering, manufacturing, sales, marketing, and management personnel. We cannot be certain that we will be able to attract and retain the personnel necessary to manage our operations effectively. Competition for experienced executives and scientists from numerous companies and academic and other research institutions may limit our ability to hire or retain personnel on acceptable terms. In addition, many of the companies with which we compete for experienced personnel have greater financial and other resources than we do. Moreover, the employment of otherwise highly qualified non-U.S. citizens may be restricted by applicable immigration laws.

We may not be able to effectively manage our anticipated growth.

If we fail to effectively manage our internal growth in a manner that minimizes strains on our resources, we could experience disruption in our operations and ultimately be unable to achieve or sustain profitability. Furthermore, we anticipate that we will need to significantly expand our operations to successfully implement our business strategy. Managing our anticipated growth may be difficult because:

- rapid growth may require significant capital, and we have no certainty that additional amounts of capital can be raised in a timely manner;
- our management team has worked together for a relatively short period of time;
- we have a limited history of developing and marketing products made from Liquidmetal alloys, and we expect that our Liquidmetal alloy business will generate the majority of our revenue in the near future;
- we intend to rapidly expand our sales, research and development programs; and
- we intend to pursue strategic transactions that will enhance or expand our technology.

We may not be able to successfully identify, consummate, or integrate strategic partnerships.

As a part of our business strategy, we intend to pursue strategic partnering transactions that provide access to new technologies, products, markets, and manufacturing capabilities. These transactions could include licensing agreements, joint ventures, or business combinations. We believe that these transactions will be particularly important to our future growth and success due to the size and resources of our company and the novel nature of our technology. For example, we may determine that we may need to license our technology to a larger manufacturer in order to penetrate a particular market. In addition, we may pursue transactions that will give us access to new technologies that are useful in connection with the composition, processing, or application of Liquidmetal alloys. We may not be able to successfully identify any potential strategic partnerships. Even if we do identify one or more potentially beneficial strategic partners, we may not be able to consummate transactions with these strategic partners on favorable terms or obtain the benefits we anticipate from such a transaction.

We may derive some portion of our revenue from sales outside the United States which may expose the Company to foreign commerce risks.

We may sell a portion of our products to customers outside of the United States, and our operations and revenue may be subject to risks associated with foreign commerce, including transportation delays and foreign tax/legal compliance. Moreover, customers may sell finished goods that incorporate our components and products outside of the United States, which exposes us indirectly to additional foreign commerce risks.

A substantial increase in the price or interruption in the supply of raw materials for our alloys could have an adverse effect on our profitability.

Our proprietary alloy compositions are comprised of many elements, all of which are generally available commodity products. Although we believe that each of these raw materials is currently readily available in sufficient quantities from multiple sources on commercially acceptable terms, if the prices of these materials substantially increase or there is an interruption in the supply of these materials, such increase or interruption could adversely affect our profitability. For example, if the price of one of the elements included in our alloys substantially increases, we may not be able to pass the price increase on to our customers.

Our business could be subject to the potential adverse consequences of exchange rate fluctuations.

We expect to conduct business in various foreign currencies and will be exposed to market risk from changes in foreign currency exchange rates and interest rates. Fluctuations in exchange rates between the U.S. dollar and such foreign currencies may have a material adverse effect on our business, results of operations, and financial condition and could specifically result in foreign exchange gains and losses. The impact of future exchange rate fluctuations on our operations cannot be accurately predicted. To the extent that the percentage of our non-U.S. dollar revenue derived from international sales increases in the future, our exposure to risks associated with fluctuations in foreign exchange rates will increase further.

Our inability to protect our licenses, patents, and proprietary rights in the United States and foreign countries could harm our business.

We own several patents relating to amorphous alloy technology, and we have other rights to amorphous alloy patents through an exclusive license from the California Institute of Technology ("Caltech"). Our success depends in part on our ability to obtain and maintain patent and other proprietary right protection for our technologies and products in the United States and other countries. If we are unable to obtain or maintain these protections, we may not be able to prevent third parties from using our proprietary rights. Specifically, we must:

- protect and enforce our owned and licensed patents and intellectual property;
- exploit our owned and licensed patented technology; and
- operate our business without infringing on the intellectual property rights of third parties.

Our licensed technology is comprised of several issued United States patents covering the composition and method of manufacturing of the family of Liquidmetal alloys. We also hold several United States and corresponding foreign patents covering the manufacturing processes of Liquidmetal alloys and their use. Those patents have expiration dates between 2013 and 2028. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems and costs in protecting our proprietary rights in these foreign countries.

In August 2010, we entered into a license transaction with Apple Inc. ("Apple") pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC ("CIP"), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. In connection with this transaction, our ongoing obligations to Apple (including the obligation to transfer new intellectual property to CIP) are secured through August 2012 by a security interest in substantially all of our assets, and if we are unable to comply with these obligations, Apple may be entitled to foreclose on such assets.

Patent law is still evolving relative to the scope and enforceability of claims in the fields in which we operate. Our patent protection involves complex legal and technical questions. Our patents and those patents for which we have license rights may be challenged, narrowed, invalidated, or circumvented. We may be able to protect our proprietary rights from infringement by third parties only to the extent that our proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. Furthermore, others may independently develop similar or alternative technologies or design around our patented technologies. Litigation or other proceedings to defend or enforce our intellectual property rights could require us to spend significant time and money and could otherwise adversely affect our business.

Other companies may claim that we infringe their intellectual property rights, which could cause us to incur significant expenses or prevent us from selling our products.

Our success depends, in part, on our ability to operate without infringing on valid, enforceable patents or proprietary rights of third parties and without breaching any licenses that may relate to our technologies and products. Future patents issued to third parties may contain claims that conflict with our patents and that compete with our products and technologies, and third parties could assert infringement claims against us. Any litigation or interference proceedings, regardless of their outcome, may be costly and may require significant time and attention of our management and technical personnel. Litigation or interference proceedings could also force us to:

- stop or delay using our technology;
- stop or delay our customers from selling, manufacturing or using products that incorporate the challenged intellectual property;

- pay damages; or

- enter into licensing or royalty agreements that may be unavailable on acceptable terms.

Evolving regulation of corporate governance and public disclosure may result in additional expenses and continuing uncertainty.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the SEC XBRL mandate and new SEC regulations, are creating uncertainty for public companies. As a result of these new rules and the size and limited resources of our company, we will incur additional costs associated with our public company reporting requirements, and we may not be able to comply with some of these new rules. In addition, these new rules could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and this could make it difficult for us to attract and retain qualified persons to serve on our board of directors.

We are presently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. These new or changed laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

The time and cost associated with complying with government regulations to which we could become subject could have a material adverse effect on our business.

Some of the applications for our Liquidmetal alloys that we have identified or may identify in the future may be subject to government regulations. For example, any medical devices made from our alloys likely will be subject to extensive government regulation in the United States by the Food and Drug Administration (“FDA”). Any medical device manufacturers to whom we sell Liquidmetal alloy products may need to comply with FDA requirements, including premarket approval or clearance under Section 510(k) of the Food Drug and Cosmetic Act before marketing Liquidmetal alloy medical device products in the United States. These medical device manufacturers may be required to obtain similar approvals before marketing these medical devices in foreign countries. Any medical device manufacturers with which we jointly develop and sell medical device products may not provide significant assistance to us in obtaining required regulatory approvals. The process of obtaining and maintaining required FDA and foreign regulatory approvals could be lengthy, expensive, and uncertain. Additionally, regulatory agencies can delay or prevent product introductions. The failure to comply with applicable regulatory requirements can result in substantial fines, civil and criminal penalties, stop sale orders, loss or denial of approvals, recalls of products, and product seizures.

In addition, the processing of beryllium, a minor constituent element of some of our alloys, can result in the release of beryllium into the workplace and the environment and in the creation of beryllium oxide as a by-product. Beryllium is classified as a hazardous air pollutant, a toxic substance, a hazardous substance, and a probable human carcinogen under environmental, safety, and health laws, and various acute and chronic health effects may result from exposure to beryllium. We are required to comply with certain regulatory requirements and to obtain a permit from the U.S. Environmental Protection Agency or other government agencies to process beryllium. Our failure to comply with present or future governmental regulations related to the processing of beryllium could result in suspension of manufacturing operations and substantial fines or criminal penalties.

To the extent that our products have the potential for dual use, such as military and non-military applications, they may be subject to import and export restrictions of the U.S. government, as well as other countries. The process of obtaining any required U.S. or foreign licenses or approvals could be time-consuming, costly, and uncertain. Failure to comply with import and export regulatory requirements can lead to substantial fines, civil and criminal penalties, and the loss of government contracting and export privileges.

The existence of minority stockholders in our Liquidmetal Golf subsidiary creates potential for conflicts of interest.

We directly own 79% of the outstanding capital stock of Liquidmetal Golf, our subsidiary that has the exclusive right to commercialize our technology in the golf market. The remaining 21% of the Liquidmetal Golf stock is owned by approximately 95 stockholders of record. As a result, conflicts of interest may develop between us and the minority stockholders of Liquidmetal Golf. To the extent that our officers and directors are also officers or directors of Liquidmetal Golf, matters may arise that place the fiduciary duties of these individuals in conflicting positions.

Our executive officers, directors and insiders and entities affiliated with them hold a significant percentage of our common stock, and these shareholders may take actions that may be adverse to your interests.

As of December 31, 2011, our executive officers, directors and insiders and entities affiliated with them will, in the aggregate, beneficially own approximately 50% of our common stock and 46% of our preferred stock. As a result, these shareholders, acting together, will be able to significantly influence all matters requiring shareholder approval, including the election and removal of directors and approval of significant corporate transactions such as mergers, consolidations and sales of assets. They also could dictate the management of our business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination, which could cause the market price of our common stock to fall or prevent you from receiving a premium in such a transaction.

Our stock price has experienced volatility and may continue to experience volatility.

During 2011, the highest bid price for our common stock was $0.84 per share, while the lowest bid price during that period was $0.12 per share. The trading price of our common stock could continue to fluctuate widely due to:

- limited current liquidity and the possible need to raise additional capital;
- quarter-to-quarter variations in results of operations;
- announcements of technological innovations by us or our potential competitors;
- changes in or our failure to meet the expectations of securities analysts;
- new products offered by us or our competitors;
- announcements of strategic relationships or strategic partnerships;
- future sales of common stock, or securities convertible into or exercisable for common stock;
- adverse judgments or settlements obligating us to pay damages;
- future issuances of common stock in connection with acquisitions or other transactions;
- acts of war, terrorism, or natural disasters;
- industry, domestic and international market and economic conditions, including the global macroeconomic downturn over the last three years and related sovereign debt issues in certain parts of the world;
- low trading volume in our stock;
- developments relating to patents or property rights;
- government regulatory changes; or
- other events or factors that may be beyond our control.

In addition, the securities markets in general have experienced extreme price and trading volume volatility in the past. The trading prices of securities of many companies at our stage of growth have fluctuated broadly, often for reasons unrelated to the operating performance of the specific companies. These general market and industry factors may adversely affect the trading price of our common stock, regardless of our actual operating performance. If our stock price is volatile, we could face securities class action litigation, which could result in substantial costs and a diversion of management's attention and resources and could cause our stock price to fall.

Future sales of our common stock could depress our stock price.

Sales of a large number of shares of our common stock, or the availability of a large number of shares for sale, could adversely affect the market price of our common stock and could impair our ability to raise funds in additional stock offerings. In the event that we propose to register additional shares of common stock under the Securities Act of 1933 for our own account, certain shareholders are entitled to receive notice of that registration and to include their shares in the registration, subject to limitations described in the agreements granting these rights.

We have never paid dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on our common stock to date. We currently intend to retain our future earnings, if any, to fund the development and growth of our businesses, and we do not anticipate paying any cash dividends on our capital stock for the foreseeable future. In addition, the terms of existing or any future debts may preclude us from paying dividends on our stock. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future for our common stockholders.

Antitakeover provisions of our certificate of incorporation and bylaws and provisions of applicable corporate law could delay or prevent a change of control that you may favor.

Provisions in our certificate of incorporation, our bylaws, and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These provisions could discourage potential takeover attempts and could adversely affect the market price of our shares. Because of these provisions, you might not be able to receive a premium on your investment. These provisions:

- authorize our board of directors, without stockholder approval, to issue up to 10,000,000 shares of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and prevent a takeover attempt;
- limit stockholders' ability to call a special meeting of our stockholders; and
- establish advance notice requirements to nominate directors for election to our board of directors or to propose matters that can be acted on by stockholders at stockholder meetings.

The provisions described above, as well as other provisions in our certificate of incorporation, our bylaws, and Delaware law could delay or make more difficult transactions involving a change in control of us or our management.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive office and principal research and development offices are located in Rancho Santa Margarita, California and consist of approximately 15,000 square feet. This facility is occupied pursuant to a lease agreement that expires in April 2016. We currently expect that the foregoing facility will meet our anticipated research, warehousing, and administrative needs for the foreseeable future.

Item 3. Legal Proceedings

During 2011, we reached a settlement agreement on our single active lawsuit by issuance of common stock and a note payable as described below.

On August 6, 2010, SAGA, SpA in Padova, Italy ("SAGA"), filed a complaint against us in the County of Orange in California claiming damages of $3.2 million for payment on an alleged loan and for alleged breach of contract in connection with the formation of Liquidmetal Saga Italy, Srl ("LSI"), a joint venture between us and SAGA. On April 6, 2011 (the "Effective Date"), we entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between us and SAGA was terminated, (ii) we and SAGA both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we paid SAGA $2.8 million in the form of 4,496,429 restricted shares ("Shares") of our common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated. A total of $0 and $3.1 million was accrued for the settlement and legal fees as of December 31, 2011 and 2010, respectively.

The number of Shares issued to SAGA was based on the 30 day trailing, volume weighted average price of our common stock as of the Effective Date. An additional provision of the SAGA Settlement and Equity Interest Purchase Agreement was the obligation for us to issue a promissory note to compensate for any decrease in the market price of our common stock over a six month period from the Effective Date of the settlement. As such, on October 10, 2011, we issued to SAGA a promissory note in the principal amount of $1.7 million due October 10, 2012 ("Maturity Date") bearing interest of 8% per annum to account for the decrease in the market price of our common stock. All of the principal and accrued interest is due on the Maturity Date.

There are no material legal proceedings currently pending.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is currently quoted on the OTC Bulletin Board under the symbol "LQMT." On March 15, 2012, the last reported sales price of our common stock was $0.22 per share. As of March 15, 2012, we had 223 active record holders of our common stock.

The following table sets forth, on a per share basis, the range of high and low bid information for the shares of our common stock for each full quarterly period within the two most recent fiscal years and any subsequent interim period for which financial statements are included, as reported by the OTC Bulletin Board. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

2011	High	Low
Fourth Quarter	$ 0.23	$ 0.12
Third Quarter	$ 0.51	$ 0.17
Second Quarter	$ 0.63	$ 0.41
First Quarter	$ 0.84	$ 0.42

2010	High	Low
Fourth Quarter	$ 0.85	$ 0.33
Third Quarter	$ 1.76	$ 0.11
Second Quarter	$ 0.40	$ 0.08
First Quarter	$ 0.16	$ 0.08

We have never paid a cash dividend on our common stock. We do not anticipate paying any cash dividends on our common stock in the foreseeable future, and we plan to retain our earnings to finance our operations and future growth.

Securities Authorized for Issuance Under Equity Compensation Plans

For information regarding the securities authorized for issuance under our equity compensation plans, please see Item 12 of Part III of this Annual Report on Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis should be read in the conjunction with the consolidated financial statements and notes included elsewhere in this report on Form 10-K.

This management's discussion and analysis, as well as other sections of this report on Form 10-K, may contain "forward-looking statements" that involve risks and uncertainties, including statements regarding our plans, future events, objectives, expectations, estimates, forecasts, assumptions or projections. Any statement that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as "believe," "estimate," " project," "expect," "intend," "may," "anticipate," "plan," "seek," and similar expressions identify forward-looking statements. These statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or results, and undue reliance should not be placed on these statements. These risks and uncertainties include, but are not limited to, the matters discussed under the caption "Risk Factors" in Item 1A of this report and other risks and uncertainties discussed in filings made with the Securities and Exchange Commission (including risks described in subsequent reports on Form 10-Q, Form 10-K, Form 8-K, and other filings). Liquidmetal Technologies, Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

OVERVIEW

We are a materials technology company that develops and commercializes products made from amorphous alloys. Our Liquidmetal® family of alloys consists of a variety of proprietary bulk alloys and composites that utilize the advantages offered by amorphous alloy technology. We design, develop and sell products and components from bulk amorphous alloys to customers in various industries. We also partner with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products. We believe that our proprietary bulk alloys are the only commercially viable bulk amorphous alloys currently available in the marketplace.

Amorphous alloys are in general unique materials that are distinguished by their ability to retain a random atomic structure when they solidify, in contrast to the crystalline atomic structure that forms in other metals and alloys when they solidify. Liquidmetal alloys are proprietary amorphous alloys that possess a combination of performance, processing, and potential cost advantages that we believe will make them preferable to other materials in a variety of applications. The amorphous atomic structure of our alloys enables them to overcome certain performance limitations caused by inherent weaknesses in crystalline atomic structures, thus facilitating performance and processing characteristics superior in many ways to those of their crystalline counterparts. For example, in laboratory testing, our zirconium-titanium Liquidmetal alloys are approximately 250% stronger than commonly used titanium alloys such as Ti-6Al-4V, but they also have some of the beneficial processing characteristics more commonly associated with plastics. We believe these advantages could result in Liquidmetal alloys supplanting high-performance alloys, such as titanium and stainless steel, and other incumbent materials in a wide variety of applications. Moreover, we believe these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

Our revenues are derived from 1) licensing and selling our bulk Liquidmetal alloys products, which include non-consumer electronic devices, medical products, and sports and leisure goods, ii) licensing and selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development; iii) product licensing and royalty revenue, and iv) research and development revenue. We expect that these sources of revenue will continue to significantly change the character of our revenue mix.

Our cost of sales consists primarily of the costs of outsourcing our manufacturing to third parties. Selling, general, and administrative expenses currently consist primarily of salaries and related benefits, travel, consulting and professional fees, depreciation and amortization, insurance, office and administrative expenses, and other expenses related to our operations.

Research and development expenses represent salaries, related benefits expense, depreciation of research equipment, consulting and contract services, expenses incurred for the design and testing of new processing methods, expenses for the development of sample and prototype products, and other expenses related to the research and development of Liquidmetal bulk alloys. Costs associated with research and development activities are expensed as incurred. We plan to enhance our competitive position by improving our existing technologies and developing advances in amorphous alloy technologies. We believe that our research and development efforts will focus on the discovery of new alloy compositions, the development of improved processing technology, and the identification of new applications for our alloys.

Change in Value of Warrants consists of changes to the fair value of warrants outstanding at each period. The warrants have been accounted for as a liability as well as equity in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 815-10, *Derivatives and Hedging*, and FASB ASC 815-40, *Contracts in Entity's Own Equity*, due to their price-based anti-dilution rights, with the change in fair values reported in earnings. The fair values are determined using a Black-Scholes pricing model and fluctuations in our stock price have had the greatest impact on the valuation of outstanding warrants.

SIGNIFICANT TRANSACTIONS

On December 20, 2011, our former majority owned subsidiary, Liquidmetal Coatings, LLC ("LMC"), entered into a transaction pursuant to which LMC issued and sold additional membership interests to a related party and to third party investors for an aggregate purchase price of $3.0 million (the "LMC Investment"). The LMC Investment was entered into pursuant to a Membership Interest Purchase Agreement between the investors and LMC (the "Purchase Agreement"). The investors in the LMC Investment were Rockwall Holdings, Inc. ("Rockwall"), C3 Capital Partners, L.P. and C3 Capital Partners II, L.P. (the "C3 Entities"). The C3 Entities were minority investors in LMC prior to the transaction, and Rockwall is a company controlled by John Kang, our former Chief Executive Officer and Chairman. As of December 31, 2011, Mr. Kang beneficially owned 5.0% of our common stock.

The transactions contemplated by the Purchase Agreement were deemed to be effective as of November 30, 2011. In connection with the LMC Investment, our Company and the C3 Entities agreed to terminate a letter agreement, dated July 30, 2010, under which we would have been obligated to contribute additional capital to LMC if requested by LMC. As a result of the LMC Investment and the termination of such letter agreement, we no longer have any contingent obligation to contribute additional capital to LMC. As a result of the LMC Investment, our equity interest in LMC was reduced from approximately 72.86% to 0.667%. However, we did not sell any of our membership interests in LMC in the transaction. LMC represented approximately 42% of the net book value of our assets and 64% of the net book value of our liabilities as of November 30, 2011, and LMC represented approximately 92% of our revenue and operating income that reduced our operating loss by 33% for the eleven months ended November 30, 2011. As a result of the reduction in our percentage interest in LMC, we will no longer consolidate LMC's financial results with our financial statements and the previous results of operations for LMC are reclassified as discontinued operations in the financial statements included in this Form 10-K for all periods presented. However, Ricardo Salas, our Executive Vice President, will continue to serve as a member of LMC's board of directors.

In connection with the LMC Investment, we entered into a Second Amended and Restated Operating Agreement with LMC and other members of LMC, and we also entered into a Second Amended and Restated License and Technical Support Agreement with LMC terminating certain technology cross-licenses between LMC and us and continuing LMC's right to use the Liquidmetal trademark in connection with LMC's business.

On December 1, 2011, we entered into a Share Purchase Agreement (the "Share Purchase Agreement") with LMTK Holdings, Inc. ("LMTK Holdings") to sell our former Korean subsidiary and manufacturing facility, Liquidmetal Technologies Korea ("LMTK"), that was discontinued in November 2010. Under the Share Purchase Agreement, we sold all of LMTK's shares of common stock to LMTK Holdings for an aggregate purchase price of one hundred dollars. The results of operations of LMTK have been previously included as discontinued operations in our financial statements, and as a result of the transaction, we will no longer consolidate LMTK's financial results with our financial statements.

In June 2010, we created a wholly owned subsidiary, Advanced Metals Materials ("AMM"), in Weihei China as a holding company for certain assets that were acquired in China. During the first quarter of 2011, AMM started production and manufacturing of certain bulk Liquidmetal alloy parts. On August 5, 2011, we sold all of the stock of Advanced Metals Materials ("AMM") to Innovative Materials Group, which is majority owned by John Kang, our former Chief Executive Officer and Chairman, for $720 thousand of which $200 thousand was paid in the form of a promissory note due August 5, 2012, bearing an interest rate of 8% per annum.

On August 6, 2010, SAGA, SpA in Padova, Italy ("SAGA"), a specialist parts manufacturer, filed a litigation case against us claiming damages of $3.2 million for payment on an alleged loan and for alleged breach of contract in connection with the formation of joint venture agreement called Liquidmetal SAGA Italy, Srl ("LSI"). On April 6, 2011 (the "Effective Date"), we entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between SAGA and us was terminated, (ii) SAGA and we both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we paid SAGA $2.8 million in the form of 4,496,429 restricted shares ("Shares") of our common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated.

The number of Shares issued to SAGA on the Effective Date was based on the 30 day trailing, volume weighted average price of our common stock as of the Effective Date. An additional provision of the SAGA settlement and Equity Interest Purchase Agreement was the obligation for us to issue a promissory note to compensate for a decrease in the market price of our common stock over a six month period from the Effective Date of the settlement. On October 10, 2011, we issued to SAGA a promissory note in the principal amount of $1.7 million due October 10, 2012 ("Maturity Date") bearing interest of 8% per annum to account for the decrease in the market price of our common stock. All of the principal and accrued interest is due on the Maturity Date.

On August 5, 2010, we entered into a license transaction with Apple Inc. (“Apple”) pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC (“CIP”), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, in exchange for a license fee, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. Additionally, in connection with the license transaction, Apple required us to complete a statement of work related to the exchange of Liquidmetal intellectual property information. The Company recognized a portion of the one-time license fee upon receipt of the initial payment and completion of the foregoing requirements under the license transaction. The remaining portion of the one-time license fee was recognized at the completion of the required statement of work.

Under the agreements relating to the license transaction, we are obligated to contribute all intellectual property that we develop through February 2012 to CIP. In addition, we are obligated to refrain from encumbering any assets subject to the Apple security interest through August 2012 and are obligated to refrain from granting any security in our interest in CIP at any time. We are also obligated to maintain certain limited liability company formalities with respect to CIP at all times after the closing of the license transaction. If we are unable to comply with these obligations, Apple may be entitled to foreclose on our assets.

RESULTS OF OPERATIONS

Comparison of the years ended December 31, 2011 and 2010

	For the years ended December 31, 2011	Percentage of Product Revenue	For the years ended December 31, 2010 (restated)	Percentage of Product Revenue
	(in thousands)		(in thousands)	
Revenue:				
Products	$ 572		$ 567	
Licensing and royalties	400		20,000	
Total revenue	972		20,567	
Cost of sales	373	65%	262	46%
Selling, general and administrative expenses	4,243	742%	4,498	793%
Research and development expenses	1,120	196%	1,132	200%
Settlement expense	1,713	299%	2,800	494%
Change in value of warrants, gain (loss)	1,328	232%	(23,341)	(4,117)%
Change in value of conversion feature, gain	-	0%	444	78%
Other income	26	5%	70	12%
Interest expense	90	16%	4,018	709%
Interest income	22	4%	6	1%
Gain on disposal of subsidiary	12,109	2,117%	-	0%
Loss from discontinued operations, net	(763)	(133%)	(2,679)	(472)%

The following analysis, other than the revenue analytic, is based on expenses as a percentage of product revenue. One time licensing and royalties revenues are excluded from the analysis as their inclusion would distort the percentage calculation.

Revenue. Total Revenue decreased by $19.6 million to $972 thousand for the year ended December 31, 2011 from $20.6 million for the year ended December 31, 2010. The decrease is primarily in the licensing and royalties revenue category due to a one-time licensing fee that occurred during 2010.

Cost of Sales. Cost of sales was $373 thousand, or 65% of product revenue, for the year ended December 31, 2011 from $262 thousand, or 46% of product revenue, for the year ended December 31, 2010. The cost to manufacture parts from our bulk Liquidmetal alloys is variable and differs based on the unique design of each product. In addition, much of our current product mix consists of prototype parts which have variable cost percentages relative to revenue. As we begin increasing our revenues with shipments of routine commercial parts through our third party contract manufacturer, we expect our cost of sales to stabilize and be more predictable.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased by $255 thousand to $4.2 million, or 742% of product revenue, for the year ended December 31, 2011 from $4.5 million, or 793% of product revenue, for the year ended December 31, 2010. The decrease was primarily the result of a one-time director consulting fee of $275 thousand .

Research and Development Expenses. Research and development expenses remained flat at $1.1 million for both of the years ended December 31, 2011 and 2010. We continue to devote significant resources to improving our processing capabilities, developing new manufacturing techniques and contracting with consultants to advance the development of Liquidmetal alloys.

Settlement Expense. Settlement expense was $1.7 million for the year ended December 31, 2011 and $2.8 million for the year ended December 31, 2010. Both amounts are related to a settlement with SAGA, SpA. See Part I, Item 3 – Legal Proceedings of this Annual Report on Form 10-K for more information regarding this settlement.

Change in Value of Warrants. The change in value of warrants was a gain of $1.3 million, for the year ended December 31, 2011, which resulted from periodic valuation adjustments for warrants issued in connection with convertible and subordinated notes. The significant gain during the year ended December 31, 2011 compared to the loss of $23.3 million, during the year ended December 31, 2010, was primarily due to the decrease in our stock price and the expiration of certain warrants during 2011. Changes in the value of our warrants are non-cash and do not affect the operations of our business.

Change in Value of Conversion Feature. There was no gain or loss related to the change in value of conversion feature for the year ended December 31, 2011 due to the retirement of our convertible notes in 2010. The $444 thousand gain related to change in value of conversion feature during the year ended December 31, 2010 was due to the decrease in our stock price.

Other Income. Other income was $26 thousand, or five percent of product revenue, for the year ended December 31, 2011, and $70 thousand, or 12% of product revenue, for the year ended December 31, 2010. Other income is primarily due to gains on settlements on accounts payable for less than face value.

Interest Expense. Interest expense was $90 thousand, or 16% of revenue, for the year ended December 31, 2011 and was $4 million, or 709% of revenue, for the year ended December 31, 2010. Interest expense for the year ended December 31, 2010 consisted primarily of debt amortization and interest accrued on convertible and subordinated notes and borrowings under a factoring, loan, and security agreement, which were all retired during 2010. Interest expense for the year ended December 31, 2011 consisted of interest accrued on an outstanding promissory note.

Interest Income. Interest income was $22 thousand and $6 thousand for the year ended December 31, 2011 and 2010, respectively, from interest earned on cash deposits.

Gain on disposal of subsidiaries. Gain on disposal of subsidiaries of $12.1 million, for the year ended December 31, 2011 was due to the sale of Advanced Metals Materials ("AMM"), our China subsidiary, the sale of Liquidmetal Technologies, Korea ("LMTK"), our Korea subsidiary, and the divestment of Liquidmetal Coatings ("LMC"), our Coatings subsidiary. The gain on disposal was mainly attributed to the write-off of net liabilities of $10.7 million related to LMC upon deconsolidation and $2.9 million net write-off of investments in AMM and LMC and foreign exchange translation related to LMTK offset by a $1.4 million of loss from write-off of investment and net assets in LMTK. Our gains on disposals of our subsidiaries were mainly the result of write-offs of assets and liability accounts and did not impact our cash position.

Loss from discontinued operations. Loss from discontinued operations of $763 thousand, for the year ended December 31, 2011 and loss of $2.7 million, for the year ended December 31, 2010 consisted of the losses from operations of our discontinued subsidiaries, AMM, LMTK, and LMC. Our losses from discontinued operations did not impact our cash position, and these entities are no longer consolidated into our financial statements as of December 31, 2011.

Our operating and net income from continuing operations is mainly dependent on generating revenues by identifying customers who have a need for the technological advantages being offered by bulk amorphous alloys, as well as utilizing the existing technology with the right strategic partners to quickly fulfill those needs.

LIQUIDITY AND CAPITAL RESOURCES

Our cash used by continuing operating activities was $5.1 million for the year ended December 31, 2011, while cash provided by continuing activities was $12.2 million for the year ended December 31, 2010. Our cash used in investing activities of continuing operations was $0.2 million for the year ended December 31, 2011 primarily from purchase of property and equipment. Our cash provided by financing activities of continuing operations was $13 thousand for the year ended December 31, 2011 primarily from stock options exercises.

Subsequent to December 31, 2011, we issued 8% unsecured, bridge promissory notes that are due on demand by Visser Precision Cast, LLC ("Visser") totaling $750 thousand. We expect to negotiate a private placement of equity securities with Visser ("Visser Private Placement") and infuse cash into the Company. There is no guaranty that we will be able to finalize a private placement funding with Visser or any other investor.

On October 10, 2011, we issued a promissory note to SAGA in the principal amount of $1.7 million due October 10, 2012 in relation to a settlement agreement we signed with Saga on April 6, 2011 (see Significant Transactions).

We anticipate that our current capital resources, together with anticipated cash from operations, will be sufficient to fund our operations through April 30, 2012. Following April 30, 2012, we will require additional funding in order to continue operations as a going concern. Although we are actively pursuing financing transactions, including the Visser Private Placement, we cannot guarantee that adequate funds will be available when needed and even if available, cannot guarantee that we will achieve favorable terms. If we raise additional funds by issuing securities, existing stockholders may be diluted. If funding is insufficient at any time in the future, we will be required to alter or reduce the scope of our operations or to cease our operations entirely.

Our capital requirements during the next twelve months will depend on numerous factors, including the success of existing products either in manufacturing or development, the development of new applications for Liquidmetal alloys, the resources we devote to develop and support our Liquidmetal alloy products, the success of pursuing strategic licensing and funded product development relationships with external partners.

OFF-BALANCE SHEET ARRANGEMENTS

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity, or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to our company, or that engages in leasing, hedging, or research and development arrangements with our company.

As of December 31, 2011, the Company did not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions.

We believe that the following accounting policies are the most critical to our consolidated financial statements since these policies require significant judgment or involve complex estimates that are important to the portrayal of our financial condition and operating results:

- We recognize revenue pursuant to applicable accounting standards including FASB ASC Topic 605 (“ASC 605”), Revenue Recognition. ASC 605 summarize certain points of the SEC staff’s views in applying generally accepted accounting principles to revenue recognition in financial statements and provide guidance on revenue recognition issues in the absence of authoritative literature addressing a specific arrangement or a specific industry.

  Our revenue recognition policy complies with the requirements of ASC 605. Revenue is recognized when i) persuasive evidence of an arrangement exists, ii) delivery has occurred, iii) the sales price is fixed or determinable, iv) collection is probable and v) all obligations have been substantially performed pursuant to the terms of the arrangement. Revenues primarily consist of the sales and prototyping of Liquidmetal mold and bulk alloys, licensing and royalties for the use of the Liquidmetal brand and bulk Liquidmetal alloys. Revenue is deferred and included in liabilities when the Company receives cash in advance for goods not yet delivered or if the licensing term has not begun.

  License revenue arrangements in general provide for the grant of certain intellectual property rights for patented technologies owned or controlled by the Company. These rights typically include the grant of an exclusive or non-exclusive right to manufacture and/or sell products covered by patented technologies owned or controlled by us. The intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined period of time.

  Licensing revenues that are one time fees upon the granting of the license are recognized when i) the license term begins in a manner consistent with the nature of the transaction and the earnings process, ii) when collectability is reasonably assured or upon receipt of an upfront fee, and iii) when all other revenue recognition criteria have been met. Pursuant to the terms of these agreements, we have no further obligation with respect to the grant of the license. Licensing revenues that are related to royalties are recognized as the royalties are earned over the related period.

- We value our long-lived assets at lower of cost or fair market value. Management reviews long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may be impaired. An impairment loss is recognized when the estimated fair value of the assets is less than the carrying value of the assets. We recognized $0 and $966 during the years ended December 31, 2011 and 2010, respectively, for impairment of long-lived assets.

- We record valuation allowances to reduce our deferred tax assets to the amounts estimated to be realized. While we consider taxable income in assessing the need for a valuation allowance, in the event we determine we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment would be made and income increased in the period of such determination. Likewise, in the event we determine we would not be able to realize all or part of our deferred tax assets in the future, an adjustment would be made and charged to income in the period of such determination.

- We account for our outstanding warrants and the embedded conversion feature of our senior convertible notes as derivatives in accordance with FASB ASC 815-10, *Derivatives and Hedging,* and FASB ASC 815-40, *Contracts in Entity’s Own Equity*. Fair values of warrants and embedded conversion features are measured at each period end using Black-Scholes pricing models and changes in fair value during the period are reported in our earnings.

- We record an allowance for doubtful accounts as a contra-asset to our trade receivables for estimated uncollectible accounts. Management estimates the amount of potentially uncollectible accounts by reviewing significantly past due customer balances relative to historical information available for those customers. In the event, in future periods, actual uncollectible accounts exceed the estimate for uncollectible accounts, an adjustment would be made and income would decrease in the period of such determination. Likewise, in the event, in future periods, actual uncollectible accounts are lower than the estimate for uncollectible accounts, an adjustment would be made and income would increase in the period of such determination.

- We account for share-based compensation in accordance with the fair value recognition provisions of FASB ASC Topic 718, *Share-based Payment*, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated financial statements based on their fair values. The fair value of stock options is calculated by using the Black-Scholes option pricing formula that requires estimates for expected volatility, expected dividends, the risk-free interest rate and the term of the option. If any of the assumptions used in the Black-Scholes model change significantly, share-based compensation expense may differ materially in the future from that recorded in the current period.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB, issued guidance regarding the presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements of net income. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. We are currently evaluating the impact of this guidance on its financial statements and will adopt the guidance beginning on January 1, 2012.

In May 2011, the FASB issued additional guidance on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. The updated guidance is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. We are currently evaluating the impact of this guidance on its financial statements and will adopt the guidance beginning on January 1, 2012.

In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, “Milestone Method of Revenue Recognition.” FASB ASU No. 2010-17 “Revenue Recognition – Milestone Method (Topic 605)” provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010 – 17 is effective on a prospective basis for milestones achieved after the adoption date. Our adoption of this guidance on January 1, 2011 did not have a significant impact on our consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA and the SEC did not or are not believed by management to have a material impact on our present or future consolidated financial statements.

Item 8. Financial Statements and Supplementary Data

The financial statements required by this item are located in Consolidated Financial Statements in Item 15 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of the Company’s management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as Amended as of December 31, 2006) as of December 31, 2011, the end of the period covered by this report. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective. This determination was based primarily on the restatement described below.

As more fully described in the Explanatory Note at the beginning of this Form 10-K, we have restated our consolidated financial statements for the fiscal year ended December 31, 2010 and each of the interim quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011 to properly account for certain previously issued warrants and to include required earnings per share disclosures. In relation to this restatement, our independent registered public accounting firm has identified a material weakness in the Company's assessment process in relation to the financial statements impact of the issuance and modification of equity instruments.

Management's Report on Internal Control over Financial Reporting. The company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the company's receipts and expenditures are being made only in accordance with authorizations of the company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and the related rule of the SEC, management assessed the effectiveness of the company's internal control over financial reporting using the Internal Control-Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that the company's internal control over financial reporting was not effective as of December 31, 2011 due to the restatement as described in the Explanatory Note at the beginning of this Form 10-K. Management evaluated the impact of this restatement on our assessment of our disclosure controls and procedures and concluded that the control deficiency that resulted in the restatement represented a material weakness.

This Annual Report on Form 10-K does not include an attestation report by our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only our management's report in this Annual Report on Form 10-K

Changes in Internal Controls. As a result to the restatement described in this Item 9A, management has re-evaluated the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) and has performed additional analysis and post-closing review procedures designed to provide reasonable assurance that our consolidated financial statements were properly prepared, including engaging an outside accounting consultant to assist in reviewing the Form 10-K for the years ended December 31, 2010 and 2011.

There have been no other changes to our internal control over financial reporting that occurred during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Set forth below is a table identifying our directors and executive officers as of March 30, 2012:

Name	Age	Position
Thomas Steipp	62	President, Chief Executive Officer and Director
Tony Chung	42	Chief Financial Officer
Ricardo Salas	48	Executive Vice-President and Director
Abdi Mahamedi	49	Chairman of the Board
Mark Hansen	57	Director
Scott Gillis	58	Director

Thomas Steipp was elected by our board of directors to serve as our President and Chief Executive Officer in August 2010 and was also elected to our board of directors in August 2010. Mr. Steipp previously served in various roles at Symmetricom, Inc., a publicly traded provider of products for communications infrastructure and systems. Mr. Steipp served as Symmetricom's Chief Executive Officer from December 1998 to June 2009, Chief Financial Officer from December 1998 to October 1999, and President and Chief Operating Officer of Telecom Solutions, a division of Symmetricom, from March 1998 to December 1998. Mr. Steipp also served on Symmetricom's Board of Directors from 1998 to 2009. During his employment with Symmetricom, Mr. Steipp worked to transform the company from a technology holding company into a telecommunications hardware focused company, served as the company's spokesman in working with investors, implemented a new business model, worked to reduce operating expenses, and led acquisition activities. Mr. Steipp has also served on the board of directors of Alpha and Omega Semiconductors Limited, a publicly traded designer, developer and global supplier of a broad range of power semiconductors, since November 2006. Mr. Steipp received his B.S. in electrical engineering from the Air Force Academy and M.S. in industrial administration from Purdue University. Our board of directors believes that Mr. Steipp's experience and background make him a qualified and valuable member of our board of directors. In particular, Mr. Steipp's experience and background in working with publicly traded, technology-based industrial products companies, recruiting executives, working with investors, implementing new business models, and leading acquisition activities make him a valuable resource for the Company.

Tony Chung was elected by our board of directors to serve as our Chief Financial Officer in December 2008. Most recently, Mr. Chung served as Chief Financial Officer at BETEK Corporation, a real estate and investment subsidiary of SK Engineering and Construction from February 2008 to December 2008 and as Chief Financial Officer of Solarcity, a company providing advanced solar technology and installation services, from March 2007 to January 2008. Mr. Chung's primary role was to manage the overall financial operations of both companies. Previously, Mr. Chung was employed by us as our Vice President of Finance from May 2004 to February 2007. Mr. Chung is a Certified Public Accountant and served eight years at KPMG as an Audit and Consulting Manager for several large multinational companies. He received his B.S. degree in Business Administration from University of California Berkeley's Haas School of Business in 1992. Mr. Chung is also an Attorney at Law and received his J. D. degree from Pacific Coast University School of Law in 2006.

Ricardo Salas began serving as our Executive Vice President in December 2008 and began serving on our board of directors in October 2010. He previously served as our Chief Executive Officer and President from December 2005 through October 2006 and from October 2006 to December 2008, he served as an independent consultant to the Company. Mr. Salas also served on our board of directors from April 1995 to May 2003. From January 2000 through June 2005, Mr. Salas served as Chief Executive Officer of iLIANT Corporation, an information technology and outsourcing service firm in the health care industry. He currently serves as a director of CyberDefender Corporation which provides Internet security technology and remote PC repair services to the consumer and small business market, MED3000 Group, Inc., a national provider of healthcare management and technology services, and VillageEDOCS, a technology company providing software-as-a-service to financial services, healthcare and various other industries. Mr. Salas received a B.A. degree in Economics from Harvard College in 1986. Our board of directors believes that Mr. Salas' experience and background make him a qualified and valuable member of our board of directors. In addition to Mr. Salas's prior experience as our director and executive officer, he has extensive knowledge working with technology-based companies. His background working with investors, leading acquisition activities and negotiating transactions make him a valuable resource for our Company.

Abdi Mahamedi has served as a director since May 2009 and became Chairman of the Board in March 2010. Since 1987, Mr. Mahamedi has served as the President and Chief Executive Officer of Carlyle Development Group of Companies ("CDG"), which develops and manages residential and commercial properties in the United States on behalf of investors worldwide. At CDG, Mr. Mahamedi evaluates and supervises all of the investment activities and management personnel. Prior to joining CDG, Mr. Mahamedi founded Emanuel Land Company, a subsidiary of Emanuel & Company, a Wall Street investment banking firm, and served as a managing director for Emanuel Land Company from 1986 to 1987. In 1983, Mr. Mahamedi received his B.S.E. degree in Civil and Structural Engineering from the University of Pennsylvania, and in 1984 he received his M.S.E. degree in Civil and Structural Engineering from the University of Pennsylvania. Our board of directors believes that Mr. Mahamedi experience and background make him a qualified and valuable member of our board of directors. In particular, his knowledge in working with global investment companies and leading acquisition activities makes him a valuable resource for our Company.

Mark Hansen began serving on our board of directors in February 2011 and has been the chairman of the compensation committee and nominating and corporate governance committee and a member of the audit committee of our board of directors since August 2011. Mr. Hansen brings thirty plus years of executive management experience serving consumers through retail, foodservice and consumer package goods venues. Mr. Hansen has been with Cobalt Development Partners, LLC since 2003 and is presently the Managing Partner. The firm focuses on the development of emerging consumer and intellectual property companies. From June 1997 to September 1998, Mr. Hansen served as the President and CEO of SAM's Club, which generated $23 billion in revenue with 75,000 employees and from November 1989 to June 1997, the President and CEO of PETsMART, the country's largest retailer of pet supplies and services. Mr. Hansen's previous and present board of director positions include Applebee's Restaurants, Amazon.com, Swander Pace Capital, PetfoodDirect.com and Arizona State University Business School Dean's Counsel. Mr. Hansen received his Bachelor's Degree in Fine Arts from Roosevelt University in 1976. Our board of directors believes that Mr. Hansen's experience and background make him a qualified and valuable member of our board of directors. In particular, Mr. Hansen's background working with multi-million dollar corporations and other experience in the service sector including pharmacy, optical, veterinary hospitals and small business service centers make him a valuable resource for the Company.

Scott Gillis began serving on our board of directors and as chairman of the audit committee and a member of the compensation committee and nominating and corporate governance committee of our board of directors in August 2011. Mr. Gillis currently serves as Senior Vice President, Finance, of SunAmerica Financial Group, which specializes in retirement savings and investment products and services. Mr. Gillis also serves as Senior Vice President and Chief Financial Officer and is on the board of directors of subsidiaries of Sun America Financial Group including Western National Life Insurance Company, Variable Annuity Life Insurance Company, SunAmerica Life Insurance Company, and SunAmerica Annuity and Life Insurance Company. Mr. Gillis began his career at SunAmerica as Director of Audit. From 1989 to 1995 he served as Vice President and Controller of the SunAmerica Life Companies. He was promoted to Senior Vice President and Controller in 1996, elected a director in 2000, and then CFO in 2003. He was elected Vice President of SunAmerica Inc. in 1998, made Controller in 2000, promoted to Senior Vice President in 2001 and named CFO in 2004. In 2011, he was named a Senior Vice President of SunAmerica Financial Group. Our board of directors believes that Mr. Gillis' experience and background make him a qualified and valuable member of our board of directors. In particular, Mr. Gillis' background working in multi-million dollar companies in the financial industry and experience in the financial sector make him a valuable resource for the Company. In addition, our board of directors believes that his extensive experience with financial reporting and financial statements will make him a valuable member of the audit committee of our board of directors.

Board of directors

Each director serves a term of one-year until the next ensuing annual stockholder meeting or until his successor is duly elected or his earlier resignation or removal.

Audit Committee

Our board of directors maintains a standing Audit Committee. Mr. Gillis serves as the chairman and Mr. Hansen serves as a member of the Audit Committee. Mr. Gillis is an "independent director," and an "audit committee financial expert" as defined by the rules of the NASDAQ Stock Market, Inc. and Rule 10A-3(b)(i) under the Securities Exchange Act of 1934 applicable to members of an audit committee. The Audit Committee is appointed by our board of directors to assist our board of directors in monitoring (1) the integrity of our financial statements, (2) our compliance with legal and regulatory requirements, and (3) the independence and performance of our internal and external auditors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "1934 Act") requires the Company's directors and officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons also are required to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on its review of the copies of such reports received by it with respect to fiscal year 2011 or written representations from certain reporting persons, the Company believes that all filing requirements applicable to its directors and officers and persons who own more than 10% of a registered class of the Company's equity securities have been complied with, on a timely basis, for fiscal year 2011.

Code of Ethics

Our board of directors has adopted a written Code of Ethics for Chief Executive Officer and Senior Financial and Accounting Officers that applies to our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer or Controller, or persons performing similar functions. In addition, we intend to post on our website all disclosures that are required by law concerning any amendments to, or waivers from, any provision of the Code of Ethics for Chief Executive Officer and Senior Financial and Accounting Officers.

Item 11. Executive Compensation

Executive Benefits and Perquisites

Set forth below is information regarding compensation earned by or paid or awarded to the following executive officers of the company during the year ended December 31, 2011: (i) Thomas Steipp, our President and Chief Executive Officer; (ii) Tony Chung, our Chief Financial Officer; and (iii) Rick Salas, our Executive Vice-President. These persons are hereafter referred to as our "named executive officers." The identification of such named executive officers is determined based on the individual's total compensation for the year ended December 31, 2011, as reported below in the Summary Compensation Table.

Summary Compensation Table

The following table sets forth for each of the named executive officers: (i) the dollar value of base salary and bonus earned during the years ended December 31, 2011 and 2010; (ii) the aggregate grant date fair value of stock and option awards granted during 2011 and 2010, computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 (R); (iii) the dollar value of earnings for services pursuant to awards granted during 2011 and 2010 under non-equity incentive plans; (iv) non-qualified deferred compensation earnings during 2011 and 2010; (v) all other compensation for 2011 and 2010; and, finally, (vi) the dollar value of total compensation for 2011 and 2010.

Name and Principal Position	Year	Salary	Stock Awards (1)	Option Awards (1)	Total
Thomas Steipp, *President and Chief Executive Officer*	2011 2010	$300,000 $120,577	-- $1,560,000	-- --	$300,000 $120,577
Tony Chung, *Chief Financial Officer*	2011 2010	$160,000 $160,000	-- --	-- $3,815	$160,000 $163,815
Ricardo Salas *Executive Vice President*	2011 2010	$240,000 $240,000	-- --	-- $62,532	$240,000 $302,532

(1) Amounts represent the fair value of stock options granted in 2010 under FASB ASC Topic 718. The assumptions made in the calculation of these amounts are discussed in Note 13, "Stock Compensation Plan", to our financial statement included elsewhere in this annual report on Form 10-K.

For a description of the material terms of employment agreements with our named executive officers, see "Employment Agreements."

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table sets forth information on outstanding option and stock awards held by the named executive officers at December 31, 2011, including the number of shares underlying both exercisable and unexercisable portions of each stock option as well as the exercise price and expiration date of each outstanding option.

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options**	**Option Exercise Price**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested**	**Market Value of Shares or Units of Stock That Have Not Vested**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested**
Thomas Steipp	--	--	--	--	--	4,800,000	$672,000	--	--
Tony Chung	120,000 50,000	80,000 (1) 200,000 (2)	-- --	$0.09 $0.12	11/30/2018 07/11/2020	-- --	-- --	-- --	-- --
Ricardo Salas	300,000	1,200,000 (3)	--	$0.12	07/11/2020	--	--	--	--

(1) The shares underlying this option vest 20% per year starting with the vesting commencement date on December 1 2009 and thereafter.
(2) The shares underlying this option vest 20% per year starting with the vesting commencement date on July 12, 2011 and thereafter.
(3) The shares underlying this option vest 20% per year starting with the vesting commencement date on July 12, 2011 and thereafter.

Employment Agreements

On August 3, 2010, we entered into employment agreement with Thomas Steipp, our Chief Executive Officer. Under his employment agreement, Mr. Steipp receives a base salary of $300,000, which may be adjusted upward in the sole discretion of our board of directors on an annual basis. In addition, Mr. Steipp is entitled to bonuses or additional compensation as may be granted by our board of directors or chairman or our board of directors, in their sole discretion. No discretionary bonus was paid to Mr. Steipp for 2011. The employment agreement provides that we can terminate Mr. Steipp's employment at any time and for any reason, provided that if his employment is terminated without "Cause" (as specifically defined in the agreement), then he will continue to be entitled to his base salary and health and welfare benefits for a period of twelve months after termination. In the event that Mr. Steipp terminates his own employment within thirty days after a change in control of the company, we will be obligated to pay him a lump-sum severance payment equal to his base salary for the remainder of the five-year term. The employment agreement provides that Mr. Steipp will not be entitled to any severance compensation if he voluntarily leaves the employment of the company or is terminated for "Cause." In addition, Mr. Steipp was also granted an aggregate of 6,000,000 restricted shares of our common stock, which will vest in increments of 1,200,000 shares on each anniversary of his employment with us. In the event that Mr. Steipp ceases to be employed by us prior to the fifth anniversary of his employment as a result of (i) death, (ii) termination of by us without "Cause," or (iii) termination by Mr. Steipp within thirty days of a change in control of our company, any unvested shares will immediately vest. In the event that Mr. Steipp ceases to be employed by us prior to the fifth anniversary of his employment for any other reason, he will forfeit any unvested shares.

401(k) Savings Plan

We have adopted a tax-qualified employee savings and retirement plan, or 401(k) plan that covers all of our employees. Pursuant to our 401(k) plan, participants may elect to reduce their current compensation, on a pre-tax basis, by up to the statutorily prescribed annual limit, whichever is lower, and have the amount of the reduction contributed to the 401(k) plan. The 401(k) plan permits us, in our sole discretion, to make additional employer contributions to the 401(k) plan. However, we do not currently make employer contributions to the 401(k) plan and may not do so in the future. As such, contributions by employees or by us to the 401(k) plan, and the income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) plan, and we can deduct our contributions, if any, at the time they are made.

Pension Benefits

We do not sponsor any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

We do not maintain any non-qualified defined contribution or deferred compensation plans. The compensation committee, which is comprised solely of "outside directors" as defined for purposes of Section 162(m) of the Internal Revenue Code, may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if the compensation committee determines that doing so is in our best interests.

Director Compensation

Our non-employee directors receive certain compensation for their services and are reimbursed for expenses incurred in attending board and committee meetings, as determined by the board of directors. In order to conserve our financial resources, no compensation was granted to our non-employee directors during the year ended December 31, 2011.

We also have a 2002 Non-Employee Director Stock Option Plan pursuant to which our non-employee directors are entitled to receive stock options. All options granted under the plan have an exercise price equal to the fair market value of our common stock on the date of the grant. These stock options have a 10-year term, vest, and are exercisable pursuant to an equal 5-year vesting schedule, and remain exercisable for certain periods of time after a person is no longer a director. There were no such stock option grants during the year ended December 31, 2011.

No director who is an employee will receive separate compensation for services rendered as a director. However, our employee directors are eligible to participate in our 2002 Equity Incentive Plan.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 15, 2012 by:

- each person known by us to be a beneficial owner of more than 5.0% of our outstanding common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

The number and percentage of shares beneficially owned is determined under the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire beneficial ownership of within 60 days of March 15, 2012 through the exercise of any stock option or other right. Unless otherwise indicated in the footnotes, each person has sole voting and investment power with respect to the shares shown as beneficially owned. A total 160,137,306 shares of our common stock were issued and outstanding as of March 15, 2012. Unless otherwise indicated, the address of all directors and named executive officers is 30452 Esperanza, Rancho Santa Margarita, California 92688.

Name of Beneficial Owner	Common Stock		Series A-1 Preferred Stock		Series A-2 Preferred Stock	
	Number of Shares(1)	Percent of Class(1)	Number of Shares(2)	Percent of Class(2)	Number of Shares(3)	Percent of Class(3)
Directors and Named Executive Officers						
Abdi Mahamedi	21,629,615 (4)	12.3%	58,600	55.7%	260,710	64.9%
Thomas Steipp	7,610,893 (5)	4.7%	-	-	-	-
Ricardo Salas	11,288,947 (6)	6.8%	-	-	-	-
Mark Hansen	-	-	-	-	-	-
Scott Gillis	11,700 (7)	*	-	-	-	-
Tony Chung	990,447 (8)	*	-	-	-	-
All directors and executive officers as a group (6 persons)	41,531,602	22.7%	58,600	55.7%	260,710	64.9%
5% Shareholders						
Soo Buchanan	17,296,525 (9)	10.5%	-	-	-	-
21092 Ashley Lane Lake Forest, CA 92630						
Carlyle Holdings, LLC	15,972,782(10)	9.3%	48,600	46.2%	144,495	36.0%
2700 Westchester Ave., Ste. 303 Purchase, NY 10577						
Jack Chitayat	15,387,268(11)	9.1%	28,928	27.5%	109,528	27.3%
1836 Camino Del Teatro La Jolla, CA 92037						
James Kang	16,059,967(12)	9.7%	-	-	-	-
25881 Cedarbluff Terrace Laguna Hills, CA 92653						
Tjoa Thian Song	8,931,200(13)	5.5%	-	-	-	-
16 Raffles Quay #B1-14A Hong Leong Building Singapore						
John Kang	8,871,320(14)	5.5%	-	-	-	-
23211 Pradera Road Coto de Caza, CA 92679						

*Less than one percent

(1) Shares of common stock beneficially owned and the respective percentages of beneficial ownership of common stock assumes the exercise or conversion of all options, warrants and other securities convertible into common stock, including shares of Series A-1 Preferred Stock and Series A-2 Preferred Stock, beneficially owned by such person or entity currently exercisable or exercisable within 60 days of March 15, 2012. Shares issuable pursuant to the exercise of stock options and warrants exercisable within 60 days of March 15, 2012, or securities convertible into common stock within 60 days of March 15, 2012 are deemed outstanding and held by the holder of such shares of common stock, options, warrants, or other convertible securities, including shares of Series A-1 Preferred Stock and Series A-1 Preferred Stock, for purposes of computing the percentage of outstanding common stock beneficially owned by such person, but are not deemed outstanding for computing the percentage of outstanding common stock beneficially owned by any other person. The percentage of beneficial ownership of common stock beneficially owned is based on 160,137,306 shares of common stock outstanding as of March 15, 2012. Each outstanding share of Series A-1 Preferred Stock is presently convertible into 50 shares of common stock. Each outstanding share of Series A-2 Preferred Stock is presently convertible into 22.7 shares of common stock. The shares of common stock beneficially owned and the respective percentages of beneficial ownership of common stock stated in these columns assume conversion of shares of Series A-1 Preferred Stock and Series A-2 Preferred Stock at these ratios.

(2) Each outstanding share of Series A-1 Preferred Stock is presently convertible into 50 shares of common stock. The shares of Series A-1 Preferred Stock beneficially owned and the respective percentages of beneficial ownership of Series A-1 Preferred Stock stated in these columns reflect ownership of shares of Series A-1 Preferred Stock, and not shares of common stock issuable upon conversion of shares of Series A-1 Preferred Stock at this ratio.

(3) Each outstanding share of Series A-2 Preferred Stock is presently convertible into 22.7 shares of common stock. The shares of Series A-2 Preferred Stock beneficially owned and the respective percentages of beneficial ownership of Series A-2 Preferred Stock stated in these columns reflect ownership of shares of Series A-2 Preferred Stock, and not shares of common stock issuable upon conversion of shares of Series A-2 Preferred Stock at this ratio.

(4) Includes:

(a) 5,221,025 shares of common stock, 5,037,780 shares issuable pursuant to currently exercisable warrants and 5,713,977 shares issuable pursuant to currently convertible Series A Preferred Stock held of record by Carlyle Holdings, LLC. Mr. Mahamedi has the power to direct the voting and disposition of such shares as the president and a sole shareholder of Carlyle Development Group, Inc., which is a managing member of Carlyle Holdings, LLC;

(b) 759,428 shares of common stock, 1,756,155 shares issuable pursuant to currently exercisable warrants and 3,141,250 shares issuable pursuant to currently convertible Series A Preferred Stock held of record by Mr. Mahamedi.

(5) Includes:

(a) 2,300,688 shares of common stock and 4,800,000 shares of restricted stock awards which vest ratably over four years on August 3, 2012, 2013, 2014 and 2015 held of record by Mr. Steipp; and

(b) 510,205 shares issuable pursuant to currently exercisable warrants held of record by Mr. Steipp.

(6) Includes:

(a) 3,501,130 shares issuable pursuant to currently exercisable warrants held of record by Silver Lake Group, LLC. Mr. Salas has the power to direct the voting and disposition of such shares as the sole shareholder of Silver Lake Group, LLC;

(b) 5,257,611 shares of common stock, 2,230,206 shares issuable pursuant to currently exercisable warrants held of record by Mr. Salas; and

(c) 300,000 shares issuable pursuant to outstanding stock options that are exercisable currently or within 60 days of March 15, 2012. Does not include 1,200,000 shares that are issuable pursuant to outstanding stock options that are not exercisable currently or within 60 days of March 15, 2012.

(7) Includes 7,000 shares held of record by Mr. Gillis and 4,700 shares held of record by Mr. Gillis's child and spouse. Mr. Gillis continues to beneficially own all such shares.

(8) Includes:

(a) 565,344 shares of common stock and 255,103 shares issuable pursuant to currently exercisable warrants held of record by Mr. Chung;

(b) 170,000 shares issuable pursuant to outstanding stock options that are exercisable currently or within 60 days of March 15, 2012. Does not include 280,000 shares that are issuable pursuant to outstanding stock options that are not exercisable currently or within 60 days of March 15, 2012.

(9) Includes 12,919,887 shares of common stock and 4,376,638 shares issuable pursuant to currently exercisable held of record by Ms. Buchanan.

(10) Includes 5,221,025 shares of common stock, 5,037,780 shares issuable pursuant to currently exercisable warrants and 5,713,977 shares issuable pursuant to currently convertible Series A Preferred Stock held of record by Carlyle Holdings, LLC.

(11) Includes:

(a) 3,873,325 shares of common stock, 2,354,762 shares issuable pursuant to currently exercisable warrants and 1,320,636 shares issuable pursuant to currently convertible Series A Preferred Stock held of record by Atlantic Realty Group, Inc. Mr. Chitayat has the power to direct the voting and disposition of such shares as the president and a sole shareholder of Atlantic Realty Group, Inc.;

(b) 2,452,497 shares of common stock, 1,929,219 shares issuable pursuant to currently exercisable warrants and 2,615,036 shares issuable pursuant to currently convertible Series A Preferred Stock held of record by Mr. Chitayat;

(c) 91,792 shares held of record by a trust established by Mr. Chitayat for his minor children. Mr. Chitayat continues to beneficially own all such shares; and

(d) 750,000 shares issuable pursuant to outstanding stock options that are exercisable currently.

(12) Includes:

(a) 10,182,360 shares of common stock and 5,876,638 shares issuable pursuant to currently exercisable warrants held of record by Mr. Kang; and

(b) 969 shares held by Mr. Kang's minor children. Mr. Kang continues to beneficially own all such shares.

(13) Includes:

(a) 3,526,002 shares of common stock and 1,530,613 shares issuable pursuant to currently exercisable warrants held of record by Mr. Song; and

(b) 3,874,585 shares held of record by a revocable grantor trust established by Mr. Song for himself and his family members. Mr. Song continues to beneficially own all such shares.

(14) Includes:

(a) 6,598,704 shares of common stock and 2,026,216 shares issuable pursuant to currently exercisable held of record by Mr. Kang; and

(b) 246,400 shares held by Mr. Kang's minor children. Mr. Kang continues to beneficially own all such shares.

Equity Incentive/Equity Compensation Plans Information

Our executive officers, directors, and all of our employees are allowed to participate in our equity incentive plans. We believe that providing them with the ability to participate in such plans provides them with a further incentive towards ensuring our success and accomplishing our corporate goals.

The following table provides information regarding the securities authorized for issuance under our equity compensation plans as of December 31, 2011:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights [a]	Weighted-average exercise price of outstanding options, warrants, and rights [b]	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column [a]) [c]
Equity compensation plans approved by stockholders	4,679,807	$ 0.42	6,221,419
Equity compensation plans not approved by stockholders	--	--	--
Total	4,679,807		6,221,419

The number of securities and types of plans available for future issuances of stock options as of December 31, 2011 were as follows:

Plan Name	Options and Warrants for Common Shares			
	Authorized	Exercised	Outstanding	Available
1996 Stock Option Plan	12,903,226	1,974,365	3,226	--
2002 Equity Incentive Plan	10,000,000	102,000	4,676,581	5,221,419
2002 Non-employee Director Stock Option Plan	1,000,000	--	--	1,000,000
Total Stock Options	23,903,226	2,076,365	4,679,807	6,221,419

1996 Stock Option Plan

Our 1996 Stock Option Plan (the "1996 Plan") provides for the grant of stock options to employees, directors, and consultants of our company and its affiliates. The purpose of the 1996 Plan is to retain the services of existing employees, directors, and consultants; to secure and retain the services of new employees, directors, and consultants; and to provide incentives for such persons to exert maximum efforts for our success. The 1996 Plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and for the granting to employees and consultants of nonstatutory stock options. Our board of directors terminated the 1996 Plan on April 4, 2002. The termination will not affect any outstanding options under the 1996 Plan, and all such options will continue to remain outstanding and be governed by the 1996 Plan.

Options granted under the 1996 Plan are generally not transferable by the optionee except by will or the laws of descent and distribution, and each option is exercisable, during the lifetime of the optionee, only by the optionee. Options generally must be exercised within 90 days after the optionee's termination for cause, three months following the end of the optionee's status as an employee or consultant, other than for cause or for death or disability, or within six months after the optionee's termination by disability or twelve months following the optionee's termination by death. However, in no event may an option be exercised later than the earlier of the expiration of the term of the option or ten years from the date of the grant of the option or, where an optionee owns stock representing more than 10% of the voting power, five years from the date of the grant of the option in the case of incentive stock options.

As of December 31, 2011, options to purchase 3,226 shares of common stock were outstanding and exercisable at a weighted average price of $15.00 per share under the 1996 Plan. As of December 31, 2011, options to purchase 1,974,365 shares had been issued upon exercise of options under the 1996 Plan.

2002 Equity Incentive Plan

Our 2002 Equity Incentive Plan (the "2002 Plan"), which was adopted by our board of directors and approved by our stockholders in April 2002, provides for the grant of stock options to officers, employees, consultants, and directors of our company and its subsidiaries. The purpose of the 2002 plan is to advance the interests of our stockholders by enhancing our ability to attract, retain, and motivate persons who make or are expected to make important contributions to our company and its subsidiaries by providing such persons with equity ownership opportunities and performance-based incentives, thereby better aligning their interests with those of our stockholders. The 2002 Plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and for the granting to employees and consultants of nonstatutory stock options. In addition, the 2002 Plan permits the granting of stock appreciation rights, or SARs, with or independently of options, as well as stock bonuses and rights to purchase restricted stock. A total of ten million shares of our common stock may be granted under the 2002 Plan.

The plan is administered by our board of directors or a committee appointed by our board of directors. All members of such a committee must be a non-employee director and an outside director, as defined in the 2002 Plan. Subject to the limitations set forth in the 2002 Plan, the administrator has the authority to select the persons to whom grants are to be made, to designate the number of shares to be covered by each stock award, to determine whether an option is to be an incentive stock option or a non-statutory stock option, to establish vesting schedules, to specify the option exercise price and the type of consideration to be paid upon exercise, and, subject to some restrictions, to specify other terms of stock awards.

The administrator establishes the option exercise price, which in the case of incentive stock options, must be at least the fair market value of the common stock on the date of the grant or, with respect to optionees who own at least 10% of our outstanding common stock, 110% of fair market value. If our common stock is listed and traded on a registered national or regional securities exchange, or quoted on the National Association of Securities Dealers' Automated Quotation System, fair market value is the average closing price of a share of our common stock on such exchange or quotation system for the five trading days prior to the date of grant. If our common stock is not traded on a registered securities exchange or quoted in such a quotation system, fair market value is determined in good faith by the administrator.

Options granted under the 2002 Plan are generally not transferable by the optionee except by will or the laws of descent and distribution, and to certain related individuals with the consent of the administrator. Options generally must be exercised within three months after the optionee's termination of employment for any reason other than disability or death, or within 12 months after the optionee's termination by disability. Options granted under the 2002 Plan vest at the rate specified in the option agreement. However, in no event may an option be exercised later than the earlier of the expiration of the term of the option or 10 years from the date of the grant of the option, or when an optionee owns stock representing more than 10% of the voting power, five years from the date of the grant of the option in the case of incentive stock options.

Any incentive stock options granted to an optionee which, when combined with all other incentive stock options becoming exercisable for the first time in any calendar year that are held by that person, would have an aggregate fair market value in excess of $0.1 million, shall automatically be treated as non-statutory stock options.

The 2002 Plan may be amended, altered, suspended or terminated by our board of directors at any time, but no such amendment, alteration, suspension or termination may adversely affect the terms of any option previously granted without the consent of the affected optionee. Unless terminated sooner, the plan will terminate automatically in April 2012. There were 4,676,581 outstanding options or stock awards at a weighted average price of $0.41 under the 2002 Plan as of December 31, 2011. There were 2,157,681 options exercisable and 102,000 shares had been issued upon exercise of options under the 2002 Plan as of December 31, 2011.

2002 Non-employee Director Stock Option Plan

Our 2002 Non-employee Director Stock Option Plan (the "2002 Non-Employee Director Plan") was adopted by our board of directors and by our stockholders in April 2002. We have reserved a total of one million shares of our common stock for issuance under the 2002 Non-Employee Director Plan. The option grants under the 2002 Non-Employee Director Plan are automatic and nondiscretionary, and the exercise price of the options is equal to 100% of the fair market value of our common stock on the grant date.

Only non-employee directors are eligible for grants under the 2002 Non-Employee Director Plan. The 2002 Non-Employee Director Plan will provide for an initial grant to a new non-employee director of an option to purchase 50,000 shares of our common stock. Subsequent to the initial grants, each non-employee director will be automatically granted on the first business day of January commencing January 1, 2003, an option to purchase 10,000 shares of our common stock.

The term of the options granted under the 2002 Non-Employee Director Plan is 10 years, but the options expire 12 months after the termination of the optionee's status as a director or three months if the termination is due to the voluntary resignation of the optionee. The option grants will vest and become exercisable as to one-fifth of the shares on the date that is one year after the date of grant and an additional one-fifth of the shares subject to the option on a cumulative basis will vest and become exercisable annually thereafter.

As of December 31, 2011, there were no options outstanding under the 2002 Non-Employee Director Plan.

The 2002 Non-Employee Director Plan will terminate in April 2012, unless our board of directors terminates it sooner.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Transactions

On August 1, 2010, we entered into an agreement with John Kang, our former Chairman, to provide consulting services. We terminated this agreement as of July 31, 2011. The Company paid $210 thousand and $102 thousand for his services during the years ended December 31, 2011 and 2010, respectively.

On October 14, 2010, we signed an agreement with Innovative Materials Group, LLC ("IMG"), a California limited liability company, which is majority owned by Mr. Kang. Under the agreement, we received a deposit of $520 thousand from IMG to purchase on behalf of IMG, machinery and equipment located in China. The transaction was based on the potential negotiation and completion of a non-exclusive license agreement with IMG under which the machinery and equipment would be transferred to IMG either directly or through the transfer of ownership of our former Chinese subsidiary, Advanced Metals Materials ("AMM"), that owned the equipment. On August 5, 2011, the Company signed a Stock Purchase Agreement (the "Stock Purchase Agreement") with IMG to sell all of the stock of AMM for $720 thousand (the "Purchase Price") where IMG will apply to the payment of the Purchase Price the $520 thousand deposit previously paid to us and the $200 thousand balance of the Purchase Price was paid in the form of a Promissory Note due August 5, 2012, bearing an interest rate of 8% per annum. Interest shall accrue and be paid at maturity along with the principal balance.

In conjunction with the Stock Purchase Agreement, we also entered into a License Agreement (the "License Agreement") with IMG to license certain patents and technical information for the limited purpose of manufacturing certain licensed products with our existing first generation, die cast machines, as defined by the License Agreement (the "Licensed Products"). The license agreement grants a non-exclusive license to certain product categories listed in the License Agreement, as well as an exclusive license to specific types of consumer eyewear products. The License Agreement obligates IMG to pay to us a running royalty based on its sales of Licensed Products, and the license will expire on August 5, 2021. The Company recognized $19 thousand in royalty revenues from IMG during the year ended December 31, 2011.

On December 20, 2011, Rockwall Holdings, Inc., a company controlled by Mr. Kang, entered into a transaction as one of the primary investors in Liquidmetal Coatings, LLC ("LMC"), our former subsidiary. (See Part I, Item I of this Form 10-K "Business – Significant Transactions" for more information regarding this transaction). As of December 31, 2011, Mr. Kang beneficially owned 5.0% of our common stock.

During the year ended December 31, 2011, the Company incurred $140 thousand in legal fees to defend Mr. Kang, as the former Representative Director of our Korean subsidiary, against allegations relating to the Company's Korean subsidiary's involvement in customs reporting violations in South Korea that allegedly occurred in 2007 and 2008.

In October 2009, Thomas Steipp, our President and Chief Executive Officer, Ricardo Salas, our Executive Vice President and Director, Tony Chung, our Chief Financial Officer, and Mr. Kang acquired a total of 100,000 shares of our Series A-1 Preferred Stock and warrants to purchase 2,500,000 shares of our common stock for an aggregate cash price of $495 thousand. The Series A-1 Preferred Stock is convertible into our common stock at a conversion price of $0.10 per common share. Furthermore, the warrants can be exercised for shares of our common stock at an exercise price of $0.49 per share and will expire on July 31, 2015. In April 2011, Mr. Steipp converted his 20,000 shares of Series A-1 Preferred Stock into a total of 1,130,688 shares of our common stock, including dividends received in the form of common stock. In July 2011, Mr. Salas and Mr. Kang converted 50,000 and 19,000 respective shares of Series A-1 Preferred Stock into a total of 2,826,720 and 1,074,154 shares of our common stock, including dividends received in the form of common stock. As of December 31 2011, Messrs. Steipp and Salas are greater-than-5% beneficial owners of our Company. Additionally, Mr. Salas remains as a member LMC's board of director as of December 31, 2011.

As of December 31, 2011, James Kang, the brother of John Kang and Soo Buchanan, the sister of John Kang and wife of the Company's Vice President of Investor Relations, are greater-than-5% beneficial owners of the Company.

We have an exclusive license agreement with LLPG, Inc. ("LLPG"), a corporation owned principally by Jack Chitayat, former director of the Company who ceased to be director in 2005. Under the terms of the agreement, LLPG has the right to commercialize Liquidmetal alloys, particularly precious-metal based compositions, in jewelry and high-end luxury product markets. The Company, in turn, will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by LLPG. The exclusive license agreement with LLPG expires on December 31, 2021. There were no revenues recognized from product sales and licensing fees from LLPG during the years ended December 31, 2011 and 2010. There are no outstanding trade receivables due from LLPG as of December 31, 2011 and 2010. As of December 31, 2011, Mr. Chitayat is a greater-than-5% beneficial owner of the Company.

On July 1, 2009, we entered into an agreement with Mr. Chitayat to provide consulting services to the Company for a period of one year (the "Consulting Agreement"). The Company granted to Mr. Chitayat options to purchase 750,000 shares of common stock for services performed under the Consulting Agreement. The stock option, which vested ratably on a monthly basis during the term of the Consulting Agreement, has an exercise price of $0.50 per share and will expire on July 15, 2015.

On August 6, 2010, the Company paid $360 thousand to LLPG as a fee related to a modification of its existing exclusive license agreement in connection with the Apple licensing agreement.

Director Independence

Our board has determined that Mr. Hansen and Mr. Gillis are "independent directors" as such term is defined by the rules of the NASDAQ Stock Market, Inc. and Rule 10A-3(b)(i) under the Securities Exchange Act of 1933.

Item 14. Principal Accountant Fees and Services

The following table summarizes the aggregate fees billed to the Company by Choi, Kim & Park, LLP, our former principal accountant for professional services during the years ended December 31, 2011 and December 31, 2010:

Fees	2011	2010
Audit Fees (1)	$ 162,592	$ 207,260

(1) *Audit Fees.*

Fees for audit services billed in 2011 consisted of:

- Audit of the Company's financial statements for 2010; and
- Review of the Company's quarterly financial statements for 2011

Fees for audit services billed in 2010 consisted of:

- Audit of the Company's financial statements for 2009; and
- Review of the Company's quarterly financial statements for 2010

No fees were paid to our current principal accountants during the years ended December 31, 2011 and 2010.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this report:

1. *Financial Statements*. See the Index to Consolidated Financial Statements on page 50.

2. *Financial Statement Schedules*. See the last page of the Consolidated Financial Statements.

3. *Exhibits*. See Item 15(b) below.

(b) *Exhibits*. The exhibits listed on the Exhibit Index, which appears at the end of this Item 15, are filed as part of, or are incorporated by reference into, this report.

(c) *Financial Statement Schedules*. See Item 15(a)(2) above.

EXHIBIT INDEX

Exhibit Number	Document Description
3.1	Certificate of Incorporation *(incorporated by reference to Exhibit 3.1 to the Form 10-Q filed on August 14, 2003).*
3.2	Bylaws *(incorporated by reference to Exhibit 3.2 to the Form 10-Q filed on August 14, 2003).*
3.3	Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Liquidmetal Technologies, Inc. *(incorporated by reference to Exhibit 3.1 to the Form 8-K filed on May 6, 2009).*
3.4	Certificate of Amendment to the Certificate of Incorporation *(incorporated by reference to Exhibit 3.1 to the Form 8-K filed on August 6, 2009).*
3.5	Amended and Restated Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Liquidmetal Technologies, Inc. *(incorporated by reference to Exhibit 3.1to the Form 10-Q filed on November 4, 2010).*
3.6	Amendment to ByLaws of Liquidmetal Technologies, Inc. (*incorporated by reference to Exhibit 3.1 to the Form 8-K filed on September 21, 2011).*
4.1	Reference is made to Exhibits 3.1 and 3.2.
4.2	Form of Common Stock Certificate *(incorporated by reference to Exhibit 4.2 to the Form 10-Q filed on August 14, 2003).*
10.1	Amended and Restated License Agreement, dated September 1, 2001, between Liquidmetal Technologies, Inc. and California Institute of Technology *(incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1 filed on November 20, 2001 (Registration No. 333-73716)).*
10.2*	1996 Stock Option Plan, as amended, together with form of Stock Option Agreement *(incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-1 filed on November 20, 2001 (Registration No. 333-73716)).*
10.3*	2002 Equity Incentive Plan *(incorporated by reference to Exhibit 10.23 to the Registration Statement on Form S-1 (Amendment No. 2) filed on April 5, 2002 (Registration No. 333-73716)).*
10.4*	2002 Non-Employee Director Stock Option Plan *(incorporated by reference to Exhibit 10.24 to the Registration Statement on Form S-1 (Amendment No. 2) filed on April 5, 2002 (Registration No. 333-73716)).*
10.5*	Employment Agreement, dated December 31, 2000, between Liquidmetal Technologies, Inc. and John Kang, as amended by Amendment No. 1 to Employment Agreement, dated June 28, 2001 *(incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1 filed on November 20, 2001 (Registration No. 333-73716)).*
10.6	Non-Qualified Stock Option Agreement, dated January 1, 2001, between Liquidmetal Technologies, Inc. and Paul Azinger *(incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1 filed on November 20, 2001 (Registration No. 333-73716)).*
10.7	Foreign Corporation Lease Zone Occupancy (Lease) Agreement, dated March 5, 2002, between Kyonggi Local Corporation and Liquidmetal Korea Co., Ltd. *(incorporated by reference to Exhibit 10.22 to the Registration Statement on Form S-1 (Amendment No. 2) filed by Liquidmetal Technologies on April 5, 2002 (Registration No. 333-73716)).*
10.8	Credit Service Agreement, dated February 2003, between Liquidmetal Korea Co., Ltd. and Kookmin Bank *(incorporated by reference to Exhibit 10.20 to the Form 10-K filed on March 31, 2003).*
10.9	Form of Common Stock Purchase Warrant, dated August 2, 2005 (*incorporated by reference from Exhibit 10.3 of the Registrant's 10-Q/A filed on August 30, 2005)*
10.10	Form of Common Stock Purchase Warrant, dated June 13, 2005 (*incorporated by reference from Exhibit 99.3 of the Registrant's 8-K filed on June 16, 2005)*
10.11	Agreement, dated November 3, 2004, between Liquidmetal Technologies, Inc. and John Kang relating to liability under Section 16(b) *(incorporated by reference from Exhibit 10.58 to the Form 10-K filed on March 16, 2006).*
10.12	Form of Indemnity Agreement between Liquidmetal Technologies, Inc. and directors and executive officers *(incorporated by reference from Exhibit 10.59 to the Form 10-K filed on March 16, 2006).*
10.13	Factoring, Loan, and Security Agreement, dated April 21, 2005, between Liquidmetal Technologies, Inc. and Hana Financial, Inc. and Amendment No. 1 to Factoring, Loan, and Security Agreement, dated January 27, 2006, between Liquidmetal Technologies, Inc. and Hana Financial, Inc. *(incorporated by reference to Exhibit 10.60 to the Registration Statement on Form S-1 (Amendment No. 1) filed on April 20, 2006 (Registration No. 333-130251)).*
10.14	Warrant for Purchase of Shares of Common Stock, dated March 17, 2006, granted by Liquidmetal Technologies, Inc. to Atlantic Realty Group, Inc. *(incorporated by reference to Exhibit 10.62 to the Registration Statement on Form S-1 (Amendment No. 1) filed on April 20, 2006 (Registration No. 333-130251)).*

Exhibit Number	Document Description
	(Amendement No. 1) filed on April 20, 2006 (Registration No. 333-130251*)).*
10.15	Consulting Agreement, dated April 12, 2006, between Liquidmetal Technologies, Inc. and William Johnson *(incorporated by reference to Exhibit 10.65 to the Registration Statement on Form S-1 (Amendment No. 1) filed on April 20, 2006 (Registration No. 333-130251)).*
10.16	Securities Purchase Agreement, dated May 17, 2006, among Liquidmetal Technologies, Inc. and the parties identified as "Purchasers" therein *(incorporated by reference to Exhibit 10.66 to the Registration Statement on Form S-1 (Amendment No. 2) filed on July 20, 2006 (Registration No. 333-130251)).*
10.17	Form of 8% Unsecured Subordinated Note due August 2007 *(incorporated by reference to Exhibit 10.67 to the Registration Statement on Form S-1 (Amendment No. 2) filed on July 20, 2006 (Registration No. 333-130251)).*
10.18	Form of Common Stock Purchase Warrant, dated May 17, 2006 *(incorporated by reference to Exhibit 10.68 to the Registration Statement on Form S-1 (Amendment No. 2) filed on July 20, 2006 (Registration No. 333-130251)).*
10.19	Registration Rights Agreement, dated May 17, 2006, among Liquidmetal Technologies, Inc. and the parties identified as "Purchasers" therein *(incorporated by reference to Exhibit 10.69 to the Registration Statement on Form S-1 (Amendment No. 2) filed on July 20, 2006 (Registration No. 333-130251)).*
10.20	Securities Purchase Agreement, dated January 3, 2007 (the "Securities Purchase Agreement"), among Liquidmetal Technologies, Inc. (the "Company") and the investors listed on the Schedule of Buyers attached thereto (the "Buyers") *(incorporated by reference from Exhibit 10.1 to the Form 8-K filed on January 4, 2007).*
10.21	Form of Convertible Subordinated Note issued pursuant to Securities Purchase Agreement *(incorporated by reference from Exhibit 10.2 to the Form 8-K filed on January 4, 2007).*
10.22	Form of Common Stock Purchase Warrant issued pursuant to Securities Purchase Agreement *(incorporated by reference from Exhibit 10.3 to the Form 8-K filed on January 4, 2007).*
10.23	Registration Rights Agreement, dated January 3, 2007, among the Company and the Buyers *(incorporated by reference from Exhibit 10.4 to the Form 8-K filed on January 4, 2007).*
10.24	Amendment No. 2 to Factoring, Loan & Security Agreement, dated January 23, 2007, between Liquidmetal Technologies Inc. and Hana Financial, Inc. *(incorporated by reference from Exhibit 10.76 to the Form 10-K filed on March 16, 2007).*
10.25	Amendment No. 1 to the Securities Purchase Agreement and Convertible Subordinated Notes, dated April 23, 2007, by and between Liquidmetal Technologies, Inc. and the investors listed on the Schedule of Buyers attached thereto *(incorporated by reference from Exhibit 10.1 to the Form 8-K filed on April 27, 2007).*
10.26	Standard Industrial / Commercial Single-Tenant Lease, dated February 13, 2007, between Liquidmetal Technologies, Inc. and 30452 Esperanza LLC *(incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on May 15, 2007).*
10.27	Lease, dated March 19, 2007, between Liquidmetal Technologies, Inc. and Larry Ruffino and Roland Ruffino *(incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on May 15, 2007).*
10.28	Principles of Agreement and Security Agreement, dated June 1, 2007, between Liquidmetal Technologies, Inc. and Foster Wheeler Energy Services, Inc. *(incorporated by reference from Exhibit 10.64 to the Registration Statement on Form S-1 (Amendment No. 1) filed on July 2, 2007 (Registration No.* 333-142442*)).*
10.29	Equipment Purchase Agreement and Licensing Agreement, dated June 1, 2007, between Liquidmetal Technologies, Inc. and Gracemetal, as amended *(incorporated by reference from Exhibit 10.65 to the Registration Statement on Form S-1 (Amendment No. 1) filed on July 2, 2007 (Registration No.* 333-142442*)).*
10.30	Asset Purchase and Contribution Agreement, dated July 24, 2007 between Company and Liquidmetal Coatings, LLC. (includes Liquidmetal Coatings, LLC Operating Agreement) *(incorporated by reference from Exhibit 2.1 to the Form 8-K filed on July 27, 2007).*
10.31	Loan Agreement, dated July 24, 2007 by and among Liquidmetal Coatings, LLC, Liquidmetal Coatings Solutions, LLC and Bank Midwest, N.A. *(incorporated by reference from Exhibit 2.2 to the Form 8-K filed on July 27, 2007).*
10.32	Securities Purchase Agreement, dated July 24, 2007, by and among Liquidmetal Coatings, LLC, C3 Capital Partners, L.P., C3 Capital Partners II, L.P. and Liquidmetal Coatings Solutions, LLC. *(incorporated by reference from Exhibit 2.3 to the Form 8-K filed on July 27, 2007).*
10.33	First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC, dated February 22, 2008 *(incorporated by reference from Exhibit 2.1 to the Form 8-K filed on February 28, 2008).*

Exhibit Number	Document Description
10.34	Form of Convertible Subordinated Note, dated October 1, 2007 *(incorporated by reference from Exhibit 10.34 to the Form 10-K filed on April 3, 2008).*
10.35	Form of Convertible Subordinated Note, dated December 28, 2007*(incorporated by reference from Exhibit 10.35 to the Form 10-K filed on April 3, 2008).*
10.36	Form of Common Stock Purchase Warrant, dated December 28, 2007*(incorporated by reference from Exhibit 10.36 to the Form 10-K filed on April 3, 2008).*
10.37	Form of Letter dated, October 31, 2007, to extend 8% Unsecured Subordinated Note due date *(incorporated by reference from Exhibit 10.37 to the Form 10-K filed on April 3, 2008).*
10.38	First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC, dated February 22, 2008 *(incorporated by reference from Exhibit 2.1 to the Form 8-K filed on February 22, 2008).*
10.39	Form of Convertible Subordinated Note, dated April 1, 2008 *(incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on August 19, 2008).*
10.40	Form of Convertible Subordinated Note, dated July 1, 2008 *(incorporated by reference from Exhibit 10.2 to the Form 10-Q filed on August 19, 2008).*
10.41	Form of letter dated, July 31, 2008, to extend to change the first redemption date and amount of the Convertible Subordinated Notes due January 2010 *(incorporated by reference from Exhibit 10.3 to the Form 10-Q filed on August 19, 2008).*
10.42	Promissory Note, dated October 21, 2008, between Liquidmetal Coatings, LLC and Bank Midwest N.A. *(incorporated by reference from Exhibit 10.42 to the Form 10-K filed on April 15, 2009).*
10.43	Form of Convertible Subordinated Note, dated October 1, 2008 *(incorporated by reference from Exhibit 10.43 to the Form 10-K filed on April 15, 2009).*
10.44	Form of Convertible Subordinated Note, dated January 1, 2009 *(incorporated by reference from Exhibit 10.44 to the Form 10-K filed on April 15, 2009).*
10.45	Continuing Guarantee Agreement, dated January 5, 2009, between John Kang and Hana Financial, Inc. *(incorporated by reference from Exhibit 10.45 to the Form 10-K filed on April 15, 2009).*
10.46	Securities Purchase Agreement, dated May 1, 2009 (“the Securities Purchase Agreement”) among Liquidmetal Technologies, Inc. (the “Company) and the investors listed on the Schedule of Buyers attached hereto (the “Buyers”) *(incorporated by reference from Exhibit 10.1 to the Form 8-K filed on May 7, 2009).*
10.47	Form of 8% Senior Secured Convertible Subordinated Note issued pursuant to Securities Purchase Agreement *(incorporated by reference from Exhibit 10.2 to the Form 8-K filed on May 7, 2009).*
10.48	Form of Common Stock Purchase Warrant issued in connection with the 8% Senior Secured Convertible Subordinated Notes *(incorporated by reference from Exhibit 10.3 to the Form 8-K filed on May 7, 2009).*
10.49	Form of Common Stock Purchase Warrant issued in connection with the Series A Preferred Stock *(incorporated by reference from Exhibit 10.4 to the Form 8-K filed on May 7, 2009).*
10.50	Registration Rights Agreement, dated May 1, 2009, among the Company and the Buyers *(incorporated by reference from Exhibit 10.5 to the Form 8-K filed on May 7, 2009).*
10.51	Security Agreement, dated May 1, 2009, among the Company and the Buyers *(incorporated by reference from Exhibit 10.6 to the Form 8-K filed on May 7, 2009).*
10.52	Form of 8% Senior Secured Convertible Note, dated November 1, 2009 *(incorporated by reference from Exhibit 10.52 to the Form 10-K filed on August 20, 2010)..*
10.53	Form of 8% Senior Secured Convertible Note, dated May 1, 2010 *(incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on August 20, 2010).*
10.54*	Employment Agreement, dated August 3, 2010, between Thomas Steipp and Liquidmetal Technologies, Inc. *(incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on November 4, 2010).*
10.55*	Restricted Stock Agreement, dated August 3, 2010, between Thomas Steipp and Liquidmetal Technologies, Inc. *(incorporated by reference from Exhibit 10.2 to the Form 10-Q filed on November 4, 2010).*

Exhibit Number	Document Description
10.56**	Master Transaction Agreement, dated August 5, 2010, between Apple Inc., Liquidmetal Technologies, Inc., Liquidmetal Coatings, LLC and Crucible Intellectual Property, LLC. *(incorporated by reference from Exhibit 10.3 to the Form 10-Q filed on November 4, 2010).*
10.57	Subscription Agreement, dated August 10, 2010, between Liquidmetal Technologies, Inc. and Norden LLC. *(incorporated by reference from Exhibit 10.4 to the Form 10-Q filed on November 4, 2010).*
10.58	Consent Agreement between Liquidmetal Technologies, Inc. and holders of the Series A-1 Preferred Stock and holders of the Series A-2 Preferred Stock *(incorporated by reference from Exhibt10.5 to the Form 10-Q filed on November 4, 2010).*
10.59	Amendment No. 3 to First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC, dated December 15, 2010 (*incorporated by reference from Exhibit 10.59 to the Form 10-K filed on March 15, 2010).*
10.60	Settlement and Equity Interest Purchase Agreement, dated April 6, 2011, between Liquidmetal Technologies, Inc. and SAGA S.p.A. (*incorporated by reference from Exhibit 10.1 on the Form 10-Q filed on May 16, 2011).*
10.61	Second Amendment to Credit Agreement, dated June 22, 2011, between Liquidmetal Coatings, LLC, Liquidmetal Coatings Solutions, LLC and Enterprise Bank & Trust (*incorporated by reference from Exhibit 10.1 on the Form 10-Q filed on August 10, 2011).*
10.62	Amendment No.1 to Restricted Stock Award Agreement, dated July 27, 2011, between Liquidmetal Technologies, Inc. and Thomas Steipp (*incorporated by reference from Exhibit 10.2 on the Form 10-Q filed on August 10, 2011).*
10.63	Stock Purchase Agreement, dated August 5, 2011, between Liquidmetal Technologies, Inc. and Innovative Materials Groups, LLC. (*incorporated by reference from Exhibit 10.3 on the Form 10-Q filed on August 10, 2011).*
10.64**	License Agreement, dated August 5, 2011, between Liquidmetal Technologies, Inc. and Innovative Materials Groups, LLC. (*incorporated by reference from Exhibit 10.4*on the Form 10-Q filed on August 10,2 011).*
10.65	Second Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC, dated November 30, 2011.
10.66	Second Amended and Restated License and Technical Support Agreement between Liquidmetal Technologies, Inc and Liquidmetal Coatings, LLC, dated November 30, 2011.
14	Code of Ethics for Chief Executive Officer and Senior Financial and Accounting Officers (*incorporated by reference to Exhibit 14 to the Form 10-K filed on November 10, 2004*).
21	Subsidiaries of the Registrant. *(incorporated by reference from Exhibit 21 to the Form 10-K filed on November 10, 2004).*
21.1	Updated List of Subsidiaries of the Registrant.
23.1	Consent of Registered Independent Public Accounting Firm, SingerLewak LLP.
23.2	Consent of Registered Independent Public Accounting Firm, Choi, Kim & Park, LLP.
24.1	Power of Attorney relating to subsequent amendments (included on the signature page(s) of this report)
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. 1350.
101	The following financial statements from the Company's Form 10-K for the year ended December 31, 2011, formatted in XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Shareholder's Deficiency and (iv) Notes to Condensed Consolidated Financial Statements.

* Denotes a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

** Portions of this exhibit have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Liquidmetal Technologies, Inc.

By: /s/ Thomas Steipp

Thomas Steipp
President and Chief Executive Officer
(Principal Executive officer)

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas Steipp and Tony Chung and each of them, jointly and severally, his attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Thomas Steipp Thomas Steipp	Chief Executive Officer	March 30, 2012
/s/ Tony Chung Tony Chung	Chief Financial Officer	March 30, 2012
/s/ Abdi Mahamedi Abdi Mahamedi	Chairman of the Board and Director	March 30, 2012
/s/ Ricardo Salas Ricardo Salas	Executive Vice President and Director	March 30, 2012
/s/ Mark Hansen Mark Hansen	Director	March 30, 2012
/s/ Scott Gillis Scott Gillis	Director	March 30, 2012

Certifications provided as Exhibits.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheet of Liquidmetal Technologies, Inc. and subsidiaries (collectively, the "Company") as of December 31, 2011, and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with US generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the 2010 consolidated financial statements have been restated to correct a misstatement. We audited the adjustments necessary to restate the warrant and earnings per share information provided in Note 2. In our opinion, such adjustments are appropriate and have been properly applied.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 5 to the consolidated financial statements, the Company has suffered recurring losses from operations and has an accumulated deficit. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ SingerLewak LLP

Los Angeles, California
March 30, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Liquidmetal Technologies, Inc.

We have audited, before the effects of the adjustments for the correction of the error described in Note 2, the accompanying consolidated balance sheet of Liquidmetal Technologies, Inc. and subsidiaries (the "Company") as of December 31, 2010, and the related consolidated statements of operations and comprehensive loss, shareholders' deficit, and cash flows for each of the two years in the period ended December 31, 2010. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not engaged to audit the adjustments for the correction of the error described in Note 2, and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied.

In our opinion, except for the error described in Note 2, such consolidated financial statements present fairly, in all material respects, the financial position of Liquidmetal Technologies, Inc. and subsidiaries as of December 31, 2010, and the results of their operations and cash flows for each of the two years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 5 to the consolidated financial statements, the Company's significant operating losses and working capital deficit raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 5. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainly.

/s/ Choi, Kim & Park, LLP

Los Angeles, California
Certified Public Accountants

March 29, 2012

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2011	December 31, 2010 (Restated) (Note 2)
ASSETS		
Current assets:		
Cash	$ 122	$ 5,072
Trade accounts receivable, net of allowance for doubtful accounts of $0 and $0	241	49
Related party notes receivable (Note 4)	200	-
Inventories	-	7
Prepaid expenses and other current assets	248	787
Net assets of discontinued operations (Note 14)	-	738
Total current assets	$ 811	$ 6,653
Property, plant and equipment, net	162	37
Patents and trademarks, net	968	1,105
Other assets	52	190
Total assets	$ 1,993	$ 7,985
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	803	641
Accrued liabilities	457	4,109
Accrued dividends	571	1,063
Deferred revenue	67	8
Short-term debt	1,712	-
Warrant liabilities	-	1,328
Net liabilities of discontinued operations (Note 14)	-	8,302
Total current liabilities	$ 3,610	$ 15,451
Other long-term liabilities (Note 9)	609	681
Total liabilities	$ 4,219	$ 16,132
Shareholders' deficit:		
Liquidmetal Technologies, Inc. shareholders' deficit		
Convertible, redeemable Series A Preferred Stock, $0.001 par value; 10,000,000 shares authorized; 1,299,151 and 2,171,760 shares issued and outstanding at December 31, 2011 and 2010, respectively	1	2
Common stock, $0.001 par value; 300,000,000 shares authorized; 134,467,554 and 93,695,375 shares issued and outstanding at December 31, 2011 and 2010, respectively	130	88
Warrants (Note 2)	24,438	24,438
Additional paid-in capital	149,064	145,247
Accumulated deficit	(175,859)	(181,923)
Accumulated other comprehensive income	-	1,494
Total Liquidmetal Technologies, Inc. shareholders' deficit	$ (2,226)	$ (10,654)
Noncontrolling interest	-	2,507
Total shareholders' deficit	$ (2,226)	$ (8,147)
Total liabilities and shareholders' deficit	$ 1,993	$ 7,985

The accompanying notes are an integral part of the consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except share and per share data)

	Years Ended December 31,	
	2011	2010 (Restated) (Note 2)
Revenue		
Products	$ 572	$ 567
Licensing and royalties	400	20,000
Total revenue	972	20,567
Cost of sales	373	262
Gross profit	599	20,305
Operating expenses		
Selling, marketing, general and administrative	4,243	4,498
Research and development	1,120	1,132
Settlement expense	1,713	2,800
Total operating expenses	7,076	8,430
Operating income (loss) from continuing operations	(6,477)	11,875
Change in value of warrants, gain (loss)	1,328	(23,341)
Change in value of conversion feature, gain	-	444
Other income	26	70
Interest expense	(90)	(4,018)
Interest income	22	6
Loss from continuing operations before income taxes	(5,191)	(14,964)
Income taxes	-	-
Loss from continuing operations	(5,191)	(14,964)
Discontinued operations:		
Gain on disposal of subsidiaries, net of taxes (Note 14)	12,109	-
Loss from operations of discontinued operations, net of taxes (Note 14)	(763)	(2,679)
Net income (loss)	6,155	(17,643)
Other comprehensive income:		
Foreign exchange translation gain during the period	-	53
Comprehensive income (loss)	$ 6,155	$ (17,590)
Per common share basic and diluted:		
Net income (loss) attributable to Liquidmetal Technologies per share - basic		
Loss from continuing operations	$ (0.04)	$ (0.23)
Income (loss) from discontinued operations	0.09	(0.04)
Basic income (loss) per share	$ 0.05	$ (0.27)
Net income (loss) attributable to Liquidmetal Technologies per share - diluted		
Loss from continuing operations	$ (0.04)	$ (0.23)
Income (loss) from discontinued operations	0.07	(0.04)
Diluted income (loss) per share	$ 0.03	$ (0.27)
Number of weighted average shares - basic	118,523,228	64,965,375
Number of weighted average shares - diluted	163,292,496	64,965,375

The accompanying notes are an integral part of the consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(in thousands, except share and per share data)

	Preferred Shares	Common Shares	Preferred Stock	Common Stock	Warrants	Additional Paid-in Capital	Accumulat-ed Deficit	Accumulated Other Compre-hensive Income (Loss)	Non-controlling Interest	Total
Balance, December 31, 2009	**3,183,663**	**47,583,102**	**$ 4**	**$ 48**	**$ -**	**$ 139,872**	**$ (162,777)**	**$ 1,441**	**$ 3,045**	**$ (18,367)**
Convertible preferred stock issued	-	-	(1)	-	-	-	-	-	-	(1)
Conversion of preferred stock	(1,011,903)	26,089,218	(1)	26	-	(25)	-	-		-
Conversion of warrants	-	4,849,775	-	5	-	2,547	-	-		2,552
Conversion of notes payable	-	333,332	-	0	-	200	-	-		200
Restricted shares issued	-	13,870,307	-	8	-	2,038	-	-		2,046
Warrants (Note 2)	-	-	-	-	24,438	-	-	-	-	24,438
Common Stock issued in lieu of cash	-	969,641	-	1	-	176	-	-		177
Dividends	-	-	-	-	-	297	(653)	-		(356)
Stock-based compensation	-	-	-	-	-	142	-	-		142
Cash contribution from non-controlling interest	-	-	-	-	-	-	-	-	381	381
Preferred units capital accounts of subsidiary	-	-	-	-	-		(850)	-	(343)	(1,193)
Foreign exchange translation gain		-	-	-	-	-	-	53		53
Net loss	-	-	-	-	-	-	(17,643)	-	(576)	(18,219)
										-
Balance, December 31, 2010 (Restated) (Note 2)	**2,171,760**	**93,695,375**	**$ 2**	**$ 88**	**$ 24,438**	**$ 145,247**	**$ (181,923)**	**$ 1,494**	**$ 2,507**	**$ (8,147)**
Conversion of preferred stock (Note 12)	(872,609)	36,173,750	(1)	36		(35)				-
Common stock issuance (Note 12)		4,496,429		4		2,796				2,800
Stock options exercised		102,000				13				13
Stock-based compensation						111				111
Restricted stock issued to officer				2		440				442
Dividend distribution (Note 12)						492				492
Foreign exchange translation gain								(1,494)		(1,494)
Discontinued operations							(91)		(2,507)	(2,598)
Net income							6,155			6,155
										-
Balance, December 31, 2011	**1,299,151**	**134,467,554**	**$ 1**	**$ 130**	**$ 24,438**	**$ 149,064**	**$ (175,859)**	**$ -**	**$ -**	**$ (2,226)**

The accompanying notes are an integral part of the consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share and per share data)

	Years Ended December 31,	
	2011	2010 (Restated) (Note 2)
Operating activities:		
Net income (loss)	$ 6,155	$ (17,643)
Add: Gain on disposal of subsidiary, net	(12,109)	-
Loss from operations of discontinued operations	763	2,679
Net loss attributable to continuing operations	$ (5,191)	$ (14,964)
Adjustments to reconcile income (loss) from continuing operations to net cash used for operating activities:		
Loss on disposal of asset	9	-
Loss attributable to noncontrolling interest of discontinued subsidiary	(587)	-
Depreciation and amortization	182	171
Amortization of debt discount	-	3,050
Stock-based compensation	553	142
Bad debt expense	-	40
(Gain) loss from change in value of warrants	(1,328)	23,341
Gain from change in value of conversion feature	-	(444)
Changes in operating assets and liabilities:		
Trade accounts receivable	(192)	79
Note receivable	(200)	-
Inventories	7	-
Prepaid expenses and other current assets	539	(549)
Other assets	138	407
Accounts payable and accrued expenses	1,022	750
Deferred revenue	58	(23)
Other liabilities	(73)	187
Net cash (used in) provided by continuing operations	(5,063)	12,187
Changes in net assets and liabilities of discontinued operations (Note 14)	12,134	104
Net cash provided by operating activties	7,071	12,291
Investing Activities:		
Purchases of property and equipment	(178)	(9)
Investment in patents and trademarks	-	(29)
Net cash used in investing activities	(178)	(38)
Financing Activities:		
Proceeds from borrowings	-	2,708
Repayment of borrowings	-	(9,188)
Stock option exercised	13	-
Warrants exercised	-	1,002
Net cash provided by (used in) financing activities of continuing operations	13	(5,478)
Net cash used in financing activities of discontinued operations (Note 14)	(10,363)	(1,820)
Net cash used in financing activties	(10,350)	(7,298)
Effect of foreign exchange translation	(1,493)	53
Net (decrease) increase in cash and cash equivalents	(4,950)	5,008
Cash and cash equivalents at beginning of period	5,072	64
Cash and cash equivalents at end of period	$ 122	$ 5,072

The accompanying notes are an integral part of the consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010
(in thousands, except share and per share data)

1. Description of Business

Liquidmetal Technologies, Inc. ("the Company") is a materials technology company that develops and commercialize products made from amorphous alloys. The Company's family of alloys consists of a variety of bulk alloys and composites that utilizes the advantages offered by amorphous alloys technology. The Company designs, develops and sells products and components from bulk amorphous alloys to customers in various industries. The Company also partners with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products. The Company believes that its proprietary bulk alloys are the only commercially viable bulk amorphous alloys currently available in the marketplace.

Amorphous alloys are in general unique materials that are distinguished by their ability to retain a random atomic structure when they solidify, in contrast to the crystalline atomic structure that forms in other metals and alloys when they solidify. Liquidmetal alloys are proprietary amorphous alloys that possess a combination of performance, processing, and potential cost advantages that the Company believes will make them preferable to other materials in a variety of applications. The amorphous atomic structure of bulk alloys enables them to overcome certain performance limitations caused by inherent weaknesses in crystalline atomic structures, thus facilitating performance and processing characteristics superior in many ways to those of their crystalline counterparts. For example, in laboratory testing, zirconium-titanium Liquidmetal alloys are approximately 250% stronger than commonly used titanium alloys such as Ti-6Al-4V, but they also have some of the beneficial processing characteristics more commonly associated with plastics. The Company believes these advantages could result in Liquidmetal alloys supplanting high-performance alloys, such as titanium and stainless steel, and other incumbent materials in a wide variety of applications. Moreover, the Company believes these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

The Company's revenues are derived from i) licensing and selling bulk Liquidmetal alloy products, which include non-consumer electronic devices, medical products, and sports and leisure goods, ii) licensing and selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development; iii) product licensing and royalty revenue, and iv) research and development revenue. The Company expects that these sources of revenue will continue to significantly change the character of the Company's revenue mix.

2. Restatement of Consolidated Financial Statements

Warrant. On November 2, 2010, the Company filed an Amended and Restated Certificate of Designations, Preferences, and Rights (the "Amended Designation") for its Series A-1 and Series A-2 Preferred Stock. The Amended Designation was approved by the number of requisite votes from the holders of the Company's Series A Preferred Stock and was filed with the Delaware Secretary of State in accordance with a consent agreement entered into between the Company and the holders of 2/3 of the Series A Preferred Stock (the "Consent Agreement"). The Consent Agreement provided that, in exchange for voting in favor of the Amended Designation, the expiration date of the warrants held by the holders who signed the Consent Agreement would be extended to July 2015 and the price-based anti-dilution rights on such warrants would be removed.

The number of warrants held by the holders who signed the Consent Agreement totaled 40,032,833 shares (the "Consent Warrants") out of the Company's total number of warrants of 47,232,459 shares as of the date of the Amended Designation. The Consent Warrants were initially recorded as liabilities on the Company's consolidated financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 815-10, *Derivatives and Hedging*, and FASB ASC 815-40, *Contracts in Entity's Own Equity*, due to their price-based anti-dilution rights ("FASB ASC 815"). The Company recently determined that once the anti-dilution rights were removed, the Consent Warrants no longer met the criteria under FASB ASC 815. After further evaluation under FASB ASC 815, the Company concluded that the Consent Warrants should no longer be recorded as liabilities and instead should be recorded as equity.

Earnings per share attributable to common shareholders. During the year ended December 31, 2010, the Company had recorded $653 as a dividend accrual for the Series A Preferred Stock and should have calculated net loss attributable to common shareholders net of the dividends accrued in accordance with FASB ASC 260, *Earnings Per Share* (see Note 16). The impact of the dividend accrual resulted in additional $0.01 of basic loss per share for the year ended December 31, 2010.

LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010
(in thousands, except share and per share data)

The following table presents the impact of the financial adjustments on the Company's previously reported consolidated balance sheet for the year ended December 31, 2010:

	December 31, 2010 (as previously reported and reclassified)	2010 (as restated)
Current liabilities:		
Warrant liabilities	$ 12,819	$ 1,328
Total current liabilities	26,942	15,451
Total liabilities	27,623	16,132
Shareholders' deficit:		
Warrants (Note 3)	-	24,438
Accumulated deficit	(168,976)	(181,923)
Total Liquidmetal Technologies, Inc shareholders deficit	(22,146)	(10,654)

The following table presents the impact of the financial adjustments on the Company's previously reported consolidated statement of operations for the year ended December 31, 2010:

	December 31, 2010 (as previously reported and reclassified)	2010 (as restated)
Change in value of warrants, loss	(10,394)	(23,341)
Loss from continuing operations before income taxes	(2,017)	(14,963)
Loss from continuing operations	(2,017)	(14,964)
Net loss	(4,696)	(17,643)
Preferred stockholders dividends	-	(653)
Net (loss) available (attributable) to common stockholders	(4,696)	(18,296)
Basic income (loss) per share	(0.07)	(0.28)

LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010
(in thousands, except share and per share data)

The following table presents the impact of the financial adjustments on the Company's previously reported condensed consolidated statements of operations for the quarters ended March 31, 2011 (unaudited), June 30, 2011 (unaudited) and September 30, 2011 (unaudited):

	For the three months ended September 30, 2011 (unaudited)		For the three months ended June 30, 2011 (unaudited)		For the three months ended March 31, 2011 (unaudited)	
	(as previously reported and reclassified)	(as restated)	(as previously reported and reclassified)	(as restated)	(as previously reported and reclassified)	(as restated)
Change in value of warrants, gain (loss)	9,970	743	4,733	596	(7,816)	(11)
Income (loss) from continuing operations before income taxes	7,769	(1,458)	3,060	(1,077)	(8,770)	(965)
Income (loss) from continuing operations	7,769	(1,458)	3,060	(1,077)	(8,770)	(965)
Income (loss) from continuing operations before non-controlling interest	7,342	(1,885)	2,948	(1,189)	(9,199)	(1,394)
Net income (loss) attributable to Liquidmetal Technologies	7,317	(1,910)	2,929	(1,208)	(9,144)	(1,339)
Basic income (loss) per share	$ 0.06	$ (0.01)	$ 0.03	$ (0.01)	$ (0.09)	$ (0.01)
Diluted income (loss) per share	$ 0.04	$ (0.01)	$ 0.02	$ (0.01)	$ (0.09)	$ (0.01)

LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010
(in thousands, except share and per share data)

3. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Liquidmetal Technologies, Inc. and its special-purpose wholly-owned subsidiaries, Crucible Intellectual Property and Liquidmetal Golf. All intercompany balances and transactions have been eliminated.

Non-controlling interest. The result of operations attributable to the non-controlling interest of discontinued operations, Liquidmetal Technologies Coatings ("LMC"), are presented within equity and are shown separately from the Company's equity.

Revenue Recognition. Revenue is recognized pursuant to applicable accounting standards including FASB ASC Topic 605 ("ASC 605"), Revenue Recognition. ASC 605 summarize certain points of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements and provide guidance on revenue recognition issues in the absence of authoritative literature addressing a specific arrangement or a specific industry.

The Company's revenue recognition policy complies with the requirements of ASC 605. Revenue is recognized when i) persuasive evidence of an arrangement exists, ii) delivery has occurred, iii) the sales price is fixed or determinable, iv) collection is probable and v) all obligations have been substantially performed pursuant to the terms of the arrangement. Revenues primarily consist of the sales and prototyping of Liquidmetal mold and bulk alloys, licensing and royalties for the use of the Liquidmetal brand and bulk Liquidmetal alloys. Revenue is deferred and included in liabilities when the Company receives cash in advance for goods not yet delivered or if the licensing term has not begun.

License revenue arrangements in general provide for the grant of certain intellectual property rights for patented technologies owned or controlled by the Company. These rights typically include the grant of an exclusive or non-exclusive right to manufacture and/or sell products covered by patented technologies owned or controlled by the Company. The intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined period of time.

Licensing revenues that are one time fees upon the granting of the license are recognized when i) the license term begins in a manner consistent with the nature of the transaction and the earnings process, ii) when collectability is reasonably assured or upon receipt of an upfront fee, and iii) when all other revenue recognition criteria have been met. Pursuant to the terms of these agreements, the Company has no further obligation with respect to the grant of the license. Licensing revenues that are related to royalties are recognized as the royalties are earned over the related period.

Cash. The Company considers all highly liquid investments with maturity dates of three months or less when purchased to be cash equivalents. The Company limits the amount of credit exposure to each individual financial institution and places its temporary cash into investments of high credit quality with a financial institution that exceeds federally insured limits. The Company has not experienced any losses related to these balances and believes its credit risk to be minimal.

Trade Accounts Receivable. The Company grants credit to its customers generally in the form of short-term trade accounts receivable. The creditworthiness of customers is evaluated prior to signing a contract with the customer. As of December 31, 2011, three customers represented 67%, or $162, of the total outstanding trade accounts receivable. As of December 31, 2010, there were no customer representing more than 10% of the total outstanding trade accounts receivable.

The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the trade accounts receivable. Management primarily determines the allowance based on the aging of accounts receivable balances, historical write-off experience, customer concentrations, customer creditworthiness and current industry and economic trends. The Company's provisions for uncollectible receivables are included in selling, marketing, general and administrative expense in the accompanying consolidated statements of operations and comprehensive loss.

Property, Plant and Equipment. Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Additions and major renewals are capitalized. Repairs and maintenance are charged to expense as incurred. Upon disposal, the related cost and accumulated depreciation are removed from the accounts, with the resulting gain or loss included in operating income. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which range from one to five years.

Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. Amortization of capitalized leased assets is provided on the straight-line method over the estimated useful lives of the assets, which is five years.

Intangible Assets. Intangible assets consist of the costs incurred to purchase patent rights and costs incurred to internally develop patents and trademarks. Intangible assets are reported net of accumulated amortization. Patents and trademarks are amortized using the straight-line method over a period based on their contractual lives ranging from ten to seventeen years.

Impairment of Long-lived Assets. The Company reviews long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may be impaired. An impairment loss is recognized when the estimated fair value of the assets is less than the carrying value of the assets. The Company recognized $0 and $966 during the years ended December 31, 2011 and 2010, respectively, for impairment of long-lived assets.

Fair Value of Financial Instruments. The estimated fair values of amounts reported in the consolidated financial statements have been determined using available market information and valuation methodologies, as applicable. The fair value of cash and trade receivables approximate their carrying value due to their short maturities. The fair value of non-current assets and liabilities approximate their carrying value unless otherwise stated.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Entities are required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value based upon the following fair value hierarchy:

Level 1 — Quoted prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company has one Level 2 financial instrument, warrant liabilities, that is recorded at fair value on a recurring basis periodically. The fair value for the warrants as of December 31, 2011 and 2010 was $0 and $1,328, respectively. The warrant liabilities were recorded at fair value based upon valuation models which utilize relevant factors such as expected life, volatility of the Company's stock prices, risk free interest and dividend rate (see Note 11).

Research and Development Expenses. Research and development expenses represent salaries, related benefits expense, expenses incurred for the design and testing of new processing methods and other expenses related to the research and development of Liquidmetal alloys. Development costs incurred in research and development activities are expensed as incurred.

Advertising and Promotion Expenses. Advertising and promotion expenses are expensed when incurred. Advertising and promotion expenses were $16 and $0.5, for the years ended December 31, 2011 and 2010, respectively.

Legal Costs. Legal costs are expensed as incurred.

Stock-Based Compensation. The Company accounts for share-based compensation in accordance with the fair value recognition provisions of FASB ASC Topic 718, *Share-based Payment*, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated financial statements based on their fair values. The fair value of stock options is calculated by using the Black-Scholes option pricing formula that requires estimates for expected volatility, expected dividends, the risk-free interest rate and the term of the option. If any of the assumptions used in the Black-Scholes model change significantly, share-based compensation expense may differ materially in the future from that recorded in the current period. See additional information related to share-based compensation in Note 13.

Income Taxes. Income taxes are provided under the asset and liability method as required by FASB ASC Topic 740, *Accounting for Income Taxes*. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect of a tax rate change on deferred taxes is recognized in operations in the period that the change in the rate is enacted. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized.

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Under the provision of FASB ASC Topic 740, *Income Taxes*, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company may recognize interest and penalties related to uncertain tax positions in income tax expense. There was no expense related to interest and penalties for the year ended December 31, 2011.

Translation of Foreign Currency. The Company applies FASB ASC Topic 830, *Foreign Currency*, for translating foreign currency into US dollars in our consolidation of the financial statements. Upon consolidation of the Company's foreign subsidiaries into the Company's consolidated financial statements, any balances with the subsidiaries denominated in the foreign currency are translated at the exchange rate at their spot rate or average rage for the period being reported. The financial statements of the Company's discontinued subsidiary, Liquidmetal Technologies, Korea ("LMTK"), have been translated based upon Korean Won as the functional currency. LMTK's assets and liabilities were translated using the exchange rate at period end and income and expense items were translated at the average exchange rate for the periods reported. The resulting translation adjustment was included in other comprehensive income (loss) for the year ended December 31, 2010.

Earnings Per Share. Basic earnings per share ("EPS") is computed by dividing earnings (losses) attributable to common shareholders by the weighted average number of common shares outstanding for the periods. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from those estimates. These management estimates are primarily related to impairment of long-lived assets, inventory valuation, product warranty, allowance for bad debt account balances, and warrant valuation.

Subsequent Events. In May 2009, the FASB issued a new accounting standard which established general accounting standards and disclosure for subsequent events. In accordance with this standard, the Company evaluated subsequent events through the filing of its Annual Report on Form 10-K with the SEC.

Reclassification. During the years ended December 31, 2010 and 2011, the Company had discontinued and deconsolidated operations of its subsidiaries and had reclassified the related items on its consolidated balance sheets and consolidated statements of operations and comprehensive income (loss) as of December 31, 2010 to conform to the current year presentation (see Note 14).

During the year ended December 31, 2010, the Company had presented the preferred units belonging to its discontinued subsidiary, Liquidmetal Technologies Coatings ("LMC") as additional paid in capital (see Note 12). Subsequently, the Company determined that the amount related to the preferred units should have been included in non-controlling interest and had reclassified $1,920 from additional paid-in capital to non-controlling interest on its consolidated balance sheet and statement of shareholders' equity (deficit) as of December 31, 2010.

The Company reclassified $297 of dividends paid in the form of common stock to the holders of its Series A Preferred Stock from accumulated deficit to additional paid-in capital for the year ended December 30, 2010.

Recent Accounting Pronouncements.

In June 2011, the FASB, issued guidance regarding the presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The Company is currently evaluating the impact of this guidance on its financial statements and will adopt the guidance beginning on January 1, 2012.

In May 2011, the FASB issued additional guidance on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. The updated guidance is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The Company is currently evaluating the impact of this guidance on its financial statements and will adopt the guidance beginning on January 1, 2012.

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In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, “Milestone Method of Revenue Recognition.” FASB ASU No. 2010-17 “Revenue Recognition – Milestone Method (Topic 605)” provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010 – 17 is effective on a prospective basis for milestones achieved after the adoption date. The Company’s adoption of this guidance on January 1, 2011 did not have a significant impact on its consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA and the SEC did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

4. Significant Transactions

On December 20, 2011, the Company’s former majority owned subsidiary, Liquidmetal Coatings, LLC (“LMC”) entered into a transaction pursuant to which LMC issued and sold additional membership interests to a related party and third-party investors for an aggregate purchase price of $3,000 (the “LMC Investment”). The LMC Investment was entered into pursuant to a Membership Interest Purchase Agreement between the investors and LMC (the “Purchase Agreement”). The investors in the LMC Investment were Rockwall Holdings, Inc. (“Rockwall”) and C3 Capital Partners, L.P. and C3 Capital Partners II, L.P. (the “C3 Entities”). The C3 Entities were minority investors in LMC prior to the transaction, and Rockwall is a company controlled by John Kang, a former Chief Executive Officer and Chairman of the Company (see Note 19). As of December 31, 2011, Mr. Kang beneficially owned 5.0% of the Company’s common stock

The transactions contemplated by the Purchase Agreement were deemed to be effective as of November 30, 2011. In connection with the LMC Investment, the Company and the C3 Entities, agreed to terminate a letter agreement, dated July 30, 2010, under which the Company would have been obligated to contribute additional capital to LMC if requested by LMC. As a result of the LMC Investment and the termination of such letter agreement, the Company no longer has any contingent obligation to contribute additional capital to LMC and consequently, the Company’s equity interest in LMC was reduced from approximately 72.86% to 0.67%. However, the Company did not sell any of its own membership interests in LMC in the transaction. As a result of the reduction in the Company’s percentage interest in LMC, the Company will no longer consolidate LMC’s financial results with the Company’s financial results and previous results of operations are reclassified as discontinued operations for financial reporting purposes. However, Ricardo Salas, the Company’s Executive Vice President, will continue to serve as a member of LMC’s board of directors.

In connection with the LMC Investment, the Company entered into a Second Amended and Restated Operating Agreement with LMC and other members of LMC, and the Company also entered into a Second Amended and Restated License and Technical Support Agreement with LMC terminating certain technology cross-licenses between LMC and the Company and continuing LMC’s right to use the Liquidmetal trademark in connection with LMC’s business.

On December 1, 2011, the Company entered into a Share Purchase Agreement (the “Share Purchase Agreement”) with LMTK Holdings, Inc. (“LMTK Holdings”) to sell the Company’s former Korean subsidiary and manufacturing facility, Liquidmetal Technologies Korea (“LMTK”), that was discontinued in November 2010. Under the Share Purchase Agreement, the Company sold all of LMTK’s shares of common stock to LMTK Holdings for an aggregate purchase price of one hundred dollars. The previous results of operations of LMTK have been included as discontinued operations in the Company’s consolidated financial statements, and as a result of the transaction, the Company will no longer consolidate LMTK’s financial results into the Company’s consolidated financial statements.

In June 2010, the Company created a wholly owned subsidiary, Advanced Metals Materials (“AMM”), in Weihei China as a holding company for certain assets that were acquired in China. During the first quarter of 2011, AMM started production and manufacturing of certain bulk Liquidmetal alloys. On August 5, 2011, the Company sold all of the stock of AMM to Innovative Materials Group, which is majority owned by John Kang, the Company’s former Chairman, for $720, of which $200 was paid in the form of a promissory note due August 5, 2012, bearing an interest rate of 8% per annum and is included in notes receivable in the Company’s consolidated balance sheet. The results of operations of AMM are included as discontinued operations in the Company’s consolidated statements of operations and comprehensive loss (See Note 14).

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On August 6, 2010, SAGA, SpA in Padova, Italy ("SAGA"), a specialist parts manufacturer, filed a litigation case against the Company claiming damages of $3,200 for payment on an alleged loan and for alleged breach of contract in connection with the formation of joint venture agreement called Liquidmetal SAGA Italy, Srl ("LSI"). On April 6, 2011 (the "Effective Date"), the Company entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between the Company and SAGA was terminated, (ii) the Company and SAGA both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) the Company paid SAGA $2,800 in the form of 4,496,429 restricted shares ("Shares") of the Company's common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated. As of December 31, 2010, $3,100 was included in accrued liabilities on the Company's consolidated balance sheet for the settlement and legal fees.

The number of Shares issued to SAGA on the Effective Date was based on the 30 day trailing, volume weighted average price of the Company's stock as of the Effective Date. An additional provision of the SAGA Settlement and Equity Interest Purchase Agreement was the obligation of the Company to issue a promissory note to compensate for a decrease in the market price of the Company's common stock over a six month period from the Effective Date of the settlement. On October 10, 2011, the Company issued to SAGA a promissory note in the principal amount of $1,712 due October 10, 2012 ("Maturity Date") bearing interest of 8% per annum to account for the decrease in the market price of the Company's common stock. All of the principal and accrued interest is due on the Maturity Date and is included in short-term notes payable in the Company's consolidated balance sheet as of December 31, 2011.

On August 5, 2010, the Company entered into a license transaction with Apple Inc. ("Apple") pursuant to which (i) the Company contributed substantially all of its intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC ("CIP"), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, in exchange for a license fee, and (iii) CIP granted back to the Company a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. Additionally, in connection with the license transaction, Apple required the Company to complete a statement of work related to the exchange of Liquidmetal intellectual property information. The Company recognized a portion of the one-time license fee upon receipt of the initial payment and completion of the foregoing requirements under the license transaction. The remaining portion of the one-time license fee was recognized at the completion of the required statement of work.

Under the agreements relating to the license transaction with Apple, the Company is obligated to contribute all intellectual property that it develops through February 2012 to CIP. In addition, the Company is obligated to refrain from encumbering any assets subject to the Apple security interest through August 2012 and is obligated to refrain from granting any security in its interest in CIP at any time. The Company is also obligated to maintain certain limited liability company formalities with respect to CIP at all times after the closing of the license transaction. If the Company is unable to comply with these obligations, Apple may be entitled to foreclose on such assets. The Company is in compliance with these obligations as of December 31, 2011.

5. Liquidity and Going Concern Issues

The Company's cash used by continuing operating activities was $5,063 for the year ended December 31, 2011, while cash provided by continuing operating activities was $12,187 for the year ended December 31, 2010. The Company's cash used in investing activities of continuing operations was $178 for the year ended December 31, 2011 primarily from purchase of property and equipment. The Company's cash provided by financing activities of continuing operations was $13 for the year ended December 31, 2011 primarily from stock options exercises.

Subsequent to December 31, 2011, the Company issued 8% unsecured, bridge promissory notes that are unsecured and are due on demand by Visser Precision Cast, LLC ("Visser") totaling $750 (see Note 20).

On October 10, 2011, the Company issued a promissory note to SAGA in the principal amount of $1,712 due October 10, 2012 in relation to a settlement agreement the Company signed with SAGA on April 6, 2011 (see Note 4).

We anticipate that our current capital resources, together with anticipated cash from operations, will be sufficient to fund our operations through April 30, 2012. Following April 30, 2012, we will require additional funding in order to continue operations as a going concern. Although we are actively pursuing financing transactions, including a private placement deal with Visser, we cannot guarantee that adequate funds will be available when needed and even if available, cannot guarantee that we will achieve favorable terms. If we raise additional funds by issuing securities, existing stockholders may be diluted. If funding is insufficient at any time in the future, we will be required to alter or reduce the scope of our operations or to cease our operations entirely.

The Company's capital requirements during the next twelve months will depend on numerous factors, including the success of existing products either in manufacturing or development, the development of new applications for Liquidmetal alloys, the resources the Company devotes to develop and support its Liquidmetal alloy products, the success of pursuing strategic licensing and funded product development relationships with external partners.

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6. Trade accounts receivable

Trade accounts receivable from continuing operations were comprised of the following:

	December 31,	
	2011	2010
Trade accounts receivable	$ 241	$ 49
Less: Allowance for doubtful accounts	-	-
Trade accounts receivable, net	$ 241	$ 49

7. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31,	
	2011	2010
Machinery and equipment	$ 1,098	$ 1,111
Computer equipment	70	734
Office equipment, furnishings, and improvements	187	142
Total	1,355	1,987
Accumulated depreciation	(1,193)	(1,950)
Total property, plant and equipment, net	$ 162	$ 37

Depreciation expense for the years ended December 31, 2011 and 2010 were $45 and $31, respectively and is included in the selling, marketing and general and administrative expense in the consolidated statements of operations and comprehensive income (loss).

8. Patents and trademarks, net

Patents and trademarks consist of the following:

	December 31,	
	2011	2010
Purchased and licensed patent rights	$ 566	$ 566
Internally developed patents	1,664	1,664
Trademarks	91	91
Total	2,321	2,321
Accumulated amortization	$ (1,353)	$ (1,216)
Total intangible assets, net	$ 968	$ 1,105

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Amortization expense was $137 and $140 for the years ended December 31, 2011 and 2010, respectively. The estimated aggregate amortization expense for each of the five succeeding years is as follows:

December 31,	Aggregate Amortization Expense
2012	$ 127
2013	113
2014	98
2015	94
2016	91
Thereafter	445

Accumulated amortization for the years ended December 31, 2011 and 2010 is as follows:

	December 31, 2011	December 31, 2010
Purchased and licensed patent rights	$ (424)	$ (392)
Internally developed patents	(847)	(752)
Trademarks	(82)	(72)
Total	$ (1,353)	$ (1,216)

The weighted average amortization periods for the years ended December 31, 2011 and 2010 is as follows

	December 31, 2011	December 31, 2010
Purchased and licensed patent rights	17	17
Internally developed patents	17	17
Trademarks	10	10

Purchased patent rights represent the exclusive right to commercialize the bulk amorphous alloy and other amorphous alloy technology acquired from California Institute of Technology (“Caltech”), a shareholder, through a license agreement with Caltech and other institutions. All fees and other amounts payable by the Company for these rights and licenses have been paid or accrued in full, and no further royalties, license fees or other amounts will be payable in the future under the License Agreements.

In addition to the purchased and licensed patents, the Company has internally developed patents. Internally developed patents include legal and registration costs incurred to obtain the respective patents. The Company currently holds various patents and numerous pending patent applications in the United States, as well as numerous foreign counterparts to these patents outside of the United States.

9. Other Long-Term Liabilities

The other long-term liabilities balance primarily consists of long term, aged payables to vendors, individuals, and other third parties that have been outstanding for more than 5 years. The Company is in the process of researching and resolving the balances for settlement and/or writeoff.

10. Short-term debt

Unsecured Promissory Notes

On October 10, 2011, the Company issued to SAGA a promissory note in the principal amount of $1,712 due October 10, 2012 bearing interest of 8% per annum (“Promissory Note”) as part of a settlement agreement entered by the Company and SAGA on April 6, 2011 (“Settlement Agreement”) for a litigation case that was filed by SAGA against the Company on an alleged loan and for alleged breach of contract in connection with the formation of a joint venture (see Note 12).

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The Settlement Agreement included a payment to SAGA of $2,800 in the form of 4,496,429 restricted shares ("Shares") of the Company's common stock. An additional provision of the Settlement Agreement was the obligation of the Company to issue a promissory note to compensate for a decrease in the market price of the Company's common stock over a six month period from the Settlement Agreement. As such, the Company issued the Promissory Note to SAGA to account for the decrease in the market price of the Company's common stock.

All of the principal and accrued interest is due on the Maturity Date and is included in short-term debt on the Company's consolidated balance sheet at December 31, 2011. Interest expense related to the Promissory Note for the year ended December 31, 2011 was $30.

11. Warrant Liabilities

As of December 31, 2011 and 2010, the Company had 44,707,976 and 47,232,459 warrants outstanding, respectively, in connection with preferred stock issuance and notes payable. The warrants have expiration dates ranging from May 17, 2011 to July 15, 2015 with exercise prices ranging from $0.48 to $1.75. Pursuant to FASB ASC 815, the Company is required to report the value of its warrants as a liability at fair value and record the changes in the fair value of the warrant liabilities as a gain or loss in its statement of operations due to the price-based anti-dilution rights of warrants.

On November 2, 2010, the Company filed an Amended and Restated Certificate of Designations, Preferences, and Rights (the "Amended Designation") for its Series A-1 and Series A-2 Preferred Stock. The Amended Designation was approved by the number of requisite votes from the holders of the Company's Series A Preferred Stock and was filed with the Delaware Secretary of State in accordance with a consent agreement entered into between the Company and the holders of 2/3 of the Series A Preferred Stock (the "Consent Agreement"). The Consent Agreement provided that, in exchange for voting in favor of the Amended Designation, the expiration date of the warrants held by the holders who signed the Consent Agreement would be extended to July 15, 2015 and the price-based anti-dilution rights on such warrants would be removed.

The number of warrants held by the holders who signed the Consent Agreement totaled 40,032,833 shares (the "Consent Warrants") out of the Company's total number of warrants of 47,232,459 shares as of the date of the Amended Designation. The Consent Warrants were initially recorded as liabilities on the Company's consolidated financial statements in accordance with FASB ASC 815 due to their price-based anti-dilution rights. Upon the removal of the anti-dilution rights with the Consent Agreement, the Consent Warrants no longer met the criteria under FASB ASC 815 and were reclassified as equity as of the date of the Amended Designation. The company reclassified $24,438 from warrant liabilities into equity on November 2, 2010.

As of December 31, 2011 and 2010, the Company had 44,707,976 and 47,232,459 warrants outstanding, respectively, and of these, only 4,675,143 and 7,199,626 warrants, respectively, were valued as liabilities under FASB ASC 815. As of December 31, 2011 and 2010, the Company valued the 4,675,143 and 7,199,626 warrants using the Black-Scholes model and recorded $0 and $1,328, respectively, in warrant liabilities. The change in fair value of warrants resulted in a gain of $1,328 and a loss of $23,341 for the years ended December 31, 2011 and 2010, respectively.

The fair value of warrants outstanding for the following periods was computed using the Black-Scholes model under the following assumptions:

	December 31,	
	2011	**2010**
Expected life in years	0.01	0.38 - 1.01
Volatility	82%	150%
Risk-free interest rate	0.01%	0.19% - 0.29%
Dividend rate	0	0

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As of December 31, 2011, outstanding warrants to acquire shares of the Company's common stock are as follows:

Number of Shares	Exercise Price	Expiration Date
259,073	0.48	January 3, 2012
3,091,381	0.49	January 3, 2012
1,324,689	0.59	January 3, 2012
208,334	0.48	July 15, 2015
39,824,499	0.49	July 15, 2015
44,707,976		

12. Shareholders' Equity (Deficit)

Common stock issuance. During the year ended December 31, 2011, the Company issued common stock to settle a lawsuit with a former joint venture partner in Italy.

In June 2006, the Company entered into a joint venture agreement with SAGA, SpA in Padova, Italy ("SAGA"), a specialist precision parts manufacturer. The joint venture was named Liquidmetal SAGA Italy, Srl ("LSI"). On August 6, 2010, SAGA filed a litigation case against the Company claiming damages of $3,200 for payment on an alleged loan and for alleged breach of contract in connection with the formation of LSI.

On April 6, 2011 (the "Effective Date"), the Company entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between the Company and SAGA was terminated, (ii) the Company and SAGA both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) the Company paid SAGA $2,800 in the form of 4,496,429 restricted shares ("Shares") of the Company's common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated. As of December 31, 2011 and 2010, a total of $0 and $3,100, respectively, were included in accrued liabilities on the Company's consolidated balance sheets for the settlement and legal fees.

The number of Shares issued to SAGA was based on the 30 day trailing, volume weighted average price of the Company's stock as of the Effective Date. An additional provision of the SAGA Settlement and Equity Interest Purchase Agreement was the obligation of the Company to issue a promissory note to compensate for a decrease in the market price of the Company's common stock over a six month period from the Effective Date of the settlement. On October 10, 2011, the Company issued to SAGA a promissory note in the principal amount of $1,712 due October 10, 2012 ("Maturity Date") bearing interest of 8% per annum. All of the principal and accrued interest is due on the Maturity Date and is included in short-term debt on the Company's consolidated balance sheet at December 31, 2011.

Preferred stock. On May 1, 2009, pursuant to a Securities Purchase and Exchange Agreement, the Company issued 500,000 shares of convertible Series A-1 Preferred Stock with an original issue price of $5.00 per share and 2,625,000 shares Series A-2 Preferred Stock with an original issue price of $5.00 per share as part of a financing transaction. Additionally, the Board of Directors of the Company shall convert each share of the Series A-1 Preferred Stock and Series A-2 Preferred Stock upon receipt of the written notice of the holders of a majority of the then-outstanding shares of Series A-1 Preferred Stock and Series A-2 Preferred Stock, respectively.

In connection with the Series A Preferred Stock issuance, the Company issued warrants to purchase 42,329,407 shares of the Company's common stock at an exercise price of $0.50 per share, which was subsequently adjusted to $0.49 per share due to an anti-dilution calculation, and an expiration date of January 3, 2012.

In October 2009, the Company entered into an agreement with various investors to issue 180,000 shares of Series A-1 Preferred Stock with identical term as the Series A-1 Preferred Stock issued on May 9, 2009. In connection with this issuance, the Company issued warrants to purchase up to 4,500,000 shares of common stock with an exercise price of $0.50 per share, which was subsequently adjusted to $0.49 per share due to an anti-dilution calculation, and an expiration date of January 3, 2012.

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The preferred stock accrued cumulative dividends at an annual rate of 8%, which was payable semi-annually. In conjunction with the Series A-1 Preferred Stock conversion the Company granted in-kind dividends to the preferred stock holders. On November 2, 2010, the Company filed an Amended and Restated Certificate of Designations, Preferences, and Rights (the "Amended Designation") for the Company's Series A Preferred Stock. The Amended Designation was approved by the requisite vote of the holders of the Company's Series A Preferred Stock and was filed with the Delaware Secretary of State in accordance with a Consent Agreement entered into between the Company and the holders of 2/3 of the Series A Preferred Stock (the "Consent Agreement"). The Amended Designation amended the terms of the Series A Preferred Stock by (i) providing that dividends ceased accruing thereon as of June 1, 2010, (ii) the liquidation preference and corresponding conversion value on the Series A Preferred Stock was increased from 1.0 to 1.08 of the sum of the issue price and accrued but unpaid dividends, (iii) the Series A Preferred Stock was now mandatorily convertible at any time at the option of the Company without condition, and (iv) the Series A Preferred Stock will no longer have any price-based anti-dilution rights. The Consent Agreement provided that, in exchange for voting in favor of the Amended Designation, the warrants held by the holders signing the Consent Agreement (to the extent such warrants were issued in connection with the original issuance of the Series A Preferred Stock) would be extended to an expiration date of July 2015 and the price-based anti-dilution rights on such warrants were removed. Additionally, the Company shall have the right at any time to redeem the Series A Preferred Stock in whole or in part upon not less than 30 days' notice at a redemption price equal to the liquidation preference plus any accrued and unpaid dividends.

The Preferred Stock and any accrued and unpaid dividends thereon is convertible, at the option of the holder of the Preferred Stock, into common stock of the Company at a conversion price of $.10 per share in the case of the Series A-1 Preferred Stock and a conversion price of $.22 per share in the case of the Series A-2 Preferred Stock (in both cases subject to adjustments for any stock dividends, splits, combinations and similar events). As of December 31, 2011 and 2010, the Company has accrued dividends of $571 and $1,063, respectively.

During the years ended December 31, 2011 and 2010, the holders of Series A-1 Preferred Stock converted 412,234 and 21,386 shares of the Series A-1 Preferred Stock, respectively. The Company has 246,371 and 658,614 shares of the Series A-1 Preferred Stock outstanding at December 31, 2011 and 2010, respectively. During the years ended December 31, 2011 and 2010, the holders of the Series A-2 Preferred Stock converted 460,366 and 990,517 shares of the Series A-2 Preferred Stock, respectively. The Company has 1,052,780 and 1,513,146 shares of the Series A-2 Preferred Stock outstanding at December 31, 2011 and 2010, respectively.

Preferred units of discontinued subsidiary. On February 22, 2008, our discontinued subsidiary, LMC (see Note 14), completed a transaction under which it issued and sold $2,500 in preferred membership units to two minority members of LMC (the "Preferred Units Transaction"). Immediately following the sale of the preferred membership units, the subscription proceeds (after a 1% transaction fee) were distributed to LMC's common unit members, and as a result of such distribution, the Company received approximately $1,714 in the distribution. The preferred units issued by LMC have an accruing priority return of 14% per year that are priority over any distribution made by LMC and may be redeemed at any time within four years of issuance through cash payment or distribution in excess of the 14% priority return. LMC is required to redeem the preferred units on or before the second anniversary of the issue date and failure to redeem the preferred units at the specified time will result in the preferred unit holders receiving an additional 2% of common membership units per quarter until the preferred units are redeemed in full. An additional 2,767 common membership units were issued during the year ended December 31, 2010 as a result of LMC's non-redemption.

On December 15, 2010, the Company and two other members of LMC contributed additional $1,444 into LMC in exchange for additional common unit membership. The proceeds of the contribution were used to make a distribution to the two holders of the preferred membership units in the aggregate amount of $813, which represented the accrued but unpaid priority return of the preferred units and to redeem an aggregate 381 preferred units owned by the two holders at an aggregate redemption price of $1,194. As of December 31, 2010, LMC has redeemed $592 of its preferred units and distributed $1,016 in priority return to the preferred unit holders.

The Company had deconsolidated LMC as part of its discontinued operations and the balance of the preferred units of $1,920 was included in gain on disposal of subsidiary, on the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2011. The balance of the preferred units were $0 and $1,920 were included in non-controlling interest on the consolidated balance sheets as of December 31, 2011 and 2010, respectively.

13. Stock Compensation Plan

Under the Company's 1996 Stock Option Plan ("1996 Company Plan") the Company could grant to employees, directors or consultants options to purchase up to 12,903,226 shares of common stock. The stock options are exercisable over a period determined by the Board of Directors or the Compensation Committee, but no longer than 10 years.

On April 4, 2002, our shareholders and board of directors adopted the 2002 Equity Incentive Plan ("2002 Equity Plan"). The 2002 Equity Plan provides for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries. In addition, the plan permits the granting of stock appreciation rights with, or independently of, options, as well as stock bonuses and rights to purchase restricted stock. A total of 10,000,000 shares of our common stock may be granted under the 2002 Equity Plan. As of December 31, 2011, there were 4,676,581 options outstanding under the 2002 Equity Plan.

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Prior to the approval of the 2002 Equity Plan, options were primarily granted under the Company's 1996 Stock Option Plan ("1996 Company Plan"). On April 4, 2002, our board of directors terminated the 1996 Company Plan. The termination will not affect any outstanding options under the 1996 Company Plan and all such options will continue to remain outstanding and be governed by the Plan. No additional options may be granted under the 1996 Company Plan. As of December 31, 2011, there were 3,226 options outstanding and exercisable at a weighted average exercise price of $15.00 per share under the 1996 Company Plan.

On April 4, 2002, our shareholders and board of directors adopted the 2002 Non-employee Director Stock Option Plan ("2002 Director Plan"). Only non-employee directors are eligible for grants under the 2002 Director Plan. A total of 1,000,000 shares of the Company's Common Stock may be granted under the 2002 Director Plan. There were no options outstanding under the 2002 Director Plan as of December 31, 2011. The 2002 Director Plan terminates in April 2012, unless terminated prior to that date by the Board of Directors.

FASB ASC 718, *Compensation – Stock Compensation*, requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Under ASC 718, Company is required to measure the cost of employee services received in exchange for stock options and similar awards based on the grant-date fair value of the award and recognize this cost in the income statement over the period during which an employee is required to provide service in exchange for the award. The Company recorded $553 and $142 for the years ended December 31, 2011 and 2010, respectively, of non-cash charges for stock compensation related to amortization of the fair value of restricted stock and unvested stock options.

On August 3, 2010, in conjunction with an employment agreement with Thomas Steipp, the Company's Chief Executive Officer, the Company also granted an aggregate of 6,000,000 restricted shares of the Company's common stock, which will ratably vest each year over five years. During the years December 31, 2011 and 2010, the Company recorded $442 and $0, respectively, of compensation expense related to Mr. Steipp's restricted shares.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the assumptions noted in the following table.

	December 31,	
	2011	**2010**
Expected volatility	133.02% - 136.30%	105%
Expected dividends	-	-
Expected term (in years)	6.50	6.00
Risk-free rate	2.56% - 2.87%	3.08%

Expected volatilities are based on historical volatility expected over the expected life of the options. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. Forfeitures rates ranging from 5.0% to 28.3% were used for year ended December 31, 2011 and forfeiture rates ranging from 5.0% to 31.1% were used for the year ended December 31, 2010. The risk free rate for period within the expected life of the options is based on U.S. Treasury rates in effect at the time of grant.

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The following table summarizes the Company's stock option transactions for the years ended December 31, 2011 and 2010:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
				(in thousands)
Options outstanding at December 31, 2009	5,166,385	2.26		
Granted	3,080,000	0.12		
Exercised	-	-		
Forfeited	(77,000)	0.25		
Expired	(1,696,422)	4.54		
Options outstanding at December 31, 2010	6,472,963	0.67		
Granted	40,000	0.55		
Exercised	(102,000)	0.12		
Forfeited	(400,000)	0.50		
Expired	(1,331,156)	1.64		
Options outstanding at December 31, 2011	4,679,807	$ 0.42	6.9	$ 56
Options exercisable at December 31, 2011	2,160,907	$ 0.72	5.3	$ 15
Options vested or expected to vest at December 31, 2011	3,576,610	$ 0.50	6.5	$ 38

The following table summarizes the Company's stock options outstanding and exercisable by ranges of option prices as of December 31, 2011:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Numbers of options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$0.00 - $ 3.00	4,664,000	6.95	$ 0.39	2,145,100	5.27	$ 0.67
3.01 - 6.00	10,000	1.33	4.57	10,000	1.33	4.57
6.01 - 9.00	-	-	-	-	-	-
9.01 - 12.00	-	-	-	-	-	-
12.01 - 15.00	5,807	0.26	15.00	5,807	0.26	15.00
Total	4,679,807			2,160,907		

The Company's non-vested options at the beginning and ending of fiscal year 2011 had a weighted-average grant-date fair value of $0.21 and $0.16 per option, respectively.

14. Discontinued Operations and Long-Lived Assets to be Disposed Of

LMC. On December 20, 2011, the Company's former majority owned subsidiary, Liquidmetal Coatings, LLC ("LMC, entered into a transaction pursuant to which LMC issued and sold additional membership interests to a related party and to third-party investors for an aggregate purchase price of $3,000 (the "LMC Investment"). The LMC Investment was entered into pursuant to a Membership Interest Purchase Agreement between the investors and LMC (the "Purchase Agreement"). The investors in the LMC Investment were Rockwall Holdings, Inc. ("Rockwall") and C3 Capital Partners, L.P. and C3 Capital Partners II, L.P. (the "C3 Entities"). The C3 Entities were minority investors in LMC prior to the transaction, and Rockwall is a company controlled by John Kang, a former Chief Executive Officer and Chairman of the Company (see Note 19). As of December 31, 2011, Mr. Kang beneficially owned 5.0% of the Company's common stock.

The transactions contemplated by the Purchase Agreement were deemed to be effective as of November 30, 2011. In connection with the LMC Investment, the Company and C3 Entities, agreed to terminate a letter agreement, dated July 30, 2010, under which the Company would have been obligated to contribute additional capital to LMC if requested by LMC. As a result of the LMC Investment and the termination of such letter agreement, the Company no longer has any contingent obligation to contribute additional capital to LMC and consequently, the Company's equity interest in LMC was reduced from approximately 72.86% to 0.67%. However, the Company did not sell any of its own membership interests in LMC in the transaction. As a result of the reduction in the Company's percentage interest in LMC, the Company will no longer consolidate LMC's financial results with the Company's financial results and are included as discontinued operations for financial reporting purposes. However, Ricardo Salas, the Company's Executive Vice President, will continue to serve as a member of LMC's board of directors.

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Summarized operating results of LMC's discontinued operations are as follows:

	December 31,	
	2011	2010
Revenue	$ 9,732	$ 9,794
Gain on disposal of subsidiary, net	11,227	-
Loss from discontinued operations	(335)	(55)

The $11,227 gain on disposal of subsidiary was primarily due to write-off of LMC's net liabilities. Loss from discontinued operations represented the net operating loss of the subsidiary.

As of December 31, 2010, the assets and liabilities of LMC are included in net liabilities of discontinued operations in the accompanying consolidated balance sheets and consist of the following:

	December 31,
	2010
Assets	
Accounts receivable	$ 1,682
Inventories	1,009
Prepaid expenses and other current assets	392
Property, plant and equipment, net	759
Intangibles	16
Other assets	120
Total	$ 3,978

	December 31,
	2010
Liabilities	
Accounts payable	$ (1,423)
Accrued liabilities	(2,415)
Short-term debt	(480)
Long-term debt, net of discounts	(7,962)
Total	$ (12,280)

There were no balances as of December 31, 2011 due to the deconsolidation of LMC.

AMM. In June 2010, the Company created a wholly owned subsidiary, Advanced Metals Materials ("AMM"), in Weihei China as a holding company for certain assets that were acquired in China. During the first quarter of 2011, AMM started production and manufacturing of certain bulk Liquidmetal alloys. On August 5, 2011, the Company sold all of the stock of AMM to Innovative Materials Group, which is majority owned by John Kang, the Company's former Chairman, for $720, of which $200 was paid in the form of a promissory note due August 5, 2012, bearing an interest rate of 8% per annum and is included in notes receivable in the Company's consolidated balance sheet at December 31, 2011. The results of operations of AMM are included as discontinued operations for financial reporting purposes.

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Summarized operating results of AMM's discontinued operations are as follows:

	December 31,	
	2011	2010
Revenue	$ 200	$ -
Gain on disposal of subsidiary, net	370	-
Loss from discontinued operations, net	(370)	-

The $370 gain on disposal of subsidiary was primarily due to $720 of proceeds less the write off net investment in AMM of $350. Loss from discontinued operations represented the net operating loss of the subsidiary.

LMTK. In 2003, the Company set up a manufacturing plant in South Korea, Liquidmetal Technologies Korea ("LMTK"), to handle its bulk Liquidmetal alloys business which included manufacturing and selling components made out of bulk alloys. During 2010 and in the prior years, LMTK experienced net losses as a result of continuing economic downturn. These losses and uncertainty surrounding its future cash flows, led the Company to evaluate its investment for recoverability. As a result, in November 2010, the Company decided to discontinue LMTK's operations.

On December 1, 2011, the Company entered into a Share Purchase Agreement (the "Share Purchase Agreement") with LMTK Holdings, Inc. ("LMTK Holdings") to sell LMTK. Under the Share Purchase Agreement, the Company sold all of LMTK's shares of common stock to LMTK Holdings for an aggregate purchase price of one hundred dollars. The results of operations of LMTK have been included as discontinued operations in the Company's consolidated statements of operations and comprehensive loss.

Summarized operating results of LMTK's discontinued operations are as follows:

	December 31,	
	2011	2010
Revenue	$ -	$ 3
Gain on disposal of subsidiary, net	512	-
Loss from discontinued operations	(58)	(2,623)

The $512 gain on disposal of subsidiary was primarily due to the net write-off of assets and foreign exchange accounts. Loss from discontinued operations was primarily due to legal fees incurred for the sale of the subsidiary.

The assets and liabilities of LMTK are included in net assets of discontinued operations in the accompanying consolidated balance sheets and consist of the following:

	December 31,
	2010
Assets	
Restricted cash	$ 46
Inventories	86
Prepaid expenses and other current assets	375
Property, plant and equipment, net	3,288
Other assets	49
Total assets of LMTK	$ 3,844
Liabilities	
Accounts payable	$ (2,404)
Accrued liabilities	(702)
Total liabilities of LMTK	$ (3,106)

There were no balances as of December 31, 2011 due to the sale of LMTK.

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15. Income Taxes

Significant components of deferred tax assets are as follows:

	Years Ended December 31,	
	2011	2010
Loss carry forwards	$ 55,998	$ 46,089
Other	606	701
Total deferred tax asset	56,604	46,790
Valuation allowance	(56,604)	(46,790)
Total deferred tax asset, net	$ --	$ --

The following table accounts for the differences between the expected federal tax benefit (based on the statutory U.S. federal income tax rate of 34%) and the actual tax provision:

	Years Ended December 31,	
	2011	2010
Expected federal tax benefit	(34)%	(34)%
Permanet Items	8.9%	26.3%
Net operating loss utilized or expired	3.6%	5.5%
Increase (decrease) in valuation allowance and others	21.6%	2.3%
Total tax provision	0%	0%

As of December 31, 2011, the Company had approximately $114M of net operating loss (“NOL”) carryforwards for U.S. federal income tax purposes expiring in 2012 through 2031. In addition, the Company has California state NOL carryforwards of approximately $70M expiring in 2012 through 2031. The Company and Liquidmetal Golf, Inc. filed on a separate company basis for federal income tax purposes. Accordingly, the federal NOL carryforwards of one legal entity are not available to offset federal taxable income of the other. Liquidmetal Golf, Inc. had approximately $38 in federal NOL carryforwards, expiring in 2012 through 2027.

As of December 31, 2011, the Company had approximately $189K of Research & Development (“R&D”) credit carryforwards for U.S. federal income tax purposes expiring in 2021 through 2030. In addition, the Company has California R&D credit carryforwards of approximately $245K, which do not expire under current California law.

Section 382 of the Internal Revenue Code (“IRC”) imposes limitations on the use of NOL’s and credits following changes in ownership as defined in the IRC. The limitation could reduce the amount of benefits that would be available to offset future taxable income each year, starting with the year of an ownership change. The Company has not completed the complex analysis required by the IRC to determine if an ownership change has occurred.

The ability to realize the tax benefits associated with deferred tax assets, which includes benefits related to NOL’s, is principally dependent upon the Company’s ability to generate future taxable income from operations. The Company has provided a full valuation allowance for its net deferred tax assets due to the Company’s net operating losses.

The Company adopted the provisions of FASB ASC Topic 470 – *Income Taxes*. At the adoption date and as of December 31, 2011, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense which were $0 for the year ended December 31, 2011 and 2010.

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Tax years 2010 and 1999 through 2010 are subject to examination by the federal and state taxing authorities, respectively.

16. Income (Loss) Per Common Share

Basic earnings per share ("EPS") is computed by dividing earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding for the periods. Diluted EPS reflects the potential dilution of securities that could share in the earnings.

During the year ended December 31, 2010, the Company recorded $653 as dividend accrual for the Series A Preferred Stock (see Note 12). As a result, basic net loss per share for the year ended December 31, 2010 is calculated by dividing the net loss attributable common shareholders shown below by the weighted average share of common stock during the period as follows:

	Years Ended December 31,	
	2011	**2010**
Amounts attributable to Liquidmetal Technologies, Inc. common shareholders		
Net income (loss)	6,155	(17,643)
Preferred stockholders dividends	-	(653)
Net income (loss) available (attributable) to common stockholders	6,155	(18,296)
Basic income (loss) per share	0.05	(0.28)
Diluted income (loss) per share	0.04	(0.28)
Number of weighted average shares - basic	118,523,228	64,965,375
Number of weighted average shares - diluted	163,292,496	64,965,375

Basic and diluted net loss per common share was the same for the year ended December 31, 2010, as the impact of all potentially dilutive securities outstanding was anti-dilutive. The following were outstanding at December 31, 2011 and were included in the computation of diluted EPS for the year ended December 31, 2011.

	For the Years Ended December 31,	
	2011	**2010**
Weighted average basic shares	118,523,228	64,965,375
Effect of dilutive securities:		
Stock options ("in the money")	2,203,443	-
Warrants ("in the money")	-	-
Conversion of preferred stocks and dividends	42,565,825	-
Weighted average diluted shares	163,292,496	64,965,375

17. Commitments and Contingencies

Operating Leases

The Company leases its offices and warehouse facilities under various lease agreements, certain of which are subject to escalations based upon increases in specified operating expenses or increases in the Consumer Price Index. As of December 31, 2011 and 2010, the Company has recorded $22 and $0, respectively, of deferred rent expenses. Future minimum lease payments under non-cancelable operating leases during subsequent years are as follows:

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December 31,	Minimum Payments
2012	$ 192
2013	197
2014	221
2015	227
2016	77
Total	$ 914

Rent expense was $225 and $262 for the years ended December 31, 2011 and 2010, respectively.

18. 401(k) Savings Plan

The Company has a tax-qualified employee savings and retirement plan, or 401(k) plan. Under the U.S. based 401 (k) plan, participants may elect to reduce their current compensation, on a pre-tax basis, by up to 15% of their taxable compensation or of the statutorily prescribed annual limit, whichever is lower, and have the amount of the reduction contributed to the 401(k) plan. The 401(k) plan permits the Company, in its sole discretion, to make additional employer contributions to the 401(k) plan. However, the Company did not make employer contributions to the 401(k) plan during any of the periods presented in the accompanying consolidated financial statements.

19. Related Party Transactions

On August 1, 2010, the Company entered into an agreement with John Kang, the Company's former Chairman, to provide consulting services. The Company terminated this agreement as of July 31, 2011. The Company incurred $210 and $102 for his services during the years ended December 31, 2011 and 2010, respectively.

On October 14, 2010, the Company signed an agreement with Innovative Materials Group, LLC ("IMG"), a California limited liability company, which is majority owned by Mr. Kang. Under the agreement, the Company received a deposit of $520 from IMG to purchase on behalf of IMG, machinery and equipment located in China. The transaction was based on the potential negotiation and completion of a non-exclusive license agreement with IMG under which the machinery and equipment would be transferred to IMG either directly or through the transfer of ownership of the Company's Chinese subsidiary, Advanced Metals Materials ("AMM"), that owns the equipment (See Note 1). On August 5, 2011, the Company signed a Stock Purchase Agreement (the "Stock Purchase Agreement") with IMG to sell all of the stock of AMM for $720 (the "Purchase Price") where IMG will apply to the payment of the Purchase Price the $520 deposit previously paid to the Company and the $200 balance of the Purchase Price will be paid in the form of a Promissory Note due August 5, 2012, bearing an interest rate of 8% per annum. The $200 notes receivable is included in notes receivable in the Company's consolidated balance sheet at December 31, 2011. Interest shall accrue and be paid at maturity along with the principal balance.

In conjunction with the Stock Purchase Agreement, the Company also entered into a License Agreement (the "License Agreement") with IMG to license certain patents and technical information for the limited purpose of manufacturing certain licensed products with the Company's existing first generation, die cast machines, as defined by the License Agreement (the "Licensed Products"). The license agreement grants a non-exclusive license to certain product categories listed in the License Agreement, as well as an exclusive license to specific types of consumer eyewear products. The License Agreement obligates IMG to pay the Company a running royalty based on its sales of Licensed Products, and the license will expire on August 5, 2021. The Company recognized $19 in royalty revenues from IMG during the year ended December 31, 2011.

On December 20, 2011, Rockwall Holdings, Inc., a company controlled by Mr. Kang, entered into a transaction as one of the primary investors in Liquidmetal Coatings, LLC ("LMC"), our former subsidiary (see Note 4). As of December 31, 2011, Mr. Kang beneficially owned 5.0% of the Company's common stock.

During the year ended December 31, 2011, the Company incurred $154 in legal fees to defend Mr. Kang, as the former Representative Director of our Korean subsidiary, against allegations relating to the Company's Korean subsidiary's involvement in customs reporting violations in South Korea that allegedly occurred in 2007 and 2008. There were no such expenses for year ended December 31, 2010.

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In October 2009, Thomas Steipp, the Company's President and Chief Executive Officer, Ricardo Salas, the Company's Vice President and Director, Tony Chung, the Company's Chief Financial Officer, and Mr. Kang acquired a total of 100,000 shares of the Company's Series A-1 Preferred Stock and warrants to purchase 2,500,000 shares of the Company's common stock for an aggregate cash price of $495. The Series A-1 Preferred Stock is convertible into the Company's common stock at a conversion price of $0.10 per common share. Furthermore, the warrants can be exercised for shares of the Company's common stock at an exercise price of $0.49 per share and will expire on July 31, 2015. In April 2011, Mr. Steipp converted his 20,000 shares of Series A-1 Preferred Stock into a total of 1,130,688 shares of the Company's common stock, including dividends received in the form of common stock. In July 2011, Mr. Salas and Mr. Kang converted 50,000 and 19,000 respective shares of Series A-1 Preferred Stock into a total of 2,826,720 and 1,074,154 shares of the Company's common stock, including dividends received in the form of common stock. As of December 31 2011, Mr. Steipp and Salas are greater-than-5% beneficial owners of the Company.

In May 2009, the Company completed a transaction in which (i) the holders of the Company's 8% Convertible Subordinated Notes exchanged such notes for a combination of new 8% Senior Secured Convertible Notes and shares of a new series of convertible preferred stock designated as "Series A-2 Preferred Stock," together with warrants thereon, and (ii) certain investors purchased, for an aggregate purchase price of $2,500, shares of a new series of convertible preferred stock designated as "Series A-1 Preferred Stock" (See Note 12). The lead investors in this transaction were Carlyle Liquid, LLC and Carlyle Liquid Holdings, LLC (the "Carlyle Entities"), which were organized by Abdi Mahamedi, the Company's Chairman. Mr. Mahamedi became a greater-than-5% beneficial owner of the Company by reason of the May 2009 transaction and remained as such as of December 31, 2011.

As of December 31, 2011, James Kang, the brother of John Kang and Soo Buchanan, the sister of John Kang and wife of the Company's Vice President of Investor Relations, are greater-than-5% beneficial owner of the Company.

The Company has an exclusive license agreement with LLPG, Inc. ("LLPG"), a corporation owned principally by Jack Chitayat, former director of the Company who ceased to be director in 2005. Under the terms of the agreement, LLPG has the right to commercialize Liquidmetal alloys, particularly precious-metal based compositions, in jewelry and high-end luxury product markets. The Company, in turn, will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by LLPG. The exclusive license agreement with LLPG expires on December 31, 2021. There were no revenues recognized from product sales and licensing fees from LLPG during the years ended December 31, 2011 and 2010. There are no outstanding trade receivables due from LLPG as of December 31, 2011 and 2010. As of December 31, 2011, Mr. Chitayat is a greater-than-5% beneficial owner of the Company.

On July 1, 2009, the Company entered into an agreement with Mr. Chitayat to provide consulting services to the Company for a period of one year (the "Consulting Agreement"). The Company granted to Mr. Chitayat an option to purchase 750,000 shares of common stock for services performed under the Consulting Agreement. The stock option, which vested ratably on a monthly basis during the term of the Consulting Agreement, has an exercise price of $0.50 per share and will expire on July 15, 2015.

On August 6, 2010, the Company paid $360 to LLPG as a fee related to a modification of its existing exclusive license agreement in connection with the Apple licensing agreement.

20. Subsequent Event

On January 17, 2012, February 27, 2012 and March 28, 2012, the Company issued an 8% unsecured, bridge promissory note to Visser Precision Cast, LLC ("Visser") due upon demand in the amount of $200, $200 and $350, respectively. The promissory notes totaling $750 remain outstanding as of the filing date of this report.

EXHIBIT 10.65

SECOND AMENDED AND RESTATED

OPERATING AGREEMENT

OF

LIQUIDMETAL COATINGS, LLC

A Delaware Limited Liability Company

Adopted as of November 30, 2011

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SECOND AMENDED AND RESTATED

OPERATING AGREEMENT

OF

LIQUIDMETAL COATINGS, LLC

THIS SECOND AMENDED AND RESTATED OPERATING AGREEMENT ("Agreement") is hereby entered into effective as of the 30th day of November, 2011, by and between the persons identified as Members on Exhibit "A" attached hereto and executing this Agreement on the signature pages hereof (each of whom is sometimes hereinafter referred to individually as a "Member" and collectively as "Members") and **LIQUIDMETAL COATINGS, LLC**, a Delaware limited liability company (the "Company").

RECITALS

WHEREAS, the Company was organized in accordance with the Delaware Limited Liability Company Act upon the filing of a Certificate of Formation (the "Certificate") with the Secretary of State of the State of Delaware effective July 9, 2007;

WHEREAS, effective February 22, 2008, the Company and Members entered into a First Amended and Restated Operating Agreement, dated February 22, 2008, as amended by Amendment No. 1 thereto dated October 6, 2009, Amendment No. 2 thereto dated April 30, 2010 and Amendment No. 3 thereto dated December 15, 2010 (as amended, the "First Amended and Restated Operating Agreement"); and

WHEREAS, the Members desire to amend and restate in its entirety the First Amended and Restated Operating Agreement and enter into this Agreement in order to set forth the terms and conditions that will regulate and govern the operation and management of the Company and to regulate and govern the rights and obligations of the Members of the Company, it being understood that the terms and provisions of this Agreement are subject in all respects to the terms and conditions of the Certificate, and in the event of any conflict between the Certificate and this Agreement, the provisions of the Certificate shall govern.

NOW, THEREFORE, the parties hereby amend, restate and supersede the First Amended and Restated Operating Agreement in its entirety, and adopt the following as the Operating Agreement of the Company:

ARTICLE I
FORMATION AND ORGANIZATION

Section 1.1 **NAME AND FORMATION**. The name of the Company is: **LIQUIDMETAL COATINGS, LLC**. All Company business shall be conducted in the name of "LIQUIDMETAL COATINGS, LLC" or such other names that comply with applicable law as the Board of Managers may select from time to time.

Section 1.2 **PRINCIPAL PLACE OF BUSINESS**. The principal office of the Company is located in Kingwood, Texas, and may be changed to such other place within or without the State of Delaware as may be determined from time to time by the Board of Managers.

Section 1.3 **REGISTERED OFFICE AND REGISTERED AGENT**. The Company's registered agent and office in Delaware is CorpDirect Agents, Inc., 160 Greentree Drive, Suite 101, Kent County, Dover, Delaware 19904. The Company may change its registered agent or registered office to any other place or places in the State of Delaware as may be determined from time to time by the Board of Managers.

Section 1.4 **TERM**. The term of the Company shall be perpetual, unless the Company is dissolved in accordance with the provisions of this Agreement.

Section 1.5 **NO STATE LAW PARTNERSHIP**. The Members intend that the Company (i) shall be taxed as a partnership for all applicable federal, state and local income tax purposes and (ii) shall not be a partnership or joint venture for any other purpose, and that no Member or any Manager shall, by virtue of this Agreement, be a partner or joint venturer of any other Member or Manager.

ARTICLE II
PURPOSE AND POWERS OF THE COMPANY

Section 2.1 **PURPOSE**. The Company is formed for the purpose of manufacturing and applying metallic coating to various products and engaging in any other business activity permitted under the Act as the Board of Managers may determine from time to time.

Section 2.2 **POWERS OF THE COMPANY**. Subject to the provisions of this Agreement, the Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, incidental or convenient to or for the furtherance of the purposes set forth in Section 2.1, and all powers reasonably connected with such activities and businesses that may be legally exercised by limited liability companies under the Act, and may engage in all activities necessary, customary, convenient, or incident to any of the foregoing.

ARTICLE III

CAPITAL STRUCTURE, CONTRIBUTIONS TO CAPITAL AND CAPITAL ACCOUNTS

Section 3.1 **INITIAL CONTRIBUTIONS**. The Members have previously contributed capital to the Company as reflected in the Company's books and records on file at the Company's principal office (the "Initial Capital Contributions") in exchange for their respective Membership Units.

Section 3.2 **ADDITIONAL CAPITAL CONTRIBUTIONS**. The Members shall have no obligation to contribute any additional capital to the Company, and except as set forth in the Act, the Members shall have no personal liability for any obligations of the Company.

Section 3.3 **RETURN OF CONTRIBUTIONS**. Until the dissolution and liquidation of the Company, no Member shall have the right to demand or receive any part of the Member's capital contribution, and there is no right given to any Member to demand and receive property other than cash in return for the Member's capital contribution.

Section 3.4 **CAPITAL ACCOUNTS**. An individual Capital Account shall be maintained for each Member in accordance with Section 704(b) of the Code, paragraph 1.704-1(b)(2)(iv) of the accompanying Treasury Regulations, and the following rules:

(a) **Computation of Capital Account Balance**. The Capital Account of a Member shall consist of the amount of money and the fair market value of any property (other than money) comprising the Member's proportionate share of the Initial Capital Contribution pursuant to Section 3.1 hereof, as increased by: (i) the amount of money and the fair market value of any property (other than money) comprising any additional capital contributions made by the Member, (ii) any amount credited to the Capital Account of a Member pursuant to Section 4.9 hereof as a result of any Company income, profits or gains allocated to the Member (and as adjusted pursuant to Section 1.704-1(b)(2)(iv) of the Treasury Regulations), and (iii) the amount of any Company liabilities assumed by the Member or that are secured by any Company property distributed to that Member, and decreased by: (i) the amount of money and the fair market value of any property (other than money) comprising any distributions to the Member pursuant to Article V hereof, (ii) any amount debited to the Capital Account of a Member pursuant to Section 4.9 hereof as a result of any Company expenses, deductions, losses and credits allocated to the Member (and as adjusted pursuant to Section 1.704-1(b)(2)(iv) of the Treasury Regulations), and (iii) the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by that Member to the Company.

(b) **Built-In Gain or Loss**. The Capital Account of a Member shall not be increased or decreased, as the case may be, with regard to any built-in gain or loss allocated to the Member pursuant to Section 4.5 hereof.

(c) **Transferee's Capital Account**. In the event of a transfer of any Membership Units, the transferee shall assume the Capital Account balance of the transferor.

(d) **Interest**. No interest shall be paid on any present or future Capital Account balance.

(e) **Conformance with Regulations**. The provisions of this Section 3.4 are intended to comply with Treasury Regulation Section 1.704-1(b) regarding the maintenance of the Capital Accounts of the Members and this Section 3.4 shall be interpreted and applied in a manner consistent with such Treasury Regulations. In the event that the Board of Managers shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with such Treasury Regulations, the Board of Managers may make such modifications, provided that it is not likely to have a material effect on any amounts distributable to any Member upon the dissolution of the Company. The Board of Managers shall also make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulation Section 1.704-1(b).

Section 3.5 CAPITAL STRUCTURE AND PERCENTAGE INTERESTS

(a) **Capital Structure**. Ownership rights in the Company are divided into and represented by membership units ("Membership Units"). The Membership Units are further divided into two classes: (i) Preferred Units and (ii) Common Units. The Common Units are further subdivided into three subclasses: (i) Class A Units; (ii) Class B Units; and (iii) Class C Units. Any Membership Units represented by a certificate shall constitute a security governed by Article 8 of the Uniform Commercial Code promulgated by the National Conference of Commissioners on Uniform State Laws, as in effect in Delaware or any other applicable jurisdiction (the "UCC"). Any Membership Units not represented by a certificate shall not constitute a security governed by Article 8 of the UCC.

(b) **Percentage Interests**. As of the date of this Agreement, the Members shall own the number and class of Membership Units and the corresponding Percentage Interests in the Company as set forth on Exhibit "A" attached hereto.

(c) **Adjustments to Percentage Interests**. In the event of the issuance of any additional Common Units to an existing Member(s), including the admission of an additional member(s), each Member's Percentage Interest in the Company shall be deemed to be equal to a fraction, the numerator of which is the number of Common Units issued and outstanding to the Member, and the denominator of which is the number of Common Units then issued and outstanding to all Members. All adjustments to a Member's Percentage Interest in the Company's Common Units shall be permanent and shall not otherwise be altered except as provided in this Agreement.

(d) **Effect of Percentage Interests**. The Percentage Interests of the Members, as determined and adjusted pursuant to this Section 3.5, are maintained solely for the purposes of determining the amount of certain allocations of taxable profits and losses and cash distributions allocable to the Members pursuant to Articles IV and V hereof, and for other purposes set forth in this Agreement. The Percentage Interest of a Member shall not reflect that Member's proportionate interest in the capital of the Company at any time.

Section 3.6 LOANS BY MEMBERS. A Member may at any time lend funds to the Company as may be agreed upon by the Board of Managers. Such funds shall represent a debt, payable on demand, unless otherwise specifically provided, from the Company to the Member making the loan, and interest, at a rate agreed upon by the Board of Managers, shall be paid thereon and charged as an expense to the Company.

Section 3.7 PROFITS INTEREST OF CLASS C HOLDERS. The Class C Holders shall own a percentage of the profits of the Company equal to the right to receive their respective percentage interest as shown on Exhibit "A", attached hereto, of the available cash distributed among the Members pursuant to Section 5.1 and Section 5.2. In addition, taxable income shall be allocated to the Class C Holders equal to their respective percentage interest as shown on Exhibit "A", attached hereto, of the Net Profits allocated among the Members pursuant to Section 4.3(a)(v).

It is the agreement of the Members that the rights of the Class C Holders under this Section 3.7 shall be limited to receiving allocations of taxable income and distributions of cash as described herein, but that the Class C Holders shall not receive any other rights in and shall not participate in any other allocations of taxable income, loss, credit, deduction, gain, or other tax items or distributions of cash from the Company except as specifically provided in this Section 3.7.

Section 3.8 **RIGHTS OF PREFERRED UNIT HOLDERS**. Any Member holding Preferred Units (a "Preferred Unit Holder") shall be subject to the following:

(a) Preferential Return Account. A Preferential Return Account shall be maintained for each Preferred Unit Holder in accordance with this provision. The Preferential Return Account of each Preferred Unit Holder shall consist of an initial balance equal to such Preferred Unit Holder's Initial Capital Contributions with respect to its Preferred Units decreased by an amount equal to the aggregate amount of cash distributed to such Preferred Unit Holder pursuant to Section 5.2(b) hereinbelow. Each Preferred Unit Holder's Preferential Return Account, as determined and adjusted pursuant to this Section 3.8, shall be separate and distinct from each Preferred Unit Holder's Capital Account and will be maintained pursuant to this Section 3.8 solely for the purpose of determining the amount of cash to be distributed to each Preferred Unit Holder and the priority of such distributions pursuant to Section 5.2(b) hereinbelow. As of the date of this Agreement, C_3 Capital Partners, L.P. has a Preferential Return Account of $1,106,716.47 and accrued and unpaid Priority Returns (as defined in Section 5.3) in the amount of $156,384.34, and C_3 Capital Partners II, L.P. has a Preferential Return Account of $801,417.15 and accrued and unpaid Priority Returns (as defined in Section 5.3) in the amount of $113,244.08.

(b) Redemption. The Company may, at its option, redeem all or any of the Preferred Units at any time for a Redemption Price of $1,000.00 per Preferred Unit (the "Redemption Price"). However, the Company shall effect mandatory redemptions of the Preferred Units as follows:

(i) on or before December 31, 2012 (the "First Redemption Deadline"), the Company shall have redeemed no less than seven hundred fifty (750) of the aggregate Preferred Units held by the Preferred Units Holders collectively as of the date of this Agreement by delivering to the Preferred Unit Holders cash in an amount equal to the Redemption Price for the Preferred Units being redeemed plus any accrued but unpaid Priority Return on such Preferred Units through the First Redemption Deadline;

(ii) on or before December 31, 2013 (the "Second Redemption Deadline"), the Company shall have redeemed an additional seven hundred fifty (750) of the aggregate Preferred Units held by the Preferred Units Holders collectively as of the date of this Agreement by delivering to the Preferred Unit Holders cash in an amount equal to the Redemption Price for the Preferred Units being redeemed plus any accrued but unpaid Priority Return on such Preferred Units through the Second Redemption Deadline ; and

(iii) on or before December 31, 2014 (the "Third Redemption Deadline"), the Company shall have redeemed all remaining Preferred Units held by the Preferred Unit Holders collectively as of the date of this Agreement by delivering to the Preferred Unit Holders cash in an amount equal to the Redemption Price for the Preferred Units being redeemed as of the date of this Agreement plus any accrued but unpaid Priority Return on such Preferred Units through the Third Redemption Deadline.

The Preferred Unit Holder shall forfeit any and all rights under this Agreement with respect to the Preferred Units on the date the Third Redemption Payment is received. The Preferred Units shall no longer be deemed to be outstanding as of the date on which each Preferred Unit Holder's Preferential Return Account has been reduced to zero and there is no accrued but unpaid Priority Return due to any Preferred Unit Holder.

(c) Redemption Failure. In the event that all Preferred Units held by the C_3 Entities are not redeemed in full by the Company on or before the Third Redemption Deadline, then on the Third Redemption Deadline and on the last business day of each calendar quarter thereafter while any Preferred Units remain outstanding and held by either of the C_3 Entities, the Company shall issue to the C_3 Entities an aggregate, additional number of Class B Units as shall be equal to (x) two percent (2%) of the total outstanding Common Units of the Company (including Class A Units, Class B Units, and Class C Units) outstanding on such date multiplied by (y) the result obtained by dividing the number of Preferred Units then still held by the C_3 Entity on such date by 1,908.14 (such issuance is referred to as the "Equity Payment"). The Members hereby acknowledge that any issuances of additional Class B Units as an Equity Payment will dilute each Member's Percentage Interests in the Company, and such Percentage Interests shall be adjusted pursuant to Section 3.5(c). The Equity Payment shall only be made to the C_3 Entities and no Equity Payment shall be payable from and after the date on which the C_3 Entities either transfer the Preferred Units and/or are redeemed. However, any transferee of Preferred Units pursuant to Section 12.13 shall take such Preferred Units subject to the rights to receive a Priority Return and the Redemption Payment. Notwithstanding anything to the contrary set forth in this Agreement, the number of Class B Units issued as an Equity Payment shall at no time comprise more than, and shall be limited to no more than, twenty percent (20%) of the sum of the total number of Class A Units, Class B Units, and Class C Units outstanding at such time (including Units issued as Equity Payments).

ARTICLE IV
ALLOCATIONS OF TAXABLE PROFITS AND LOSSES

Section 4.1 **DETERMINATION OF PROFIT OR LOSS**. The items of income, gains, expenses, deductions, losses and credits generated by the Company for federal income tax purposes shall be determined in accordance with a generally accepted method of accounting as soon as practicable after the close of the Fiscal Year of the Company.

Section 4.2 **COSTS AND EXPENSES**. The Company shall pay all expenses (which expenses shall be billed directly to the Company) of the Company which may include but are not limited to: (i) legal, audit, accounting, and other fees; (ii) expenses and taxes incurred in connection with the issuance, distribution and transfer of documents evidencing ownership of Membership Units in the Company or in connection with the business of the Company; (iii) expenses of organizing, revising, amending, converting, modifying or terminating the Company; (iv) expenses in connection with distributions made by the Company to, and communications and bookkeeping work necessary in maintaining relations with, the Members; and (v) costs of any accounting, statistical or bookkeeping equipment necessary for the maintenance of the books and records of the Company.

Section 4.3 **ALLOCATION**. The net profits, net gains and net losses generated by the Company for federal income tax purposes for a year shall be allocated among the Members as follows:

(a) **Profits**. After giving effect to the special allocations set forth in Section 4.4(e) hereof, any net taxable income and gain (collectively, "Net Profits") of the Company for the year shall be allocated among the Members as follows:

(i) First, 100% of the Net Profits shall be allocated pro rata among the Members in proportion to and to the extent of any Deficit Capital Account balances;

(ii) Second, to each Member, in proportion to and to the extent of, the excess, if any, of (A) such Member's Preferential Return Account at the end of such Fiscal Year, over (B) such Member's Capital Account balance;

(iii) Third, to each Member, in proportion to and to the extent of, the excess, if any, of (A) the sum of such Member's Preferential Return Account plus such Member's accrued unpaid Priority Return at the end of such Fiscal Year, over (B) such Member's Capital Account balance;

(iv) Fourth, to each Member, in proportion to and to the extent of, the excess, if any, of (A) the sum of such Member's Unreturned Capital Contributions plus, in the event a Member holds or has held both Preferred Units and Common Units, such Member's accrued unpaid Priority Return at the end of such Fiscal Year, over (B) such Member's Capital Account balance; and

(v) Any remaining Net Profits shall be allocated among the Members according to their respective Percentage Interests in the Company at that time, as set forth in Section 3.5 hereof.

(b) **Losses**. Any net taxable losses and deductions (collectively, "Losses") of the Company for the year shall be allocated among the Members in the following order of priority:

(i) First, to each Member, in proportion to and to the extent of, the excess, if any, of (A) such Member's Capital Account balance, over (B) the sum of such Member's Unreturned Capital Contributions plus, in the event a Member is both a Preferred Unit Holder and a Common Unit Holder, such Member's accrued unpaid Priority Return at the end of such Fiscal Year;

(ii) Second, to each Member, in proportion to and to the extent of, the excess, if any, of (A) such Member's Capital Account balance, over (B) the sum of such Member's Preferential Return Account plus such Member's accrued unpaid Priority Return at the end of such Fiscal Year;

(iii) Third, to each Member, in proportion to and to the extent of, the excess, if any, of (A) such Member's Capital Account balance, over (B) such Member's unpaid Priority Return at the end of such Fiscal Year;

(iv) Fourth, to the Members, in proportion to and to the extent of, the balance of their Preferential Return Account until such Member's Capital Account balance is reduced to zero (0); and

(v) Any remaining Losses shall be allocated among the Members according to their respective Percentage Interests in the Company at that time, as set forth in Section 3.5 hereof.

Section 4.4 **SPECIAL ALLOCATIONS**. Notwithstanding any other provision of this Agreement to the contrary, the following special allocations shall be made in the following order:

(a) **Minimum Gain Chargeback**. Notwithstanding any other provision of this Section 4.4, if there is a net decrease in the Partnership Minimum Gain (as described in Article XVI hereof) during any Company Fiscal Year, each Member will be specially allocated, before any other allocation is made, items of income and gain for such year (and, if necessary, subsequent years) in an amount equal to that Member's share of the net decrease in Partnership Minimum Gain, determined as provided in Section 1.704-2(g)(2) of the Regulations.

Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Section 1.704-2(f), and this Section 4.4(a) is intended to comply with the minimum gain chargeback requirement in that Section of the Regulations and shall be interpreted consistently therewith.

(b) **Partner Minimum Gain Chargeback**. Notwithstanding any other provision of this Article IV except Section 4.4(a), above, if there is a net decrease in Partner Minimum Gain (as described in Article XVI hereof) attributable to a Partner Nonrecourse Debt (as described in Article XVI hereof) during any Company Fiscal Year, each Member who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt (determined as provided in Section 1.704-2(i)(5) of the Regulations) as of the beginning of the year shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to that Member's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, as provided in Section 1.704-2(i)(4) of the Regulations.

Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Section 1.704-2(i)(4) of the Regulations. This Section 4.4(b) is intended to comply with the minimum gain chargeback requirement in that Section of the Regulations and shall be interpreted consistently therewith.

(c) **Qualified Income Offset**. In the event any Member unexpectedly receives an adjustment, allocation or distribution of a nature described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), then each such Member will be specially allocated items of Company taxable income and gain in an amount and manner sufficient to eliminate, to the extent required by the Regulations, that Member's Deficit Capital Account Balance as quickly as possible; provided that an allocation pursuant to this Section 4.4(c) shall be made if and only to the extent that such Member would have a Deficit Capital Account Balance after all other allocations provided for in this Article IV have been tentatively made as if this Section 4.4(c) were not in this Agreement.

(d) **Partner Nonrecourse Deductions**. Any Partner Nonrecourse Deductions (as described in Article XVI hereof) for any Fiscal Year or other period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Partner Nonrecourse Debt (as described in Article XVI hereof) to which such Partner Nonrecourse Deductions are attributable in accordance with Section 1.704-2(i)(2) of the Regulations.

(e) **Curative Allocations**. The allocations set forth in this Section 4.4(e) (the "Regulatory Allocations") are intended to comply with certain requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding any other provision of this Article IV (other than the Regulatory Allocations), the Regulatory Allocations shall be taken into account in allocating other items of profits, losses, income, gains and deductions among the Members so that, to the extent possible, the net amount of such allocations of other taxable items and the Regulatory Allocations to each Member shall be equal to the net amount which would have been allocated to each such Member if the Regulatory Allocations had not occurred. For purposes of applying the previous sentence:

(i) No allocations of Nonrecourse Deductions shall be made pursuant to this Section 4.4(e) with respect to Regulatory Allocations required pursuant to (a) hereof prior to the Company Fiscal Year during which there is a net decrease in Partnership Minimum Gain, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Partnership Minimum Gain;

(ii) Allocations pursuant to this Section 4.4(e) shall be deferred with respect to allocations of Nonrecourse Deductions to the extent the Board of Managers determine that such allocations are likely to be offset by subsequent allocations pursuant to (a) hereof;

(iii) No allocations of Partner Nonrecourse Deductions shall be made pursuant to this Section 4.4(e) with respect to Regulatory Allocations required under (b) or (d) prior to the Company Fiscal Year during which there is a net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Partner Minimum Gain; and

(iv) Allocations pursuant to this Section 4.4(e) shall be deferred with respect to allocations pursuant to (d) relating to a particular Partner Nonrecourse Debt to the extent the Board of Managers reasonably determine that such allocations are likely to be offset by subsequent allocations pursuant to (b).

Section 4.5 **BUILT-IN GAIN OR LOSS**. Notwithstanding any other provision of this Article IV, in accordance with Code Section 704(c) and the accompanying Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property other than cash contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take into account any variation between (i) the adjusted basis of such property to the Company for federal income tax purposes on the date of contribution and (ii) the fair market value of such property on the date contributed to the Company, as determined by the Board of Managers.

Section 4.6 **INCOME CHARACTERIZATION**. For purposes of determining the character (as ordinary income or capital gain) of any taxable income of the Company allocated to the Members pursuant to this Article IV, such portion of the taxable income of the Company allocated pursuant to this Article IV which is treated as ordinary income attributable to the recapture of depreciation shall, to the extent possible, be allocated among the Members in the proportion which (i) the amount of depreciation previously allocated to each Member bears to (ii) the total of such depreciation allocated to all Members. This Section 4.6 shall not alter the amount of allocations among the Members pursuant to this Article IV, but merely the character of income so allocated.

Section 4.7 **CREDITS**. Tax credits shall be allocated among the Members in accordance with Section 4.3 hereof.

Section 4.8 **CHANGE IN INTERESTS**. Notwithstanding the foregoing, in the event of a change in the Members' Percentage Interests in the Company during a year, whether occasioned by admission of a new Member, additional contributions, assignments of Membership Units or otherwise, the allocation of items of income and expense shall be made so as to reflect the Members' varying Percentage Interests in the Company during the year. Profits and losses for the year shall be prorated on a daily basis and allocated among the Members based upon the period of time during which they held their respective Percentage Interests.

Section 4.9 **CREDITING ACCOUNTS**. Items of income, gains, expenses, deductions, losses and credits shall be credited or debited, as the case may be, to each Member's Capital Account created pursuant to Section 3.4 as provided in this Article.

ARTICLE V
DISTRIBUTIONS

Section 5.1 **DISTRIBUTABLE AMOUNTS**. The Company may make distributions of any amounts in excess of its reasonable operating requirements as determined by the Board of Managers. The amounts available for distribution may be generated by operations of the Company through sale, condemnation, financing or refinancing of assets of the Company, by collection of amounts owed to the Company or by any other transaction. In the case of amounts attributable to a Capital Transaction, the net proceeds to be distributed hereunder shall be the net cash proceeds received by the Company after payment of, or provision for, all Company debts, obligations and reserves required or permitted to be paid upon, or incurred or established in connection with, the receipt by the Company of such proceeds (said reserves to be established in the reasonable discretion of the Board of Managers), and all expenses incurred by the Company in connection with the Capital Transaction giving rise to such proceeds. Notwithstanding the foregoing, no distribution shall be made unless after the distribution the Company retains assets sufficient to pay all its debts as they become due and such distribution, if made, would not cause the Company to otherwise become insolvent.

Section 5.2 **ALLOCATION**. Except as otherwise provided in Section 5.4, distributions of available cash pursuant to Section 5.1 and mandatory distributions of the Tax Distribution Amount under Section 5.5(a) (regardless of available cash), shall be made within thirty (30) days after the end of each calendar quarter, in the following order of priority:

(a) First, to the Preferred Unit Holders in proportion and to the extent of the excess, if any, of (i) the cumulative Priority Return of each such Preferred Unit Holder from the inception of the Company to the end of such year or calendar quarter, as applicable, over (ii) the sum of all prior distributions to such Preferred Unit Holder pursuant to this Section 5.2(a) hereof;

(b) Second, to the Preferred Unit Holders, pro rata, in accordance with any balance remaining in the Preferred Unit Holders Preferential Return Account, as defined in Section 3.8, until such Preferred Unit Holder's Preferential Return Account is reduced to zero ($0); then

(c) The balance, if any, to the Common Unit Holders according to their respective Percentage Interests in the Company at that time.

Section 5.3 **PRIORITY RETURN**. "Priority Return" means a sum equal to fourteen percent (14%) per annum, determined on the basis of a year of 365, as the case may be, for the actual number of days occurring in the period for which the Priority Return is being determined, cumulative to the extent not distributed in any given quarter pursuant to Section 5.2(a) hereof, of the average daily balance of the Preferred Unit Holder's Preferential Return Account from time to time during the period to which the Priority Return relates, commencing on the date the Preferred Unit Holder first makes a Capital Contribution pursuant to Section 3.1 hereof.

Section 5.4 **LIQUIDATING DISTRIBUTIONS**. After giving effect to all Member contributions, distributions, allocations, and capital account adjustments for all taxable years of the Company (including the taxable year during which the Company is liquidated), the Company shall distribute the liquidation proceeds derived from the dissolution, winding-up, liquidation, and termination of the Company (plus any remaining assets of the Company that are to be distributed in kind to the Members) in the following priority and proportions:

(a) To pay in the order of priority required by the Act all the liabilities and obligations of the Company that are then due and payable to creditors (including Members), including all costs and expenses directly relating to the liquidation, winding-up, and termination of the Company, but excluding Capital Contributions and distributions payable to the Members; and then

(b) To establish any reasonable cash reserve that the Members may determine unanimously by resolution to be appropriate for any contingent, conditional, or unmatured liabilities or obligations of the Company and as an allowance for doubtful accounts receivable or the unrealized portion of any promissory note, installment obligation, or other deferred revenue payable to the Company; and then

(c) To the Preferred Unit Holders, if any, in proportion to and to the extent of the excess, if any, of (i) the sum of the cumulative Priority Return of each such Preferred Unit Holder from the inception of the Company to the date on which such distribution is made and any balance remaining in the Preferential Return Account of each such Preferred Unit Holder, over (ii) the sum of all prior distributions to such Preferred Unit Holder pursuant to Section 5.2(a) and Section 5.2(b) hereof, and this Section 5.4(c).

(d) To the Members, *pro rata*, in accordance with the sum of their Initial Capital Contributions plus any additional Capital Contributions which have not yet been returned to the respective Member (the "Unreturned Capital Contributions"), in an amount equal to each Member's Unreturned Capital Contributions; and then

(e) To the Members, *pro rata*, in accordance with the Members' respective Percentage Interests at the time of such liquidation.

The Board of Managers shall use reasonable efforts to cause the proceeds from a liquidation of the Company to be distributed in the same Fiscal Year in which the sale of the Company's assets occurs.

Section 5.5 **MANDATORY TAX DISTRIBUTIONS**.

(a) Within thirty (30) days after the end of each fiscal quarter of the Company, if Preferred Units are still outstanding on the last day of such fiscal quarter, the Company shall distribute an amount of cash equal to the Tax Distribution Amount, regardless of whether the cash is available for such distribution. Such distribution shall be allocated in the order of priority set forth in Section 5.2 above. The "Tax Distribution Amount" shall be an amount equal to the product of (i) the cumulative maximum marginal federal and state income tax rates applicable to an individual taxpayer resident in the United States multiplied by (ii) the cumulative taxable income of the Company through the end of such quarter, less the amount of any distributions of a Tax Distribution Amount made during the Fiscal Year with respect to prior quarters. In no event shall the Tax Distribution Amount for a quarter be less than zero.

(b) From and after the date on which there are no longer any Preferred Units outstanding, the Company shall, to the extent of available cash, distribute cash at least annually and no later than 75 days after the end of a Fiscal Year, an amount which, at the time of such distribution, when added to all prior distributions pursuant to this Section 5.5, equals the cumulative maximum tax payable by an individual taxpayer at the highest combined marginal tax rates of federal and state income taxes imposed on resident individuals in the United States on the taxable income of the Company. Such distribution shall be made ratably to the Members in proportion to their respective Member Percentages.

ARTICLE VI
DURATION OF BUSINESS; TERMINATION

Section 6.1 **DURATION OF COMPANY**. The Company shall continue until the earlier of:

(a) The decision of the Board of Managers to dissolve the Company;

(b) The expiration of the term of the Company set forth in Section 1.4 hereof; or

(c) The sale or other disposition of all Company Property and the distribution of all sales proceeds resulting therefrom to the Members in accordance with this Agreement.

Section 6.2 **DEATH, ETC., OF MEMBER**. The Company shall not be dissolved upon the death, insanity, total disability, bankruptcy, dissolution or withdrawal of any Member, or by the assignment by any Member of all of the Membership Units or Economic Interest in the Company.

Section 6.3 **LIQUIDATION**. In the event of termination of the Company:

(a) The Board of Managers shall wind up the affairs of the Company, shall sell all the Company assets as promptly as is consistent with obtaining the fair value thereof, and shall apply and distribute the proceeds of liquidation in the following order of priority:

(i) To the payment of debts and liabilities of the Company (including to Members to the extent otherwise permitted by law) and the expenses of liquidation; then

(ii) To the setting up of such reserves as the Board of Managers winding up the Company's affairs may reasonably deem necessary or appropriate for any dispute, contingent or unforeseen liabilities or obligations of the Company; then

(iii) The remainder to the Members in accordance with Section 5.4 above.

(b) Each Member shall look solely to the assets of the Company for the return of the Member's capital contribution, and if the Company Property remaining after payment or discharge of the debts and liabilities of the Company is insufficient to return the contributions of each Member, a Member shall have no recourse against any other Member(s).

(c) The proceeds of liquidation shall be distributed to the Members pursuant to Section 5.3 hereof.

(d) Upon the liquidation of the Company, if any Member has a Deficit Balance in the Member's Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year in which such liquidation occurs), that Member shall have no obligation to make any contributions to the capital of the Company with respect to such deficit and such deficit shall not be considered a debt owed to the Company or any other person or entity for any purpose whatsoever.

ARTICLE VII
RIGHTS AND DUTIES OF MEMBERS

Section 7.1 **LIABILITIES OF MEMBERS**. No Member shall be obligated to make capital contributions to the Company except as provided in Article III. No Member shall have any personal liability with respect to the liabilities or obligations of the Company except as provided in Article III. Failure of the Company to observe any formalities or requirements relating to the exercise of its powers or the management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Members for liabilities or obligations of the Company.

Section 7.2 **LIMITATIONS ON POWERS OF MEMBERS**. Except as expressly authorized by this Agreement, no Member may, directly or indirectly, (a) resign, retire or withdraw from the Company, (b) dissolve, terminate or liquidate the Company, (c) petition a court for the dissolution, termination or liquidation of the Company, or (d) cause any property of the Company to be subject to the authority of any court, trustee or receiver (including suits for partition and bankruptcy, insolvency, and similar proceedings).

Section 7.3 **PROHIBITION AGAINST PARTITION**. Each Member irrevocably waives any and all rights the Member may have to maintain an action for partition with respect to any property of the Company.

ARTICLE VIII
MEETINGS OF MEMBERS

Section 8.1 **ANNUAL MEETING**. The annual meeting of the Members shall be held between January 1st and December 31st of each year, on such date and at such hour as may be specified in the Notice of Meeting or in a duly executed Waiver of Notice thereof, for the purpose of electing Managers to serve for the ensuing year and the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Delaware, such meeting shall be held on the next succeeding business day.

Section 8.2 **SPECIAL MEETING**. Special meetings of the Members, for any purpose or purposes, may be called by the President or by a majority of the Board of Managers or by any Member owning Membership Units in the Company.

Section 8.3 **PLACE OF MEETING**. The Board of Managers may designate any place, either within or without the State of Delaware, unless otherwise prescribed by statute, as the place of meeting for any annual or special meeting of Members. If no designation is made by the Board of Managers, the place of meeting shall be the principal office of the Company.

Section 8.4 **NOTICE OF MEETING**. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered to each Member of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by first-class mail, by or at the direction of the President or the Secretary or by the Members calling the meeting. If mailed, such notice shall be deemed to be delivered at the earliest date of the following: (a) when received; (b) five days after its deposit in the United States mail addressed to the Member at his address as it appears on the records of the Company, with the postage thereon prepaid; or (c) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested.

Section 8.5 **WAIVER OF NOTICE**. Members may waive notice of a meeting before or after the date and time specified in the written notice of meeting. All waivers of notice must be in writing, be signed by the Member entitled to the notice and be delivered to the Company for inclusion in the appropriate records. None of the business to be transacted at, nor the purpose of, a Members' meeting must be specified in a written waiver of notice. Attendance of a Member at a meeting shall constitute a waiver of notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.

Section 8.6 **FIXING OF RECORD DATE**. The Board of Managers may fix a date, not less than ten (10) nor more than sixty (60) days before the date set for any meeting of the Members, as the record date as of which the Members of record entitled to notice of and to vote at such meeting and any adjournment thereof shall be determined.

Section 8.7 **QUORUM**. A majority of the Membership Units of the Company, represented in person or by proxy, shall constitute a quorum at a meeting of the Members. When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and any business may be transacted at the adjourned meeting that might have been transacted at the original date of the meeting. If, however, after the adjournment, the Board of Managers fix a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given in compliance with Section 8.4 to each Member of record on the new record date entitled to vote at such meeting. After a quorum has been established at a Members' meeting, the subsequent withdrawal of Members, so as to reduce the Membership Units entitled to vote at the meeting below the percentage required for a quorum, shall not affect the validity of any action taken at the meeting or any adjournment thereof.

Section 8.8 **PROXIES**. Every Member entitled to vote at a meeting of Members or to express consent or dissent without a meeting, or his duly authorized attorney-in-fact, may authorize another person or persons to act for him by proxy. The proxy must be executed in writing by the Member or his duly authorized attorney-in-fact. Such proxy shall be filed with the Company before or at the time of such meeting or at the time of expressing such consent or dissent without a meeting. No proxy shall be valid after the expiration of eleven (11) months after the date thereof unless provided otherwise in the proxy.

Section 8.9 **VOTING OF MEMBERSHIP UNITS**. Except as provided in Section 9.6, each Member shall be entitled to one (1) vote per one (1) Membership Unit (and a corresponding fractional vote for each fraction of a Membership Unit) upon each matter submitted to a vote at a meeting of the Members. If a quorum is present, the affirmative vote of the Members owning a majority of the Membership Units represented at the meeting and entitled to vote on the subject matter shall be the act of the Members unless a greater percentage is required by the Delaware Statutes, this Agreement or the Company's Certificate of Formation.

Section 8.10 **VOTING OF MEMBERSHIP UNITS BY CERTAIN HOLDERS**. Membership Units standing in the name of a corporation may be voted by the officer, agent or proxy designated by the bylaws of the corporate Member or, in the absence of any applicable bylaws, by such person as the managers of the corporate Member may designate. Proof of such designation may be made by presentation of a certified copy of the bylaws or other instrument of the corporate Member. In the absence of any such designation or, in case of conflicting designation by the corporate Member, the chairman of the board, the president, any vice president, the secretary, and the treasurer of the corporate Member shall be presumed to possess, in that order, authority to vote such Membership Units.

Membership Units held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such Membership Units into his name.

Membership Units standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote Membership Units held by him without a transfer of such Membership Units into his name.

Membership Units standing in the name of a receiver may be voted by such receiver, and Membership Units held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name, if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A Member whose Membership Units are pledged shall be entitled to vote such Membership Units until the Membership Units have been transferred into the name of the pledgee, and thereafter the pledgee or his nominee shall be entitled to vote the Membership Units so transferred only in the event the pledgee becomes a Substituted Member (as defined in Section 12.3 hereinbelow).

Section 8.11 ACTION BY WRITTEN CONSENT OR TELEPHONE CONFERENCE.

(a) Any action required or permitted to be taken at any meeting of Members may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by Members having not less than the minimum number of Membership Units necessary to authorize or take such action at a meeting at which all Members entitled to vote were present and voted. A telegram, telex, cablegram or similar transmission by a Member, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by a Member, shall be regarded as signed by the Member for purposes of this Section 8.11. Prompt notice of the taking of any action by Members without a meeting by less than unanimous written consent shall be given to those Members who did not consent in writing to the action.

(b) The record date for determining Members entitled to consent to action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company by delivery to its registered office, its principal place of business or the Board of Managers.

(c) Members may participate in and hold a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can speak to and hear each other. Participation in such meeting shall constitute attendance and presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 8.12 ANNUAL REPORTS, ETC.

The Company shall file any necessary reports with the State of Delaware and pay the annual tax for Limited Liability Companies to the State of Delaware.

ARTICLE IX
BOARD OF MANAGERS

Section 9.1 MANAGEMENT AND CONTROL. The management and control of the Company shall be vested in the Board of Managers. The Board of Managers shall have, except as specifically limited in this Agreement, full and exclusive authority in the management and control of the Company, and shall have all the rights and powers which are otherwise conferred by law or are necessary or advisable for the discharge of their duties and the management of the business and affairs of the Company.

Section 9.2 **NUMBER AND ELECTION**. Subject to the paragraphs below, the Board of Managers shall consist of three Managers to be elected as follows: (a) for so long as the Investor Group holds a majority of the issued and outstanding Class A Units, the Investor Group shall have the right to elect two Managers, and (b) for so long as the C_3 Entities collectively hold a majority of the issued and outstanding Class B Units, the C_3 Entities shall have the right to elect one Manager. To the extent that clause (a) above shall not be applicable, any Manager who would otherwise have been designated in accordance with the terms thereof shall instead be elected upon the vote or written consent of the holders of a majority of all of the Membership Units, and to the extent that clause (b) above shall not be applicable, any Manager who would otherwise have been designated in accordance with the terms thereof shall instead be elected upon the vote or written consent of the holders of a majority of all the Membership Units. In the event of the death, resignation or removal of a Manager, the Members who elected such Manager may elect a successor Manager. On the date hereof, John Kang and Ricardo A. Salas are serving as the Managers elected by the Investor Group, and Robert Smith is serving as the Manager elected by C_3 Entities. Notwithstanding the foregoing:

For so long as either C_3 Entity continues to hold any Preferred Units or First Amended and Restated 14% Subordinated Notes payable to the C_3 Entities (the "Notes"), in the event (such an event, a "Payment Default") that (a) the Company has not paid any amount of principal or interest on the Notes on the date such payment is due and until such amount is paid by the Company to the C_3 Entities, (b) the Company does not make a Redemption Payment on or before the applicable Redemption Deadline to the C_3 Entities and until such Redemption Payment is made by the Company to the C_3 Entities, or (c) the Company does not make a distribution of cash to the Preferred Unit Holders in an amount equal to the cumulative Priority Return of each such Preferred Unit Holder for the calendar year on or before December 31st of such calendar year and until such distribution of cash is made by the Company to the Preferred Unit Holders, the Board of Managers shall then, and only then (subject to the following paragraph), consist of three Managers to be elected as follows: the Members holding Class A Units shall, by the vote or written consent of the holders of a majority of the Class A Units, have the right to elect one Manager and the C_3 Entities shall have the right to elect two Managers (the "Preferred Unit Managers"). At such time as a Payment Default ceases to continue and so long as no other Payment Default is continuing, the Preferred Unit Managers shall automatically and without any further action on the part of the C_3 Entities, the Company, the Members, or the Board of Managers cease to serve as Managers of the Company and the manner and method for the election of Managers shall revert to the manner and method set forth in the preceding paragraph. The right to elect Managers upon a Payment Default in accordance with this paragraph shall not apply to any transferee or subsequent holder of Preferred Units.

Upon completion of the computation at the Date of Determination set forth in Section 3(c) of the Nonrecourse Secured Promissory Note, dated November 30, 2011, issued by the Investor Group and payable to the Company in the original principal amount of One Million Two Hundred Seventy Two Thousand Eight Hundred Dollars ($1,272,800), if the C3 Entities collectively own a majority of the issued and outstanding Membership Units, the Board of Managers shall thereafter consist of three (3) Managers to be elected as follows: the Members holding Class A Units shall, by vote or written consent of the holders of a majority of the Class A Units, have the right to elect one Manager and the C3 Entities shall have the right to elect two (2) Managers.

Section 9.3 **RESIGNATION**. A Manager may resign at any time by delivering written notice to the Board of Managers or to the Company. A resignation is effective when notice is delivered unless the notice specifies a later effective date.

Section 9.4 **REMOVAL OF MANAGER**. Each Member may remove its elected Manager, with or without cause, at any time.

Section 9.5 **EXPRESSLY AUTHORIZED RIGHTS AND POWERS**. Without limiting the generality of Section 9.1, but subject to the provisions of Section 9.6, the Board of Managers are expressly authorized on behalf of the Company to:

(a) elect officers to manage the day-to-day operations of the Company;

(b) procure and maintain with responsible companies such insurance as may be advisable in such amounts and covering such risks as are deemed appropriate by the Board of Managers;

(c) take and hold any assets of the Company in the Company name, or in the name of a nominee of the Company;

(d) execute and deliver on behalf of and in the name of the Company, or in the name of a nominee of the Company, all instruments necessary or incidental to the conduct of the Company's business;

(e) protect and preserve the assets of the Company and incur indebtedness;

(f) sell, dispose of, trade, exchange, convey, quitclaim, surrender, release or abandon, upon terms and conditions which the Board of Managers may negotiate and deem appropriate, personal property of the Company;

(g) execute and deliver documents and instruments on behalf of the Company in connection with the acquisition and disposition of its assets, and to execute, terminate, modify, enforce, continue or otherwise deal with any Company indebtedness and security interests, to sell Company assets, and to take any other action with respect to agreements made between the Company and a lender or any affiliate thereof, all subject to the limitations of Section 9.6;

(h) open Company bank accounts in which all Company funds shall be deposited and from which payments shall be made;

(i) invest Company funds and working capital reserves; and

(j) issue additional Preferred Units or Common Units.

Section 9.6 **CERTAIN LIMITATIONS**. Notwithstanding the generality of the foregoing, and in addition to other acts expressly prohibited by this Agreement or by law, the Board of Managers, without the prior written consent or approval of the Members holding a Supermajority (as defined in Article XVI) of the issued and outstanding Membership Units, may not cause the Company to do any of the following:

(a) amend or restate the Certificate of Formation;

(b) sell, lease, exchange or otherwise dispose of all or substantially all the Company's property and assets;

(c) be a party to (i) a merger, (ii) interest exchange or (iii) other transaction affecting the ownership or structure of the Company;

(d) do any act in contravention of this Agreement;

(e) do any act which would make it impossible to carry on the ordinary business of the Company, except as expressly provided in this Agreement;

(f) confess a judgment against the Company;

(g) file a bankruptcy petition on behalf of the Company;

(h) execute or deliver any general assignment for the benefit of the creditors of the Company;

(i) convert the Company to a Corporation pursuant to Article XIII;

(j) assign rights in specific Company property for other than a Company purpose; or

(k) knowingly or willingly do any act (except an act expressly required by this Agreement) which would cause the Company to become an association taxable as a corporation.

Section 9.7 MEETINGS OF MANAGERS.

(a) **Following Annual Meeting of Members**. In connection with any annual meeting of Members at which Managers were appointed, the Board of Managers may, if a quorum is present, hold its first meeting for the transaction of business immediately after and at the same place as such annual meeting of the Members. Notice of such meeting at such time and place shall not be required.

(b) **Regular Meetings**. Regular meetings of the Board of Managers shall be held at such times and places as shall be designated from time to time by resolution of the Board of Managers. Notice of such regular meetings shall not be required after the initial notice of the schedule of meetings.

(c) **Special Meetings**. Special meetings of the Board of Managers may be called by the President or by any Manager on at least forty-eight (48) hours notice to each Manager. Such notice shall state the purpose or purposes of, or the business to be transacted at, such meeting.

(d) **Attendance and Place of Meeting**. Meetings of the Board of Managers may be held at such place or places as shall be determined from time to time by resolution of the Board of Managers. The chair of the Board of Managers, if one has been designated by the Board of Managers, shall preside when present at meetings of the Board of Managers. Attendance of a Manager at a meeting shall be presumed to constitute a waiver of notice of such meeting, except where a Manager attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened or unless he or she shall file a written objection to such action with the Person acting as secretary of the meeting before the adjournment thereof on the ground that the meeting is not lawfully called or convened.

(e) **Quorum and Action**. A quorum for the transaction of business of the Board of Managers shall require the presence of a majority of the number of Managers fixed pursuant to Section 9.2 of this Article. At all meetings of the Board of Managers, business shall be transacted in such order as shall from time to time be determined by resolution of the Board of Managers. The act of the majority of the Managers present at a meeting at which a quorum is present shall be the act of the Board of Managers. A Manager who is present at a meeting of the Board of Managers at which action on any Company matter is taken shall be presumed to have assented to the action unless he or she shall either voice his or her dissent at the meeting or unless he or she shall file a written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof. Such right to dissent shall not apply to a Manager who voted in favor of such action.

(f) **Action by Written Consent or Telephone Conference**. Any action permitted or required to be taken at a meeting of the Board of Managers or of any committee designated by the Board of Managers may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by a quorum of the Managers as set forth in Section 9.7(e). Such consent shall have the same force and effect as a vote taken at a meeting and may be stated as such in any document or instrument filed with the Secretary of State of Delaware, and the execution of such consent or consents shall constitute attendance or presence in person at a meeting of the Board of Managers or any such committee, as the case may be. A telegram, telex, cablegram or similar transmission by a person, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by a person, shall be regarded as signed by that person for the purposes of this Section 9.7(f).

Subject to the requirements of the Act, the Certificate of Formation or this Agreement, the Board of Managers, or members of any committee designated by the Board of Managers, may participate in and hold a meeting of the Managers or any committee of Managers, as the case may be, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can speak to and hear each other, and participation in such meeting shall constitute attendance and presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 9.8 **COMPENSATION**. The compensation of any Manager, officer or employee of the Company who is an affiliate of a Member must be approved by the C3 Entities.

ARTICLE X
OFFICERS

Section 10.1 **NUMBER**. The Officers of the Company shall be the President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Managers. Such other Officers and assistant Officers and agents as may be deemed necessary may be elected or appointed by the Board of Managers. Any two (2) or more offices may be held by the same person.

Section 10.2 **ELECTION AND TERM OF OFFICE**. The Officers of the Company shall be elected annually by the Board of Managers at the regular meeting of the Managers held after each annual meeting of the Members. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each Officer shall hold office until his successor shall have been duly elected and shall have qualified or until his earlier resignation, removal from office or death.

Section 10.3 **REMOVAL AND RESIGNATION**. Any Officer or agent elected or appointed by the Board of Managers may be removed by the Board of Managers with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an Officer or agent shall not of itself create contract rights. Any Officer of the Company may resign at any time by giving written notice to the Board of Managers. Any such resignation shall take effect after time specified therein, or, if the time is not specified therein, upon its acceptance by the Board of Managers.

Section 10.4 **VACANCIES**. A vacancy, however occurring, in any office may be filled by the Board of Managers for the unexpired portion of the term.

Section 10.5 **CHAIR**. The Chair of the Board of Managers, if one is elected or appointed, shall preside at all meetings of the Board of Managers and shall have such other powers and duties as may from time to time be prescribed by the Board of Managers, upon written directions given to him or her pursuant to resolutions duly adopted by the Board of Managers.

Section 10.6 **PRESIDENT**. The President shall be the principal executive Officer of the Company and, subject to the control of the Board of Managers, shall in general supervise and control all of the business affairs of the Company. The President shall, when present, preside at all meetings of the Members and of the Board of Managers, unless the Board of Managers has elected a Chair of the Board of Managers and the Chair is present at such meeting. The President may sign deeds, mortgages, bonds, contracts, or other instruments which the Board of Managers has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Managers or by this Agreement to some other Officer or agent of the Company, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties as from time to time may be assigned to him by the Board of Managers.

Section 10.7 **VICE PRESIDENTS**. If a Vice-President is elected or appointed, in the absence of the President or in the event of his death, inability or refusal to act, the Vice-President shall have the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice-President shall perform such other duties as from time to time may be assigned to him by the President or the Board of Managers.

Section 10.8 **SECRETARY**. The Secretary shall: (a) keep the minutes of all the meetings of the Members and the Board of Managers in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of this Agreement or as required by law; (c) be custodian of the Company records; (d) keep a register of the post office address of each Member; (e) have general charge of the Membership Unit transfer books of the Company, if the Company issues certificates representing such Membership Units; and (f) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Managers.

Section 10.9 **TREASURER**. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Company; receive and give receipts for moneys due and payable to the Company from any source whatsoever, and deposit all such moneys in the name of the Company in such banks, trust companies or other depositories as shall be selected by the Board of Managers; and (b) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Managers. If required by the Board of Managers, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Managers shall determine.

Section 10.10 **SALARIES**. The salaries of the Officers shall be fixed from time to time by the Board of Managers and no Officer shall be prevented from receiving such salary by reason of the fact that he is also a Manager of the Company. Reference is made to the limitation in Section 9.8 with respect to compensation of Managers, officers and employees who are affiliates of a Member.

ARTICLE XI
INDEMNIFICATION OF MEMBERS, MANAGERS AND DIRECTORS

Section 11.1 **RIGHT TO INDEMNIFICATION**. The Company shall indemnify the Members, Managers and Officers to the fullest extent allowed by law from all claims brought by third parties relating to or arising out of the Company's business. The Company shall indemnify and hold harmless the Members, Managers and Officers to the fullest extent permitted or authorized by the Act or future legislation or by current or future judicial or administrative decision (but, in the case of future legislation or decision, only to the extent that it permits the Company to provide broader indemnification rights than permitted prior to the legislation or decision), against all fines, liabilities, settlements, losses, damages, costs and expenses, including attorneys' fees, asserted against the Member, Manager and/or Officer or incurred by any of them in their capacity as Member, Manager and/or Officer or arising out of their status as Member, Manager an/or Officer, as the case may be. The foregoing right of indemnification shall not be exclusive of other rights to which those seeking indemnification may be entitled. The Company may maintain insurance, at its expense, to protect itself and the indemnified persons against all fines, liabilities, costs and expenses, including attorneys' fees, whether or not the Company would have the legal power to indemnify him directly against such liability.

Section 11.2 **ADVANCES**. Costs, charges and expenses (including attorneys' fees) incurred by a person referred to in Section 11.1 in defending a civil or criminal suit, action or proceeding shall be paid by the Company in advance of the final disposition thereof upon receipt of an undertaking to repay all amounts advanced if it is ultimately determined that the person is not entitled to be indemnified by the Company as authorized by this Article.

Section 11.3 **SAVINGS CLAUSE**. If this Article XI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless the Members, Managers, Officers or any other person indemnified pursuant to this Article XI as to costs, charges and expenses (including attorneys' fee), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article XI that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE XII
ASSIGNMENT OF MEMBERSHIP UNITS

Section 12.1 **GENERAL RESTRICTION ON ASSIGNMENT**. Except as expressly permitted hereunder, no Member or Economic Interest Owner may Transfer all or any portion of, or any interest or rights in, their Membership Units or Economic Interest without the prior written consent of the Board of Managers (excluding Managers who are Affiliates of the transferring Member) (the "Non-Affiliated Managers") or, if there are no Non-Affiliated Managers, then the consent of all of the Members other than the transferring Member (the "Non-Affiliated Members"). Each Member hereby acknowledges the reasonableness of this prohibition in view of the purposes of the Company and the relationship of the Members.

The Transfer of any Membership Units or Economic Interests in violation of the prohibition contained in this Section 12.1 shall be deemed invalid, null and void, and of no force and effect. Any Person to whom Membership Units are attempted to be Transferred in violation of this Section 12.1 shall not be entitled to vote on matters coming before the Members, participate in the management of the Company, act as an agent of the Company, receive distributions from the Company or have any other rights in or with respect to the Membership Units. Any person to whom an Economic Interest is attempted to be transferred in violation of this Section 12.1 shall not be entitled to receive distributions from the Company or have any other rights in or with respect to the Economic Interest.

For purposes of this Agreement, the term "Transfer", or " Transferred", when used in this Agreement with respect to the Membership Units or Economic Interests, includes a sale, assignment, gift, pledge, encumbrance or any other disposition, whether voluntary, by operation of law or otherwise, and "transferee" and "transferor" have corresponding meanings. Further, any such proposed Transfer must be accomplished by written instrument satisfactory in form and content to the Non-Affiliated Managers or Non-Affiliated Members (as the case may be), accompanied by such assurances of genuineness and effectiveness of signatures and the obtaining of any governmental approvals or legal opinions as the Non-Affiliated Managers or Non-Affiliated Members (as the case may be) may reasonably require and payment of any reasonable costs of transfer as the Non-Affiliated Managers or Non-Affiliated Members (as the case may be) may require and all transfer taxes as may be imposed.

Section 12.2 **RIGHT OF FIRST REFUSAL**. In addition to the general restrictions contained in Section 12.1 above, no Member or Economic Interest Owner may voluntarily Transfer any right, title or interest in its Membership Units or Economic Interest, or any part thereof, to any Person, unless the Member or Economic Interest Owner desiring to make the transfer, hereinafter referred to as the "Transferor", shall (a) have received a *bona fide* written offer to purchase such interest in the Company by an unrelated third party (the "Proposed Transferee") and (b) have made an offer to tender to the Company for redemption all of the Transferor's interest in the Company which the Transferor desires to sell, give or otherwise transfer to the Proposed Transferee (the "Offered Interest") in the manner hereinafter described in this Section 12.2, and the offer shall not have been accepted.

(a) **Offer by Transferor**. The offer by a Transferor shall be given in writing to the Company and shall be accompanied by a copy of the written offer, proposal or contract, between the Transferor and the Proposed Transferee (hereinafter referred to as the "Written Offer"), and shall set forth the nature of the transaction (whether sale, gift, or other transfer), the name and address of the Proposed Transferee and the terms of the transaction, including an identification of the interest involved, the number of Membership Units involved, the purchase price, and the payment terms (hereinafter referred to as the "Proposed Transaction"). The offer by the Transferor shall consist of an offer to tender to the Company for redemption all of the Offered Interest at the price and upon the terms set forth in this Section 12.2 below.

(b) **Exercise of Option**. Within fifteen (15) days after the receipt of the offer, the Company shall have the option, but not the duty, to redeem all or any portion of the Offered Interest; *provided, however*, that the Company's decision to accept or reject the offer shall be made by a vote of a majority of the Non-Affiliated Managers or, if there are no Non-Affiliated Managers, then by a Majority Vote of the Non-Affiliated Members. The election to redeem shall be exercised by the giving of notice thereof to the Transferor.

The notice of exercise of option shall specify a date for the closing of the redemption of the Offered Interest (hereinafter referred to as the "Closing" or the "Closing Date"), which shall not be less than thirty (30) days nor more than sixty (60) days after the expiration of the time within which the Company may exercise its option.

(c) **Redemption/Purchase Price**. If the Company elects to redeem all of the Offered Interest, the price for each Membership Unit of the Offered Interest shall be the price per Membership Unit set forth in the Written Offer.

(d) **Payment of Redemption/Purchase Price**. Upon any redemption under this Section 12.2, the redemption price shall be paid in accordance with the terms provided in the Written Offer.

(e) **Closing**. The Closing of a purchase under this Section 12.2 shall take place at the principal office of the Company on a date specified in writing in the written acceptance by the Company to the Transferor, unless the Transferor and the Company otherwise mutually agree on another place or date. At the Closing, the Transferor shall deliver, in exchange for the total purchase price, whether in cash or partially in cash and partially by promissory notes, as the case may be, the certificate, if any, representing the Offered Interest being transferred, duly endorsed, and such other documents as shall be necessary and reasonably required to conclude the transfer.

(f) **Release from Restriction**. If the Transferor's offer to tender or sell is not accepted by the Company as to the entire interest of the Transferor, the Transferor may make a transfer to the prospective *bona fide* transferee of the entire Offered Interest, the transfer to be made only in strict accordance with the terms of the Written Offer. If the Transferor shall fail to make the transfer within thirty (30) days following the expiration of the time hereinabove provided for the exercise of the election to purchase by the Company, the Membership Units of the Transferor shall again be subject to all the restrictions of this Agreement.

(g) **Continuance of Restrictions Upon Subsequent Owners**. In the event the Transferor makes a bona fide transfer of the Offered Interest under the provisions of this Section 12.2, then the Offered Interest transferred to the Proposed Transferee shall be subject to all the provisions of this Agreement. No Membership Units or Economic Interest shall be transferred on the books of the Company and no certificate evidencing such Membership Units or Economic Interest shall be issued to the Proposed Transferee unless and until the Proposed Transferee has executed a counterpart to this Agreement, the original of which shall be retained as part of the Company's records. Failure of the Proposed Transferee to execute a counterpart of this Agreement, however, shall not affect the applicability of this Agreement to the Offered Interest, it being the intention of each Member and the Company that any and all subsequent owners of Membership Units and Economic Interests voluntarily transferred shall only receive and own the Membership Unit or Economic Interest subject to the same restrictions upon transfer and encumbrance as set forth in this Agreement, to which the Transferor was subject, including, without limitation, all of the provisions of this Article XII.

Section 12.3 **INVOLUNTARY TRANSFER**. In the event any Membership Units or Economic Interest are the subject of an involuntary Transfer, whether due to bankruptcy, assignment for benefit of creditors, judicial order, legal process, divorce, execution, attachment, enforcement of a pledge or other encumbrance, or otherwise (hereinafter referred to as the "Affected Interest"), the Member or Economic Interest Owner owning the Affected Interest shall be deemed to have made, immediately prior to such involuntary transfer, an offer first to tender to the Company for redemption all of the Affected Interest in the manner hereinafter described in this Section 12.3. There shall be no obligation or requirement that the Company redeem any of the Affected Interest under this Section 12.3, any redemption of the Affected Interest being solely upon election to do so. The Company may redeem all or any portion of the Affected Interest.

(a) **Exercise of Option**. If the Company elects to redeem all or any portion of the Affected Interest in accordance with this Section 12.3, the Company shall serve notice in writing of its election upon the Member owning the Affected Interest and the creditor(s) of the Member, spouse (in the event of a divorce) or other person or entity who is to be the recipient of the Affected Interest (hereinafter referred to collectively as the "Transferor") within ninety (90) days after the Board of Managers shall have received actual notice of the involuntary transfer. The Company's decision to accept or reject the offer shall be made by a majority vote of the Non-Affiliated Managers or, if there are no Non-Affiliated Managers, then by a Majority Vote of the Non-Affiliated Members.

The notice of exercise of option shall specify a date for the closing of the redemption of the Affected Interest (hereinafter referred to as the "Closing" or the "Closing Date"), which shall not be less than thirty (30) days nor more than ninety (90) days after the expiration of the time within which the Company may exercise its option.

(b) **Redemption/Purchase Price**. If the Company elects to redeem all or any portion of the Affected Interest, the price for each Membership Unit of the Affected Interest shall be the lesser of: (i) the Fair Market Value (as defined in Article XVI hereinbelow) of the Affected Interest, or (ii) the total amount, including acquisition costs, if any, which had been due to the creditor of the Member who was to be the recipient of the Affected Interest.

(c) **Payment of Redemption/Purchase Price**. Upon any redemption under this Section 12.3, the redemption price shall be paid in the same manner provided in Section 12.2(d) above.

(d) **Closing**. The closing of a purchase under this Section 12.3 shall take place at the principal office of the Company on a date specified in writing in the written acceptance by the Company to the Transferor, unless the Transferor and the Company otherwise mutually agree on another place or date. At the Closing, the Transferor shall deliver, in exchange for the total purchase price, whether in cash or partially in cash and partially by promissory notes, as the case may be, the certificate, if any, representing the Affected Interest being transferred, duly endorsed, and such other documents as shall be necessary and reasonably required to conclude the transfer.

(e) **Continuance of Restrictions Upon Transferor**. In the event the "deemed offer" of the Transferor is not accepted by the Company as to all of the Affected Interest, then the portion of the Affected Interest not redeemed under this Section 12.3 may be transferred to the transferee/creditor subject to all of the provisions of this Agreement. The transferee/creditor shall execute a counterpart of this Agreement, the original of which shall be retained as part of the Company's records. The failure of the transferee/creditor to execute a counterpart to this Agreement shall not affect the applicability of this Agreement to the Affected Interest, it being the intention of each Member and the Company that any and all subsequent owners of Membership Units or Economic Interests acquired pursuant to an involuntary transfer shall only receive and own the Membership Units or Economic Interests subject to the restrictions upon transfer and encumbrance as set forth in this Agreement to which the Original Member was subject.

Section 12.4 **INTENTIONALLY LEFT BLANK**.

Section 12.5 **WITHDRAWALS**. No Member may withdraw from the Company, except upon the prior written consent of the Board of Managers.

Section 12.6 **RIGHTS OF ASSIGNEE OF MEMBERSHIP UNITS**. Unless the assignee of a Membership Unit is admitted as a Substituted Member as provided in Section 12.7, the assignee will be merely an Economic Interest Owner, and the assignee's rights shall be limited to sharing in the profits to which the assignor would otherwise have been entitled and to receiving the assignor's share of any proceeds and an accounting upon dissolution. The assignee shall have no right to vote on Company matters, exercise any purchase rights granted to Members hereunder, inspect Company books and records or otherwise participate in Company affairs and the interest of the assignee shall be disregarded for purposes of determining whether Members owning the required Membership Units have voted on any matter requiring a vote of the Members or in determining the total of the Membership Units outstanding for voting purposes. For example, in the event a judgment creditor obtains a charge against a Member's Membership Unit, pursuant to Section 608.433(4) of the Act, or any successor provision, then unless the judgment creditor is admitted as a Substituted Member, the judgment creditor will be merely an Economic Interest Owner and will not acquire any other rights of a Member. All remaining rights and interest in the Membership Units which were owned by the Transferring Member immediately prior to the Transfer and that were associated with the assigned Economic Interest (including, without limitation, the rights of the Transferring Member to participate in the management and affairs of the Company) shall immediately lapse until the Managers, in their sole discretion, reinstate such rights to the Economic Interest Owner or to a successor or transferee of such Economic Interest Owner.

Section 12.7 **SUBSTITUTED MEMBER**. An assignee of the whole or any portion of a Member's Membership Interests in the Company, validly assigned under this Article XII, may become a Substituted Member in the place of his assignor(s), to the extent of the Membership Interests validly assigned, if all of the following conditions are satisfied:

(a) A fully executed and acknowledged written instrument of assignment has been filed with the Company which sets forth the intention of the assignor(s) that the assignee become a Substituted Member in his/their place, to the extent of the Membership Interests assigned.

(b) The assignee executes, acknowledges and delivers to the Managers a written acceptance and adoption of the provisions of this Agreement, in form and substance acceptable to the Managers in their sole discretion.

(c) The assignee pays a transfer fee to the Company in an amount sufficient to cover all reasonable expenses connected with the admission of such person as a Substituted Member.

Section 12.8 **SECURITIES LAWS**. The Membership Units have not been registered under the Federal or state securities laws of any state and, therefore, may not be resold unless appropriate Federal and state securities laws, as well as the other provisions of this Article XII have been complied with.

Section 12.9 **INVALID TRANSFER**. No Transfer of a Membership Unit or Economic Interest that is in violation of this Article XII shall be valid or effective, and the Company shall not recognize any improper transfer for the purposes of making allocations, payments of profits, return of capital contributions or other distributions with respect to such Membership Unit or Economic Interest. The Company may enforce the provisions of this Article XII either directly or indirectly or through its agents by entering an appropriate stop transfer order on its books or otherwise refusing to register or transfer or permit the registration or transfer on its books of any proposed transfers not in accordance with this Article XII.

Section 12.10 **DISTRIBUTIONS AND ALLOCATIONS IN RESPECT OF A TRANSFERRED INTEREST**. If any Member Transfers any part of a Membership Unit or Economic Interest in the Company during any accounting period in compliance with the provisions of this Article XII, Company income, gain, deductions and losses attributable to such interest for the respective period shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the applicable accounting period in accordance with Code section 706(d), using the daily proration method. All Company distributions on or before the effective date of such transfer shall be made to the transferor and all such Company distributions thereafter shall be made to the transferee. Solely for purposes of making Company tax allocations and distributions, the Company shall recognize a transfer on the day following the day of transfer. Neither the Company nor any Member shall incur any liability for making Company allocations and distributions in accordance with the provisions of this Section 12.10.

Section 12.11 DRAG-ALONG RIGHTS

(a) Notwithstanding anything in this Agreement to the contrary, in the event that either the Investor Group or the C_3 Entities elect to sell all of their Membership Units in a single transaction to a bona fide third party purchaser, either the Investor Group or the C_3 Entities, as the case may be, may require all of the other Members other than the Preferred Unit Holders (the "Affected Members") to sell all of their Membership Units for the same price and on the same terms as those to be received by either the Investor Group or the C_3 Entities, as the case may be. In such case, the provisions of Sections 12.1 and 12.2 hereof shall not apply to such Transfer and the Affected Members shall be deemed to have made an offer to sell all of their Membership Units on such terms and conditions as those under which either the Investor Group or C_3 Entities, as the case may be, will sell its Membership Units; provided, however, that the Affected Members shall have no liability regarding any representations made by either the Investor Group or the C_3 Entities, as the case may be, except representations relating to the Affected Members' ownership of the Membership Units, their ability to deliver marketable title to such Membership Units and similar representations.

(b) Notwithstanding anything in this Agreement to the contrary, in the event that either the Investor Group or the C_3 Entities elect to sell all of their Membership Units in a single transaction to a bona fide third party purchaser, the Investor Group or the C_3 Entities, as applicable, shall require the bona fide third party purchaser to offer to the Affected Members to purchase all their Membership Units for the same price and on the same terms as those to be received by either the Investor Group or the C_3 Entities, as applicable. If the third party purchaser will not make such offer to the Affected Members, then the Investor Group or the C_3 Entities, as applicable, shall not be allowed to sell their Membership Units to such third party purchaser.

Section 12.12 APPLICABILITY OF PROVISIONS TO INVESTOR GROUP

(a) The provisions of Sections 12.1 and 12.2 shall not apply to the Membership Units owned by the Investor Group, and the Investor Group may transfer any or all of its Membership Units without the consent of the Board of Managers or the Members, subject to the provisions of Section 12.12(b) below.

(b) At any time the Investor Group reasonably anticipates that it has a good faith desire to sell some or all of its Membership Units, the Investor Group shall notify the C_3 Entities of that desire and determine whether the C_3 Entities have an interest in purchasing all the Membership Units owned by the Investor Group (the "Offered Units"). If the C_3 Entities, or either of them, have such an interest, they shall make an offer to purchase the Offered Units, and the parties will negotiate in good faith to enter into a definitive purchase agreement with respect thereto. If the parties have not entered into a definitive purchase agreement within ninety (90) days after the original notice from the Investor Group, the Investor Group may offer and sell the Offered Units to a third party purchaser (the "Third Party Purchaser"). If the Investor Group shall fail to locate a Third Party Purchaser to purchase the Offered Units within one hundred eighty (180) days following the expiration of the time hereinabove provided for, the Offered Units shall again be subject to all the restrictions of this Agreement.

(c) Restrictions Upon Subsequent Owners. In the event the Investor Group sells the Offered Units to a Third Party Purchaser under the provisions of this Section 12.12, then the Offered Units transferred to the Third Party Purchaser shall be subject to all the provisions of this Agreement other than this Section 12.12. No Membership Units or Economic Interest shall be transferred on the books of the Company and no certificate evidencing such Membership Units or Economic Interest shall be issued to the Third Party Purchaser unless and until the Third Party Purchaser has executed a counterpart to this Agreement, the original of which shall be retained as part of the Company's records. Failure of the Third Party Purchaser to execute a counterpart of this Agreement, however, shall not affect the applicability of this Agreement to the Offered Units, it being the intention of each Member and the Company that any and all subsequent owners of Membership Units and Economic Interests voluntarily transferred shall only receive and own the Membership Units or Economic Interests subject to the same restrictions upon transfer and encumbrance as set forth in this Agreement, to which the Investor Group was subject, including the applicable provisions of this Article XII.

Section 12.13 APPLICABILITY OF PROVISIONS TO PREFERRED UNIT HOLDERS

(a) In addition to the provisions of Sections 12.1 and 12.2, a Preferred Unit Holder is prohibited from transferring any Preferred Units in the Company except to the extent provided in this Section 12.13.

(b) Investor Group may, in Investor Group's sole discretion and without the necessity of any consent or approval by the Board of Managers or any Member, at any time purchase all or any portion of a Preferred Unit Holder's Preferred Units for an amount equal to the Redemption Payment. Investor Group may exercise this option by delivering to the Preferred Unit Holder a notice (the "Notice") of its intent to purchase the Preferred Units. The Notice shall set forth a closing date no later than thirty (30) days from the date of the Notice whereby Investor Group shall deliver to the Preferred Unit Holder cash equal to the Redemption Payment in exchange for the Preferred Units.

(c) In the event Investor Group exercises its option to purchase a Preferred Unit Holder's Preferred Units, Investor Group shall retain any and all rights that the Preferred Unit Holder had under this Agreement; provided, however, that Investor Group shall have no right to receive any Equity Payment hereunder. Investor Group hereby acknowledges and agrees that it is the intent of the Company and its Members that only the initial owner of Preferred Units shall have any right to Equity Payments.

ARTICLE XIII
CONVERSION TO CORPORATE SOLUTION

Subject to Section 9.6, the Board of Managers shall have the power and authority to effect the conversion of the Company's business form from a limited liability company to a corporation (for any reason whatsoever, including without limitation, a public offering of the Company's Capital Securities) or the merger of the Company with or into a new or previously-established but dormant corporation having no assets or liabilities, debts or other obligations of any kind whatsoever other than those associated with its formation and initial capitalization (such a conversion or merger is referred to as a "Conversion" and such corporation is referred to as "Newco").

Upon the consummation of a Conversion, the Units held by each holder thereof shall thereupon be converted into a number of shares of Newco's Capital Securities containing the economic and other terms and rights relative to each other holder of Units as the Board of Managers shall determine to be as nearly as practicable in all material respects the same as such holder's Units as provided herein. The Board of Managers' determination of the class (and the terms thereof and rights associated therewith) and number of shares of Newco Capital Securities that each Member receives upon a Conversion shall be final and binding on the holders of Units absent manifest arithmetic error.

In connection with a Conversion, each Member hereby covenants and agrees to take any and all such action and execute and deliver any and all such instruments and other documents as the Board of Managers may reasonably request in order to effect or evidence such Conversion. Without limiting the generality of the foregoing, no Member shall have or be entitled to exercise any dissenter's rights, appraisal rights or other similar rights in connection with such Conversion.

ARTICLE XIV
BOOKS AND RECORDS

Section 14.1 **BOOKS AND RECORDS**. The Board of Managers shall keep or cause to be kept complete books and records of the Company and supporting documentation of the transactions with respect to the conduct of the Company's business. These and all other records of the Company, including information relating to the Company's activities, information with respect to the sale by a Member or any Affiliate of goods or services to the Company, and a list of the names and business addresses of all Members shall be kept at the offices of the Company, or at such other location as may be determined by the Board of Managers, and shall be available for examination there by any Member, or his duly authorized representative, at reasonable times upon reasonable notice. Any Member, or his duly authorized representative, upon paying the costs of collection, duplication and mailing, shall be entitled to a copy of the list of names and addresses of the Members. The books and records shall be maintained in accordance with sound accounting practices.

The Company will also cause Liquidmetal Coatings Solutions, LLC, a Delaware limited liability company ("LMCS"), its wholly owned subsidiary, to keep complete books and records in the same manner as required above.

Section 14.2 **CUSTODY OF MEMBER FUNDS; BANK ACCOUNTS**.

(a) The Board of Managers shall have fiduciary responsibility for the safekeeping and use of all funds and assets of the Company, whether or not in the immediate possession or control of the Board of Managers. The funds of the Company shall not be commingled with the funds of any other person and the Board of Managers shall not employ, or permit any other person to employ, such funds in any manner except for the benefit of the Company.

(b) All funds of the Company not otherwise invested shall be deposited in one or more accounts maintained in such banking institutions as the Board of Managers shall determine, and withdrawals shall be made only in the regular course of Company business on such signature or signatures as the Board of Managers may, from time to time, determine.

Section 14.3 **ACCOUNTANTS**. The accountants for the Company shall be such certified public accountants as shall be selected by the Board of Managers.

Section 14.4 **SECTION 754 ELECTION**. In the event of a distribution of Company Property (other than money) to a Member or upon a transfer of all or any part of the Membership Units of a Member, the Board of Managers may in their sole and absolute discretion, upon the written request of the Member receiving the distribution or the transferee of the Membership Units, as the case may be (the "Electing Member"), elect pursuant to Section 754 of the Code, to adjust the basis of the Company's property in the manner provided in Sections 734 and 743 thereof, respectively. Each Member agrees to furnish the Company with all information necessary to give effect to such election. The election will be filed with the Company information tax return for the first taxable year to which the election applies. If the Board of Managers decide to make the Section 754 election, the Electing Member will be responsible for all additional accounting costs incurred by the Company as a result of the Electing Member's request to make the election under Code Section 754.

Section 14.5 **FISCAL YEAR**. The Fiscal Year of the Company shall be the calendar year.

Section 14.6 **TAX MATTERS PARTNER**. The Investor Group shall be the "Tax Matters Partner" of the Company for purposes of Section 6231(a)(7) of the Code. The Tax Matters Partner shall have the power and authority, subject to the review and control of the Board of Managers, to manage and control, on behalf of the Company, any administrative proceeding at the Company level with the Internal Revenue Service relating to the determination of any item of Company income, gain, loss, deduction or credit for federal income tax purposes. The Tax Matters Partner may be removed, and a new Tax Matters Partner appointed, by the Board of Managers in accordance with the Code and the Treasury Regulations.

Section 14.7 **ANNUAL FINANCIAL STATEMENTS AND TAX RETURN INFORMATION**. The Company shall provide to the C_3 Entities as soon as available, and, in any event, within one hundred and twenty (120) days after the end of each Fiscal Year of the Company, beginning with the Fiscal Year ending December 31, 2007, a copy of the annual consolidated financial statements of the Company and LMCS for such Fiscal Year containing balance sheets, statements of income, retained earnings and cash flows at the end of such Fiscal Year, in each, except for the Fiscal Year ending December 31, 2007, setting forth in comparative form the figures for the preceding Fiscal Year (if any), all in reasonable detail and audited and certified by independent certified public accountants of recognized standing reasonably acceptable to the C_3 Entities, to the effect that such report has been prepared in accordance with GAAP. Within ninety (90) days after the end of each Tax year, Company shall provide sufficient information with respect to the Company for such Tax year necessary for the C_3 Entities to prepare their federal, state and local income Tax Returns. The Company shall provide copies of the federal, state and local income Tax Returns of the Company for each Tax year promptly after the filing thereof.

Section 14.8 **MONTHLY FINANCIAL STATEMENTS**. The Company shall provide to the C_3 Entities as soon as available and, in any event, within thirty (30) days after the end of each month, a copy of an unaudited consolidated financial report of the Company and LMCS as of the end of such month and for the portion of the Fiscal Year then ended, including balance sheets, statements of income, retained earnings and cash flows, setting forth in each case comparisons to the Company's and LMCS's Annual Budget and to the corresponding period in the preceding Fiscal Year and a brief narrative explaining the results of the Company's and LMCS's operations for such period; all such statements shall have been prepared in accordance with GAAP (absent footnotes and customary year-end adjustments) and fairly present the financial condition and results of operations of the Company and LMCS at the date and for the periods indicated therein.

Section 14.9 **INSPECTION RIGHTS**. At any reasonable time and from time to time, the Company shall permit representatives of the C_3 Entities to examine, copy and make extracts from its books and records, to visit and inspect the Company's and LMCS's properties, and to discuss Company's and LMCS's business, operations, and financial condition with Company's or LMCS's officers, employees and independent certified public accountants, provided that the C_3 Entities agree to keep such information confidential and to use such information solely in connection with its investment in the Membership Units.

ARTICLE XV
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ARTICLE XVI
DEFINITIONS

Section 16.1 **DEFINITIONS**. Unless the context otherwise requires, the terms defined in this Article XVI shall, for the purposes of this Agreement, have the meanings herein specified.

"**Act**" means the Delaware Limited Liability Company Act, as amended.

"**Affiliate**" or "**Affiliated Party**" means, with respect to any Member, a partner of a Member; any member of the immediate family of any Member; any shareholder, officer or director of a Member or any member of their respective immediate families; any person, firm or entity which, directly or indirectly, controls, is controlled by, or is under common control with a Member, any partner of any Member or any shareholder, officer or director of a partner of any Member or their respective families; or any person, firm or entity which is associated with a Member, any partner of a Member, any officer, director or shareholder of a Member or any member of their respective immediate families in a joint venture, partnership or other form of business association. In this definition, the term "control" shall mean the ownership of ten percent (10%) or more of the beneficial interest in the firm or entity referred to, and the term "immediate family" shall mean the spouse, ancestors, lineal descendants, brothers and sisters of the person in question, including those adopted. To the extent the term "Affiliate" or "Affiliated Party" is used in the context of an affiliation with a Person (the "Subject") other than a Member then such term shall have the same meaning above; however, the term "Member" within such definition shall be replaced with the Subject.

"**Agreement**" means this Limited Liability Company Operating Agreement, as amended, modified, supplemented or restated from time to time in accordance with the terms hereof.

"**Business Day**" means any day other than a Saturday, a Sunday, or a holiday on which national banking associations in the State of Delaware are closed.

"**Capital Account**" means, with respect to any Member, the account maintained for such Member in accordance with the provisions of Section 3.4.

"**Capital Contribution**" means, with respect to any Member, the aggregate amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Company pursuant to Section 3.2.

"**Capital Securities**" means as to any Person that is a corporation, the authorized shares of such Person's capital stock, including all classes of common, preferred, voting and nonvoting capital stock, and, as to any Person that is not a corporation or an individual, the ownership or membership interests in such Person, including, without limitation, the right to share in profits and losses, the right to receive distributions of cash and property, and the right to receive allocations of items of income, gain, loss, deduction and credit and similar items from such Person, whether or not such interests include voting or similar rights entitling the holder thereof to exercise control over such Person.

"**Capital Transaction**" means any of the following events: (A) any sale or other disposition of all or any part of any capital assets of the Company, (B) any loans secured by all or any part of the capital assets of the Company, (C) the refinancing of any Company indebtedness, (D) the condemnation of all or any part of the capital assets of the Company, or (E) any insurance recovery relating to any capital assets owned by the Company.

"**Class A Holder**" means a Member holding Class A Units.

"**Class B Holder**" means a Member holding Class B Units.

"**Class C Holder**" means a Member holding Class C Units.

"**Class A Percentage Interest**" means, with respect to a Class A Holder at any time and from time to time, a percentage equal to a fraction, the numerator of which is the number of Class A Units owned by such Class A Holder and the denominator of which is the aggregate number of Common Units owned by all Members.

"**Class B Percentage Interest**" means, with respect to a Class B Holder at any time and from time to time, a percentage equal to a fraction, the numerator of which is the number of Class B Units owned by such Class B Holder and the denominator of which is the aggregate number of Common Units owned by all Members.

"**Class C Percentage Interest**" means, with respect to a Class C Holder at any time and from time to time, a percentage equal to a fraction, the numerator of which is the number of Class C Units owned by such Class C Holder and the denominator of which is the aggregate number of Common Units owned by all Members;

"**Class A Common Unit**" means a Unit representing a fractional part of the Member Interests of the Members and having the rights and obligations specified with respect to the Class A Units in this Agreement.

"**Class B Common Unit**" means a Unit representing a fractional part of the Member Interests of the Members and having the rights and obligations specified with respect to the Class B Units in this Agreement.

"**Class C Common Unit**" means a Unit representing a fractional part of the Member Interests of the Members and having the rights and obligations specified with respect to the Class C Units in this Agreement.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

"**Common Unit Holder**" means a Member holding either a Class A Holder, Class B Holder or Class C Holder.

"**Company**" means the Delaware limited liability company that is the subject of this Agreement.

"**Company Property**" means all real and personal property acquired by the Company and any improvements thereto, including, without limitation, any tangible or intangible property of the Company.

"**Conversion**" has the meaning specified in Article XIII of this Agreement.

"**Deficit Capital Account Balance**" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(a) A credit to such Capital Account of any amount which such Member is obligated to restore or is deemed to be obligated to restore pursuant to Treasury Regulations Sections 1.704-2(g) and 1.704-2(i)(5); and

(b) A debit to such Capital Account of the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations.

"Economic Interest" shall mean a Member's or Economic Interest Owner's pro rata share of the Company's profits and distributions of the Company's assets pursuant to this Operating Agreement and the Act, but shall not include any right to participate in the management of affairs of the Company, including, the right to vote on, consent to or otherwise participate in any decision of the Members or Managers.

"Economic Interest Owner" shall mean the owner of an Economic Interest who is not a Member.

"**Fair Market Value**" of a Membership Interest shall mean the amount the Selling Member or Transferor would receive with respect to its Membership Interest upon the dissolution and termination of the Company assuming (A) such dissolution or termination occurred on the date of the Notice, and (B) the assets of the Company were sold for their fair market value without compulsion for the Company to sell such assets. The fair market value of the Company's assets shall be agreed upon by the Selling Member or Transferor, as the case may be, and the Company. If they are unable to agree upon a value within ten (10) days, then they shall agree upon an appraiser who shall determine the value. However, if they are unable to agree upon an appraiser within five (5) working days after either party serves written demand on the other, then each shall select one appraiser and the two appraisers so selected shall select a third appraiser whose determination shall be conclusive and binding for this purpose. In the event that the Company or the Selling Member or Transferor, as the case may be, fails to designate an appraiser pursuant to the preceding sentence within five (5) working days after either party serves written demand on the other, then the appraisal shall be performed by the one appraiser who was timely designated. The cost of the appraisal shall be divided equally between the Company and the Selling Member or Transferor, as the case may be.

"**Fiscal Year**" means the fiscal year of the Company which shall be the calendar year unless otherwise required by the Code.

"**Investor Group**" means Rockwall Holdings, Inc., a Nevada corporation.

"**Lien**" means (a) any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon any property or assets of any character, or upon the income or profits therefrom; (b) any acquisition of or agreement to have an option to acquire any property or assets upon conditional sale or other title retention agreement, device or arrangement (including a capitalized lease); or (c) any sale, assignment, pledge or other transfer for security of any accounts, general intangibles or chattel paper, with or without recourse; excluding in each instance the lien of this Agreement.

"**Manager**" has the meaning specified in Article IX of this Agreement.

"**Member**" means the persons listed on Exhibit "A" hereto, and includes any Person admitted as an additional Member or a substitute Member pursuant to the provisions of this Agreement, in such Person's capacity as a member of the Company, and "Members" means two (2) or more of such Persons when acting in their capacities as members of the Company.

"**Membership Rights**" means all legal and beneficial ownership interests in, and rights and duties as a Member of, the Company, including, without limitation, the right to share in Profits and Losses, the right to receive distributions of cash and other property from the Company, and the right to receive allocations of items of income, gain, loss, deduction and credit and similar items from the Company.

"**Membership Units**" shall mean the units into which the ownership interests of the Members in the Company are divided, including such Member's Economic Interest and the right of such Member to any and all benefits to which such Member may be entitled as provided in this Agreement or under the Act, together with the obligation of such Member to comply with all of the provisions of this Agreement and of the Act.

"**Newco**" has the meaning specified in Article XIII of this Agreement.

"**Nonrecourse Deductions**" has the meaning set forth in Sections 1.704-2(b) and 1.704-2(c) of the Regulations. The amount of Nonrecourse Deductions for a Company Fiscal Year equals the net increase in Partnership Minimum Gain during that Fiscal Year determined pursuant to Section 1.704-2(d) of the Regulations reduced (but not below zero) by the aggregate distributions during that Fiscal Year of proceeds of a Nonrecourse Liability that are allocable to an increase in Partnership Minimum Gain, determined according to the provisions of Sections 1.704-2(h) of the Regulations.

"**Nonrecourse Liability**" has the meaning set forth in Section 1.752-1(a)(2) of the Regulations.

"**Partner Minimum Gain**" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i) of the Regulations.

"**Partner Nonrecourse Debt**" has the meaning set forth in Section 1.704-2(b)(4) of the Regulations.

"**Partner Nonrecourse Deductions**" has the meaning set forth in Section 1.704-2(i)(2) of the Regulations. The amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Company Fiscal Year equals the net increase during the year in Partner Minimum Gain attributable to such Partner Nonrecourse Debt reduced (but not below zero) by proceeds of the liability distributed during that Fiscal Year to the Member bearing the economic risk of loss for the liability that are both attributable to the liability and allocable to an increase in Partner Minimum Gain attributable, determined according to the provisions of Section 1.704-2(h) of the Regulations.

"**Partnership Minimum Gain**" has the meaning set forth in Regulations Sections 1.704-2(b)(2) and 1.704-2(d).

"**Percentage Interest**" means, with respect to a holder of Common Units at any time and from time to time, the Class A Percentage Interest, Class B Percentage and/or Class C Percentage held by such holder.

"**Person**" includes any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company, or other legal entity or organization.

"**Preferential Return Account**" means, with respect to any Member holding Preferred Units, the account maintained for such Member in accordance with the provisions of Section 3.8(a).

"**Preferred Unit**" means a Unit representing a fractional part of the Preferred interest having the rights and responsibilities specified with respect to the Preferred Units in this Agreement.

"**Preferred Unit Holder**" means a Member holding Preferred Units.

"**Supermajority**" means the approval or vote of the holders owning at least eighty-five percent (85%) of the Company's issued and outstanding Membership Units at any given time.

"**Tax Matters Partner**" has the meaning specified in Section 14.6.

"**Transfer**" means any sale, assignment, encumbrance, hypothecation, pledge, conveyance in trust, gift, transfer by bequest, devise or descent, or other transfer or disposition of any kind, including, but not limited to, transfers to receivers, levying creditors, trustees or receivers in bankruptcy proceedings or general assignees for the benefit of creditors, whether voluntary or by operation of law, directly or indirectly.

"**Treasury Regulations**" means such regulations implemented by the Internal Revenue Service pursuant to the Code.

ARTICLE XVII
AGREEMENT PREPARED BY ATTORNEY FOR COMPANY

The parties acknowledge that the counsel for the Investor Group, Foley & Lardner, prepared this Agreement on behalf of and in the course of its representation of the Company, and that:

(a) Each Member and Manager has been advised that a conflict of interest may exist among the Members, the Board of Managers and the Company; and

(b) Each Member and Manager has been urged and has had the opportunity to seek the advice of independent legal counsel.

ARTICLE XVIII
AMENDMENTS

Except as otherwise expressly provided herein, the written approval of the Members holding a Supermajority, as that term is defined herein, of the Membership Units in the Company shall be required to alter, modify or amend this Agreement; provided, however, that no alteration, modification or amendment of Articles III, IV, V, VI or VII hereof or this Article XVIII which would materially and adversely affect the economic interest of one or more Members, or their successors or assigns, may be made without the unanimous written consent of all such Members so adversely affected. The issuance or grant of additional Membership Units by the Board of Managers (and any corresponding amendment to this Agreement) shall not, in itself, be deemed to adversely affect the economic interest of one or more Members for purposes of the preceding sentence. Notwithstanding the above, this Agreement may be amended from time to time by the Board of Managers, without the consent of any of the Members, (i) to add to the representations, duties or obligations of the members of the Board of Managers, (ii) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provisions with respect to matters or questions arising under this Agreement and (iii) to delete or add any provision of this Agreement required to be so deleted or added by the staff of the Securities and Exchange Commission or by any state securities commission or similar official, which addition or deletion is deemed by such commission or official to be for the benefit or protection of the Members.

ARTICLE XIX
MANAGER AND MEMBER RELATIONS TO THE COMPANY

No Manager or Member shall be restricted in any way from engaging in any other business venture or activity and no Manager or Member shall be accountable to the Company or to any other Manager or Member because of any activity or venture which does not directly involve the Company. Neither the Company nor the Members shall have any right under this Agreement in and to the other activities of any Manager or Member or to their income or profits from such business venture or activity.

ARTICLE XX
CHOICE OF LAW;
SUBMISSION TO JURISDICTION; AND WAIVER OF JURY TRIAL

Section 20.1 **LAW**. This Agreement shall be governed by and construed under the laws of the State of Delaware. The parties agree that any action brought by any party under or in relation to this Agreement, including without limitation to interpret or enforce any provision of this Agreement, shall be brought in, and each party agrees to and does hereby submit to the jurisdiction and venue of, any state or federal court located in Delaware.

Section 20.2 **WAIVER OF JURY TRIAL**. **EACH OF THE PARTIES HERETO HEREBY VOLUNTARILY AND IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR OTHER PROCEEDING BROUGHT IN CONNECTION WITH THIS AGREEMENT, ANY OF THE RELATED AGREEMENTS, DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.**

ARTICLE XXI
MISCELLANEOUS

Section 21.1 **DELAY OR OMISSIONS**. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on any party's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

Section 21.2 **WAIVER.** No waivers of any breach of this Agreement extended by any party hereto to any other party shall be construed as a waiver of any rights or remedies of any other party hereto or with respect to any subsequent breach.

Section 21.3 **WAIVER OF PARTITION**. The Members hereby agree that no Member, nor any successor in interest to any Member, shall have the right, while this Agreement remains in effect, to have any Company property partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property partitioned, and all Members, on behalf of themselves and their heirs, successors and assigns, hereby waive any such right.

Section 21.4 **SUCCESSORS AND ASSIGNS**. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon the parties hereto and their respective successors, assigns, heirs, executors and administrators and shall inure to the benefit of and be enforceable by each Person who shall be a holder of the Capital Securities of the Company from time to time; provided, however, that prior to the receipt by the Company of adequate written notice of the transfer of any Capital Securities of the Company specifying the full name and address of the transferee and such transferee's satisfaction of all requirements to be a Permitted Transferee hereunder, the Company may deem and treat the person listed as the holder of such Capital Securities of the Company in its records as the absolute owner and holder of such Capital Securities of the Company for all purposes.

Section 21.5 **NOTICES**. All notices required in connection with this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written notification of receipt. All communications shall be sent to the Company at the address below and to each Member at the address as set forth on Exhibit "A" hereto or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto:

If to the Company, addressed to:

LIQUIDMETAL COATINGS, LLC
900 Rockmead Drive, Suite 240
Kingwood, Texas 77339
Attention: Legal Department
Fascimile: (281) 359-1185

Section 21.6 **ENTIRE AGREEMENT**. This Agreement and the Exhibits hereto, along with the other documents delivered pursuant thereto, including but not limited to that certain Membership Unit Purchase Agreement of even date herewith by and between the Company and the buyers indicated therein, constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof and no party shall be liable or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth herein and therein. Each party expressly represents and warrants that it is not relying on any oral or written representations, warranties, covenants or agreements outside of this Agreement.

Section 21.7 **PRONOUNS**. All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

Section 21.8 **TITLES AND SUBTITLES**. The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

Section 21.9 **SEVERABILITY**. In the event one or more of the provisions of this Agreement should, for any reason, be held by any court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 21.10 **BINDING EFFECT**. Except as provided to the contrary, the terms and provisions of this Agreement shall be binding upon and shall inure solely to the benefit of all the Members, their personal representatives, heirs, successors and assigns.

Section 21.11 **CREDITORS**. The provisions of this Agreement are not for the benefit of and may not be specifically enforced by any creditors of the Company.

Section 21.12 **EXECUTION OF ADDITIONAL INSTRUMENTS**. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney, and other instruments necessary to comply with any applicable laws, rules, or regulations.

Section 21.13 **RIGHTS AND REMEDIES CUMULATIVE**. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance, or otherwise.

Section 21.14 **COUNTERPARTS**. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together shall constitute one instrument. Counterparts of this Agreement (or applicable signature pages hereof) that are manually signed and delivered by facsimile transmission shall be deemed to constitute signed original counterparts hereof and shall bind the parties signing and delivering in such manner.

[*Signature Page to Immediately Follow*]

IN WITNESS WHEREOF, the parties have executed this Second Amended and Restated Operating Agreement as of the date first set forth hereinabove.

COMPANY:

LIQUIDMETAL COATINGS, LLC

By _____
Print Name: _____
Title: _____

PREFERRED MEMBERS:

C_3 CAPITAL PARTNERS, L.P.

By: Its General Partner

C_3 Partners, LLC, a Delaware
limited liability company

By /s/ R. L. Smith
Print Name: Roberth L. Smith
Title: Manager

C_3 CAPITAL PARTNERS II, L.P.

By: Its General Partner

C_3 Partners II, LLC, a Delaware
limited liability company
By /s/ R. L. Smith
Print Name: Roberth L. Smith
Title: Manager

COMMON MEMBERS:

CLASS A HOLDERS:

LIQUIDMETAL TECHNOLOGIES, INC.

By /s/ Tony Chung
Print Name: Tony Chung
Title: Chief Financial Officer

ROCKWALL HOLDINGS, INC.

By /s/ John Kang
Print Name: John Kang
Title: Chairman

CLASS B HOLDERS:

C_3 CAPITAL PARTNERS, L.P.

By: Its General Partner

C_3 Partners, LLC, a Delaware
limited liability company

By /s/ R. L. Smith
Print Name: Robert L. Smith
Title: Manager

C_3 CAPITAL PARTNERS, L.P.

By: Its General Partner

C_3 Partners II, LLC, a Delaware
limited liability company

By /s/ R. L. Smith
Print Name: Robert Smith
Title: Manager

LARRY BUFFINGTON

/s/ Larry Buffington
Larry Buffington

GLOBAL STRATEGY & CAPITAL GROUP, INC.
D.B.A CRESO CAPITAL PARTNERS

By /s/ Thomas Papa
Print Name: Thomas Papa
Title: Principal

[*Signatures Continue on Following Page*]

CLASS C HOLDERS:

LARRY BUFFINGTON

/s/ Larry Buffington
Larry Buffington

GLOBAL STRATEGY & CAPITAL GROUP, INC.
D.B.A CRESO CAPITAL PARTNERS

By /s/ Thomas Papa
Print Name: Thomas Papa
Title: Principal

Exhibit "A"

Members	Number and Class of Units	Percentage Interest
PREFERRED UNIT HOLDERS		
C_3 Capital Partners, LP, a Delaware limited partnership C_3 Partners, LLC 4520 Main Street Suite 1600 Kansas City, Missouri 64111 Attn: Robert L. Smith Facsimile: 816-756-5552	1,106.72 Preferred Units*	NONE**
C_3 Capital Partners II, LP, a Delaware limited partnership C_3 Partners II, LLC 4520 Main Street Suite 1600 Kansas City, Missouri 64111 Attn: Robert L. Smith Facsimile: 816-756-5552	801.42 Preferred Units*	NONE**
TOTALS		
	Preferred Units*	
COMMON UNIT HOLDERS		
Rockwall Holdings, Inc., a Nevada corporation 16121 Carmenita Road Cerritos CA 90703 Attention: Kevin Wheeler Fax No.: 562.926.3003	22,728,000 Class A Common Units***	75.067%
Liquidmetal Technologies, Inc., a Delaware corporation 30452 Esperanza Rancho Santa Margarita, California 92688 Attention: Legal Department Fax No.: 813.314.0270	201,878.23 Class A Common Units****	0.667%

Members	Number and Class of Units	Percentage Interest
C_3 Capital Partners, LP, a Delaware limited partnership C_3 Capital, LLC 4520 Main Street Suite 1600 Kansas City, Missouri 64111 Attn: Robert L. Smith Facsimile: 816-756-5552	38,956.52 Class B Common Units***** 4,218,000 Class B Common Units***	14.060%
C_3 Capital Partners II, LP, a Delaware limited partnership C_3 Capital, LLC 4520 Main Street Suite 1600 Kansas City, Missouri 64111 Attn: Robert L. Smith Facsimile: 816-756-5552	28,209.90 Class B Common Units***** 3,054,000 Class B Common Units***	10.180%
Larry Buffington 25422 Vinechase Drive Porter, TX 77365 Fax No. (281) 348-0863	5,850.00 Class B Common Units****** 1,000 Class C Common Units	0.022%
Global Strategy & Capital Group, Inc. d.b.a. CRESO Capital Partners 660 Newport Center Drive, Suite 800 Newport Beach, CA 92660 Fax No. (949) 209-5441 Attn: Thomas Papa	1,023.75 Class B Common Units******* 175 Class C Common Units	0.004%
TOTALS	**30,277,093.40 Common Units**	**100.00%**

* Issued pursuant to that certain Securities Purchase Agreement, dated July 24, 2007, between the Company, C_3 Capital Partners, L.P., and C_3 Capital Partners II, L.P. (as amended by that certain Amended and Restated Securities Purchase Agreement, dated November 30, 2011), and reflects the redemption of 221.08 and 161.10 Preferred Units owned by C_3 Capital Partners, L.P. and C_3 Capital Partners II, L.P., respectively, by the Company pursuant to that certain Amendment No. 3 to First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC, dated December 15, 2010.

**Preferred Unit Holders shall have zero percentage interests in the Company. All of the Preferred Unit Holders' rights to certain allocations and distributions are provided for in the Operating Agreement.

*** Issued pursuant to that certain Membership Unit Purchase Agreement, dated November 30, 2011, between the Company and the buyer indicated therein.

****Issued pursuant to that certain Asset Purchase and Contribution Agreement, dated July 24, 2007, between the Company and Liquidmetal Technologies, Inc., Amendment No. 1 to First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC dated October 6, 2009 and Amendment No. 3 to First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC dated December 15, 2010.

***** Issued pursuant to that certain Securities Purchase Agreement, dated July 24, 2007, between the Company, C_3 Capital Partners, L.P., and C_3 Capital Partners II, L.P. (as amended by that certain Amended and Restated Securities Purchase Agreement, dated November 30, 2011), Amendment No. 1 to First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC dated October 6, 2009, Amendment No. 3 to First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC dated December 15, 2010 and the Second Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC dated November 30, 2011.

******Issued pursuant to that certain Employment Agreement, dated July 24, 2007, between the Company and Larry Buffington and Amendment No. 1 to First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC dated October 6, 2009.

*******Issued as consideration for placement agent services and Amendment No. 1 to First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC dated October 6, 2009.

EXHIBIT 10.66

SECOND AMENDED AND RESTATED LICENSE AND TECHNICAL SUPPORT AGREEMENT

THIS SECOND AMENDED AND RESTATED LICENSE AND TECHNICAL SUPPORT AGREEMENT (this "Agreement") is made and entered into as of November 30, 2011, by and between **LIQUIDMETAL TECHNOLOGIES, INC.**, a Delaware corporation having its principal place of business at 30452 Esperanza, Rancho Santa Margarita, CA 92688 ("LMT"), and **LIQUIDMETAL COATINGS, LLC**, a Delaware limited liability company having its principal place of business at 900 Rockmead Drive, Suite 240, Kingwood, Texas 77339 ("LMC"). This Agreement amends and restates that certain Amended and Restated License and Technical Support Agreement, dated August 5, 2010, between LMC and LMT, which had previously amended and restated that certain License and Technical Support Agreement dated July 24, 2007 (the "Original Effective Date"), between LMC and LMT (as amended and restated, the "First Amended and Restated Agreement").

RECITALS:

A. Pursuant to an Asset Purchase and Contribution Agreement dated as of the Original Effective Date between LMT and LMC, LMT transferred substantially all of the assets of LMT's Liquidmetal Coatings business unit (the "Coatings Business") to LMC through a combination of sale and capital contribution.

B. The First Amended and Restated Agreement provided for (i) certain technology licenses between LMC and LMT (the "Technology License"), (ii) a license of the "Liquidmetal" trademark (the "Trademark") to LMC by LMT (the "Trademark License"), and (iii) the provision of certain technical services by LMT to LMC (the "Technical Support Obligations").

C. On the date hereof, LMT ceased to be a majority owner of LMC, although LMC desires to continue to utilize the Trademark in the same or substantially the same manner and in the same or substantially the same style in which LMC utilizes or has utilized the Trademark on or prior to the date hereof (the "LMC Established Usage").

D. The parties desire to amend and restate in its entirety the First Amended and Restated Agreement and enter into this Agreement in order terminate the Technology License and Technical Support Obligations and to set forth the terms and conditions related to the continuing Trademark License.

AGREEMENTS:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements set forth herein, LMT and LMC hereby amend, restate and supersede the First Amended and Restated Agreement in its entirety, and agree as follows:

ARTICLE 1
TRADEMARK LICENSE

1.1. **Trademark License**. LMT hereby grants to LMC a perpetual, non-exclusive worldwide, royalty-free, fully paid up, non-transferable license to use the Trademark solely in connection with the marketing and sale of the products and services in its Coatings Business, subject to the following terms and conditions:

(a) Except as otherwise agreed to by LMT in writing and except for the LMC Established Usage, all use of the Trademark by LMC is subject to LMT's standard trademark usage policy in effect from time to time (provided that LMT delivers a copy of such policy to LMC).

(b) All stylized use of the Trademark that is materially different than the Stylized Usage shall be subject to the prior written approval of LMT, which approval will not be unreasonably witheld.

(c) LMC agrees not to affix the Trademark to products other than the products in its Coatings Business. The "®" icon shall always follow the Trademark.

(d) LMC shall not challenge the validity of LMT's rights in and to the Trademark or the validity of the Trademark or any registration(s) thereof. LMC agrees that it shall not register or attempt to register the Trademark or any other trademark or trade name of LMT, or use or register any other trademark or trade name which may be confusingly similar to the Trademark or any other trademark or trade name of LMT.

(e) LMC shall promptly, upon receipt of notice thereof, fully inform LMT as to any actual or proposed action, by any governmental agency, consumer or environmental group, media or other organization, directed toward removing from the market any Liquidmetal-branded product based on alleged injury or death, alleged potential for harm, product defect, alleged contamination, tampering or similar occurrence, actual or alleged violation of law in connection with production, labeling, packaging, storage, shipment, advertising or sale, or for any other reason whatsoever. LMC shall likewise promptly inform LMT as to any proposal to remove from the market any such as described above on account of suspected nonconformity with applicable product quality or safety standards, improper labeling, possibility of consumer harm, and/or violation of any law or regulation.

(f) LMC shall be permitted to sublicense the Trademark to any third party that complies with the usage conditions and restrictions set forth in this Section 1.1, including without limitation that the sublicensee may only use the Trademark in connection with the marketing and sale of the products and services in LMC's Coatings Business. LMC shall cause any such sublicensee to comply with the terms, conditions, and restrictions of this Section 1.1.

ARTICLE 2
TERM AND TERMINATION

2.1. **Term**. Except as set forth in Section 2.2 below, the rights and licenses set forth in this Agreement shall be perpetual in nature.

2.2. **Termination**. Notwithstanding any other provision contained herein, this Agreement may be terminated as follows:

(a) **Material Breach**. This Agreement may be terminated on the thirtieth (30th) day after either party gives the other party written notice of a material breach by the other party of any term or condition of this Agreement, unless the breach is cured before that day. The right of a party to terminate this Agreement shall be in addition to and not in lieu of any other right or remedy that the terminating party may have at law or in equity.

(b) **Bankruptcy**. This Agreement may be terminated immediately by a party in the event the other party becomes insolvent, files or has filed against it a petition under any chapter of the United States Bankruptcy Code (or any similar petition under the insolvency law of an applicable jurisdiction) and such petition is not dismissed within thirty (30) days, proposes any dissolution, liquidation, financial reorganization, or re-capitalization with creditors, or makes an assignment or trust mortgage for the benefit of creditors, or if a receiver, trustee, custodian, or similar agent is appointed or takes possession of any property or business of such other party.

2.3. **Effect of Termination**. Upon termination of this Agreement, the licenses and all other rights granted to a party under this Agreement shall immediately terminate.

ARTICLE 3
MISCELLANEOUS

3.1. **Notices**. All notice, requests, demands and other communications hereunder shall be in English and shall be given in writing and shall be: (i) personally delivered; (ii) sent by telecopier, facsimile transmission or other electronic means of transmitting written documents with confirmation of receipt; or (iii) sent to the parties at their respective addresses indicated herein by registered or certified mail, return receipt requested and postage prepaid, or by private overnight mail courier services with confirmation of receipt. The respective addresses to be used for all such notices, demands or requests are as follows:

(a) If to LMC:

Liquidmetal Coatings, LLC
900 Rockmead Drive, Suite 240
Kingwood, Texas 77339
Attention: Legal Department
Fax No.: (281) 359-1185

(b) If to LMT:

Liquidmetal Technologies, Inc.
30452 Esperanza
Rancho Santa Margarita, CA 92688
Attention: Legal Department
Fax No.: (949) 635-2108

Or to such other person or address as LMT shall furnish to LMC in writing.

If personally delivered, such communication shall be deemed delivered upon actual receipt by the “attention” addressees or persons authorized to accept for such addressees; if transmitted by facsimile pursuant to this paragraph, such communication shall be deemed delivered the next business day after transmission (and sender shall bear the burden of proof of delivery); if sent by overnight courier pursuant to this paragraph, such communication shall be deemed delivered upon receipt by the “attention” addressees or persons authorized to accept for such addressees; and if sent by mail pursuant to this paragraph, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any party to this Agreement may change its address for the purposes of this Agreement by giving notice thereof in accordance with this paragraph.

3.2. **Severability**. Each provision contained in this Agreement is declared to constitute a separate and distinct covenant and provision and to be severable from all other separate, distinct covenants and provisions. It is agreed that should any clause, condition or term, or any part thereof, contained in this Agreement be unenforceable or prohibited by law or by any present or future legislation then such clause, condition, term or part thereof, shall be amended, and is hereby amended, so as to be in compliance with the said legislation or law but, if such clause, condition or term, or part thereof, cannot be amended so as to be in compliance with the said legislation or law, then such clause, condition, term or part thereof is severable from this Agreement, and all the rest of the clauses, terms and conditions or parts thereof contained in this Agreement shall remain unimpaired and continue in full force and effect.

3.3. **Amendment**. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

3.4. **Waiver**. No waiver of a breach of any provision of this Agreement shall be deemed to be, or shall constitute, a waiver of a breach of any other provision of this Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver of such breach unless otherwise expressly provided in such waiver.

3.5. **Governing Law**. This Agreement, the legal relations between the parties, and any action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware (U.S.A.), excluding any choice of law rules that may direct the application of the laws of another jurisdiction, and except that questions affecting the construction and effect of any Patent shall be determined by the law of the country in which the Patent has been granted.

3.6. **Resolution of Disputes**. The parties irrevocably agree that any legal actions or proceedings brought by or against them with respect to this Agreement shall be brought exclusively in the state or federal courts in and for Orange County, California, and by execution and delivery hereof, the parties irrevocably submit to such jurisdiction and hereby irrevocably waive any and all objections which they may have with respect to venue in any of the above courts. THE PARTIES HEREBY EXPRESSLY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY WITH RESPECT TO ANY ACTION, PROCEEDING OR OTHER LITIGATION RESULTING FROM OR INVOLVING THE ENFORCEMENT OF THIS AGREEMENT.

3.7. **Attorneys' Fees**. In any action between the parties for relief based in whole or in part on this Agreement (or the breach thereof), including actions to collect overdue royalty payments, the prevailing party shall be entitled to recover (in addition to any other relief awarded or granted) its reasonable costs and expenses (including attorneys' fees and expert witness fees) incurred in the proceeding.

3.8. **Entire Agreement**. This Agreement sets forth the complete agreement of the parties concerning the subject matter hereof. No claimed oral agreement in respect thereto shall be considered as any part hereof. No waiver of or change in any of the terms hereof subsequent to the execution hereof claimed to have been made by any representative of either party shall have any force or effect unless in writing, signed by duly authorized representatives of the parties.

3.9. **Recitals**. The recitals set forth in the preamble to this Agreement are true and correct and are made a part of this Agreement.

3.10. **Assignment**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party shall assign its rights or duties under this Agreement, in whole or in part, without the prior written consent of the other party, except that either party may assign this Agreement without the consent of the other party as a part of the sale or transfer of all or substantially all of the assets or business of the assigning party.

3.11. **Headings**. The section and paragraph headings in this Agreement are for convenience only and are not intended to affect the meaning or interpretation of this Agreement.

3.12. **Contract Interpretation**. Ambiguities, inconsistencies, or conflicts in this Agreement shall not be strictly construed against the drafter of the language but will be resolved by applying the most reasonable interpretation under the circumstances, giving full consideration to the parties' intentions at the time this Agreement is entered into. Where the context of this Agreement requires, singular terms shall be considered plural, and plural terms shall be considered singular.

3.13. **Counterparts**. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which together will constitute the same Agreement.

3.14. **Language**. In the event of controversy between the parties respecting the interpretation or application of this Agreement, the English language version of the Agreement shall be controlling.

3.15. **Use of Current Email Addresses**. In addition to the other provisions of this Agreement, the employees, agents, or representatives who have email addresses with a "Liquidmetal.com" domain name shall continue to be permitted to use such email addresses for a period of six (6) months after the date of this Agreement, and LMT shall cause email messages to such persons to be redirected to another email account designated by such persons in writing.

[Signatures Follow]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above:

LIQUIDMETAL TECHNOLOGIES, INC.

By /s/ Tony Chung
Name: Tony Chung
Title: Chief Financial Officer

LIQUIDMETAL COATINGS, LLC

By /s/ Larry Buffington
Name: Larry Buffington
Title: President/CEO

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-101447 on Form S-8 of Liquidmetal Technologies, Inc. and subsidiaries of our report dated March 30, 2012, relating to our audit of the consolidated financial statements, which appears in this Annual Report on Form 10-K of Liquidmetal Technologies, Inc. and subsidiaries for the year ended December 31, 2011. Our report dated March 30, 2012, relating to the consolidated financial statements includes an emphasis paragraph relating to an uncertainty as to the Company's ability to continue as a going concern.

/s/ SingerLewak LLP
Los Angeles, California
March 30, 2012

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement (No. 333-101447) on Form S-8 of Liquidmetal Technologies, Inc. and subsidiaries of our report dated March 29, 2012, relating to our audit of the consolidated financial statements, included in and incorporated by reference in the Annual Report on Form 10-K of Liquidmetal Technologies, Inc. and subsidiaries for the year ended December 31, 2011.

/s/ Choi, Kim & Park, LLP

Exhibit 31.1

CERTIFICATIONS

I, Thomas Steipp, certify that:

1. I have reviewed this annual report on Form 10-K of Liquidmetal Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2012

/s/ Thomas Steipp
Thomas Steipp
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Tony Chung, certify that:

1. I have reviewed this annual report on Form 10-K of Liquidmetal Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2012

/s/ Tony Chung
Tony Chung
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Liquidmetal Technologies, Inc. (the "company") on Form 10-K for the year ending December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Thomas Steipp, President and Chief Executive Officer of the company, and Tony Chung, Chief Financial Officer, of the company, certify, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: March 30, 2012

By: /s/ Thomas Steipp
Thomas Steipp
President and Chief Executive Officer

Date: March 30, 2012

By: /s/ Tony Chung
Tony Chung
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Liquidmetal Technologies, Inc. and will be retained by Liquidmetal Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.