As filed with the Securities and Exchange Commission on July 17, 2012

Registration No. 333-_____

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

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

LIQUIDMETAL TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**2800**	**33-0264467**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

30452 Esperanza
Rancho Santa Margarita, California 92688
(949) 635-2100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Thomas Steipp
President and Chief Executive Officer
Liquidmetal Technologies, Inc.
30452 Esperanza
Rancho Santa Margarita, California 92688
Phone: (949) 635-2100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement, as determined by the selling stockholders.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.☐

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.

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock issuable upon conversion of Senior Convertible Notes due on September 1, 2013[1]	51,136,370 shares	$ 0.352[2]	$ 18,000,003[2]	$ 2,063
Common Stock issuable upon exercise of Common Stock Purchase Warrants[1]	28,125,000 shares	$ 0.384[3]	$ 10,800,000[3]	$ 1,238
TOTAL	79,261,370 shares		$ 28,800,003	$ 3,301

(1) Pursuant to Rule 416 under the Securities Act of 1933, the securities being registered hereunder also include such indeterminate number of additional shares of common stock as may be issuable as a result of stock splits, stock dividends, and similar transactions.

(2) Pursuant to Rule 457(g) under the Securities Act of 1933, the proposed maximum offering price (and, accordingly, the amount of the registration fee) has been calculated based on the conversion price of the Senior Convertible Notes due on September 1, 2013.

(3) Pursuant to Rule 457(g) under the Securities Act of 1933, the proposed maximum offering price (and, accordingly, the amount of the registration fee) has been calculated based on the exercise price of the Common Stock Purchase Warrants.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JULY 17, 2012

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

LIQUIDMETAL TECHNOLOGIES, INC.

79,261,370 Shares
Common Stock

This prospectus covers an aggregate of up to 79,261,370 shares of our common stock, $0.001 par value per share, that may be offered from time to time by the selling stockholders named in this prospectus. The shares being offered by this prospectus consist of:

- up to 51,136,370 shares issuable upon the conversion of our Senior Convertible Notes due on September 1, 2013 issued by us in connection with a private placement in July 2012; and

- up to 28,125,000 shares issuable upon the exercise of the common stock purchase warrants issued by us in our July 2012 private placement.

This prospectus also covers any additional shares of common stock that may become issuable upon any anti-dilution adjustment pursuant to the terms of the Senior Convertible Notes due on September 1, 2013 or the common stock purchase warrants issued to the selling stockholders by reason of stock splits, stock dividends, and other events described therein. The Senior Convertible Notes due on September 1, 2013 and common stock purchase warrants referred to above were acquired by the selling stockholders in a private placement by us that closed on July 2, 2012.

We are registering these shares of our common stock for resale by the selling stockholders named in this prospectus, or their transferees, pledgees, donees or successors. We will not receive any proceeds from the sale of these shares by the selling stockholders. These shares are being registered to permit the selling stockholders to sell shares from time to time, in amounts, at prices and on terms determined at the time of offering. The selling stockholders may sell this common stock through ordinary brokerage transactions, directly to market makers of our shares or through any other means described in the section entitled "**PLAN OF DISTRIBUTION**" beginning on page 68.

Before purchasing any of the shares covered by this prospectus, carefully read and consider the risk factors in the section entitled "RISK FACTORS" beginning on page 6.

Our common stock is currently quoted on the OTC Bulletin Board under the symbol "LQMT." On July 11, 2012, the last reported sales price of our common stock was $0.281 per share.

Our principal executive offices are located at 30452 Esperanza, Rancho Santa Margarita, California 92688, and our telephone number at that address is (949) 635-2100.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2012.

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This prospectus is a part of the registration statement that we filed with the Securities and Exchange Commission. The selling stockholders named in this prospectus may from time to time sell the securities described in this prospectus.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from the information contained in this prospectus. The common stock is not being offered in any jurisdiction where offers and sales are not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of when this prospectus is delivered or when any sale of our securities occurs.

PROSPECTUS SUMMARY

This summary highlights information that we present more fully in the rest of this prospectus and does not contain all of the information you should consider before investing in our securities. This summary contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions or future events. These statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances or achievements expressed or implied by the forward-looking statements. You should read the entire prospectus carefully, including the "Risk Factors" section and our consolidated financial statements and related notes.

Overview

Unless the context requires otherwise, as used in this prospectus, the terms "Liquidmetal," "Liquidmetal Technologies," "we," "us," "our," "the Company," "our Company," and similar references refer to Liquidmetal Technologies, Inc. and its subsidiaries. We have registered the following trademark, which is used in this prospectus: "Liquidmetal®."

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 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) selling our bulk Liquidmetal alloys products, which include non-consumer electronic devices, medical products, and sports and leisure goods, (2) selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development, and (3) product licensing and royalty revenue from our licensees. We expect that these sources of revenue will continue to significantly change the character of our revenue mix.

Our Strategy

The key elements of our strategy include:

- Focusing our marketing activities on select products with expected higher gross-margins;
- Pursuing strategic partnerships in order to more rapidly develop and commercialize products; and
- Advancing the Liquidmetal® Brand by (1) positioning Liquidmetal alloys as a superior substitute for materials currently used in a variety of products across a range of industries and (2) establishing Liquidmetal alloys as an enabling technology that will facilitate the creation of a broad range of commercially viable new products.

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 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.

- *Sporting Goods and Leisure Products*. We are developing a variety of applications for Liquidmetal alloys in the sporting goods and leisure products area.

- *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.

Recent Developments

July 2012 Private Placement of Convertible Notes and Warrants. On July 2, 2012, the Company entered into definitive agreements relating to a private placement (the "Private Placement") of $12.0 million in principal amount of Senior Convertible Notes due on September 1, 2013 (the "Convertible Notes") and Warrants to the purchasers of the Convertible Notes giving them the right to purchase up to an aggregate of 18,750,000 shares of the Company's common stock at an exercise price of $0.384 per share (the "Warrants") (subject to adjustment as described below under "**BUSINESS—Significant Transactions—*July 2012 Private Placement of Convertible Notes and Warrants***" beginning on page 39 of this prospectus). The Convertible Notes are convertible at any time at the option of the holder into shares of the Company's common stock at $0.352 per share (subject to adjustment as described below under "**BUSINESS—Significant Transactions—*July 2012 Private Placement of Convertible Notes and Warrants***" beginning on page 39 of this prospectus). The closing of the Private Placement occured on July 2, 2012. The Convertible Notes and the Warrants were issued pursuant to a Securities Purchase Agreement, dated July 2, 2012, among the Company and the purchasers of the Convertible Notes (the "Securities Purchase Agreement"). In addition, in connection with the Private Placement, the Company entered into a Registration Rights Agreement under which it agreed to file a registration statement with the Securities and Exchange Commission (the "SEC") covering the resale of the shares of the Company's common stock issuable pursuant to the Notes and Warrants. The purchasers of the Convertible Notes and the Warrants in the Private Placement are the selling stockholders described in this prospectus. See "**BUSINESS—Significant Transactions—*July 2012 Private Placement of Convertible Notes and Warrants***" beginning on page 39 of this prospectus.

June 2012 Transactions with Visser Precision Cast, LLC. On June 1, 2012, we entered into a master transaction agreement (the "Visser Master Transaction Agreement") with Visser Precision Cast, LLC ("Visser") relating to a strategic transaction for manufacturing services and financing (the "Visser Transaction"). Pursuant to the terms of the Visser Master Transaction Agreement, the Company and Visser have entered into a manufacturing services agreement (the "Visser Manufacturing Services Agreement"), a subscription agreement (the "Visser Subscription Agreement"), a security agreement, a registration rights agreement, and a sublicense agreement. Pursuant to the terms of the Visser Manufacturing Services Agreement, the Company agreed to engage Visser as the exclusive manufacturer of conventional products and components and licensed products and components, which are products and components using or incorporating any of the Company's intellectual property for all fields of use other than consumer electronic products and fields of use covered by exclusive licenses and sublicenses existing on the date of the Visser Manufacturing Services Agreement. Pursuant to the terms of the Visser Subscription Agreement, the Company agreed to issue and sell to Visser in a private placement transaction (i) up to 30,000,000 shares of common stock at a purchase price of $0.10 per share, (ii) warrants (the "Visser Warrants") to purchase up to 15,000,000 shares of common stock at an exercise price of $0.22 per share and (iii) a secured convertible promissory note (the "Visser Promissory Note") in the aggregate principal amount of up to $2,000,000, the principal of which is convertible into shares of common stock at a conversion rate of $0.22 per share. All of the shares of common stock issuable pursuant to the Visser Subscription Agreement and upon exercise or conversion of the Visser Warrants and the Visser Promissory note, as the case may be, are subject to a lock-up period through December 31, 2016. On June 1, 2012, the Company issued and sold to Visser 20,000,000 shares of common stock and a warrant to purchase up to 11,250,000 shares of common stock for an aggregate purchase price of $2,000,100 and also executed the Visser Promissory Note. On June 28, 2012, the Company issued and sold to Visser the remaining 10,000,000 shares of common stock and a warrant to purchase up to 3,750,000 shares of common stock for an aggregate purchase price of $1,000,100. See "**BUSINESS—Significant Transactions—*June 2012 Transactions with Visser Precision Cast, LLC***" beginning on page 39 of this prospectus.

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. Information contained on our website is not incorporated by reference into this prospectus, and such information should not be considered to be part of this prospectus.

The Offering

Common stock offered	Up to 79,261,370 shares of our common stock are being offered by the selling stockholders. These shares consist of: • up to 51,136,370 shares issuable upon the conversion of our Senior Convertible Notes due on September 1, 2013 (the "Convertible Notes") at a conversion price of $0.352 per share (subject to adjustment as described below under "**BUSINESS—Significant Transactions—*July 2012 Private Placement of Convertible Notes and Warrants***" beginning on page 39 of this prospectus), which Convertible Notes were issued by us to various selling stockholders in a private placement on July 2, 2012; and • up to 28,125,000 shares are issuable to various selling stockholders upon the exercise of outstanding common stock purchase warrants (the "Warrants") issued by us to the purchasers of the Convertible Notes in the July 2, 2012 private placement, which Warrants have an exercise price of $0.384 per share (subject to adjustment as described below under "**BUSINESS—Significant Transactions—*July 2012 Private Placement of Convertible Notes and Warrants***" beginning on page 39 of this prospectus).
Shares of common stock outstanding after the offering	271,114,276 shares of common stock
Use of proceeds	We will not receive any proceeds from the sale of the shares offered by the selling stockholders. Any proceeds we receive from the selling stockholders upon their exercise of the Warrants will be used for general working capital.
Risk factors	See "**RISK FACTORS**" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in the shares.
OTC Bulletin Board symbol	LQMT

We are registering the shares being offered under this prospectus pursuant to the registration rights agreement that we entered into with the selling stockholders described below under "**BUSINESS—Significant Transactions—*July 2012 Private Placement of Convertible Notes and Warrants***" beginning on page 39 of this prospectus. See also "**DESCRIPTION OF SECURITIES—Registration Rights**" beginning on page 64 of this prospectus. We entered into the registration rights agreement in connection with a private placement (which closed on July 2, 2012) in which we offered and sold to the selling stockholders $12.0 million in principal amount of the Convertible Notes (with a conversion price of $0.352 per share, subject to adjustment as described below under "**BUSINESS—Significant Transactions—*July 2012 Private Placement of Convertible Notes and Warrants***" beginning on page 39 of this prospectus) together with Warrants to purchase up to 18,750,000 shares of our common stock at an exercise price of $0.384 per share (subject to adjustment as described below under "**BUSINESS—Significant Transactions—*July 2012 Private Placement of Convertible Notes and Warrants***" beginning on page 39 of this prospectus).

The number of shares of common stock that will be outstanding immediately after this offering is based on the 191,852,906 shares of our common stock outstanding as of July 2, 2012 and assumes the full conversion of the Convertible Notes and full exercise of the Warrants identified above. There is no guarantee that the Convertible Notes will be converted into common stock or that the Warrants will be exercised. The number of shares of common stock that will be outstanding immediately after this offering does not include:

- 44,779,557 shares of common stock issuable upon the exercise of warrants outstanding as of July 2, 2012, at a weighted average exercise price of $0.40 per share;
- 4,171,800 shares of common stock issuable upon the exercise of options outstanding as of July 2, 2012, at a weighted average exercise price of $0.42 per share;
- 16,896,073 shares of common stock issuable upon the conversion of the Series A-1 and A-2 Preferred Stock outstanding as of July 2, 2012, at prices of $0.10 and $0.22, respectively; and
- 30,000,000 shares of common stock reserved for future grant or issuance as of July 2, 2012 under our 2012 Equity Incentive Plan.

RISK FACTORS

An investment in our securities involves a high degree of risk and many uncertainties. You should carefully consider the specific factors listed below together with the other information included in this prospectus before purchasing our securities in this offering. If any of the possibilities described as risks below actually occurs, our operating results and financial condition would likely suffer and the trading price of our securities could fall, causing you to lose some or all of your investment in the securities being offered. 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. The following is a description of what we consider the key challenges and material risks to our business and an investment in our securities.

We have limited funding to support our current operations.

We anticipate that our current capital resources will be sufficient to fund our operations through at least the end of 2013. After 2013, we may require additional funding in order to continue operations as a going concern. Such factors may require that we raise additional funds to support our operations beyond 2013. There can be no assurance that we will be successful in securing needed financing at acceptable terms, if at all. If funding is insufficient at any time in the future, we may be required to alter or reduce the scope of our operations. If we are successful in procuring additional financing when required it will most likely result in our issuing additional shares and/or rights to acquire shares of our capital stock. Accordingly, our access to additional financing when needed is anticipated to be dilutive to existing shareholders.

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 have implemented new processes and procedures to improve our internal control over financial reporting. We believe that these actions will help to 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 have entered into an exclusive manufacturing arrangement with Visser Precision Cast, LLC.

Pursuant to the terms of a manufacturing services agreement dated June 1, 2012 (the "Visser Manufacturing Services Agreement") between the Company and Visser Precision Cast, LLC ("Visser"), we have engaged Visser as our exclusive manufacturer of conventional products and components and licensed products and components, which are products and components using or incorporating any of our intellectual property for all fields of use other than consumer electronic products and fields of use covered by exclusive licenses and sublicenses existing on the date of the Visser Manufacturing Services Agreement (such intellectual property, the "LMT Technology"). We have further agreed that we will not, directly or indirectly, conduct manufacturing operations, subcontract for the manufacture of products or components or grant a license to any other party to conduct manufacturing operations using the LMT Technology, except for certain limited exceptions. The term of the Visser Manufacturing Services Agreement is perpetual. Pursuant to the terms of a sublicense agreement dated June 1, 2012 between our company and Visser, we agreed to sublicense to Visser, on a fully-paid up, royalty-free, irrevocable, perpetual, worldwide basis, all rights held by us in the LMT Technology. In addition, Visser has a right of first refusal over any proposed transfer by us of LMT Technology pursuant to any license, sublicense, sale or other transfer, other than a license to a machine or alloy vendor.

A disruption of the operations of Visser could cause significant delays in shipments of our products and may adversely affect our revenue, cost of goods sold and results of operations. Furthermore, Visser'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.

In addition to the exclusive manufacturing arrangement with Visser Precision Cast, LLC, we rely on 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 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 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. While we are not required to obtain a permit from the U.S. Environmental Protection Agency or other government agencies to process beryllium, our failure to comply with other 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 July 2, 2012, our executive officers, directors and insiders and entities affiliated with them will, in the aggregate, beneficially own approximately 41% of our common stock and 63% 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. During the first six months of 2012, the highest bid price for our common stock was $0.63 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.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions, or future events. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions. Examples of forward-looking statements include, without limitation:

- statements regarding our strategies, results of operations or liquidity;
- statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance;
- statements of management’s goals and objectives;
- projections of revenue, earnings, capital structure and other financial items;
- assumptions underlying statements regarding us or our business; and
- other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, factors discussed under the headings “**RISK FACTORS**,” “**MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**,” and “**BUSINESS**.”

Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances, or achievements expressed or implied by the forward-looking statements. These risks include, but are not limited to, those listed below and those discussed in greater detail under the heading “**RISK FACTORS**” above:

- 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;
- potential difficulties associated with protecting or expanding our intellectual property position;
- the volatility of our stock price; and
- the unpredictability of the market for our common stock.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

The forward-looking statements speak only as of the date on which they are made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Consequently, you should not place undue reliance on forward-looking statements.

SELLING STOCKHOLDERS

The shares of common stock being offered by the selling stockholders are those issuable to the selling stockholders pursuant to the terms of the Convertible Notes and upon exercise of the Warrants. For additional information regarding the issuance of those Convertible Notes and Warrants, see "**BUSINESS—Significant Transactions—*July 2012 Private Placement of Convertible Notes and Warrants***" beginning on page 39 of this prospectus. We are registering the shares of common stock in order to permit the selling stockholders to offer the shares for resale from time to time. Except for the ownership of the Convertible Notes and the Warrants issued pursuant to the Securities Purchase Agreement, the selling stockholders have not had any material relationship with us or our affiliates within the past three years.

The table below lists the selling stockholders and other information regarding the beneficial ownership of the shares of common stock by each of the selling stockholders. The second column lists the number of shares of common stock beneficially owned by each selling stockholder, based on its ownership of the Convertible Notes and Warrants, as of July 2, 2012, assuming conversion of all Convertible Notes and exercise of the Warrants held by the selling stockholders on that date, without regard to any limitations on conversions, amortizations, redemptions or exercises.

The third column lists the shares of common stock being offered by this prospectus by the selling stockholders.

In accordance with the terms of a registration rights agreement with the selling stockholders, this prospectus generally covers the resale of at least 150% of the sum of (i) the maximum number of shares of common stock issuable pursuant to the Convertible Notes as of the trading day immediately preceding the date the registration statement is initially filed with the SEC, and (ii) the maximum number of shares of common stock issuable upon exercise of the related Warrants as of the trading day immediately preceding the date the registration statement is initially filed with the SEC, all subject to adjustment as provided in the registration rights agreement and in each case without regard to any limitations on conversion, amortization and/or redemption of the Convertible Notes or exercise of the Warrants. Because the conversion price of the Convertible Notes and the exercise price of the Warrants may be adjusted, the number of shares that will actually be issued may be more or less than the number of shares being offered by this prospectus. The fourth column assumes the sale of all of the shares offered by the selling stockholders pursuant to this prospectus.

Under the terms of the Convertible Notes and the Warrants, a selling stockholder may not convert the Convertible Notes or exercise the Warrants to the extent such conversion or exercise would cause such selling stockholder, together with its affiliates, to beneficially own a number of shares of common stock which would exceed 4.99% of our then outstanding shares of common stock following such conversion or exercise, excluding for purposes of such determination shares of common stock issuable upon conversion of the Convertible Notes which have not been converted and upon exercise of the Warrants which have not been exercised. The number of shares in the second column does not reflect this limitation (the "Maximum Percentage"). The selling stockholders may sell all, some or none of their shares in this offering. See "Plan of Distribution."

Name of Selling Stockholder	Number of Shares of Common Stock Owned Prior to Offering	Maximum Number of Shares of Common Stock to be Sold Pursuant to this Prospectus	Number of Shares of Common Stock Owned After Offering
Kingsbrook Opportunities Master Fund LP (1)	12,784,091 (2)	29,723,014	0
Hudson Bay Master Fund Ltd. (3)	5,681,819 (4)	13,210,229	0
Empery Asset Master Ltd. (5)	3,267,046 (6)	7,595,882	0
Hartz Capital Investments, LLC (7)	6,676,137 (8)	15,522,018	0
Iroquois Master Fund Ltd. (9)	5,681,819 (10)	13,210,229	0

(1) Kingsbrook Partners LP ("Kingsbrook Partners") is the investment manager of Kingsbrook Opportunities Master Fund LP ("Kingsbrook Opportunities") and consequently has voting control and investment discretion over securities held by Kingsbrook Opportunities. Kingsbrook Opportunities GP LLC ("Opportunities GP") is the general partner of Kingsbrook Opportunities and may be considered the beneficial owner of any securities deemed to be beneficially owned by Kingsbrook Opportunities. KB GP LLC ("GP LLC") is the general partner of Kingsbrook Partners and may be considered the beneficial owner of any securities deemed to be beneficially owned by Kingsbrook Partners. Ari J. Storch, Adam J. Chill and Scott M. Wallace are the sole managing members of Opportunities GP and GP LLC and as a result may be considered beneficial owners of any securities deemed beneficially owned by Opportunities GP and GP LLC. Each of Kingsbrook Partners, Opportunities GP, GP LLC and Messrs. Storch, Chill and Wallace disclaim beneficial ownership of these securities.

(2) Represents 12,784,091 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exerciable until six (6) months after the date of issuance.

(3) Hudson Bay Capital Management LP, the investment manager of Hudson Bay Master Fund Ltd., has voting and investment power over these securities. Sander Gerber is the managing member of Hudson Bay Capital GP LLC, which is the general partner of Hudson Bay Capital Management LP. Sander Gerber disclaims beneficial ownership over these securities.

(4) Represents 5,681,819 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exerciable until six (6) months after the date of issuance.

(5) Empery Asset Management LP, the authorized agent of Empery Asset Master Ltd ("EAM"), has discretionary authority to vote and dispose of the shares held by EAM and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have investment discretion and voting power over the shares held by EAM. Mr. Hoe and Mr. Lane disclaim any beneficial ownership of these shares.

(6) Represents 3,267,046 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exerciable until six (6) months after the date of issuance.

(7) Empery Asset Management LP, the authorized agent of Hartz Capital Investments, LLC ("HCI"), has discretionary authority to vote and dispose of the shares held by HCI and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have investment discretion and voting power over the shares held by HCI. Mr. Hoe and Mr. Lane disclaim any beneficial ownership of these shares.

(8) Represents 6,676,137 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exerciable until six (6) months after the date of issuance.

(9) Iroquois Capital Management L.LC. ("Iroquois Capital") is the investment manager of Iroquois Master Fund, Ltd ("IMF"). Consequently, Iroquois Capital has voting control and investment discretion over securities held by IMF. As managing members of Iroquois Capital, Joshua Silverman and Richard Abbe make voting and investment decisions on behalf of Iroquois Capital in its capacity as investment manager to IMF. As a result of the foregoing, Mr. Silverman and Mr. Abbe may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange Act of 1934, as amended) of the securities held by IMF. Notwithstanding the foregoing, Mr. Silverman and Mr. Abbe disclaim such beneficial ownership.

(10) Represents 5,681,819 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exerciable until six (6) months after the date of issuance.

USE OF PROCEEDS

The selling stockholders will receive all of the proceeds from the sale of the common stock offered by this prospectus. We will not receive any of the proceeds from the sale of common stock by the selling stockholders, although we may receive proceeds from the exercise of the Warrants by the selling stockholders, if exercised. We cannot guarantee that the selling stockholders will exercise the Warrants. Any proceeds we receive from the selling stockholders upon their exercise of the Warrants will be used for general working capital.

DIVIDEND POLICY

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.

MARKET PRICE OF COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Market for Our Common Stock

Our common stock is currently quoted on the OTC Bulletin Board under the symbol “LQMT.” On July 11, 2012, the last reported sales price of our common stock was $0.281 per share.

Number of Common Shareholders

As of July 2, 2012, we had 214 active record holders of our common stock.

Quarterly High/Low Bid Quotations

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.

	High	Low
Year Ended December 31, 2010:		
First Quarter	$ 0.16	$ 0.08
Second Quarter	$ 0.40	$ 0.08
Third Quarter	$ 1.76	$ 0.11
Fourth Quarter	$ 0.85	$ 0.33
Year Ended December 31, 2011:		
First Quarter	$ 0.84	$ 0.42
Second Quarter	$ 0.63	$ 0.41
Third Quarter	$ 0.51	$ 0.17
Fourth Quarter	$ 0.23	$ 0.12
Year Ending December 31, 2012:		
First Quarter	$ 0.35	$ 0.12
Second Quarter	$ 0.63	$ 0.15

Equity Compensation Plan 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.

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.

The 2002 Plan expired by its terms in April 2012. The 2002 Plan will remain in effect only with respect to the equity awards that have been granted under the 2002 Plan prior to its expiration.

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 expired by its terms in April 2012. The 2002 Non-Employee Director Plan will remain in effect only with respect to the equity awards that have been granted under the 2002 Non-Employee Director Plan prior to its expiration.

2012 Equity Incentive Plan

On June 28, 2012, at our annual meeting of stockholders, our stockholders approved our 2012 Equity Incentive Plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*When you read this section of this prospectus, it is important that you also read the consolidated financial statements and related notes included elsewhere in this prospectus. This section of this prospectus contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations, and intentions. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons set forth herein, including the factors described below and in "**RISK FACTORS**."*

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 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) selling our bulk Liquidmetal alloy products, which include non-consumer electronic devices, medical products, and sports and leisure goods, (2) selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development, and (3) product licensing and royalty revenue from our licensees. 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.

SIGNIFICANT TRANSACTIONS

July 2012 Private Placement of Convertible Notes and Warrants

On July 2, 2012, the Company entered into definitive agreements relating to a private placement (the "Private Placement") of $12.0 million in principal amount of Senior Convertible Notes due on September 1, 2013 (the "Convertible Notes") and Warrants to the purchasers of the Convertible Notes giving them the right to purchase up to an aggregate of 18,750,000 shares of the Company's common stock at an exercise price of $0.384 per share (the "Warrants"). The closing of the Private Placement occured on July 2, 2012. The Convertible Notes and the Warrants were issued pursuant to a Securities Purchase Agreement, dated July 2, 2012, among the Company and the purchasers of the Convertible Notes (the "Securities Purchase Agreement"). The purchasers of the Convertible Notes and the Warrants in the Private Placement are the selling stockholders described in this prospectus.

The Convertible Notes are convertible at any time at the option of the holder into shares of the Company's common stock at $0.352 per share, subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company's common stock, rights to purchase shares of the Company's common stock, or securities convertible into shares of the Company's common stock for a price per share that is less than the conversion price then in effect, the conversion price then in effect will be decreased to equal such lower price. The foregoing adjustments to the conversion price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, the conversion price is subject to adjustment upon stock splits, reverse stock splits, and similar capital changes.

On the first business day of each month beginning on October 1, 2012 through and including September 1, 2013 (the "Installment Dates"), the Company will pay to each holder of a Convertible Note an amount equal to (i) one-twelfth (1/12th) of the original principal amount of such holder's Convertible Note (or the principal outstanding on the Installment Date, if less) plus (ii) the accrued and unpaid interest with respect to such principal plus (iii) the accrued and unpaid late charges (if any) with respect to such principal and interest. Prior to maturity, the Convertible Notes will bear interest at 8% per annum (or 15% per annum during an event of default) with interest payable monthly in arrears on the Installment Dates and on conversion dates.

Each monthly payment may be made in cash, in shares of the Company's common stock, or in a combination of cash and shares of the Company's common stock. The Company's ability to make such payments with shares of the Company's common stock will be subject to various conditions, including the existence of an effective registration statement covering the resale of the shares issued in payment (or, in the alternative, the eligibility of the shares issuable pursuant to the Convertible Notes and the Warrants (as defined below) for sale without restriction under Rule 144 and without the need for registration) and certain minimum trading volumes in the stock to be issued. Such shares will be valued, as of the date on which notice is given by the Company that payment will be made in shares, at the lower of (1) the then applicable conversion price and (2) a price that is 87.5% of the arithmetic average of the ten (or in some cases fewer) lowest weighted average prices of the Company's common stock during the twenty trading day period ending two trading days before the applicable determination date (the "Measurement Period"). The Company's right to pay monthly payments in shares will depend on the following trading volume requirements in the Company's common stock: a minimum of $250,000 in average daily trading volume during the Measurement Period, and a minimum of $150,000 in daily trading volume during each day during the Measurement Period, with certain exceptions.

Upon the occurrence of an event of default under the Convertible Notes, a holder of a Convertible Note may (so long as the event of default is continuing) require the Company to redeem all or a portion of its Convertible Note. Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the event of default and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

Subject to certain conditions, a holder of a Convertible Note may also require the Company to redeem all or a portion of its Convertible Note in connection with a transaction that results in a Change of Control (as defined in the Convertible Notes). Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the earlier to occur of (i) the consummation of the Change of Control and (ii) the public announcement of such Change of Control and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

The Warrants are exercisable on or after the date that is six (6) months after the date of the issuance of the Warrants, and the exercise prices for the Warrants are subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company's common stock, rights to purchase shares of the Company's common stock, or securities convertible into shares of the Company's common stock for a price per share that is less than the exercise price then in effect, the exercise price of the Warrant will be reduced based on a weighted-average formula. The foregoing adjustments to the exercise price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, on the two year anniversary of the issuance date (the "Reset Date"), the then applicable exercise price will be reset to equal the lesser of (1) the then current exercise price and (2) 87.5% of the arithmetic average of the ten lowest weighted average prices of the common stock during the twenty trading day period ending two trading days immediately preceding the Reset Date. All of the Warrants will expire on the fifth (5th) anniversary of the date they first become exercisable.

If, during the period beginning on the date that all Registrable Securities (as defined in the Registration Rights Agreement) are registered pursuant to an effective registration statement and ending on the twenty-first (21st) month following the date of the closing of the Private Placement, the Company offers, sells, grants any option to purchase, or otherwise disposes of any of its or it subsidiaries' equity or equity equivalent securities (a "Subsequent Placement"), the Company must first notify each purchaser of the Convertible Notes of its intent to effect a Subsequent Placement. If a purchaser of the Convertible Notes wishes to review the details of a Subsequent Placement, the Company must provide such details to such purchaser along with an offer to issue and sell to or exchange with all such purchasers 30% of the securities being offered in the Subsequent Placement, initially allocated among such purchasers on a pro rata basis.

The Private Placement resulted in gross proceeds of $12.0 million before placement agent fees and other expenses associated with the transaction. The proceeds will be used for general corporate purposes and for purposes of satisfying the $1.7 million promissory note payable by the Company to Saga S.P.A.

In connection with the Private Placement, the Company and the selling stockholders entered into a Registration Rights Agreement (the "Registration Rights Agreement) under which the Company is required, on or before thirty (30) days after the closing of the Private Placement, to file a registration statement with the Securities and Exchange Commission (the "SEC") covering the resale of the shares of the Company's common stock issuable pursuant to the Convertible Notes and Warrants and to use its best efforts to have the registration declared effective as soon as practicable (but in no event later than 75 days after the closing of the Private Placement if the registration statement is not subject to a full review by the SEC, or 105 days after the closing of the Private Placement if the registration statement is subject to a full review by the SEC). The Company will be subject to certain monetary penalties, as set forth in the Registration Rights Agreement, if the registration statement is not filed, does not become effective on a timely basis, or does not remain available for the resale of the Registrable Securities (as defined in the Registration Rights Agreement). We are registering the shares being offered under this prospectus pursuant to the Registration Rights Agreement.

June 2012 Transactions with Visser Precision Cast, LLC

On June 1, 2012, we entered into a master transaction agreement (the "Visser Master Transaction Agreement") with Visser Precision Cast, LLC ("Visser") relating to a strategic transaction for manufacturing services and financing (the "Visser Transaction"). Pursuant to the terms of the Visser Master Transaction Agreement, the Company and Visser have entered into a manufacturing services agreement (the "Visser Manufacturing Services Agreement"), a subscription agreement (the "Visser Subscription Agreement"), a security agreement (the "Visser Security Agreement"), a registration rights agreement (the "Visser Registration Rights Agreement"), and a sublicense agreement (the "Visser Sublicense Agreement").

Pursuant to the terms of the Visser Manufacturing Services Agreement, the Company agreed to engage Visser as the exclusive manufacturer of conventional products and components and licensed products and components, which are products and components using or incorporating any of the Company's intellectual property for all fields of use other than consumer electronic products and fields of use covered by exclusive licenses and sublicenses existing on the date of the Visser Manufacturing Services Agreement (such intellectual property, the "LMT Technology"). The Company has further agreed that it will not, directly or indirectly, conduct manufacturing operations, subcontract for the manufacture of products or components or grant a license to any other party to conduct manufacturing operations using the LMT Technology, except for certain limited exceptions. The term of the Visser Manufacturing Services Agreement is perpetual.

Pursuant to the Visser Sublicense Agreement, the Company agreed to sublicense to Visser, on a fully-paid up, royalty-free, irrevocable, perpetual, worldwide basis, all rights held by the Company in the LMT Technology. In addition, Visser has a right of first refusal over any proposed transfer by the Company of LMT Technology pursuant to any license, sublicense, sale or other transfer, other than a license to a machine or alloy vendor.

Pursuant to the terms of the Visser Subscription Agreement, the Company agreed to issue and sell to Visser in a private placement transaction (i) up to 30,000,000 shares (the "Visser Shares") of common stock at a purchase price of $0.10 per share, (ii) warrants (the "Visser Warrants") to purchase up to 15,000,000 shares of common stock at an exercise price of $0.22 per share and (iii) a secured convertible promissory note (the "Visser Promissory Note") in the aggregate principal amount of up to $2,000,000, the principal of which is convertible into shares of common stock at a conversion rate of $0.22 per share. The issuance and sale of the shares of common stock and Visser Warrants occured in two closings. All of the shares of common stock issuable pursuant to the Visser Subscription Agreement and upon exercise or conversion of the Visser Warrants and the Visser Promissory note, as the case may be, are subject to a lock-up period through December 31, 2016.

The Company negotiated the transactions contemplated by the Visser Master Transaction Agreement beginning in December 2011. Although many of the material terms of the transactions remained unresolved until just prior to the initial closing of the transaction, the Company negotiated the purchase price of the common stock to be sold to Visser pursuant to the Visser Subscription Agreement, and the exercise and conversion prices of the Visser Warrants and the Visser Promissory Notes, respectively, at the time the negotiations commenced, when the trading price of the Company's common stock was between approximately $0.12 and $0.19.

On June 1, 2012, the Company issued and sold to Visser 20,000,000 shares of common stock and a warrant to purchase up to 11,250,000 shares of common stock for an aggregate purchase price of $2,000,100 and also executed the Visser Promissory Note. A portion of the purchase price was paid by cancellation of outstanding promissory notes issued by the Company to Visser in the aggregate principal amount of $1,050,000 plus accrued and unpaid interest. On June 28, 2012, the Company issued and sold to Visser the remaining 10,000,000 shares of common stock and a warrant to purchase up to 3,750,000 shares of common stock for an aggregate purchase price of $1,000,100.

The exercise price per share of common stock purchasable upon exercise of the Visser Warrants is $0.22 and is subject to appropriate adjustment for certain dilutive issuances of common stock and changes in the Company's capital structure, such as stock dividends, stock splits, reorganizations or similar events. The Visser Warrants are exercisable immediately upon issuance and expire on June 1, 2017. The Visser Warrants include a cashless exercise feature and all shares of common stock issuable upon exercise of the Visser Warrants are subject to a lock-up period through December 31, 2016. The holders of Visser Warrants are entitled to five days' notice before the record date for certain distributions to holders of common stock and other corporate events. In addition, if certain "fundamental transactions" occur, such as a merger, consolidation, sale of substantially all of the Company's assets, tender offer or exchange offer with respect to the common stock or reclassification of the common stock, the holders of Visser Warrants will be entitled to receive thereafter, in lieu of common stock, the consideration (if different from common stock) that the holders of Visser Warrants would have been entitled to receive upon the occurrence of the "fundamental transaction" as if the Visser Warrants had been exercised immediately before the "fundamental transaction." If any holder of common stock is given a choice of consideration to be received in the "fundamental transaction," then the holders of Visser Warrants shall be given the same choice upon the exercise of the Visser Warrants following the "fundamental transaction." In addition, in the event of a "fundamental transaction" that is an all cash transaction pursuant to which holders of common stock are entitled to receive cash consideration only, then the Visser Warrants will automatically terminate and the holders of the Visser Warrants will receive an amount of cash equal to the greater of (i) the product of (a) the number of shares of common stock representing the unexercised portion of the Visser Warrants and (b) the difference between (x) the per share consideration to be received by holders of common stock in the all-cash "fundamental transaction" and (y) the current exercise price per share of the Visser Warrants and (ii) the Black-Scholes value of the remaining unexercised portion of the Visser Warrants, which will be calculated using variables defined in the Visser Warrants.

Pursuant to the terms of the Visser Promissory Note, the Company may request an advance of up to $1,000,000 on September 15, 2012 and an additional advance of up to $1,000,000 on November 15, 2012, for an aggregate principal amount of all advances under the Visser Promissory Note of $2,000,000. Visser's obligation to fund the advances is subject to the satisfaction of customary closing conditions and no Event of Default (as described below) under the Visser Promissory Note. The Visser Promissory Note will rank senior to all other indebtedness of the Company, other than outstanding indebtedness to Apple, Inc. ("Apple"), and is secured by assets of the Company pursuant to the Visser Security Agreement. The Visser Promissory Note will bear interest at the rate of 6% per annum and is due and payable on September 15, 2015, if not sooner repaid or converted. The Company may prepay the Visser Promissory Note without premium or penalty by providing 30 days' prior written notice to the holder of the Visser Promissory Note. The outstanding principal and accrued but unpaid interest (and any related penalties thereon) under the Visser Promissory Note can be converted into shares of common stock at the option of the holder at the rate of $0.22 per share. The conversion price is subject to appropriate adjustment for certain dilutive issuances of common stock and changes in the Company's capital structure, such as stock dividends, stock splits, reorganizations or similar events. All shares of common stock issuable upon conversion of the Visser Promissory Note are subject to a lock-up period through December 31, 2016. Upon the occurrence of an "Event of Default," such as the Company's failure to pay any amount due under the Visser Promissory Note as and when due, any default under certain of the Company's other indebtedness that is not cured within applicable time periods or any voluntary or involuntary bankruptcy, general assignment for the benefit of creditors or liquidation, the holder of the Visser Promissory Note will have the right to cause the Company to redeem all or any portion of the Visser Promissory Note at a price equal to the greater of (i) the outstanding principal and accrued but unpaid interest (and any related penalties thereon) under the Visser Promissory Note and (ii) the product of (a) the total number of shares of common stock into which the Visser Promissory Note is convertible and (b) the closing sale price of the common stock on the trading day immediately preceding the "Event of Default." Upon the occurrence of a "Change in Control," such as a merger, consolidation, sale of substantially all of the Company's assets, tender offer or exchange offer with respect to the common stock or reclassification of the common stock, the holder of the Visser Promissory Note will have the right to cause the Company to redeem the Visser Promissory Note for an amount of cash equal to (i) the outstanding principal and accrued but unpaid interest (and any related penalties thereon) plus (ii) the Black-Scholes value of the holder's right to convert the outstanding principal and accrued but unpaid interest (and any related penalties thereon) into shares of common stock, which will be calculated using variables defined in the Visser Warrants. In addition, in the event of a "Change in Control" that is an all cash transaction pursuant to which holders of common stock are entitled to receive cash consideration only, then the Visser Promissory Note will automatically terminate and the holder will receive the amount of cash described in the preceding sentence.

Pursuant to the terms of the Visser Security Agreement and in order to secure the Company's obligations under the Visser Promissory note, the Company has granted to Visser a security interest over all of the Company's assets that are not covered by the Company's existing security agreements with Apple, excluding the Company's membership interests in Crucible Intellectual Property, LLC, a subsidiary of the Company.

Pursuant to the terms of the Visser Registration Rights Agreement, the Company is required to file, upon the request of Visser at any time after June 1, 2017, a registration statement with the SEC covering the resale of the shares of common stock issuable pursuant to the Visser Subscription Agreement and upon exercise or conversion of the Visser Warrants and the Visser Promissory Note, as the case may be. Pursuant to the terms of the Visser Registration Rights Agreement, the Company is required to file the registration statement on or prior to 90 days after the Company's receipt of the request to effect such registration (the "Visser Filing Date") and to use its reasonable commercial efforts to have the registration statement declared effective (i) on or prior to 60 days following the Visser Filing Deadline in the case of a registration statement on Form S-3 (120 days in the case of a "full review" by the SEC) or (ii) on or prior to 90 days following the Visser Filing Deadline in the case of a registration statement on Form S-1 (120 days in the case of a "full review" by the SEC). The Company will be subject to certain monetary penalties if the registration statement is not filed or does not become effective in a timely manner. The monetary penalties will accrue monthly and will be payable at the rate of 1% of the aggregate purchase price paid by Visser pursuant to the Visser Subscription Agreement for any unregistered shares of common stock, subject to maximum monetary penalties of 12%. In addition, the Visser Registration Rights Agreement provides Visser with piggyback registration rights on certain registration statements filed by the Company relating to an offering for its own account.

Other Significant Transactions

On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, we issued 8% unsecured, bridge promissory notes to Visser that were due upon demand in the amount of $0.2 million, $0.2 million, $0.35 million and $0.3 million, respectively. The aggregate principal amount of $1.05 million and all accrued interest under the bridge promissory notes were all paid off on June 1, 2012 by utilizing a portion of the proceeds received under the Visser Master Transaction Agreement.

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 "LMC 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 July 2, 2011, Mr. Kang beneficially owned 3.1% of our common stock.

The transactions contemplated by the LMC 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 prospectus 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 "LMTK 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 LMTK 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 "SAGA 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 ("Settlement 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 Settlement Shares issued to SAGA on the SAGA Effective Date was based on the 30 day trailing, volume weighted average price of our common stock as of the SAGA 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 SAGA Effective Date. On October 10, 2011, we issued to SAGA a promissory note in the principal amount of $1.7 million due October 10, 2012 bearing interest of 8% per annum to account for the decrease in the market price of our common stock. On July 11, 2012, we paid SAGA $1,742,630.97 to payoff all amounts owed under the SAGA promissory note.

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 were obligated to contribute all intellectual property that we developed 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 year ended December 31, 2011	Percentage of Product Revenue	For the year ended December 31, 2010	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 “Business- Legal Proceedings” in this prospectus 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.

Comparison of the three months ended March 31, 2012 and 2011

	For the three months ended March 31, 2012	Percentage of Product Revenue	For the three months ended March 31, 2011	Percentage of Product Revenue
	(in thousands)		(in thousands)	
Revenue:				
Products	$ 183		$ 123	
Licensing and royalties	13		381	
Total revenue	196		504	
Cost of sales	81	44%	106	86%
Selling, marketing general and administrative	959	524%	1,026	834%
Research and development	188	103%	324	263%
Change in value of warrants, loss	-	0%	(11)	-9%
Other income	-	0%	5	4%
Interest expense	(39)	-21%	(15)	-12%
Interest income	4	2%	8	7%
Loss from operations of discontinued operations	-	0%	(429)	-349%

The following analysis contains percentage information that is based on expenses as a percentage of "Products" revenue. "Licensing and royalties" revenue is excluded from the analysis as their inclusion would distort the percentage calculations.

Revenue. Revenue decreased by $308 thousand to $196 thousand for the three months ended March 31, 2012 from $504 thousand for the three months ended March 31, 2011. The decrease was primarily attributable to a one time license fee of $381 thousand from a Liquidmetal alloy license agreement recognized in 2011, partially offset by an increase in product revenue in 2012.

Cost of Sales. Cost of sales decreased to $81 thousand, or 44% of revenue, for the three months ended March 31, 2012 from $106 thousand, or 86% of revenue, for the three months ended March 31, 2011. 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. If we are able to increase 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, Marketing, General, and Administrative. Selling, marketing, general, and administrative expenses decreased slightly to $959 thousand, or 524% of revenue, for the three months ended March 31, 2012 from $1.0 million, or 834% of revenue, for the three months ended March 31, 2011. The decrease was primarily due to an overall decrease in general and administrative expenses in line with our efforts to reduce costs.

Research and Development. Research and development expenses were $188 thousand, or 103% of revenue, for the three months ended March 31, 2012 and $324 thousand, or 263% of revenue, for the three months ended March 31, 2011. We spent less in production supplies and consulting services resulting in the decrease in this expense category, but we continue to perform research and development of new Liquidmetal alloys and related processing capabilities, develop new manufacturing techniques, and contract with consultants to advance the development of Liquidmetal alloys.

Change in Value of Warrants. Change in value of warrants was a loss of $11 thousand for the three months ended March 31, 2011. The change in value of warrants is primarily due to change in the valuation of our warrant liability as a result of fluctuations in our stock price. There was no change in the value of warrants for the three months ended March 31, 2012 because Warrants Liabilities was $0 for both March 31, 2012 and December 31, 2011.

Other Income. Other income consisted of $5 thousand dollars of miscellaneous refunds for the three months ended March 31, 2011.

Interest Expense. Interest expense was $39 thousand, or 21% of revenue, for the three months ended March 31, 2012 and was $15 thousand, or 12% of revenue, for the three months ended March 31, 2011. Interest expense incurred during the first quarter of 2012 relates to the bridge notes issued to Visser and the promissory note issued to SAGA (see Significant Transactions). Interest expense incurred during the first quarter of 2011 consisted of deferred issue cost amortization on outstanding convertible and subordinated notes that have been fully amortized in 2011 in connection to the disposal of our discontinued operations.

Interest Income. Interest income relates to interest from our Related Party Notes Receivable and was $4 thousand for the three months ended March 31, 2012. Interest income of $8 thousand for the three months ended March 31, 2011 was for interest earned on cash deposits.

Loss from operations of discontinued operations. Loss from operations of discontinued operations was $429 thousand for the three months ended March 31, 2011 for the losses incurred on our discontinued subsidiaries. Our discontinued subsidiaries were either sold or de-consolidated as of December 31, 2011.

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.

For the three months ended March 31, 2012, our cash used in operating activities was $540 thousand, our cash used in investing activities was $35 thousand for continued investment in our trademarks, and our cash provided by financing activities was $750 thousand related to the issuance of 8% unsecured, bridge promissory notes that are due on demand by Visser.

On July 2, 2012, we entered into definitive agreements relating to a private placement of $12.0 million in principal amount of Senior Convertible Notes due on September 1, 2013 and Warrants to the purchasers of such Convertible Notes giving them the right to purchase up to an aggregate of 18,750,000 shares of the Company's common stock at an exercise price of $0.384 per share (See Significant Transactions).

On June 1, 2012, we entered into a master transaction agreement with Visser Precision Cast, LLC ("Visser") relating to a strategic transaction for manufacturing services and financing , pursuant to which the Company and Visser have entered into a manufacturing services agreement, a subscription agreement, a security agreement, a registration rights agreement, and a sublicense agreement (See Significant Transactions).

On April 25, 2012, we issued an 8% unsecured, bridge promissory note to Visser due upon demand in the amount of $300 thousand (See Significant Transactions).

We anticipate that our current capital resources will be sufficient to fund our operations through the end of 2013. We have a relatively limited history of producing bulk amorphous alloy components and products on a mass-production scale. Furthermore, Visser'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 our control, including the nature and design of the component, the customer's specifications, and required delivery timelines. Such factors may require that we raise additional funds to support our operations beyond 2013. There is no assurance that we'll be able to raise such additional funds on acceptable terms, if at all. If funding is insufficient at any time in the future, we may be required to alter or reduce the scope of our operations. As a result of these and other factors, our independent registered public accounting firm has indicated, in their audit opinion on our 2011 consolidated financial statements that there is substantial doubt about our ability to continue as a going concern.

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 March 31, 2012, 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 adopted 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 adopted 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.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On December 7, 2011, Choi, Kim, Park, LLP ("CKP"), resigned as our independent registered public accounting firm. The decision to accept CKP's resignation was approved by the audit committee of our board of directors.

CKP's reports on the consolidated financial statements of the Company for the years ended December 31, 2010 and 2009 did not contain any adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope, or accounting principles, except that each of CKP's reports for the years ended December 31, 2010 and 2009 expressly assumed the Company would continue as a going concern and stated that the Company's significant operating losses and working capital deficit raise substantial doubt about its ability to continue as a going concern.

During the years ended December 31, 2010 and 2009, and through December 7, 2011, there were no disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) with CKP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of CKP, would have caused CKP to make reference to the subject matter of the disagreement in its report on the consolidated financial statements for such year. During the years ended December 31, 2010 and 2009, and through December 7, 2011, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

The Company has provided CKP with a copy of the above disclosures, and CKP has furnished the Company with a letter addressed to the SEC stating it agrees with the statements made above. A copy of CKP's letter dated December 8, 2011 is attached as Exhibit 16.1 to the Current Report on Form 8-K filed by the Company with the SEC on December 8, 2011.

On December 2, 2011, our board of directors, upon recommendation of the audit committee of our board of directors, approved the engagement of SingerLewak LLP ("Singer") to serve as the Company's independent registered public accounting firm. Singer was formally engaged by the Company on December 8, 2011. At our annual meeting of stockholders on June 28, 2012, our stockholders ratified the appointment of Singer as our independent registered public accounting firm for fiscal year 2012.

During the years ended December 31, 2010 and 2009, and through December 8, 2011, neither the Company nor anyone on its behalf has consulted with Singer with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, and neither written nor oral advice was provided to the Company that Singer concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) with CKP or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

BUSINESS

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 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. Information contained on our website is not incorporated by reference into this prospectus, and such information should not be considered to be part of this prospectus.

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

July 2012 Private Placement of Convertible Notes and Warrants

On July 2, 2012, the Company entered into definitive agreements relating to a private placement (the "Private Placement") of $12.0 million in principal amount of Senior Convertible Notes due on September 1, 2013 (the "Convertible Notes") and Warrants to the purchasers of the Convertible Notes giving them the right to purchase up to an aggregate of 18,750,000 shares of the Company's common stock at an exercise price of $0.384 per share (the "Warrants"). The closing of the Private Placement occured on July 2, 2012. The Convertible Notes and the Warrants were issued pursuant to a Securities Purchase Agreement, dated July 2, 2012, among the Company and the purchasers of the Convertible Notes (the "Securities Purchase Agreement"). The purchasers of the Convertible Notes and the Warrants in the Private Placement are the selling stockholders described in this prospectus.

The Convertible Notes are convertible at any time at the option of the holder into shares of the Company's common stock at $0.352 per share, subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company's common stock, rights to purchase shares of the Company's common stock, or securities convertible into shares of the Company's common stock for a price per share that is less than the conversion price then in effect, the conversion price then in effect will be decreased to equal such lower price. The foregoing adjustments to the conversion price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, the conversion price is subject to adjustment upon stock splits, reverse stock splits, and similar capital changes.

On the first business day of each month beginning on October 1, 2012 through and including September 1, 2013 (the "Installment Dates"), the Company will pay to each holder of a Convertible Note an amount equal to (i) one-twelfth (1/12th) of the original principal amount of such holder's Convertible Note (or the principal outstanding on the Installment Date, if less) plus (ii) the accrued and unpaid interest with respect to such principal plus (iii) the accrued and unpaid late charges (if any) with respect to such principal and interest. Prior to maturity, the Convertible Notes will bear interest at 8% per annum (or 15% per annum during an event of default) with interest payable monthly in arrears on the Installment Dates and on conversion dates.

Each monthly payment may be made in cash, in shares of the Company's common stock, or in a combination of cash and shares of the Company's common stock. The Company's ability to make such payments with shares of the Company's common stock will be subject to various conditions, including the existence of an effective registration statement covering the resale of the shares issued in payment (or, in the alternative, the eligibility of the shares issuable pursuant to the Convertible Notes and the Warrants (as defined below) for sale without restriction under Rule 144 and without the need for registration) and certain minimum trading volumes in the stock to be issued. Such shares will be valued, as of the date on which notice is given by the Company that payment will be made in shares, at the lower of (1) the then applicable conversion price and (2) a price that is 87.5% of the arithmetic average of the ten (or in some cases fewer) lowest weighted average prices of the Company's common stock during the twenty trading day period ending two trading days before the applicable determination date (the "Measurement Period"). The Company's right to pay monthly payments in shares will depend on the following trading volume requirements in the Company's common stock: a minimum of $250,000 in average daily trading volume during the Measurement Period, and a minimum of $150,000 in daily trading volume during each day during the Measurement Period, with certain exceptions.

Upon the occurrence of an event of default under the Convertible Notes, a holder of a Convertible Note may (so long as the event of default is continuing) require the Company to redeem all or a portion of its Convertible Note. Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the event of default and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

Subject to certain conditions, a holder of a Convertible Note may also require the Company to redeem all or a portion of its Convertible Note in connection with a transaction that results in a Change of Control (as defined in the Convertible Notes). Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the earlier to occur of (i) the consummation of the Change of Control and (ii) the public announcement of such Change of Control and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

The Warrants are exercisable on or after the date that is six (6) months after the date of the issuance of the Warrants, and the exercise prices for the Warrants are subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company's common stock, rights to purchase shares of the Company's common stock, or securities convertible into shares of the Company's common stock for a price per share that is less than the exercise price then in effect, the exercise price of the Warrant will be reduced based on a weighted-average formula. The foregoing adjustments to the exercise price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, on the two year anniversary of the issuance date (the "Reset Date"), the then applicable exercise price will be reset to equal the lesser of (1) the then current exercise price and (2) 87.5% of the arithmetic average of the ten lowest weighted average prices of the common stock during the twenty trading day period ending two trading days immediately preceding the Reset Date. All of the Warrants will expire on the fifth (5th) anniversary of the date they first become exercisable.

If, during the period beginning on the date that all Registrable Securities (as defined in the Registration Rights Agreement) are registered pursuant to an effective registration statement and ending on the twenty-first (21st) month following the date of the closing of the Private Placement, the Company offers, sells, grants any option to purchase, or otherwise disposes of any of its or it subsidiaries' equity or equity equivalent securities (a "Subsequent Placement"), the Company must first notify each purchaser of the Convertible Notes of its intent to effect a Subsequent Placement. If a purchaser of the Convertible Notes wishes to review the details of a Subsequent Placement, the Company must provide such details to such purchaser along with an offer to issue and sell to or exchange with all such purchasers 30% of the securities being offered in the Subsequent Placement, initially allocated among such purchasers on a pro rata basis.

The Private Placement resulted in gross proceeds of $12.0 million before placement agent fees and other expenses associated with the transaction. The proceeds will be used for general corporate purposes and for purposes of satisfying the $1.7 million promissory note payable by the Company to Saga S.P.A.

In connection with the Private Placement, the Company and the selling stockholders entered into a Registration Rights Agreement (the "Registration Rights Agreement) under which the Company is required, on or before thirty (30) days after the closing of the Private Placement, to file a registration statement with the Securities and Exchange Commission (the "SEC") covering the resale of the shares of the Company's common stock issuable pursuant to the Convertible Notes and Warrants and to use its best efforts to have the registration declared effective as soon as practicable (but in no event later than 75 days after the closing of the Private Placement if the registration statement is not subject to a full review by the SEC, or 105 days after the closing of the Private Placement if the registration statement is subject to a full review by the SEC). The Company will be subject to certain monetary penalties, as set forth in the Registration Rights Agreement, if the registration statement is not filed, does not become effective on a timely basis, or does not remain available for the resale of the Registrable Securities (as defined in the Registration Rights Agreement). We are registering the shares being offered under this prospectus pursuant to the Registration Rights Agreement.

June 2012 Transactions with Visser Precision Cast, LLC

On June 1, 2012, we entered into a master transaction agreement (the "Visser Master Transaction Agreement") with Visser Precision Cast, LLC ("Visser") relating to a strategic transaction for manufacturing services and financing (the "Visser Transaction"). Pursuant to the terms of the Visser Master Transaction Agreement, the Company and Visser have entered into a manufacturing services agreement (the "Visser Manufacturing Services Agreement"), a subscription agreement (the "Visser Subscription Agreement"), a security agreement (the "Visser Security Agreement"), a registration rights agreement (the "Visser Registration Rights Agreement"), and a sublicense agreement (the "Visser Sublicense Agreement").

Pursuant to the terms of the Visser Manufacturing Services Agreement, the Company agreed to engage Visser as the exclusive manufacturer of conventional products and components and licensed products and components, which are products and components using or incorporating any of the Company's intellectual property for all fields of use other than consumer electronic products and fields of use covered by exclusive licenses and sublicenses existing on the date of the Visser Manufacturing Services Agreement (such intellectual property, the "LMT Technology"). The Company has further agreed that it will not, directly or indirectly, conduct manufacturing operations, subcontract for the manufacture of products or components or grant a license to any other party to conduct manufacturing operations using the LMT Technology, except for certain limited exceptions. The term of the Visser Manufacturing Services Agreement is perpetual.

Pursuant to the Visser Sublicense Agreement, the Company agreed to sublicense to Visser, on a fully-paid up, royalty-free, irrevocable, perpetual, worldwide basis, all rights held by the Company in the LMT Technology. In addition, Visser has a right of first refusal over any proposed transfer by the Company of LMT Technology pursuant to any license, sublicense, sale or other transfer, other than a license to a machine or alloy vendor.

Pursuant to the terms of the Visser Subscription Agreement, the Company agreed to issue and sell to Visser in a private placement transaction (i) up to 30,000,000 shares (the "Visser Shares") of common stock at a purchase price of $0.10 per share, (ii) warrants (the "Visser Warrants") to purchase up to 15,000,000 shares of common stock at an exercise price of $0.22 per share and (iii) a secured convertible promissory note (the "Visser Promissory Note") in the aggregate principal amount of up to $2,000,000, the principal of which is convertible into shares of common stock at a conversion rate of $0.22 per share. The issuance and sale of the shares of common stock and Visser Warrants occured in two closings. All of the shares of common stock issuable pursuant to the Visser Subscription Agreement and upon exercise or conversion of the Visser Warrants and the Visser Promissory note, as the case may be, are subject to a lock-up period through December 31, 2016.

The Company negotiated the transactions contemplated by the Visser Master Transaction Agreement beginning in December 2011. Although many of the material terms of the transactions remained unresolved until just prior to the initial closing of the transaction, the Company negotiated the purchase price of the common stock to be sold to Visser pursuant to the Visser Subscription Agreement, and the exercise and conversion prices of the Visser Warrants and the Visser Promissory Notes, respectively, at the time the negotiations commenced, when the trading price of the Company's common stock was between approximately $0.12 and $0.19.

On June 1, 2012, the Company issued and sold to Visser 20,000,000 shares of common stock and a warrant to purchase up to 11,250,000 shares of common stock for an aggregate purchase price of $2,000,100 and also executed the Visser Promissory Note. A portion of the purchase price was paid by cancellation of outstanding promissory notes issued by the Company to Visser in the aggregate principal amount of $1,050,000 plus accrued and unpaid interest. On June 28, 2012, the Company issued and sold to Visser the remaining 10,000,000 shares of common stock and a warrant to purchase up to 3,750,000 shares of common stock for an aggregate purchase price of $1,000,100.

The exercise price per share of common stock purchasable upon exercise of the Visser Warrants is $0.22 and is subject to appropriate adjustment for certain dilutive issuances of common stock and changes in the Company's capital structure, such as stock dividends, stock splits, reorganizations or similar events. The Visser Warrants are exercisable immediately upon issuance and expire on June 1, 2017. The Visser Warrants include a cashless exercise feature and all shares of common stock issuable upon exercise of the Visser Warrants are subject to a lock-up period through December 31, 2016. The holders of Visser Warrants are entitled to five days' notice before the record date for certain distributions to holders of common stock and other corporate events. In addition, if certain "fundamental transactions" occur, such as a merger, consolidation, sale of substantially all of the Company's assets, tender offer or exchange offer with respect to the common stock or reclassification of the common stock, the holders of Visser Warrants will be entitled to receive thereafter, in lieu of common stock, the consideration (if different from common stock) that the holders of Visser Warrants would have been entitled to receive upon the occurrence of the "fundamental transaction" as if the Visser Warrants had been exercised immediately before the "fundamental transaction." If any holder of common stock is given a choice of consideration to be received in the "fundamental transaction," then the holders of Visser Warrants shall be given the same choice upon the exercise of the Visser Warrants following the "fundamental transaction." In addition, in the event of a "fundamental transaction" that is an all cash transaction pursuant to which holders of common stock are entitled to receive cash consideration only, then the Visser Warrants will automatically terminate and the holders of the Visser Warrants will receive an amount of cash equal to the greater of (i) the product of (a) the number of shares of common stock representing the unexercised portion of the Visser Warrants and (b) the difference between (x) the per share consideration to be received by holders of common stock in the all-cash "fundamental transaction" and (y) the current exercise price per share of the Visser Warrants and (ii) the Black-Scholes value of the remaining unexercised portion of the Visser Warrants, which will be calculated using variables defined in the Visser Warrants.

Pursuant to the terms of the Visser Promissory Note, the Company may request an advance of up to $1,000,000 on September 15, 2012 and an additional advance of up to $1,000,000 on November 15, 2012, for an aggregate principal amount of all advances under the Visser Promissory Note of $2,000,000. Visser's obligation to fund the advances is subject to the satisfaction of customary closing conditions and no Event of Default (as described below) under the Visser Promissory Note. The Visser Promissory Note will rank senior to all other indebtedness of the Company, other than outstanding indebtedness to Apple, Inc. ("Apple"), and is secured by assets of the Company pursuant to the Visser Security Agreement. The Visser Promissory Note will bear interest at the rate of 6% per annum and is due and payable on September 15, 2015, if not sooner repaid or converted. The Company may prepay the Visser Promissory Note without premium or penalty by providing 30 days' prior written notice to the holder of the Visser Promissory Note. The outstanding principal and accrued but unpaid interest (and any related penalties thereon) under the Visser Promissory Note can be converted into shares of common stock at the option of the holder at the rate of $0.22 per share. The conversion price is subject to appropriate adjustment for certain dilutive issuances of common stock and changes in the Company's capital structure, such as stock dividends, stock splits, reorganizations or similar events. All shares of common stock issuable upon conversion of the Visser Promissory Note are subject to a lock-up period through December 31, 2016. Upon the occurrence of an "Event of Default," such as the Company's failure to pay any amount due under the Visser Promissory Note as and when due, any default under certain of the Company's other indebtedness that is not cured within applicable time periods or any voluntary or involuntary bankruptcy, general assignment for the benefit of creditors or liquidation, the holder of the Visser Promissory Note will have the right to cause the Company to redeem all or any portion of the Visser Promissory Note at a price equal to the greater of (i) the outstanding principal and accrued but unpaid interest (and any related penalties thereon) under the Visser Promissory Note and (ii) the product of (a) the total number of shares of common stock into which the Visser Promissory Note is convertible and (b) the closing sale price of the common stock on the trading day immediately preceding the "Event of Default." Upon the occurrence of a "Change in Control," such as a merger, consolidation, sale of substantially all of the Company's assets, tender offer or exchange offer with respect to the common stock or reclassification of the common stock, the holder of the Visser Promissory Note will have the right to cause the Company to redeem the Visser Promissory Note for an amount of cash equal to (i) the outstanding principal and accrued but unpaid interest (and any related penalties thereon) plus (ii) the Black-Scholes value of the holder's right to convert the outstanding principal and accrued but unpaid interest (and any related penalties thereon) into shares of common stock, which will be calculated using variables defined in the Visser Warrants. In addition, in the event of a "Change in Control" that is an all cash transaction pursuant to which holders of common stock are entitled to receive cash consideration only, then the Visser Promissory Note will automatically terminate and the holder will receive the amount of cash described in the preceding sentence.

Pursuant to the terms of the Visser Security Agreement and in order to secure the Company's obligations under the Visser Promissory note, the Company has granted to Visser a security interest over all of the Company's assets that are not covered by the Company's existing security agreements with Apple, excluding the Company's membership interests in Crucible Intellectual Property, LLC, a subsidiary of the Company.

Pursuant to the terms of the Visser Registration Rights Agreement, the Company is required to file, upon the request of Visser at any time after June 1, 2017, a registration statement with the SEC covering the resale of the shares of common stock issuable pursuant to the Visser Subscription Agreement and upon exercise or conversion of the Visser Warrants and the Visser Promissory Note, as the case may be. Pursuant to the terms of the Visser Registration Rights Agreement, the Company is required to file the registration statement on or prior to 90 days after the Company's receipt of the request to effect such registration (the "Visser Filing Date") and to use its reasonable commercial efforts to have the registration statement declared effective (i) on or prior to 60 days following the Visser Filing Deadline in the case of a registration statement on Form S-3 (120 days in the case of a "full review" by the SEC) or (ii) on or prior to 90 days following the Visser Filing Deadline in the case of a registration statement on Form S-1 (120 days in the case of a "full review" by the SEC). The Company will be subject to certain monetary penalties if the registration statement is not filed or does not become effective in a timely manner. The monetary penalties will accrue monthly and will be payable at the rate of 1% of the aggregate purchase price paid by Visser pursuant to the Visser Subscription Agreement for any unregistered shares of common stock, subject to maximum monetary penalties of 12%. In addition, the Registration Rights Agreement provides Visser with piggyback registration rights on certain registration statements filed by the Company relating to an offering for its own account.

Other Significant Transactions

On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, we issued 8% unsecured, bridge promissory notes to Visser that were due upon demand in the amount of $0.2 million, $0.2 million, $0.35 million and $0.3 million, respectively. The aggregate principal amount of $1.05 million and all accrued interest under the bridge promissory notes were all paid off on June 1, 2012 by utilizing a portion of the proceeds received under the Visser Master Transaction Agreement.

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 "LMC 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 July 2, 2011, Mr. Kang beneficially owned 3.1% of our common stock.

The transactions contemplated by the LMC 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 prospectus 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 "LMTK 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 LMTK 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 "SAGA 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 ("Settlement 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 Settlement Shares issued to SAGA on the SAGA Effective Date was based on the 30 day trailing, volume weighted average price of our common stock as of the SAGA 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 SAGA Effective Date. On October 10, 2011, we issued to SAGA a promissory note in the principal amount of $1.7 million due October 10, 2012 bearing interest of 8% per annum to account for the decrease in the market price of our common stock. On July 11, 2012, we paid SAGA $1,742,630.97 to payoff all amounts owed under the SAGA promissory note.

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 were obligated to contribute all intellectual property that we developed 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 56 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 July 2, 2012, our internal research and development efforts are conducted by a team of 4 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 July 2, 2012, we had 15 full-time employees and 1 part-time employee for a total of 16 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.

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.

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 "SAGA 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 (the "Settlement 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 Settlement Shares issued to SAGA was based on the 30 day trailing, volume weighted average price of our common stock as of the SAGA 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 SAGA Effective Date. 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 bearing interest of 8% per annum to account for the decrease in the market price of our common stock. On July 11, 2012, we paid SAGA $1,742,630.97 to payoff all amounts owed under the SAGA promissory note.

There are no material legal proceedings currently pending.

MANAGEMENT

Directors and Executive Officers

The following table provides information with respect to our directors and officers as of July 2, 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	50	Chairman of the Board
Mark Hansen	57	Director
Scott Gillis	59	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 corporate governance and nominating 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 corporate governance and nominating committee of our board of directors in August 2011. Mr. Gillis serves as a Senior Financial Operations and System Executive at AIG as head of AIG's Global SAP Center of Excellence. He has served AIG's wholly-owned subsidiary, SunAmerica Financial Group, as a Senior Vice President Finance and Treasurer from 2011 to 2012, as Senior Vice President and Chief Financial Officer of SAFG Retirement Services Inc. from 2003 to 2010 and as Controller of that business from 2000 to 2003, and as Controller of the SunAmerica Life Companies from 1989-1999. Mr. Gillis has served for the last 10 years on the board of directors of subsidiaries of SunAmerica 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, and in 2012 promoted to his current position at AIG. 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.

Term of Office for 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.

Director Independence

Our board of directors presently has five members. Our board of directors has determined that two of its current members, Mr. Hansen and Mr. Gillis, are "independent directors" as defined under the rules of the NASDAQ Stock Market, Inc. and Rule 10A-3(b)(i) under the Securities Exchange Act of 1934, as amended.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis describes the material elements of compensation awarded to, earned by, or paid to each of our executive officers who served as named executive officers during the last completed fiscal year. This compensation discussion and analysis focuses on the information contained in the compensation tables and related footnotes and narratives included below for primarily the last completed fiscal year, but we also describe certain compensation actions taken before or after the last completed fiscal year to the extent it enhances the understanding of our executive compensation disclosure for the last completed fiscal year.

The compensation committee of our board of directors currently oversees the design and administration of our executive compensation program. The principal elements of our executive compensation program are base salary, annual cash incentives, long-term equity incentives in the form of stock options and/or restricted stock, other benefits and perquisites, post-termination severance and acceleration of stock option vesting for certain named executive officers upon termination and/or a change in control, although we do not utilize all of these elements in any given year. Our other benefits and perquisites may consist of reimbursement for certain automobile payments and health insurance benefits. Our philosophy is to position the aggregate value of these elements at a level that is commensurate with our size and sustained performance.

Compensation Program Objectives and Philosophy

The objectives of our executive compensation program are to:

- attract, motivate and retain talented and dedicated executive officers;
- provide our named executive officers with both cash and equity incentives to further our interests and the interests of our stockholders; and
- provide our named executive officers with long-term incentives so we can retain them and provide stability for growth.

Generally, the compensation of our named executive officers is comprised of a base salary, an annual incentive compensation award and equity awards in the form of stock options and/or restricted stock. In setting base salaries for 2011, the compensation committee of our board of directors reviewed the individual contributions of the particular executive during 2010. The management incentive program for 2011 provides for annual cash-based incentive awards determined by the compensation committee or our board of directors based on company performance. In addition, stock options are granted to provide the opportunity for long-term compensation based upon the performance of our common stock over time.

For each of our named executive officers, the compensation committee of our board of directors reviews and approves all elements of compensation taking into consideration recommendations from our principal executive officer (for compensation other than his own), as well as past compensation practices.

We have designed our annual management incentive program so that incentive awards paid thereunder will qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (which we refer to as the Code).

Base Salaries

We provide the opportunity for each of our named executive officers to earn a competitive annual base salary. We provide this opportunity to attract and retain an appropriate caliber of talent for our executive officer positions, and to provide a base wage that is not subject to variability based solely on our performance. We review base salaries for our named executive officers annually in January and increases are based on our performance and individual performance. The salary of our principal executive officer is set by the compensation committee of our board of directors, subject to an employment agreement with our President and Chief Executive Officer (our principal executive officer) (see “Employment Agreements” below).

Cash Incentives

From time to time, we provide the opportunity for our named executive officers to earn annual cash incentive award. We provide this opportunity to attract and retain an appropriate caliber of talent for our executive officer positions and to motivate executives to achieve our annual business goals. We would normally review annual cash incentive awards for our named executive officers in March to determine award payments for the last completed fiscal year, as well as to establish award opportunities for the current fiscal year.

Annual cash incentive awards are subject to the compensation committee's negative discretion and may take into account corporate performance measures, including, but not limited to, revenues, earnings before interest, taxes, depreciation and amortization (or EBITDA) and net income. The compensation committee establishes award criteria, generally, as a percentage of annual growth.

For the year ended December 31, 2011, there were no such awards available for or paid to our named executive officers.

Equity-Based Compensation

Our equity-based awards to our named executive officers consist principally of stock options or restricted stock granted from time to time under our 2002 Equity Incentive Plan, which expired in April 2012. On June 28, 2012, at our annual meeting of stockholders, our stockholders approved our 2012 Equity Incentive Plan. Stock option and restricted stock grants are based on various factors, including each executive officer's position, responsibility and tenure, each executive officer's ability to contribute to our future success, and the other elements of such executive officer's compensation. Generally, we use equity-based compensation to better align the interests of our executive officers with those of our stockholders.

For our named executive officers, our stock option and restricted stock program is based on grants that are individually negotiated in connection with employment agreements and other grants to our executives. On August 5, 2010, under the terms of Mr. Steipp's employment agreement, we granted Mr. Steipp an award of 6,000,000 shares of restricted stock. These shares vest in 20% annual increments beginning on December 15, 2011. We have traditionally used stock options as our form of equity compensation because stock options provide a relatively straightforward incentive for our executives and result in less immediate dilution of existing stockholders' interests. During 2011, all grants of stock options to our employees were granted with exercise prices equal to or greater than the fair market value of our common stock on the respective grant dates. During 2011, there were no grants of stock options to our executive officers.

We do not time stock option grants to executives in coordination with the release of material non-public information. Our stock options have a 10-year contractual exercise term (or 5-year contractual term if the optionee owns more than 10% of voting power of the company). In general, the option and restricted stock grants are also subject to the following post-termination and change in control provisions:

Event	Award Vesting	Option Exercise Term
Termination by Us Reason Other than Cause, Disability or Death	Forfeit Unvested (1)	3 months from Date of Termination (1)
Disability or Death	Forfeit Unvested	12 months from Date of Termination
Termination for Cause	Forfeit Vested and Unvested	--
Other Termination	Forfeit Unvested	90 days from Date of Termination
Change in Control	Accelerated (2)	Accelerated (2)

(1) Options granted under the 2002 Non-employee Director Option Plan will continue to vest and be exercisable for 12 months following termination.

(2) The Board of Directors may, at its discretion, amend vesting rights or grant additional shares in case of mergers or reorganizations for anti-dilution purposes.

The vesting of Mr. Steipp's restricted stock award may be accelerated pursuant to the terms of his employment agreement in certain termination and/or change in control events. These terms are more fully described in "Employment Agreements" below.

Executive Benefits and Perquisites

We provide the opportunity for our named executive officers and other executives to receive certain perquisites and general health and welfare benefits. We also offer participation in our defined contribution 401(k) savings plan. We do not match employee contributions under our 401(k) plan. Participation in general health and welfare benefits and the 401(k) plan are voluntary and are available to all eligible employees of the company. We provide these benefits to provide an additional incentive for our executives and to remain competitive in the general marketplace for executive talent.

Tabular Disclosure

Set forth below is information regarding compensation earned by or paid or awarded to the following executive officers of the company during the years ended December 31, 2011 and 2010, to the extent applicable: (1) Thomas Steipp, our current President and Chief Executive Officer; (2) Tony Chung, our Chief Financial Officer; and (3) Ricardo Salas, our Executive Vice President. Collectively, these three persons are referred to as our named executive officers.

2011 Summary Compensation Table

The following table sets forth for each of the named executive officers: (i) the dollar value of base salary earned during the years ended December 31, 2011 and 2010 (as applicable); (ii) the aggregate grant date fair value of stock awards and option awards granted during those years, computed in accordance with Financial Accounting Standards Board (or FASB) Accounting Standards Codification (ASC) Topic 718; and (iii) the dollar value of total compensation for those years:

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Total ($)
Thomas Steipp,	2011	$ 300,000	-	--	$ 300,000
President and Chief Executive Officer	2010	$ 120,577	$ 1,560,000(2)	--	$ 1,680,577
Tony Chung	2011	$ 160,000	--	--	$ 160,000
Chief Financial Officer	2010	$ 160,000	--	$ 10,423(3)	$ 170,423
Ricardo Salas	2011	$ 240,000	--	--	$ 240,000
Executive Vice President	2010	$ 240,000	--	$ 62,532(4)	$ 302,532

(1) The amounts in these columns reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the stock option awards and restricted stock awards granted during the reported years. Assumptions used in the calculation of these amounts are included in Note 13 to the consolidated financial statements contained in this prospectus for the fiscal year ended December 31, 2011.

(2) Mr. Steipp's 2010 award of 6,000,000 shares of restricted stock vests in 20% annual increments beginning on December 15, 2011. For a description of the material terms of the employment agreement with Mr. Steipp, see "Employment Agreements" below.

(3) On July 12, 2010, Mr. Chung was granted a stock option award covering 250,000 shares. These stock option awards vest in 20% annual increments beginning on July 12, 2011, and the exercise price for these stock option awards is $0.12 per share.

(4) On July 12, 2010, Mr. Salas was granted a stock option award covering 1,500,000. These stock option awards vest in 20% annual increments beginning on July 12, 2011, and the exercise price for these stock option awards is $0.12 per share.

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table sets forth information on outstanding option awards 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 ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(1)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(2)**	**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 (3) 200,000 (4)	-- --	$0.09 $0.12	11/30/2018 07/11/2020	-- --	-- --	-- --	-- --
Ricardo Salas	300,000	1,200,000 (4)	--	$0.12	07/11/2020	--	--	--	--

(1) Reflects the award of 6,000,000 shares of restricted stock to Mr. Steipp under the terms of his employment agreement on August 5, 2010. These shares vest in 20% annual increments beginning on December 15, 2011.

(2) This market value is calculated using $0.14 per share, which was the last reported sales price of our common stock on the OTC Bulletin Board at the end of 2011.

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

(4) The shares underlying this option vest 20% per year starting with the vesting commencement date on July 12, 2011.

Option Exercises and Stock Vested

There were no exercises of stock options in 2011. 1,200,000 shares of restricted stock granted to Mr. Steipp in connection with his employment agreement vested on December 15, 2011.

Employment Agreements

On August 3, 2010, we entered into a five-year employment agreement with Thomas Steipp, our President and Chief Executive Officer. Under his employment agreement, Mr. Steipp receives a base salary of $300,000 plus discretionary bonus (no discretionary bonus was paid to Mr. Steipp for 2011 or 2010). 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 the company's common stock, which stock will vest in increments of 1,200,000 shares each on each anniversary of his employment with the company. In the event that Mr. Steipp ceases to be employed by us prior to the fifth anniversary of his employment, he will forfeit any unvested shares unless he is terminated without "Cause" or unless he terminates his own employment within thirty days after a change in control of the company.

For information about the post-termination and change in control provisions that apply with respect to option and restricted stock grants, see "Compensation Discussion and Analysis—Equity-Based Compensation" above.

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 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 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 of our board of directors, which is comprised solely of "outside directors" as defined for purposes of Section 162(m) of the Code, may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if the compensation committee of our board of directors determines that doing so is in our best interests.

Director Compensation

The following table sets forth information regarding the compensation received by each of our non-employee directors serving during the year ended December 31, 2011:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Abdi Mahamedi	--	--	--	--	--	--	--
Mark Hansen	--	--	--	--	--	--	--
Scott Gillis	--	--	--	--	--	--	--
Robert Biehl	$ 27,000	--	--	--	--	$ 18,000	$ 45,000(1)

(1) Includes $27,000 of pro-rated fees for Mr. Biehl's services as a Director and Audit Committee Chairman prior to his resignation on August 3, 2011. Also, includes $18,000 of fees earned by Mr. Biehl in connection with leadership consulting services performed for our executive management during 2011. Amounts were included as accrued liabilities as of December 31, 2011.

Except as set forth above, during 2011, our non-employee directors did not receive any compensation for their services, but were reimbursed for expenses incurred in attending board and committee meetings, as determined by our board of directors.

During 2011, we also maintained our 2002 Non-Employee Director Stock Option Plan pursuant to which our non-employee directors were 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 2011. Our 2002 Non-Employee Director Stock Option Plan expired by its terms in April 2012. On June 28, 2012, at our annual meeting of stockholders, our stockholders approved our 2012 Equity Incentive Plan.

No director who is an employee receives separate compensation for services rendered as a director. However, during 2011, our employee directors were eligible to participate in our 2002 Equity Incentive Plan.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2009, John Kang, our former Chairman, advanced to us $0.3 million to fund working capital needs. On August 5 2010, we paid Mr. Kang $0.1 million, which represented the total amount outstanding as well as 10% accrued interest as of that date. There were no capital advances outstanding from Mr. Kang as of December 31, 2011.

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. We incurred $210,000 and $102,000 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 $520,000 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 Chinese subsidiary, Advanced Metals Materials ("AMM"), that owns the equipment. On August 5, 2011, we signed a Stock Purchase Agreement (the "IMG Stock Purchase Agreement") with IMG to sell all of the stock of AMM for $720,000 (the "Purchase Price") where IMG will apply to the payment of the Purchase Price the $520,000 deposit previously paid to us and the $200,000 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 $200,000 notes receivable is included in notes receivable in our consolidated balance sheet at December 31, 2011. Interest shall accrue and be paid at maturity along with the principal balance.

In conjunction with the IMG 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 us a running royalty based on its sales of Licensed Products, and the license will expire on August 5, 2021. We recognized $19,000 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. As of July 2, 2011, Mr. Kang beneficially owned 3.1% of our common stock.

During the year ended December 31, 2011, we incurred $154,000 in legal fees to defend Mr. Kang, as the former Representative Director of our Korean subsidiary, against allegations relating to our Korean subsidiary's involvement in customs reporting violations in South Korea that allegedly occurred in 2007 and 2008. We've agreed to reimburse Mr. Kang's legal fees incurred on this issue through December 31, 2012.

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 directors as of December 31, 2011.

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.

We believe that each of the foregoing transactions was consummated on terms at least as favorable to us as we would expect to negotiate with unrelated third parties.

Review, Approval or Ratification of Transactions with Related Persons

Our policy is to require that any transaction with a related party required to be reported under applicable SEC rules, other than compensation-related matters, be reviewed and approved or ratified by the audit committee of our board of directors. The audit committee of our board of directors has not adopted specific procedures for review of, or standards for approval of, these transactions, but instead reviews such transactions on a case by case basis. Our policy is to require that all compensation-related matters be recommended for board approval by the compensation committee of our board of directors. During the last fiscal year, no transactions with a related party have occurred that required a waiver of this policy nor have any transactions with a related party occurred in which we did not follow this policy.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of July 2, 2012 by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding common stock;
- each of our directors;
- each of our named executive officers; and
- all directors and executive officers as a group.

The number and percentage of shares beneficially owned is determined under rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. The number of shares shown as beneficially owned in the tables below are calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended. Under Rule 13d-3(d)(1), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. 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 of 191,852,906 shares of our common stock, 105,231 shares of our Series A-1 Preferred Stock and 401,705 shares of our Series A-2 Preferred Stock, were issued and outstanding as of July 2, 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)	10.8%	58,600	55.7%	260,710	64.9%
Thomas Steipp	7,610,893 (5)	4.0%	-	-	-	-
Ricardo Salas	11,128,947 (6)	5.7%	-	-	-	-
Mark Hansen	-	-	-	-	-	-
Scott Gillis	11,700 (7)	*	-	-	-	-
Tony Chung	1,040,447 (8)	*	-	-	-	-
All directors and executive officers as a group (6 persons)	41,721,602	19.3%	58,600	55.7%	260,710	64.9%
5% Shareholders						
Carlyle Holdings, LLC 2700 Westchester Ave., Suite 303 Purchase, NY 10577	15,972,782 (9)	7.9%	48,600	46.2%	144,495	36.0%
Jack Chitayat 1836 Camino Del Teatro La Jolla, CA 92037	15,387,268 (10)	7.8%	28,928	27.5%	51,420	12.8%
Silver Lake Group, LLC 64 Ritz Cove Drive Monarch Beach, CA 92629	3,501,130 (11)	1.8%	-	-	-	-
Atlantic Realty Group 1836 Camino Del Teatro La Jolla, CA 92037	7,548,723 (12)	3.9%	-	-	58,108	14.5%
Norden LLC 5641 N Broadway Denver, CO 80216	7,870,307 (13)	4.1%	-	-	-	-
Visser Precsion Cast, LLC 5641 N Broadway Denver, CO 80216	45,000,000 (14)	21.8%	-	-	-	-
Furniture Rowe, LLC 5641 N Broadway Denver, CO 80216	52,870,307 (15)	25.9%	-	-	-	-

*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 July 2, 2012. Shares issuable pursuant to the exercise of stock options and warrants exercisable within 60 days of July 2, 2012, or securities convertible into common stock within 60 days of July 2, 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 191,852,906 shares of common stock outstanding as of July 2, 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-1 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; and

(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 6,000,000 shares of restricted stock awards which vest ratably over five years starting with December 15, 2011 and then on August 3, 2012, 2013, 2014 and 2015 held of record by Mr. Steipp.

(6) Includes:

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

(b) 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 July 2, 2012. Does not include 900,000 shares that are issuable pursuant to outstanding stock options that are not exercisable currently or within 60 days of July 2, 2012.

(7) Shares held of record by Mr. Gillis, his child and spouse.

(8) Includes:

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

(b) 220,000 shares issuable pursuant to outstanding stock options that are exercisable currently or within 60 days of July 2, 2012. Does not include 230,000 shares that are issuable pursuant to outstanding stock options that are not exercisable currently or within 60 days of July 2, 2012.

(9) 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.

(10) 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) 2,542,497 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.

(11) Includes 3,501,130 shares issuable pursuant to currently exercisable warrants held of record by Silver Lake Group, LLC.

(12) Includes 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.

(13) Includes 7,870,307 shares of common stock.

(14) Includes 30,000,000 shares of restricted common stock and 15,000,000 shares issuable pursuant to currently exercisable warrants held of record by Visser Precision Cast, LLC.

(15) Includes 37,870,307 shares of restricted common stock and 15,000,000 shares issuable pursuant to currently exercisable warrants held of record by Visser Precision Cast, LLC.

DESCRIPTION OF SECURITIES

General

We are authorized to issue up to 400,000,000 shares of common stock, par value $0.001 per share, of which 191,852,906 shares were issued and outstanding as of July 2, 2012. We are also authorized to issue up to 10,000,000 shares of preferred stock, par value $0.001 per share, of which (a) 1,875,000 shares are designated as "Series A-1 Preferred Stock" of which 105,231 shares were issued and outstanding as of July 2, 2012, and (b) 3,281,253 shares are designated as "Series A-2 Preferred Stock" of which 401,705 shares were issued and outstanding as of July 2, 2012. The Series A-1 Preferred Stock and the Series A-2 Preferred Stock are collectively referred to herein as the "Series A Preferred Stock."

Common Stock

Except with respect to the election of certain directors by the holders of our Series A Preferred Stock, the holders of our common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to any preferences applicable to our Series A Preferred Stock and any preferences that may be applicable to any preferred stock issued in the future, the holders of our common stock are entitled to receive ratably any dividends that may be declared from time to time by our board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of any preferred stock then outstanding. Our common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our common stock are fully paid and nonassessable.

Preferred Stock

General

As noted above, our board of directors has designated 1,875,000 shares of our preferred stock as Series A-1 Preferred Stock and 3,281,253 shares of our preferred stock as Series A-2 Preferred Stock. Our board of directors has the authority, without action by our stockholders, to designate and issue up to an additional 4,843,747 shares of preferred stock in one or more series. Subject to the rights of our Series A Preferred Stock, our board of directors may designate the rights, preferences, and privileges of each additional series of preferred stock, any or all of which may be greater than the rights of our common stock. It is not possible to state the actual effect of the issuance of any additional shares of preferred stock upon the rights of holders of our common stock until our board of directors determines the specific rights of the holders of such preferred stock. However, these effects might include restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock, and delaying or preventing a change in control of our company without further action by the stockholders. We have no present plans to issue any additional shares or series of preferred stock.

Series A Preferred Stock

From the date of issuance through and until June 1, 2010, the Series A Preferred Stock accrued cumulative dividends, at the annual rate of 8%, which was payable semi-annually. These dividends were payable, in cash or in kind by the issuance by us of additional shares of Series A Preferred Stock, only when and as declared by our board of directors.

The Series A Preferred Stock is convertible, at the option of the holder of the Series A Preferred Stock, into our common stock 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).

On any matter submitted to a vote of our common stockholders, each holder of Series A Preferred Stock is entitled to one vote for each share of common stock that would be issuable to such holder upon the conversion of all the shares of Series A Preferred Stock held by such holder. In addition, for as long as least 25% of the number of shares of Series A Preferred Stock issued on May 1, 2009 are outstanding, our board of directors will consist of five members, of which two directors will be elected by a class vote of our outstanding shares of Series A Preferred Stock, two directors will be elected by a class vote of our outstanding shares of common stock, and one director will be elected by the holders of our common stock and Series A Preferred Stock voting together as a single class.

In the event of our liquidation, dissolution or winding up, the proceeds shall be paid first to the holders of the Series A Preferred Stock in an amount equal to 1.08 multiplied by the sum of (a) $5.00 per share of Series A Preferred Stock held by such holder of Series A Preferred Stock, plus (b) any accrued but unpaid dividends on such shares of Series A Preferred Stock.

We have the right to redeem the Series A Preferred Stock at any time upon 30 days advance written notice to the holder of such Series A Preferred Stock. In addition, holders of the Series A Preferred Stock have a pro rata right, based on their percentage equity ownership in our Company, to participate in subsequent issuances of our equity securities. The holders of the Series A Preferred Stock waived their right to participate in the July 2, 2012 private placement of Convertible Notes and Warrants described below.

Our board of directors has the right, at any time, to convert each share of Series A Preferred Stock into common stock upon no less than 30 days prior written notice to the holders of Series A Preferred Stock. In addition, (a) our board of directors must convert each share of Series A-1 Preferred Stock into common stock upon receipt of the written notice of holders of a majority of the then-outstanding shares of Series A-1 Preferred Stock of their election to cause an automatic conversion, and (b) our board of directors must convert each share of Series A-2 Preferred Stock into common stock upon receipt of the written notice of holders of a majority of the then-outstanding shares of Series A-2 Preferred Stock of their election to cause an automatic conversion.

Promissory Notes

Senior Convertible Notes – July 2, 2012 Private Placement

On July 2, 2012, we issued $12.0 million in principal amount of Senior Convertible Notes due on September 1, 2013 (the “Convertible Notes”). The Convertible Notes are convertible at any time at the option of the holder into shares of our common stock at $0.352 per share, subject to adjustment for stock splits, stock dividends, and the like. In the event that we issue or sell shares of our common stock, rights to purchase shares of our common stock, or securities convertible into shares of our common stock for a price per share that is less than the conversion price then in effect, the conversion price then in effect will be decreased to equal such lower price. The foregoing adjustments to the conversion price for future stock issuances will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans.

On the first business day of each month beginning on October 1, 2012 through and including September 1, 2013 (the “Installment Dates”), we will pay to each holder of a Convertible Note an amount equal to (i) one-twelfth (1/12th) of the original principal amount of such holder’s Convertible Note (or the principal outstanding on the Installment Date, if less) plus (ii) the accrued and unpaid interest with respect to such principal plus (iii) the accrued and unpaid late charges (if any) with respect to such principal and interest. Prior to maturity, the Convertible Notes will bear interest at 8% per annum (or 15% per annum during an event of default) with interest payable monthly in arrears on the Installment Dates and on conversion dates.

Each monthly payment may be made in cash, in shares of our common stock, or in a combination of cash and shares of our common stock. Our ability to make such payments with shares of our common stock will be subject to various conditions, including the existence of an effective registration statement covering the resale of the shares issued in payment (or, in the alternative, the eligibility of the shares issuable pursuant to the Convertible Notes and the Warrants (as defined below) for sale without restriction under Rule 144 and without the need for registration) and certain minimum trading volumes in the stock to be issued. Such shares will be valued, as of the date on which notice is given by us that payment will be made in shares, at the lower of (1) the then applicable conversion price and (2) a price that is 87.5% of the arithmetic average of the ten (or in some cases fewer) lowest weighted average prices of our common stock during the twenty trading day period ending two trading days before the applicable determination date (the “Measurement Period”). Our right to pay monthly payments in shares will depend on the following trading volume requirements in our common stock: a minimum of $250,000 in average daily trading volume during the Measurement Period, and a minimum of $150,000 in daily trading volume during each day during the Measurement Period, with certain exceptions.

Upon the occurrence of an event of default under the Convertible Notes, a holder of a Convertible Note may (so long as the event of default is continuing) require us to redeem all or a portion of its Convertible Note. Each portion of the Convertible Note subject to such redemption must be redeemed by us, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the event of default and ending on the date the holder delivers a redemption notice to us, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

Subject to certain conditions, a holder of a Convertible Note may also require us to redeem all or a portion of its Convertible Note in connection with a transaction that results in a Change of Control (as defined in the Convertible Notes). Each portion of the Convertible Note subject to such redemption must be redeemed by us, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the earlier to occur of (i) the consummation of the Change of Control and (ii) the public announcement of such Change of Control and ending on the date the holder delivers a redemption notice to us, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

If, during the period beginning on the date that all of the shares of common stock issuable pursuant to the terms of the Convertible Notes and upon exercise of the Warrants are registered pursuant to an effective registration statement and ending on the twenty-first (21st) month following July 2, 2012, we offer, sell, grant any option to purchase, or otherwise dispose of any of our or our subsidiaries' equity or equity equivalent securities (a "Subsequent Placement"), we must first notify each purchaser of the Convertible Notes of our intent to effect a Subsequent Placement. If a purchaser of the Convertible Notes wishes to review the details of a Subsequent Placement, we must provide such details to such purchaser along with an offer to issue and sell to or exchange with all such purchasers 30% of the securities being offered in the Subsequent Placement, initially allocated among such purchasers on a pro rata basis.

Warrants

Warrants – July 2, 2012 Private Placement

On July 2, 2012, as part of the private placement of the Convertible Notes, we issued Warrants to the purchasers of the Convertible Notes giving them the right to purchase up to an aggregate of 18,750,000 shares of our common stock at an exercise price of $0.384 per share (the "Warrants"). The Warrants are exercisable on or after the date that is six (6) months after the date of the issuance of the Warrants, and the exercise prices for the Warrants are subject to adjustment for stock splits, stock dividends, and the like. In the event that we issue or sell shares of our common stock, rights to purchase shares of our common stock, or securities convertible into shares of our common stock for a price per share that is less than the exercise price then in effect, the exercise price of the Warrant will be reduced based on a weighted-average formula. The foregoing adjustments to the exercise price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, on the two year anniversary of the issuance date (the "Reset Date"), the then applicable exercise price will be reset to equal the lesser of (1) the then current exercise price and (2) 87.5% of the arithmetic average of the ten lowest weighted average prices of the common stock during the twenty trading day period ending two trading days immediately preceding the Reset Date. The Warrants will expire on the fifth (5th) anniversary of the date they first become exercisable.

Visser Warrants

On June 1, 2012, we issued and sold to Visser a Warrant to purchase up to 11,250,000 shares of common stock for an aggregate purchase price of $2,000,100 (the "First Visser Warrant"). In addition, on June 28, 2012, we issued and sold to Visser a Warrant to purchase up to 3,750,000 shares of common stock (the "Second Visser Warrant," and collectively with the First Visser Warrant, the "Visser Warrants").

The exercise price per share of common stock purchasable upon exercise of the Visser Warrants is $0.22 and is subject to appropriate adjustment for certain dilutive issuances of common stock and changes in our capital structure, such as stock dividends, stock splits, reorganizations or similar events. The Visser Warrants are exercisable immediately upon issuance and expire on June 1, 2017. The Visser Warrants include a cashless exercise feature and all shares of common stock issuable upon exercise of the Visser Warrants are subject to a lock-up period through December 31, 2016. The holders of the Visser Warrants are entitled to five days' notice before the record date for certain distributions to holders of common stock and other corporate events. In addition, if certain "fundamental transactions" occur, such as a merger, consolidation, sale of substantially all of our assets, tender offer or exchange offer with respect to the common stock or reclassification of the common stock, the holders of the Visser Warrants will be entitled to receive thereafter, in lieu of common stock, the consideration (if different from common stock) that the holders of the Visser Warrants would have been entitled to receive upon the occurrence of the "fundamental transaction" as if the Visser Warrants had been exercised immediately before the "fundamental transaction." If any holder of common stock is given a choice of consideration to be received in the "fundamental transaction," then the holders of the Visser Warrants shall be given the same choice upon the exercise of the Visser Warrants following the "fundamental transaction." In addition, in the event of a "fundamental transaction" that is an all cash transaction pursuant to which holders of common stock are entitled to receive cash consideration only, then the Visser Warrants will automatically terminate and the holders of the Visser Warrants will receive an amount of cash equal to the greater of (i) the product of (a) the number of shares of common stock representing the unexercised portion of the Visser Warrants and (b) the difference between (x) the per share consideration to be received by holders of common stock in the all-cash "fundamental transaction" and (y) the current exercise price per share of the Visser Warrants and (ii) the Black-Scholes value of the remaining unexercised portion of the Visser Warrants, which will be calculated using variables defined in the Visser Warrants.

Exchange 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, and this amount is reflected as Warrants in the consolidated statement of shareholders' as of December 31, 2011. As of July 2, 2012, there were 29,779,557 number of Consent Warrants classified as equity, and they all expire on July 15, 2015. The Consent Warrants have exercise prices ranging from $0.48 to $0.49 per share.

Registration Rights

July 2, 2012 Private Placement

In connection with the July 2, 2012 private placement of Convertible Notes and Warrants, we entered into a registration rights agreement with the purchasers of the Convertible Notes under which we are required, on or before thirty (30) days after the closing of the private placement, to file a registration statement with the SEC covering the resale of the shares of our common stock issuable pursuant to the Convertible Notes and Warrants and to use our best efforts to have the registration declared effective as soon as practicable (but in no event later than 75 days after the closing of the private placement if the registration statement is not subject to a full review by the SEC, or 105 days after the closing of the private placement if the registration statement is subject to a full review by the SEC). We will be subject to certain monetary penalties, as set forth in the registration rights agreement, if the registration statement is not filed, does not become effective on a timely basis, or does not remain available for the resale of the shares issuable pursuant to the Convertible Notes and Warrants.

Visser Registration Rights

Pursuant to the terms of the registration rights agreement between us and Visser, we are required to file, upon the request of Visser at any time after June 1, 2017, a registration statement with the SEC covering the resale of the shares of common stock issuable pursuant to the subscription agreement between us and Visser and upon exercise or conversion of the Visser Warrants and the Secured Visser Note, as the case may be. Pursuant to the terms of the registration rights agreement, we are required to file the registration statement on or prior to 90 days after our receipt of the request to effect such registration (the "Filing Date") and to use its reasonable commercial efforts to have the registration statement declared effective (i) on or prior to 60 days following the Filing Date in the case of a registration statement on Form S-3 (120 days in the case of a "full review" by the SEC) or (ii) on or prior to 90 days following the Filing Date in the case of a registration statement on Form S-1 (120 days in the case of a "full review" by the SEC) (such applicable date, the "Effectiveness Deadline"). We will be subject to certain monetary penalties if the registration statement is not filed or does not become effective in a timely manner. The monetary penalties will accrue monthly and will be payable at the rate of 1% of the aggregate purchase price paid by Visser pursuant to the subscription agreement for any unregistered shares of common stock, subject to maximum monetary penalties of 12%. In addition, the registration rights agreement provides Visser with piggyback registration rights on certain registration statements filed by us relating to an offering for our own account.

Stock Options

As of July 2, 2012, we had stock options outstanding under our equity incentive plans to purchase up to 4,171,800 shares of our common stock. Of these options, options to purchase 2,181,100 shares of common stock were exercisable at July 2, 2012 at a weighted-average exercise price of $0.78 per share.

Indemnification of Directors and Executive Officers and Limitation of Liability

Certificate of Incorporation (as amended)

In accordance with Section 102(b)(7) of the Delaware General Corporation Law (the "DGCL"), our certificate of incorporation (as amended) eliminates the personal liability of directors to us and to our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to us or our stockholders, (ii) for acts or omissions which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. Our certificate of incorporation (as amended) further provides that, if the DGCL is amended after the effective date of our certificate of incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Our certificate of incorporation (as amended) also provides that we shall indemnify, to the fullest extent permitted by the DGCL (including, without limitation, Section 145 thereof), any and all persons whom we have power to indemnify under the DGCL.

The indemnification provided for in our certificate of incorporation (as amended) is not exclusive of any other rights to which those seeking indemnification may be entitled as a matter of law under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in such indemnified person's official capacity and as to action in another capacity while serving as our director, officer, employee, or agent, shall continue as to a person who has ceased to be our director, officer, employee, or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

Bylaws (as amended)

Our bylaws (as amended) provide that we shall, to the fullest extent permitted by Section 145 of the DGCL, indemnify any director, officer, employee or agent of our company or any person serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

Our bylaws (as amended) also provide for the advancement of expenses (including attorneys' fees) incurred by any person in his capacity as a director or an officer of our company in defending a civil, criminal, administrative or investigative action, suit or proceeding of the type contemplated by Section 145 of the DGCL prior to the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it is ultimately determined that such person is not entitled to be indemnified by us.

Pursuant to our bylaws (as amended), we may, upon resolution passed by our board of directors, purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of our company, or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not we would have the power to indemnify such person against such liability under the provisions of our certificate of incorporation.

The indemnification provided for in our bylaws (as amended) is not exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, shall continue as to a person who has ceased to be our director, officer, employee, or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

Liability Insurance

We also maintain a policy of directors' and officers' liability insurance to indemnify our directors and officers with respect to actions taken by them on our behalf.

Indemnification Agreements

Through Indemnity Agreements with various directors and officers, we have, subject to certain conditions and limitations, agreed to indemnify and hold harmless an officer or director if he or she is or was a party, or is threatened to be made a party, to any Action (as defined in the Indemnity Agreements) by reason of his or her status as, or the fact that he or she is or was or has agreed to become, a director or officer of our company, and/or is or was serving or has agreed to serve as a director or officer of an Affiliate (as defined in the Indemnity Agreements), and/or as to acts performed in the course of his or her duty to our company and/or to an Affiliate, against Liabilities and reasonable Expenses (each as defined in the Indemnity Agreements) incurred by or on behalf of the officer or director in connection with any Action, including, without limitation, in connection with the investigation, defense, settlement or appeal of any Action. Also through Indemnity Agreements, we have agreed to pay to the officer or director, in advance of the final disposition or conclusion of any Action, the officer or director's reasonable expenses incurred by or on behalf of the officer or director in connection with such Action, provided that certain conditions are satisfied. Finally, through Indemnity Agreements, we have agreed that we may purchase and maintain insurance on behalf of an officer or director against any liability and/or expense asserted against him or her and/or incurred by or on behalf of him or her in such capacity as an officer or director of our company and/or of an Affiliate, or arising out of his or her status as such, whether or not the Company would have the power to indemnify him or her against such liability or advance of expenses under the provisions of the Indemnity Agreement or under the DGCL as it may then be in effect.

Delaware Law

Section 145 of the DGCL, which was adopted by the Company as described above, provides that a corporation may indemnify any persons, including officers and directors, who were, are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such officer, director, employee or agent acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. A Delaware corporation, such as our company, may indemnify officers or directors in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action, suit or proceeding referred to above, the corporation must indemnify him against expenses (including attorney's fees) actually and reasonably incurred by such person in connection therewith.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

Anti-Takeover Effect of Governing Documents and Delaware Law

Provisions of the DGCL and our certificate of incorporation (as amended) and bylaws (as amended) could make the acquisition of the Company through a tender offer, a proxy contest or other means more difficult and could make the removal of incumbent officers and directors more difficult. We expect these provisions to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to first negotiate with our board of directors. We believe that the benefits provided by our ability to negotiate with the proponent of an unfriendly or unsolicited proposal outweigh the disadvantages of discouraging these proposals. We believe the negotiation of an unfriendly or unsolicited proposal could result in an improvement of its terms.

Delaware Law

We are subject to Section 203 of the DGCL, which restricts our ability to enter into a business combination with an interested stockholder for a period of three years. Generally, a business combination means a merger, asset sale or other transaction resulting in a financial benefit to the stockholder. An "interested stockholder" is a stockholder who owns 15% or more of our outstanding voting stock. These restrictions do not apply if:

- before the date a stockholder becomes an interested stockholder, the Company's board of directors approves either the business combination or the transaction in which the stockholder becomes an interested stockholder;
- upon consummation of the transaction in which the stockholder becomes an interested stockholder, the interested stockholder owns at least 85% of the Company's voting stock outstanding at the time the transaction commenced, subject to exceptions; or
- on or after the date a stockholder becomes an interested stockholder, the business combination is both approved by the Company's board of directors and authorized at an annual or special meeting of the Company's stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock not owned by the interested stockholder.

Certificate of Incorporation and Bylaws

Our bylaws (as amended) establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors. At an annual meeting, stockholders may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors. Stockholders may also consider a proposal or nomination by a person who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to our Secretary timely written notice, in proper form, of his or her intention to bring that business before the meeting. The bylaws (as amended) do not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting of the stockholders. However, our bylaws (as amended) may have the effect of precluding the conduct of business at a meeting if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

Under Delaware law, a special meeting of stockholders may be called by the board of directors or by any other person authorized to do so in the certificate of incorporation or the bylaws. Our bylaws (as amended) authorizes a majority of our board of directors to call a special meeting of stockholders, and it requires the President or Secretary to call a special meeting upon the written request of stockholders who own an aggregate of least 25% of the outstanding shares of voting stock. Because our stockholders owning less than an aggregate of 25% of our voting stock do not have the right to call a special meeting, such stockholders could not force stockholder consideration of a proposal over the opposition of the board of directors by calling a special meeting of stockholders prior to such time as a majority of the board of directors believed or the chief executive officer believed the matter should be considered or until the next annual meeting provided that the requestor met the notice requirements. The restriction on the ability of stockholders to call a special meeting means that a proposal to replace the board also could be delayed until the next annual meeting.

Our certificate of incorporation (as amended) authorizes 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.

Trading on the OTC Bulletin Board

Our common stock is currently quoted on the OTC Bulletin Board under the symbol "LQMT."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC. The transfer agent's address is 6201 15th Avenue, Brooklyn, NY 11219, and its telephone number is 800-937-5449.

PLAN OF DISTRIBUTION

We are registering the shares of common stock issuable pursuant to the terms of the Convertible Notes and upon exercise of the Warrants to permit the resale of these shares of common stock by the holders of the Convertible Notes and Warrants from time to time after the date of this prospectus. We will not receive any of the proceeds from the sale by the selling stockholders of the shares of common stock. We will bear all fees and expenses incident to our obligation to register the shares of common stock.

The selling stockholders may sell all or a portion of the shares of common stock beneficially owned by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If the shares of common stock are sold through underwriters or broker-dealers, the selling stockholders will be responsible for underwriting discounts or commissions or agent's commissions. The shares of common stock may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale, or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions,

- on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on these exchanges or systems or in the over-the-counter market;
- through the writing of options, whether such options are listed on an options exchange or otherwise;
- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- sales pursuant to Rule 144;
- broker-dealers may agree with the selling securityholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

If the selling stockholders effect such transactions by selling shares of common stock to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of the shares of common stock for whom they may act as agent or to whom they may sell as principal (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved). In connection with sales of the shares of common stock or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the shares of common stock in the course of hedging in positions they assume. The selling stockholders may also sell shares of common stock short and deliver shares of common stock covered by this prospectus to close out short positions and to return borrowed shares in connection with such short sales. The selling stockholders may also loan or pledge shares of common stock to broker-dealers that in turn may sell such shares.

The selling stockholders may pledge or grant a security interest in some or all of the Convertible Notes, Warrants or shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time pursuant to this prospectus or any amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933, as amended (the “Securities Act”), amending, if necessary, the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer and donate the shares of common stock in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling stockholders and any broker-dealer participating in the distribution of the shares of common stock may be deemed to be "underwriters" within the meaning of the Securities Act, and any commission paid, or any discounts or concessions allowed to, any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act. At the time a particular offering of the shares of common stock is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of shares of common stock being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling stockholders and any discounts, commissions or concessions allowed or reallowed or paid to broker-dealers.

Under the securities laws of some states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the shares of common stock may not be sold unless such shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

There can be no assurance that any selling stockholder will sell any or all of the shares of common stock registered pursuant to the registration statement, of which this prospectus forms a part.

The selling stockholders and any other person participating in such distribution will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including, without limitation, Regulation M of the Securities Exchange Act of 1934, as amended, which may limit the timing of purchases and sales of any of the shares of common stock by the selling stockholders and any other participating person. Regulation M may also restrict the ability of any person engaged in the distribution of the shares of common stock to engage in market-making activities with respect to the shares of common stock. All of the foregoing may affect the marketability of the shares of common stock and the ability of any person or entity to engage in market-making activities with respect to the shares of common stock.

We will pay all expenses of the registration of the shares of common stock pursuant to the registration rights agreement, estimated to be $63,301 in total, including, without limitation, SEC filing fees and expenses of compliance with state securities or "blue sky" laws; provided, however, that a selling stockholder will pay all underwriting discounts and selling commissions, if any. We will indemnify the selling stockholders against liabilities, including some liabilities under the Securities Act, in accordance with the registration rights agreements, or the selling stockholders will be entitled to contribution. We may be indemnified by the selling stockholders against civil liabilities, including liabilities under the Securities Act, that may arise from any written information furnished to us by the selling stockholder specifically for use in this prospectus, in accordance with the related registration rights agreement, or we may be entitled to contribution.

Once sold under the registration statement, of which this prospectus forms a part, the shares of common stock will be freely tradable in the hands of persons other than our affiliates.

LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by the law firm of Foley & Lardner LLP, Tampa, Florida.

EXPERTS

The consolidated financial statements as of and for the year ended December 31, 2011 included in this prospectus and the adjustments necessary to restate the warrant and earnings per share information in the consolidated financial statements as of and for the year ended December 31, 2010 included in this prospectus (which adjustments are described in Note 2 to such consolidated financial statements) have been audited by SingerLewak LLP, independent auditors, as stated in its report appearing herein and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements as of and for the year ended December 31, 2010 included in this prospectus (other than the adjustments necessary to restate the warrant and earnings per share information in such consolidated financial statements that are described in Note 2 to such consolidated financial statements) have been audited by Choi, Kim & Park, LLP, independent auditors, as stated in its report appearing herein and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, under the Securities Act of 1933, a registration statement on Form S-1 relating to the securities offered hereby. This Prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to our Company and the securities we are offering by this Prospectus you should refer to the registration statement, including the exhibits and schedules thereto. You may inspect a copy of the registration statement without charge at the Public Reference Room of the Securities and Exchange Commission at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains an internet site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. The Securities and Exchange Commission's internet address is http://www.sec.gov.

We file periodic reports, proxy statements and other information with the Securities and Exchange Commission in accordance with requirements of the Securities Exchange Act of 1934, as amended. These periodic reports, proxy statements and other information are available for inspection and copying at the public reference facilities and internet site of the Securities and Exchange Commission referred to above. In addition, you may request a copy of any of our periodic reports filed with the Securities and Exchange Commission at no cost, by writing or telephoning us at the following address or telephone number:

Liquidmetal Technologies, Inc.
Attn: Investor Relations
30452 Esperanza
Rancho Santa Margarita, California 92688
Phone: (949) 635-2100

INDEX TO DECEMBER 31, 2011 CONSOLIDATED FINANCIAL STATEMENTS

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.

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)

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.

INDEX TO (UNAUDITED) MARCH 31, 2012 CONSOLIDATED FINANCIAL STATEMENTS

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

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
ASSETS		
Current assets:		
Cash	$ 297	$ 122
Trade accounts receivable, net of allowance of $0 and $0, respectively	194	241
Related party notes receivable	200	200
Prepaid expenses and other current assets	177	248
Total current assets	$ 868	$ 811
Property, plant and equipment, net	150	162
Patents and trademarks, net	965	968
Other assets	36	52
Total assets	$ 2,019	$ 1,993
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	1,041	803
Accrued liabilities	231	457
Accrued dividends	222	571
Deferred revenue	48	67
Short-term debt	2,462	1,712
Total current liabilities	$ 4,004	$ 3,610
Other long-term liabilities	857	609
Total liabilities	$ 4,861	$ 4,219
Shareholders' deficit:		
Convertible, redeemable Series A Preferred Stock, $0.001 par value; 10,000,000shares authorized; 506,936 and 1,299,151 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	-	1
Common stock, $0.001 par value; 300,000,000 shares authorized; 160,137,306 and 134,467,554 shares issued and outstanding at March 31, 2012and December 31, 2011, respectively	156	130
Warrants	24,438	24,438
Additional paid-in capital	149,490	149,064
Accumulated deficit	(176,926)	(175,859)
Total shareholders' deficit	$ (2,842)	$ (2,226)
Total liabilities and shareholders' deficit	$ 2,019	$ 1,993

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share and share data)
(unaudited)

	For the Three Months Ended March 31,	
	2012	**2011** (Restated)
Revenue		
Products	$ 183	$ 123
Licensing and royalties	13	381
Total revenue	196	504
Cost of sales	81	106
Gross profit	115	398
Operating expenses		
Selling, marketing, general and administrative	959	1,026
Research and development	188	324
Total operating expenses	1,147	1,350
Operating loss from continuing operations	(1,032)	(952)
Change in value of warrants, loss	-	(11)
Other income	-	5
Interest expense	(39)	(15)
Interest income	4	8
Loss from continuing operations before income taxes	(1,067)	(965)
Income taxes	-	-
Loss from continuing operations	(1,067)	(965)
Discontinued operations:		
Loss from operations of discontinued operations, net of taxes	-	(429)
Net loss	(1,067)	(1,394)
Other comprehensive income:		
Foreign exchange translation gain during the period	-	55
Comprehensive loss	$ (1,067)	$ (1,339)
Per common share basic and diluted:		
Loss from continuing operations	$ (0.01)	$ (0.01)
Loss from discontinued operations	-	-
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Number of weighted average shares - basic and diluted	153,707,246	93,695,377

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT
For the Three Months Ended March 31, 2012
(in thousands, except share data)
(unaudited)

	Preferred Shares	Common Shares	Preferred Stock	Common Stock	Warrants	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, December 31, 2011	**1,299,151**	**134,467,554**	**$ 1**	**$ 130**	**$ 24,438**	**$ 149,064**	**$ (175,859)**	**$ (2,226)**
Conversion of preferred stock	(792,215)	25,669,752	(1)	26		(25)		-
Stock-based compensation						24		24
Restricted stock issued to officer						78		78
Dividend distribution						349		349
Net loss							(1,067)	(1,067)
Balance, March 31, 2012	**506,936**	**160,137,306**	**-**	**156**	**24,438**	**149,490**	**(176,926)**	**(2,842)**

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March, 31	
	2012	2011 (Restated)
Operating activities:		
Net loss	$ (1,067)	$ (1,394)
Add: Loss from operations of discontinued operations	-	429
Net loss attributable to continuing operations	$ (1,067)	$ (965)
Adjustments to reconcile loss from continuing operations to net cash used for operating activities:		
Loss attributable to noncontrolling interest of discontinued subsidiary	-	11
Depreciation and amortization	50	40
Stock-based compensation	102	44
Loss from change in value of warrants	-	11
Changes in operating assets and liabilities:		
Trade accounts receivable	47	(72)
Inventories	-	7
Prepaid expenses and other current assets	71	632
Other assets	16	(129)
Accounts payable and accrued expenses	12	(533)
Deferred revenue	(19)	-
Other liabilities	248	(60)
Net cash used in continuing operations	(540)	(1,014)
Changes in net assets and liabilities of discontinued operations	-	(1,297)
Net cash used in operating activities	(540)	(2,311)
Investing Activities:		
Purchases of property and equipment	-	(28)
Investment in patents and trademarks	(35)	-
Net cash used in investing activities	(35)	(28)
Financing Activities:		
Proceeds from borrowings	750	-
Net cash provided by financing activities of continuing operations	750	-
Net cash provided by financing activities of discontinued operations	-	478
Net cash provided by financing activities	750	478
Effect of foreign exchange translation	-	100
Net (decrease) increase in cash and cash equivalents	175	(1,761)
Cash and cash equivalents at beginning of period	122	5,072
Cash and cash equivalents at end of period	$ 297	$ 3,311

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

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. Description of Business

Liquidmetal Technologies, Inc. (the "Company") is a materials technology company that develops and commercializes 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) selling bulk Liquidmetal alloy products, which include non-consumer electronic devices, aerospace parts, medical products, and sports and leisure goods, ii) selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development; and iii) product licensing and royalty revenue. The Company is currently converting from a research and development and prototyping business to a general production business of selling commercial parts, and in the future, we expect to have the largest portion of our revenues in the Liquidmetal alloy products category.

2. Basis of Presentation and Recent Accounting Pronouncements

The accompanying unaudited interim consolidated financial statements as of and for the three months ended March 31, 2012 have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. All intercompany balances and transactions have been eliminated. Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for any future periods or the year ending December 31, 2012. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2012.

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.

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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.

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, warrants that are recorded at fair value on a periodic basis. Warrants are evaluated under the hierarchy of FASB ASC Subtopic 480-10, FASB ASC Paragraph 815-25-1 and FASB ASC Subparagraph 815-10-15-74 addressing embedded derivatives. The fair value of such warrants is estimated using the Black-Scholes option pricing model. Any warrant liability is classified in accordance with the FASB Staff Position (FSP) No. 150-5, Issuer's Accounting under Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares that are Redeemable ('FSP No. 15-5", now incorporated into and superseded by FASB ASC 480-10-25-9 and 25-13, Obligations to Repurchase Issuer's Equity Shares by Transferring Assets). (see Note 9).

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 has adopted 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 has adopted 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. 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.

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3. Significant Transactions

On January 17, 2012, February 27, 2012 and March 28, 2012, the Company issued 8% unsecured, bridge promissory notes 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 March 31, 2012 and is included in Short Term Debt. On April 25, 2012, the Company issued an 8% unsecured, bridge promissory note to Visser due upon demand in the amount of $300 (see Note 14).

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.

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") which 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, a former Chief Executive Officer and Chairman of the Company, 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 10).

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 (see Note 9).

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 (see Note 6)

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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 was obligated to contribute all intellectual property that it developed 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 March 31, 2012.

4. Liquidity and Going Concern Issues

For the three months ended March 31, 2012, the Company's cash used in operating activities was $540, cash used in investing activities was $35 for continued investment in our trademarks, and cash provided by financing activities was $750 related to the issuance of 8% unsecured, bridge promissory notes that are due on demand by Visser Precision Cast, LLC ("Visser") (see Note 3 and 6).

The Company is in the process of negotiating a private placement of equity securities with Visser ("Visser Private Placement") in order to infuse cash into the Company. However, there is no guaranty that the Company will be able to finalize the Visser Private Placement or any other financing transaction with Visser or any other investor.

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 3).

The Company anticipates that its current capital resources, together with anticipated cash from operations, will be sufficient to fund the Company's operations through May 31, 2012. Following May 31, 2012, the Company will require additional funding in order to continue operations as a going concern. Although the Company is actively pursuing financing transactions, including the Visser Private Placement and other options for equity issuance, the Company cannot guarantee that adequate funds will be available when needed and even if available, cannot guarantee that the Company will achieve favorable terms. If the Company raises additional funds by issuing securities, existing stockholders may be diluted. If funding is insufficient at any time in the future, the Company will be required to alter or reduce the scope of the Company's operations or to cease the Company's 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 Liquidmetal alloy products and the success of pursuing strategic licensing and funded product development relationships with external partners.

5. Patents and Trademarks, net

Patents and Trademarks was $965 and $968 as of March 31, 2012 and December 31, 2011, respectively, and it primarily consists of purchased patent rights and internally developed patents.

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.

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Amortization expense for Patents and Trademarks was $38 and $34 for the quarter ended March 31, 2012 and 2011, respectively.

6. Short Term Debt

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 as part of a settlement agreement entered by the Company and SAGA on April 6, 2011 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 3).

The $1,712 principal amount is included in Short Term Debt and the accrued interest is included in Accrued Liabilities on the Company's consolidated balance sheets at March 31, 2012 and December 31, 2011. Interest expense related to the promissory note for the quarter ended March 31, 2012 was $34.

On January 17, 2012, February 27, 2012 and March 28, 2012, the Company issued an 8% unsecured, bridge promissory note to Visser due upon demand in the amount of $200, $200 and $350, respectively. The promissory notes totaling $750 remain outstanding as of March 31, 2012 and is included in Short Term Debt (see Note 14). Interest expense on the promissory notes was $5 for the three months ended March 31, 2012.

7. Other Long-term Liabilities

Other Long-term Liabilities balance of $857 and $609 as of March 31, 2012 and December 31, 2011, respectively, 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.

8. Stock Compensation Plan

Under the Company's 2002 Equity Incentive Plan which provides for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries, the Company may grant options to purchase the Company's common stock. All options granted under this plan had exercise prices that were equal to the fair market value on the date of grant. During the three months ended March 31, 2012, the Company did not grant any options. The Company had 4,575,581 and 4,679,807 grants outstanding as of March 31, 2012 and December 31, 2011, respectively.

9. Shareholders' Equity (Deficit)

Common stock

During the year ended December 31, 2011, the Company issued 4,496,429 common stock to settle a lawsuit with a former joint venture partner in Italy (see Note 3). Other than the conversion of preferred stock to common stock, there were no other issuances of common stock during the three months ended March 31, 2012.

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 into shares of the Company's common 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 March 31, 2012 and December 31, 2011, the Company had accrued dividends of $222 and $571, respectively.

During the quarter ended March 31, 2012, the holders of the Company's A-series Preferred Stock converted 792,215 of preferred stock into 25,669,752 shares of the Company's common stock. The Company has 105,231 and 246,371 shares of the Series A-1 Preferred Stock outstanding at March 31, 2012 and December 31, 2011, respectively. The Company has 401,705 and 1,052,780 shares of the Series A-2 Preferred Stock outstanding at March 31, 2012 and December 31, 2011, respectively.

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, and this amount is reflected as Warrants in the consolidated statement of shareholders' deficit at March 31, 2012 and December 31, 2011.

As of March 31, 2012 and December 31, 2011, the Company had 40,032,833 and 44,707,976 warrants outstanding, respectively, in connection with previous preferred stock issuances. The warrants outstanding as of March 31, 2012 expire on July 15, 2015 with exercise prices ranging from $0.48 to $0.49.

Pursuant to FASB ASC 815, the Company is required to report the value of certain 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. As of December 31, 2011, 4,675,143 warrants were valued as liabilities under FASB ASC 815, and these warrants expired on January 3, 2012. The Company valued the 4,675,143 warrants using the Black-Scholes model and recorded $0 in warrant liabilities as of December 31, 2011.

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10. 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.

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 LMC's financial results 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.

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, a former Chief Executive Officer and Chairman of the Company, 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 March 31, 2012 and December 31, 2011. The results of operations of AMM are included as discontinued operations for financial reporting purposes through August 5, 2011.

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 prior years, LMTK experienced net losses as a result of the 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 through December 1, 2011.

Loss from operations of discontinued operations for the foregoing entities was $429 for the three months ended March 31, 2011.

11. 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.

Options to purchase 4,575,581 shares of common stock at prices ranging from $0.09 to $15.00 per share were outstanding at March 31, 2012, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive. Warrants to purchase 40,032,833 shares of common stock with prices ranging from $0.48 to $0.49 per share outstanding at March 31, 2012, were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive. 16,896,073 shares of common stock issuable upon conversion of the Company's convertible preferred stock with conversion prices ranging from $0.10 and $0.22 per share outstanding at March 31, 2012 were not included in the computation of diluted EPS for the same period because the inclusion would have been antidilutive.

Options to purchase 6,509,963 shares of common stock at prices ranging from $0.23 to $15.00 per share were outstanding at March 31, 2011, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive. Warrants to purchase 47,232,459 shares of common stock with prices ranging from $0.48 to $1.75 per share outstanding at March 31, 2011, were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive. 78,735,585 shares of common stock issuable upon conversion of the Company's convertible preferred stock with conversion prices ranging from $0.10 and $0.22 per share outstanding at March 31, 2011 were not included in the computation of diluted EPS for the same period because the inclusion would have been antidilutive.

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(unaudited)

12. Commitments and Contingencies

The Company leases its office and warehouse facility under a lease agreement that expires on April 30, 2016. Rent payments are subject to escalations through the end of the lease term. Rent expense was $50 and $68 for the quarter ended March 31, 2012 and 2011, respectively.

13. Related Party Transactions

On August 1, 2010, the Company entered into an agreement with John Kang, a former Chief Executive Officer and Chairman of the Company, to provide consulting services. The Company terminated this agreement as of July 31, 2011. The Company incurred $68 for his services during the quarter ended March 31, 2011.

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.

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 Related Party Notes Receivable in the Company's consolidated balance sheet at March 31, 2012 and 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 $12 in royalty revenues from IMG during the quarter ended March 31, 2012.

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 3).

During the quarter ended March 31, 2012, the Company incurred $2 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 the quarter ended March 31, 2011.

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. On February 1, 2012, Mr. Chung converted his 10,000 shares of Series A-1 Preferred Stock into a total of 565,344 shares of the Company's common stock, including dividends received in the form of common stock.

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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 9). 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 March 31, 2012.

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 three months ended March 31, 2012 and 2011. There are no outstanding trade receivables due from LLPG as of March 31, 2012 and December 31, 2011. As of March 31, 2012, Mr. Chitayat is a greater-than-5% beneficial owner of the Company.

On December 31, 2011, the Company accrued $27 of pro-rated fees for Robert Biehl's services as a Director and Audit Committee Chairman prior to his resignation on August 3, 2011 and also accrued $18 of fees earned by Mr. Biehl in connection with leadership consulting services performed for our executive management during 2011. The balances are outstanding as of March 31, 2012.

On January 17, 2012, February 27, 2012 and March 28, 2012, the Company issued an 8% unsecured, bridge promissory note to Visser, the Company's contract manufacturer, due upon demand in the amount of $200, $200 and $350, respectively.

14. Subsequent Events

On April 25, 2012, the Company issued an 8% unsecured, bridge promissory note to Visser due upon demand in the amount of $300.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses payable by the registrant in connection with this offering. All amounts are estimates, except for the Securities and Exchange Commission registration fee. All of these costs and expenses will be borne by the registrant.

SEC filing fee	$	3,301(1)
Printing and engraving expenses	$	4,000
Accountants' fees and expenses	$	15,000
Legal fees and expenses	$	40,000
Miscellaneous	$	1,000
Total	$	63,301

(1) Rounded up to nearest whole number.

Item 14. Indemnification of Directors and Officers.

Certificate of Incorporation (as amended)

In accordance with Section 102(b)(7) of the Delaware General Corporation Law (the "DGCL"), our certificate of incorporation (as amended) eliminates the personal liability of directors to us and to our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to us or our stockholders, (ii) for acts or omissions which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. Our certificate of incorporation (as amended) further provides that, if the DGCL is amended after the effective date of our certificate of incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Our certificate of incorporation (as amended) also provides that we shall indemnify, to the fullest extent permitted by the DGCL (including, without limitation, Section 145 thereof), any and all persons whom we have power to indemnify under the DGCL.

The indemnification provided for in our certificate of incorporation (as amended) is not exclusive of any other rights to which those seeking indemnification may be entitled as a matter of law under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in such indemnified person's official capacity and as to action in another capacity while serving as our director, officer, employee, or agent, shall continue as to a person who has ceased to be our director, officer, employee, or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

Bylaws (as amended)

Our bylaws (as amended) provide that we shall, to the fullest extent permitted by Section 145 of the DGCL, indemnify any director, officer, employee or agent of our company or any person serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

Our bylaws (as amended) also provide for the advancement of expenses (including attorneys' fees) incurred by any person in his capacity as a director or an officer of our company in defending a civil, criminal, administrative or investigative action, suit or proceeding of the type contemplated by Section 145 of the DGCL prior to the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it is ultimately determined that such person is not entitled to be indemnified by us.

Pursuant to our bylaws (as amended), we may, upon resolution passed by our board of directors, purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of our company, or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not we would have the power to indemnify such person against such liability under the provisions of our certificate of incorporation.

The indemnification provided for in our bylaws (as amended) is not exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, shall continue as to a person who has ceased to be our director, officer, employee, or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

Liability Insurance

We also maintain a policy of directors' and officers' liability insurance to indemnify our directors and officers with respect to actions taken by them on our behalf.

Indemnification Agreements

Through Indemnity Agreements with various directors and officers, we have, subject to certain conditions and limitations, agreed to indemnify and hold harmless an officer or director if he or she is or was a party, or is threatened to be made a party, to any Action (as defined in the Indemnity Agreements) by reason of his or her status as, or the fact that he or she is or was or has agreed to become, a director or officer of our company, and/or is or was serving or has agreed to serve as a director or officer of an Affiliate (as defined in the Indemnity Agreements), and/or as to acts performed in the course of his or her duty to our company and/or to an Affiliate, against Liabilities and reasonable Expenses (each as defined in the Indemnity Agreements) incurred by or on behalf of the officer or director in connection with any Action, including, without limitation, in connection with the investigation, defense, settlement or appeal of any Action. Also through Indemnity Agreements, we have agreed to pay to the officer or director, in advance of the final disposition or conclusion of any Action, the officer or director's reasonable expenses incurred by or on behalf of the officer or director in connection with such Action, provided that certain conditions are satisfied. Finally, through Indemnity Agreements, we have agreed that we may purchase and maintain insurance on behalf of an officer or director against any liability and/or expense asserted against him or her and/or incurred by or on behalf of him or her in such capacity as an officer or director of our company and/or of an Affiliate, or arising out of his or her status as such, whether or not the Company would have the power to indemnify him or her against such liability or advance of expenses under the provisions of the Indemnity Agreement or under the DGCL as it may then be in effect.

Delaware Law

Section 145 of the DGCL, which was adopted by the Company as described above, provides that a corporation may indemnify any persons, including officers and directors, who were, are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such officer, director, employee or agent acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. A Delaware corporation, such as our company, may indemnify officers or directors in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action, suit or proceeding referred to above, the corporation must indemnify him against expenses (including attorney's fees) actually and reasonably incurred by such person in connection therewith.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

Item 15. Recent Sales of Unregistered Securities

Since July 2009, we have issued the following securities which were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

1. On July 2, 2012, we issued and sold $12.0 million in principal amount of Senior Convertible Notes due on September 1, 2013 (the "Convertible Notes") and Warrants to the purchasers of the Convertible Notes giving them the right to purchase up to an aggregate of 18,750,000 shares of our common stock at an exercise price of $0.384 per share (the "Warrants"). The purchasers of the Convertible Notes and Warrants were Kingsbrook Opportunities Master Fund LP, Hudson Bay Master Fund Ltd., Empery Asset Master Ltd., Hartz Capital Investments, LLC and Iroquois Master Fund Ltd. The aggregate purchase price of the Convertible Notes and Warrants was $12.0 million. The Convertible Notes are convertible at any time at the option of the holder into shares of our common stock at $0.352 per share, subject to adjustment.

2. On June 1, 2012, we issued and sold to Visser Precision Cast, LLC ("Visser") 20,000,000 shares of common stock and a warrant to purchase up to 11,250,000 shares of common stock at an exercise price of $0.22 per share, subject to adjustment. The aggregate purchase price of these shares and warrants was $2,000,100. A portion of the purchase price was paid by cancellation of outstanding promissory notes issued by the Company to Visser in the aggregate principal amount of $1,050,000 plus accrued and unpaid interest.

3. On June 1, 2012, we also issued to Visser a secured convertible promissory note (the "Visser Promissory Note") in the aggregate principal amount of up to $2,000,000, the principal of which is convertible into shares of common stock at a conversion rate of $0.22 per share, subject to adjustment. Pursuant to the terms of the Visser Promissory Note, the Company may request an advance of up to $1,000,000 on September 15, 2012 and an additional advance of up to $1,000,000 on November 15, 2012, for an aggregate principal amount of all advances under the Visser Promissory Note of $2,000,000. Visser's obligation to fund the advances is subject to the satisfaction of customary closing conditions and no event of default under the Visser Promissory Note.

4. On June 28, 2012, we issued and sold to Visser 10,000,000 shares of common stock and a warrant to purchase up to 3,750,000 shares of common stock at an exercise price of $0.22 per share, subject to adjustment. The aggregate purchase price of these shares and warrants was $1,000,100.

5. On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, we issued 8% unsecured, bridge promissory notes to Visser that were due upon demand in the amount of $0.2 million, $0.2 million, $0.35 million and $0.3 million, respectively. The aggregate principal amount of $1.05 million and all accrued interest under the bridge promissory notes were all paid off on June 1, 2012 by utilizing a portion of the proceeds received under the Visser Master Transaction Agreement.

We claimed exemption from registration under the Securities Act for the sales and issuances of securities in the transactions described above by virtue of Section 4(2) of the Securities Act and Rule 506 promulgated thereunder in that such sales and issuances did not involve any public offering. The recipients of securities in each of these transactions were accredited investors and represented their intention to acquire the securities for investment only and not with view to or for sale in connection with any distribution thereof. Appropriate legends were affixed to the share certificates and instruments issued in all such transactions. All recipients had adequate access, through their relationships with us, to information about us.

No underwriters were employed in any of the above transactions.

Item 16. Exhibits and Financial Statement Schedules.

(a) *Exhibits*. See Exhibit Index.

(b) *Financial Statement Schedules.* All schedules have been omitted because the required information is not present in amounts sufficient to require submission of the schedules, or because the required information is included in the consolidated financial statements or notes thereto.

Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rancho Santa Margarita, State of California, on the 17th day of July, 2012.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Thomas Steipp
Thomas Steipp
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated. Each person whose signature appears below constitutes and appoints Thomas Steipp and Tony Chung and each of them individually, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any Rule 462(b) registration statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either or them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Thomas Steipp Thomas Steipp	President, Chief Executive Officer and Director	July 17, 2012
/s/ Tony Chung Tony Chung	Chief Financial Officer	July 17, 2012
/s/ Abdi Mahamedi Abdi Mahamedi	Chairman of the Board and Director	July 17, 2012
/s/ Ricardo Salas Ricardo Salas	Executive Vice President and Director	July 17, 2012
/s/ Mark Hansen Mark Hansen	Director	July 17, 2012
/s/ Scott Gillis Scott Gillis	Director	July 17, 2012

EXHIBIT INDEX

The following exhibits are filed as part of, or are incorporated by reference into, this Registration Statement on Form S-1:

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 3.1 to 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).*
3.7	Second Certificate of Amendment to the Certificate of Incorporation *(incorporated by reference to Exhibit 3.1 to the Form 8-K filed on July 2, 2012).*
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7
4.2	Form of Common Stock Certificate *(incorporated by reference to Exhibit 4.2 to the Form 10-Q filed on August 14, 2003).*
5.1	Opinion of Foley & Lardner LLP.
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	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).*
10.6	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*).
10.7	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*).
10.8	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*).

10.9	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*).
10.10*	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*).
10.11*	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*).
10.12**	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).*
10.13	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).*
10.14	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).*
10.15	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).*
10.16	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).*
10.17	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).*
10.18	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).*
10.19	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).*
10.20**	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, 2011).*
10.21	Second Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC, dated November 30, 2011 (*incorporated by reference from Exhibit 10.65 on the Form 10-K filed on March 30, 2012).*
10.22	Second Amended and Restated License and Technical Support Agreement between Liquidmetal Technologies, Inc. and Liquidmetal Coatings, LLC, dated November 30, 2011 (*incorporated by reference from Exhibit 10.66 on the Form 10-K filed on March 30, 2012).*
10.23	Form of 8% unsecured Promissory Note issued to Visser Precision Cast, LLC, dated January 17, 2012 (*incorporated by reference from Exhibit 10.1 on the Form 10-Q filed on May 15, 2012).*
10.24	Form of 8% unsecured Promissory Note issued to Visser Precision Cast, LLC, dated February 27, 2012 (*incorporated by reference from Exhibit 10.2 on the Form 10-Q filed on May 15, 2012).*
10.25	Form of 8% unsecured Promissory Note issued to Visser Precision Cast, LLC, dated March 28, 2012 (*incorporated by reference from Exhibit 10.3 on the Form 10-Q filed on May 15, 2012).*
10.26	Form of 8% unsecured Promissory Note issued to Visser Precision Cast, LLC, dated April 25, 2012 (*incorporated by reference from Exhibit 10.4 on the Form 10-Q filed on May 15, 2012).*

10.27*	Liquidmetal Technologies, Inc. 2012 Equity Incentive Plan (*incorporated by reference from Exhibit 10.1 to the Form 8-K filed on July 2, 2012).*
10.28	Securities Purchase Agreement, dated as of July 2, 2012, by and among Liquidmetal Technologies, Inc. and each of the investors named on the Schedule of Buyers attached thereto (*incorporated by reference from Exhibit 10.1 to the Form 8-K filed on July 2, 2012).*
10.29	Registration Rights Agreement, dated as of July 2, 2012, by and among Liquidmetal Technologies, Inc. and the investors named on the Schedule of Buyers attached thereto (*incorporated by reference from Exhibit 10.2 to the Form 8-K filed on July 2, 2012).*
10.30	Form of Senior Convertible Note (*incorporated by reference from Exhibit 10.3 to the Form 8-K filed on July 2, 2012).*
10.31	Form of Warrant to Purchase Common Stock (*incorporated by reference from Exhibit 10.4 to the Form 8-K filed on July 2, 2012).*
10.32	Master Transaction Agreement, dated as of June 1, 2012, between Liquidmetal Technologies, Inc. and Visser Precision Cast, LLC.
10.33**	Manufacturing Services Agreement, dated as of June 1, 2012, between Liquidmetal Technologies, Inc. and Visser Precision Cast, LLC.
10.34	Subscription Agreement, dated as of June 1, 2012, between Liquidmetal Technologies, Inc. and Visser Precision Cast, LLC.
10.35	Security Agreement, dated as of June 1, 2012, between Liquidmetal Technologies, Inc. and Visser Precision Cast, LLC.
10.36	Registration Rights Agreement, dated as of June 1, 2012, between Liquidmetal Technologies, Inc. and Visser Precision Cast, LLC.
10.37	VPC Sublicense Agreement, dated as of June 1, 2012, between Liquidmetal Technologies, Inc. and Visser Precision Cast, LLC.
10.38	6% Senior Secured Convertible Note, dated June 1, 2012, issued to Visser Precision Cast, LLC.
10.39	Common Stock Purchase Warrant, dated June 1, 2012, issued to Visser Precision Cast, LLC.
10.40	Common Stock Purchase Warrant, dated June 28, 2012, issued to Visser Precision Cast, LLC.
16.1	Letter from Choi, Kim, Park, LLP (*incorporated by reference from Exhibit 16.1 to the Form 8-K filed on December 8, 2011*).
21.1	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.
23.3	Consent of Foley & Lardner LLP (contained in Exhibit 5.1).
24.1	Power of Attorney relating to subsequent amendments (included on the signature page(s) of this report).
101	The following financial statements from Liquidmetal Technologies, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (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. The following financial statements from Liquidmetal Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (unaudited), formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statement of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Shareholders' Deficiency and (iv) Notes to Condensed Consolidated Financial Statements.

* Denotes a management contract or compensatory plan or arrangement.

** 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.

Exhibit 5.1

FOLEY

FOLEY & LARDNER LLP

ATTORNEYS AT LAW
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July 17, 2012

CLIENT/MATTER NUMBER
078489-0103

Liquidmetal Technologies, Inc.
30452 Esperanza
Rancho Santa Margarita, California 92688

Gentlemen:

You have requested our opinion with respect to certain matters in connection with the filing by Liquidmetal Technologies, Inc. (the "Company") of a Registration Statement on Form S-1 (as amended, the "Registration Statement"), with the Securities and Exchange Commission (the "Commission"), including a related prospectus to be filed with the Commission pursuant to Rule 424(b) of Regulation C (the "Prospectus") under the Securities Act of 1933, as amended, and the sale from time to time by the selling stockholders named in the Registration Statement (the "Selling Stockholders") of up to 79,261,370 shares of the Company's common stock, $0.001 par value per share, (the "Shares"), in the manner set forth in the Registration Statement. The Shares consist of up to 79,261,370 shares of common stock issuable upon the exercise or conversion of the notes and warrants described in the Registration Statement.

In connection with this opinion, we have examined and relied upon the Registration Statement and related Prospectus; the Company's Certificate of Incorporation; the Company's Bylaws; and minutes, resolutions and records of the Company's Board of Directors authorizing the issuance of the notes and warrants subject to the Registration Statement, together with certain related matters, and we have considered such matters of law and of fact, including the examination of originals or copies, certified or otherwise identified to our satisfaction, of such records, documents, certificates, and other instruments of the Company, certificates of officers, directors and representatives of the Company, certificates of public officials, and such other documents as in our judgment are necessary or appropriate to enable us to render the opinion expressed below. We have assumed the genuineness and authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as copies thereof, and the due execution and delivery of all documents where due execution and delivery are a prerequisite to the effectiveness thereof.

The opinions set forth in this letter are limited solely to the federal laws of the United States of America and the laws of the State of Delaware, and we express no opinion as to the laws of any other jurisdiction.

Based upon the foregoing, and in reliance thereon, we are of the opinion that the Shares covered by the Registration Statement that are to be offered and sold from time to time by the Selling Stockholders have been duly authorized and, when the Shares have been issued in accordance with the terms of the applicable agreements, upon receipt of the consideration contemplated thereby, will be validly issued, fully paid and nonassessable. We consent to the reference to our firm under the caption "Legal Matters" in the Prospectus included in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement. In giving our consent, we do not admit that we are “experts” within the meaning of Section 11 of the Securities Act or within the category of persons whose consent is required by Section 7 of the Securities Act.

Best regards,

/s/ Foley & Lardner LLP

Foley & Lardner LLP

Exhibit 10.32

MASTER TRANSACTION AGREEMENT

This **MASTER TRANSACTION AGREEMENT** (this "**Agreement**") is entered into as of June 1, 2012 (the "**Effective Date**"), 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 **Visser Precision Cast, LLC**, a Colorado limited liability company having its principal place of business at 6275 E 39th Street, Denver, CO 80207 ("**VPC**"). LMT and VPC are sometimes referred to herein individually as a "**Party**" or collectively the "**Parties**".

WHEREAS, LMT owns certain intellectual property rights but needs both (a) additional working capital to exploit such rights and (b) a manufacturing source to fill orders for LMT's customers,

WHEREAS, VPC is willing to provide working capital to LMT through the purchase of common shares of LMT and a loan to LMT and to supply manufacturing services to LMT under the terms and conditions set forth in this Agreement, but VPC is only willing to do so as a package deal (i.e. VPC is not willing to provide working capital, loans, or manufacturing services individually to LMT),

NOW THEREFORE, in consideration of the provisions and agreements of the Parties as set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties agree as follows:

Agreement

1. LMT Technology.

(a) For purposes of this Agreement:

(i) **"LMT Technology"** shall mean any and all Intellectual Property and Intellectual Property Rights that LMT owns or has licensed from a third party (including without limitation pursuant to sub-licenses), or that LMT otherwise has a right to use, both as of the Effective Date or at any time thereafter, including without limitation any and all Intellectual Property and Intellectual Property Rights (A) licensed to LMT pursuant to the Exclusive License Agreement dated as of August 5, 2010 (the "**LMT License Agreement**") between LMT and Crucible Intellectual Property, LLC ("**Crucible**"), (B) accruing to LMT pursuant to the Master Transaction Agreement (the "**Apple Master Agreement**") dated as of August 5, 2010 between Apple, Inc. ("**Apple**"), LMT, Liquidmetal Coatings, LLC ("**LMC**"), and Crucible, including without limitation Intellectual Property and Intellectual Property Rights which are developed during the **Capture Period**, as such term is defined in the Apple Master Agreement, and during any extension of the Capture Period, and (C) developed or otherwise acquired by LMT either prior to or subsequent to the Effective Date, including without limitation by way of license or sublicense, and further including without limitation all Intellectual Property and Intellectual Property Rights relating to (1) manufacturing processes that utilize the LMT Technology or (2) the ability to manufacture products that incorporate or otherwise utilize the LMT Technology, including without limitation all such Intellectual Property and Intellectual Property Rights that are developed during the Capture Period and during any extension of the Capture Period, or pursuant to any form of development or other agreement or arrangement or any statement of work.

(ii) **"Intellectual Property"** shall mean and includes, but is not limited to, all algorithms, alloys, application program interfaces, compositions, customer lists, databases, schemata, equipment design, design documents and analyses, diagrams, documentation, drawings, formulas, discoveries and inventions (whether or not patentable), know-how, literary works, copyrightable works, works of authorship, manufacturing processes, mask works, logos, marks (including names, logos, slogans, and trade dress), methods, methodologies, architectures, processes, program listings, programming tools, proprietary information, protocols, schematics, specifications, software, software code (in any form, including source code and executable or object code), subroutines, user interfaces techniques, uniform resource locators, web sites, and all other forms and types of technology (whether or not embodied in any tangible form and including all tangible embodiments of the foregoing such as compilations of information, instruction manuals, notebooks, prototypes, reports, samples, studies, and summaries).

(iii) **"Intellectual Property Rights"** shall mean and includes, but is not limited to, all past, present, and future rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (A) rights associated with works of authorship, including exclusive exploitation rights, copyrights, moral rights, and mask works; (B) trademark and trade name rights and similar rights; (C) trade dress rights; (D) trade secret rights; (E) patents and industrial property rights; (F) other proprietary rights in Intellectual Property of every kind and nature; and (G) all registrations, renewals extensions, combinations, divisions, continuations, continuations in part, reexamination certificates, or reissues of, and applications for, any of the rights referred to in clauses (A) through (F) above.

(b) LMT represents and warrants to VPC (with respect to the LMT Technology existing as of the Effective Date when such representation or warranty refers to the LMT Technology):

(i) Each of LMT and Crucible has good title to the LMT Technology which it purports to own and valid licenses and sublicenses to the portion of the LMT Technology which it purports to license and sublicense, in each case, free of all Liens, except for Liens disclosed pursuant to Section 3(a). A "**Lien**" is any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, bailment, conditional sales or title retention agreement, lien (statutory or otherwise), charge against or interest in property, in each case of any kind, to secure payment of a debt or performance of an obligation.

(ii) All licenses and sublicenses included in the LMT Technology permit the grant of the sublicense contemplated in the VPC Sublicense Agreement that will be executed and delivered pursuant to Section 4 of this Agreement.

(iii) Neither LMT nor Crucible is in breach of, nor is there any default under; (A) any license or sublicense included in the LMT Technology under which LMT or Crucible is a licensee or sublicensee, including without limitation the LMT License Agreement, nor has any party to any such license or sublicense asserted any breach or default thereunder; or (B) any license or sublicense by LMT or Crucible of the LMT Technology, including without limitation the LMT License Agreement, nor has any party to any such license or sublicense asserted any breach or default thereunder; (C) any agreement with Apple or any of its subsidiaries, nor has any party to any such agreement asserted any breach or default thereunder.

(iv) LMT has delivered to VPC a true and complete copy of each of the LMT License Agreement, the Apple Master Agreement and the Apple License Agreement (as defined in the Apple Master Agreement), including any amendments thereto. Each such agreement is valid, in full force and effect and enforceable in accordance with its terms against the parties thereto, and (A) LMT and Crucible have fulfilled when due, or have taken all action necessary to enable it to fulfill when due, all of their obligations thereunder; (B) there has not occurred any default (without regard to lapse of time, the giving of notice, or any combination thereof) by LMT or Crucible, nor, to the knowledge of LMT or Crucible, has there occurred any default (without regard to lapse of time, the giving of notice, or any combination thereof) by any other party to either such agreement; and (C) neither LMT nor Crucible, nor, to the knowledge of LMT or Crucible, any other party to either such agreement, is in arrears in the performance or satisfaction of its obligations under either such agreement, and no waiver or indulgence has been granted by any of the parties thereto.

(v) The LMT Technology has not been specifically asserted against any third party, in a licensing or other context, in a manner in which the third party (A) has been accused of infringing or misappropriating the LMT Technology; or (B) has standing to bring a declaratory judgment action.

(vi) To the knowledge of LMT and Crucible, the LMT Technology has not been, and is not, the subject of any threatened, pending or past litigation, reexamination, reissue or interference proceeding, or other interested parties legal proceeding before any tribunal of competent jurisdiction.

(vii) There is no pending or, to the knowledge of LMT or Crucible, any threatened claim that the use of the LMT Technology infringes any third party Intellectual Property Rights and, to the knowledge of LMT or Crucible, there is no basis for any such claim.

(viii) There is no patent claim in the LMT Technology that has been found to be invalid or unenforceable, in whole or in part, for any reason, in any administrative, arbitration or judicial proceeding before a tribunal of competent jurisdiction, and neither LMT nor Crucible has received notice from any third party threatening the filing of any such proceeding.

(ix) No litigation or other proceeding has been initiated or, to LMT's or Crucible's knowledge, threatened against any of the LMT Technology, LMT, Crucible, or the transactions contemplated under this Agreement or other agreements that are contemplated to be executed and delivered by such parties pursuant to Section 4 (collectively, this Agreement and such other agreements, the **"Transaction Documents"**).

(x) The LMT Technology is not subject to any express or implied licensing obligations of a standards body or patent pool.

(xi) Neither LMT nor Crucible has contributed computer code patented in the LMT Technology to an open source computer program or otherwise made any contributed computer code patented in the LMT Technology subject to the obligations of a copyright license for computer software that makes the source code available under terms that allow for modification and redistributing without having to pay the original author.

(xii) All patents and patent applications for the LMT Technology were, have been, and continued to be duly maintained in accordance with the requirements of the United States Patent and Trademark Office and any foreign patent offices, including but not limited to the payment of all maintenance fees, annuities and other payments owed.

(xiii) The LMT Technology includes, without limitation, all Intellectual Property Rights that are reasonably required in order for VPC to develop, manufacture and use the "1.5 melt system" that has been developed for use in connection with certain machines used to manufacture products using or incorporating the LMT Technology, other than any such Intellectual Property Rights that (A) are owned by VPC, or (B) are incorporated within component parts or subassemblies that are generally available from third party vendors in the open market on standard terms and conditions.

(c) The representations and warranties made in Section 1(b) shall be repeated as of each Funding Date, and for such purpose each reference in Section 1(b) to the "Effective Date" shall deemed to refer instead to the "Funding Date". For the purposes of this Agreement, "**Funding Date**" shall mean each "Closing Date" and each "Advance Date," as such terms are defined in the Subscription Agreement referred to in Section 4(b)(iv) below.

(d) At all times on or after the Effective Date, LMT shall notify VPC as soon as possible and in any event within ten (10) days after LMT knows, or has reason to know, of any of the events described below:

(i) That LMT or Crucible has any claim, or any of their respective licensees or sublicensees has notified or otherwise advised LMT or Crucible that it may have a claim, that it reasonably anticipates it may or intends to assert under the LMT Technology against any third party, in a licensing or other context, in a manner in which the third party (A) would be accused of infringing or misappropriating the LMT Technology or (B) would have standing to bring a declaratory judgment action.

(ii) The LMT Technology shall be the subject of any threatened litigation, reexamination, reissue or interference proceeding, or other interested parties legal proceeding before any tribunal of competent jurisdiction.

(iii) Any claim that use of the LMT Technology infringes any third party Intellectual Property Rights shall be threatened or asserted.

(iv) Any patent claim in the LMT Technology shall be found to be invalid or unenforceable, in whole or in part, for any reason, in any administrative, arbitration, or judicial proceeding before a tribunal of competent jurisdiction.

(v) Any litigation or other proceeding shall have been initiated or threatened against any of the LMT Technology, LMT, Crucible or the transactions contemplated under the Transaction Documents.

(vi) The occurrence of any event or the existence of any circumstances that would cause any of the representations and warranties set forth in Section 1(b), if they had been made at such time, to be untrue or incorrect, in which case LMT shall use reasonable efforts either to cause the representation or warranty to become true and correct or, if LMT is unable to cause the representation or warranty to become true and correct within a reasonable period of time and after the exercise of reasonable efforts, LMT shall provide to VPC such information regarding such event or circumstances as VPC may request in order to provide VPC a full understanding of such event or circumstances.

(e) LMT shall not amend, modify, supplement, amend and restate or replace (a) the LMT License Agreement or (b) the August 5, 2010 Security Agreement between Apple and LMT in any manner whatsoever except with the prior written consent of VPC. LMT further agrees that LMT shall not enter into any agreement, contract or arrangement in the future that could result in the abandonment or revocation of LMT's rights to the LMT Technology or in the termination of the sublicense to be granted by LMT to VPC pursuant to the VPC Sublicense Agreement referred to in Section 4(b)(ii) below except with the prior written consent of VPC.

2. Transaction approvals.

(a) Concurrently with its execution and delivery of this Agreement to VPC, LMT shall deliver to VPC a certificate of its secretary certifying (i) LMT and Crucible's certificate of incorporation or formation, as applicable, (ii) LMT and Crucible's bylaws or operating agreement, as applicable, (iii) resolutions adopted by its directors authorizing and approving the Transaction Documents and the transactions contemplated thereunder, and (iv) the incumbency of the officers who have executed this Agreement and are authorized to execute the other Transaction Documents to which it will be a party, all in form and substance satisfactory to VPC.

(b) LMT represents and warrants to VPC:

(i) Each of LMT and Crucible is (A) duly incorporated or formed, validly existing and in good standing in its state of formation and (B) qualified and licensed to do business in, and in good standing in, any state in which the conduct of its business or its ownership of property requires that it be qualified, except in the case of clause (B) to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the business, properties, assets, operations, results of operations or condition (financial or otherwise) of LMT and Crucible, taken as a whole.

(ii) The execution, delivery and performance of Transaction Documents have been duly authorized, and do not conflict with its certificate of incorporation or formation, bylaws, and operating agreement, nor constitute an event of default under any agreement by which LMT or Crucible is bound (without regard to lapse of time, the giving of notice, or any combination thereof).

(iii) No authorization, consent, approval, license, lease, ruling, permit, certification, exemption, filing for registration by or with any federal, regional, state, local or regulatory or administrative authority or other person ("**Approval**") is required for its execution and delivery of this Agreement, which Approval has not been obtained and a copy of which has been provided to VPC; and such Approvals are in full force and effect;

(iv) No Approval is required for the execution and delivery of the other Transaction Documents, and the performance by LMT of its obligations under this Agreement and under the Transaction Documents, except for (A) the Approvals listed on Annex 1 which have been obtained and are in full force and effect and (B) filings and reports relating to the offer and sale of the Securities (as defined in the Subscription Agreement referred to in Section 4(b)(iv) below) under Regulation D of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or applicable state securities or "Blue Sky" laws.

(v) It has duly executed and delivered this Agreement and, when it has executed and delivered the other Transaction Documents to which it is a party, each Transaction Document to which it is a party constitutes or, when executed and delivered, will constitute the legal, valid and binding obligations of such party enforceable in accordance with its respective terms, except as the enforceability hereof or thereof may be limited by (a) bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and (b) general equitable principles (whether considered in a proceeding in equity or at law).

(c) The representations and warranties made in Section 2(b) shall be repeated as of each Funding Date.

(d) On or before the Closing Date (as defined in Section 4(a) below), LMT shall obtain or shall have obtained and delivered to VPC a copy of each Approval listed on Annex 1.

3. LMT and Crucible Indebtedness and Liens.

(a) On or prior to the Closing Date, LMT shall identify or shall have identified to and shall provide or shall have provided VPC copies of all documents evidencing and otherwise relating all of the following:

(i) All indebtedness of LMT, Crucible, and any of their subsidiaries for borrowed money or for the deferred purchase price of property or services payment;

(ii) All reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured;

(iii) All obligations evidenced by notes, bonds, debentures or similar instruments and all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by LMT or Crucible (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property);

(iv) All leases for any property (whether real, personal or mixed) that, in accordance with generally accepted accounting principles, would be required to be classified and accounted for as a capital lease on a balance sheet of LMT or Crucible;

(v) All obligations of LMT or Crucible under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured;

(vi) All obligations of LMT or Crucible under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of LMT, Crucible or LMC arising from fluctuations in currency values or interest rates, in each case whether contingent or matured;

(vii) All guaranties for any of the foregoing;

(viii) All indebtedness referred to in clauses (i) through (vii) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights owned by LMT or Crucible), whether or not LMT or Crucible has assumed or become liable for the payment of such indebtedness;

(ix) Any Lien upon or in any property or other assets of LMT or Crucible (including accounts and contract rights owned by LMT or Crucible); and

(x) Obligations of LMT and Crucible to trade creditors incurred in the ordinary course of business that are overdue by more than 120 days or exceed $25,000.

(b) On or prior to the Closing Date, LMT shall provide or shall have provided copies of Uniform Commercial Code, tax and judgment lien searches in all jurisdictions in which VPC requests such searches, and shall identify or shall have identified to VPC all Liens on LMT or Crucible's respective assets, including the LMT Technology.

4. Closing.

(a) The closing of the transactions contemplated by this Agreement ("**Closing**") shall take place at _____., local time, on June __, 2012 (the "**Closing Date**"), at 5641 N. Broadway, Street, Denver, CO 80216, or at such other time or location as the parties may mutually agree.

(b) At Closing, LMT shall deliver, or cause to be delivered, to VPC the following:

(i) The Manufacturing Services Agreement in the form attached hereto as Annex 2, duly executed by LMT;

(ii) The VPC Sublicense Agreement in the form attached hereto as Annex 3, duly executed by LMT ;

(iii) The Nondisclosure Agreement in the form attached hereto as Annex 4, duly executed by LMT;

(iv) The Subscription Agreement in the form attached hereto as Annex 5, duly executed by LMT;

(v) The Common Stock Purchase Warrant in the form attached hereto as Annex 6, duly executed by LMT;

(vi) The Registration Rights Agreement in the form attached hereto as Annex 7, duly executed by LMT;

(vii) The 6% Senior Secured Convertible Note in the form attached hereto as Annex 8, duly executed by LMT; and

(viii) The Security Agreement in the form attached hereto as Annex 9, duly executed by LMT.

(c) At Closing, VPC shall deliver, or cause to be delivered, to LMT the following:

(i) VPC's check or, at the request of LMT, a wire transfer in accordance with the instructions to be provided in writing by LMT, in the amount of Two Million One Hundred Dollars ($2,000,100.00) less any outstanding principal and accrued interest under those certain Promissory Notes dated January 17, 2012, February 27, 2012, March 28, 2012, and April 25, 2012 and less the sum of $196,700 owed by LMT to VPC for outstanding invoices;

(ii) The Manufacturing Services Agreement in the form attached hereto as Annex 2, duly executed by VPC;

(iii) The VPC Sublicense Agreement in the form attached hereto as Annex 3, duly executed by VPC;

(iv) The Nondisclosure Agreement in the form attached hereto as Annex 4, duly executed by VPC;

(v) The Subscription Agreement in the form attached hereto as Annex 5, duly executed by VPC;

(vi) The Registration Rights Agreement in the form attached hereto as Annex 7, duly executed by VPC; and

(vii) The Security Agreement in the form attached hereto as Annex 9, duly executed by VPC.

5. Covenant Not to Compete.

(a) LMT represents, warrants and covenants that it shall comply in all respects with Section 14.1 of the Manufacturing Services Agreement listed in Section 4(b)(i) above.

(b) The Parties hereto acknowledge and agree that the value to the Parties of the transactions provided for in the Transaction Documents would be substantially and materially diminished if LMT, directly or indirectly, through or in association with any person or business enterprise or otherwise, were thereafter to breach Section 5(a), and LMT has therefore offered and agreed to the provisions of Section 5(a) as a material inducement to VPC to enter into the Transaction Documents, and in consideration of the promises, representations and covenants made by VPC under this Agreement. LMT specifically acknowledges and agrees that the provisions of Section 5(a) are commercially reasonable restraints on LMT and are reasonably necessary to protect the interests VPC is acquiring hereunder and under the other Transaction Documents. The Parties hereto further acknowledge and agree that VPC would be irreparably damaged by a breach of Section 5(a) and would not be adequately compensated by monetary damages for any such breach. Therefore, in addition to all other remedies, VPC shall be entitled to injunctive relief from any court having jurisdiction to restrain any violation (actual or threatened) of Section 5(a) without the necessity of (i) proving monetary damages or the insufficiency thereof, or (ii) posting any bond in regard to any injunctive proceeding.

(c) If any court shall in any proceeding refuse to enforce Section 5(a) in whole or in part because the time limit, geographical scope or any other element thereof is deemed unreasonable in the jurisdiction of that court, it is expressly understood and agreed that Section 5(a) shall not be void but, for the purpose of such proceeding, such time limit, geographical scope or other element shall be deemed to be reduced to the extent necessary to permit the enforcement of Section 5(a) to the maximum extent allowable in that particular jurisdiction. The foregoing, however, is not intended to and shall not in any way affect, invalidate or limit the remaining provisions of Section 5(a) or affect, invalidate or limit the validity or enforceability of Section 5(a) as written in any other jurisdiction at any time.

6. Confidentiality.

(a) The disclosure and use of all confidential information pursuant to this Agreement shall be subject to the terms of the Parties' Mutual Non-Disclosure Agreement to be executed concurrently herewith, the terms of which are incorporated by reference herein (the "**Nondisclosure Agreement**").

(b) Without limiting the generality of Section 6(a), LMT shall ensure that neither LMT nor any affiliate of LMT (other than Crucible) shall orally or in writing refer to VPC or any affiliate of VPC in any press conference, publication, press release, filing, registration, notice or other communication without providing VPC at least three (3) business days' prior notice and a copy of each such proposed reference, allowing VPC an opportunity to review and comment on the same, and making any changes in each such proposed reference as requested by VPC, unless the failure by LMT to make such changes would result in LMT's failing to comply with applicable law. Upon the Closing, the Parties shall jointly release a statement substantially in the form attached hereto as Annex 10.

7. Miscellaneous.

(a) Notices. All notices from one Party to the other required or permitted under this Agreement shall be in writing, shall refer specifically to this Agreement, and shall be delivered in person, or sent by electronic or facsimile transmission for which a confirmation of delivery is obtained, or sent by registered mail or express courier services providing evidence of delivery, in each case to the recipient Party's respective address set forth on the signature page hereof (or to such updated address as may be specified in writing to the other Party from time to time). Such notices will be deemed effective as of the date so received.

(b) Assignment**.** LMT shall not assign, transfer, subcontract or otherwise delegate any of its obligations under this Agreement without VPC's prior written consent in each instance other than as a part of any merger, consolidation, or other statutory business combination or as a part of the sale of all or substantially all of its assets. Any attempted assignment, transfer, subcontracting or other delegation without such consent shall be void and shall constitute a breach of this Agreement. Subject to the foregoing, this Agreement shall inure to the benefit of the Parties' successors and assigns.

(c) Injunctive Relief**.** Each of the Parties acknowledges that any breach of this Agreement by it may cause irreparable harm to the other Party or its affiliates and that the remedies for breach may include injunctive relief against such breach, in addition to damages and other available remedies.

(d) All Remedies Cumulative. In addition to any remedies provided in this Agreement, the Parties shall have all remedies provided at law or in equity. The rights and remedies provided in this Agreement and the Transaction Documents or otherwise under law or in equity shall be cumulative and the exercise of any particular right or remedy under this Agreement or any Transaction Document shall not preclude the exercise of any other rights or remedies under this Agreement or any Transaction Document in addition to, or as an alternative of, such right or remedy, except as expressly provided otherwise in this Agreement.

(e) Entire Agreement**.** This Agreement, along with the other Transaction Documents, constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes and cancels all other prior agreements and understandings of the Parties in connection with such subject matter. VPC and LMT are parties to a cost sharing agreement relating to their status as co-licensees under that certain Software License among VPC, LMT and Flow Service, Inc. dated as of July 26, 2011 (the **"Cost Sharing Agreement"**). Notwithstanding anything herein to the contrary, the Parties acknowledge that the Cost Sharing Agreement is unamended by this Agreement or any of the Transaction Documents and remains in full force and effect. The headings or titles in this Agreement are for purposes of reference only and shall not in any way affect the interpretation or construction of this Agreement.

(f) Waiver and Amendment. No waiver of any of the provisions of this Agreement shall be valid unless in a written document, signed by the Party against whom such a waiver is sought to be enforced, nor shall failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder. All amendments of this Agreement shall be made in writing and signed by the Parties, and no oral amendments shall be binding on the Parties.

(g) Governing Law, Resolution of Disputes, Arbitration.

(i) This Agreement and performance under it shall be governed by and construed in accordance with the laws of the State of Colorado other than such laws and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. The United Nations Convention on the International Sale of Goods shall not apply to this Agreement.

(ii) If the Parties are not able to resolve a controversy, claim or dispute arising out of or relating to this Agreement, including, without limitation, the interpretation of any provision of this Agreement or the breach of this Agreement within fourteen (14) days after the dispute has arisen, then the dispute shall be escalated to the senior management of each Party for resolution. If the senior management is not able to resolve the dispute within a fourteen (14) day period, then the matter may be submitted by any Party to binding arbitration as set forth herein.

(iii) Any controversy, claim or dispute arising out of or relating to this Agreement, including, without limitation, the interpretation of any provision of this Agreement or the breach of this Agreement that cannot reasonably be resolved by the Parties pursuant to the procedures set forth in the preceding subsection shall be submitted to and settled exclusively and finally by binding arbitration in accordance with the rules of the American Arbitration Association (the "AAA Rules"), except as such AAA Rules are modified pursuant to this Section. The arbitration procedure shall be governed by the Colorado Revised Uniform Arbitration Act.

(iv) The arbitration shall be conducted before a single arbitrator from the Judicial Arbiter Group ("JAG") selected by the Parties provided, however, that if the Parties cannot agree on an arbitrator within fourteen (14) days after submission of the dispute to JAG, the arbitrator will be appointed by JAG.

(v) The arbitration shall be conducted in Denver, Colorado, United States.

(vi) No less than thirty (30) days prior to the date on which the arbitration proceeding is to begin, each Party shall submit to the other Party or Parties the documents and list of witnesses it intends to use in the arbitration. At any oral hearing of evidence in connection with the arbitration, each Party or its legal counsel shall have the right to examine witnesses and to cross-examine the witnesses of the opposing Party or Parties.

(vii) The arbitrator shall apply the substantive Laws of the State of Colorado to any decision issued, and the arbitrator shall be so instructed. The arbitrator shall issue a written opinion stating the findings of fact and the conclusions of law upon which the decision is based. Subject to Section 7(g)(viii) below, the decision of the arbitrator shall be final and binding and may, in appropriate circumstances, include injunctive relief. Judgment on such award may be entered in any court of appropriate jurisdiction, or application may be made to that court for a judicial acceptance of the award and an order of enforcement, as the Party seeking to enforce that award may elect. Any arbitration award for money damages shall be in United States Dollars. The arbitrator shall be bound by the provisions of this Agreement and shall not have the authority to amend this Agreement to effect an award.

(viii) A Party may seek judicial review of an award made by the arbitrator; provided, however, that the scope of such review shall be limited to a claim that the award was procured by corruption, fraud or other undue means.

(ix) Each Party shall each bear its own costs, expenses, and attorney fees, and an equal share of the arbitrator's and administrative fees of arbitration.

(h) Severability**.** If any provision of this Agreement, or the application thereof, shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as best to reasonably effect the intent of the Parties hereto. The Parties further agree to replace such void or unenforceable provision with a provision which will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

(i) Interpretation**.** The Parties have each been represented by counsel in the negotiation of this Agreement and have jointly prepared this Agreement with counsels' assistance. In the event of an ambiguity or a question of contract interpretation arises, no provision of this Agreement shall be construed based on any particular Party having drafted the Agreement or such provision. Further, neither the history of negotiations between the Parties, nor the fact that provisions of this Agreement (or portions thereof) have been inserted, deleted or modified in the course of preparing Agreement drafts, shall be used to construe the meaning of any provision.

(j) Further Assurances. Each Party agrees to cooperate fully with the others and to execute such further instruments, documents and agreements and to give such further written assurances, as may be reasonably requested by another Party to better evidence and reflect the transactions described herein and contemplated hereby, and to carry into effect the intents and purposes of this Agreement.

(k) Independent Contractors. Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between the Parties. No Party shall have the power to control the activities and operations of another, and their status is, and at all times will continue to be, that of independent contractors with respect to each other. No Party shall hold itself out as having any authority or relationship in contravention of this Section, and except as specifically called for or permitted herein, no Party shall act on behalf of another Party or enter into any contracts, warranty, or representation as to any other matter on the behalf of another Party.

(l) Counterparts. This Agreement may be executed by facsimile or ".pdf" and in two or more counterparts, each of which will be deemed an original and all of which together will constitute one instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the Effective Date, by their officers, duly authorized.

Liquidmetal Technology, Inc.	Visser Precision Cast, LLC
/s/ Tom Steipp	/s/ Greg Ruegsegger
By: Tom Steipp	By: Gregory A. Ruegsegger
Title: President/CEO	Title: Vice President
Date: June 1,2012	Date: June 1 2012
Address: 30452 Esperanza Rancho Santa Margarita, CA 92688	Address: 6275 E. 39th Street Denver, CO 80207

List of Annexes

Annex 1	Approvals
Annex 2	Manufacturing Services Agreement
Annex 3	Sublicense Agreement
Annex 4	Mutual NonDisclosure Agreement
Annex 5	Subscription Agreement
Annex 6	Common Stock Purchase Warrant
Annex 7	Registration Rights Agreement
Annex 8	6% Senior Secured Convertible Note
Annex 9	Security Agreement
Annex 10	Press Release

[See Exhibits 10.33 to 10.37 of this Form S-1 for foregoing Annexes, subject to Annexes provided below]

ANNEX I

Approvals

Consents/approvals are required from the following parties:

1. The Board of Directors of LMT.

LMT AND CRUCIBLE INDEBTEDNESS AND LIENS

LMT identifies the following documents evidencing or otherwise relating to the following (to the extent it is reasonably apparent from reading a subsection that a matter identified in such subsection is applicable to other subsections, that matter shall be deemed to be identified in such other subsections):

Section 3(a)(i)

All indebtedness of LMT, Crucible, and any of their subsidiaries for borrowed money or for the deferred purchase price of property or services payment.

On October 10, 2011, LMT issued to SAGA, SpA ("SAGA") a promissory note in the principal amount of $1,712,000 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. The promissory note was issued pursuant to the terms of a Settlement and Equity Interest Purchase Agreement between LMT and SAGA.

LMT has issued to VPC promissory notes dated January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012 in the aggregate principal amount of $1,050,000 bearing interest of 8% per annum. All of the principal and accrued interest will be applied to the purchase price for the shares of common stock to be acquired by VPC pursuant to the Subscription Agreement and the promissory note will thereafter be cancelled.

Section 3(a)(ii)

All reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured.

None.

Section 3(a)(iii)

All obligations evidenced by notes, bonds, debentures or similar instruments and all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by LMT or Crucible (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property).

See schedule 3(a)(i).

Section 3(a)(iv)

All leases for any property (whether real, personal or mixed) that, in accordance with generally accepted accounting principles, would be required to be classified and accounted for as a capital lease on a balance sheet of LMT or Crucible.

Standard Industrial/Commercial Single-Tenant Lease between LMT and 30452 Esperanza LLC, dated February 13, 2007 (filed as Exhibit 10.1 to LMT's Form 10-Q filed on May 15, 2007), as amended July 12, 2011.

Section 3(a)(v)

All obligations of LMT or Crucible under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured.

None.

Section 3(a)(vi)

All obligations of LMT or Crucible under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of LMT, Crucible or LMC arising from fluctuations in currency values or interest rates, in each case whether contingent or matured.

None.

Section 3(a)(vii)

All guaranties for any of the foregoing.

None.

Section 3(a)(viii)

All indebtedness referred to in clauses (i) through (vii) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights owned by LMT or Crucible), whether or not LMT or Crucible has assumed or become liable of the payment of such indebtedness.

None.

Section 3(a)(ix)

Any Lien upon or in any property or other assets (including accounts and contract rights owned by LMT or Crucible).

Security Agreement, dated August 4, 2010, between LMT and Apple, Inc. (included as an exhibit to the Master Transaction Agreement filed as Exhibit 10.3 to LMT's Form 10-Q filed on November 4, 2010).

Security Agreement, dated August 4, 2010, between Crucible and Apple, Inc. (included as an exhibit to the Master Transaction Agreement filed as Exhibit 10.3 to LMT's Form 10-Q filed on November 4, 2010).

Liens permitted under clauses (i), (ii) and (v) to (xiii) of the definition of "Permitted Liens" in the Security Agreement referred to in Section 4(b)(viii).

Section 3(a)(x)

Obligations of LMT, Crucible, and LMC to trade creditors incurred in the ordinary course of business that are overdue by more than 120 days or exceed $25,000.

As of May 30, 2012

Visser Precission Cast	196,436
Jones Day	414,578
Kim and Chang	184,359
Total	$ 795,372

Exhibit 10.33

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS AND AN ASTERISK, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

MANUFACTURING SERVICES AGREEMENT

THIS MANUFACTURING SERVICES AGREEMENT (the "**Agreement**") is entered into as of June 1, 2012 (the "**Effective Date**"), 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 **Visser Precision Cast, LLC**, a Colorado limited liability company having its principal place of business at 6275 E 39th Street, Denver, CO 80207 ("**VPC**"). LMT and VPC are sometimes referred to herein individually as a "**Party**" or collectively the "**Parties**".

Recitals

WHEREAS, LMT and VPC have entered into that certain Master Transaction Agreement, dated as of June 1 2012 ("**MTA**"); and

WHEREAS, LMT and VPC have entered into that certain VPC Sublicense Agreement, dated as of June 1 2012 ("**Sublicense**") pursuant to which LMT has granted VPC a sublicense to use the LMT Technology (as defined in the MTA) within the VPC Fields; and

WHEREAS, LMT wishes to engage VPC on an exclusive basis to manufacture Products, and VPC is willing to be engaged for such purpose;

NOW THEREFORE, in consideration of the promises and covenants in the MTA and as set forth below, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS

Unless a term is defined in this Agreement, all defined terms shall have the meanings specified in the MTA.

1.1. "**Amorphous Alloy**" shall mean any one or more amorphous alloys or bulk metallic glasses (or composite materials containing amorphous alloys or bulk metallic glasses) including without limitation any and all such alloys or glasses now or in the future that are proprietary to LMT or marketed or sold under the LMT® brand.

1.2. **"AVL"** shall mean LMT's Approved Vendor List for machinery and raw materials, as set forth in Attachment A to this Agreement. Subject to Section 13.1, LMT may modify the "**AVL**" from time to time u pon written notice to VPC to add additional vendors to the AVL or to delete vendors from the AVL (provided that LMT shall give VPC not less than ninety (90) days prior written notice of any such deletion and such deletion shall be subject to the written consent of VPC, such consent not to be unreasonably withheld, delayed, or conditioned).

1.3. **"Components"** shall mean Conventional Components and Licensed Components.

1.4. **"Conventional Components"** shall mean any parts or pieces that are produced by VPC, either as prototypes, samples or as finished products for sale to LMT, using conventional manufacturing techniques and not using or incorporating the LMT Technology.

1.5. **"Convertible Note"** shall mean the six percent (6%) Senior Secured Convertible Note issued by LMT to VPC concurrently with the execution of this Agreement.

1.6. **"Customer"** shall mean a customer of LMT to which LMT intends to sell or sells Products.

1.7. "**Intellectual Property"** and **"Intellectual Property Rights"** shall have the meanings set forth in the MTA.

1.8. **"Licensed Components"** shall mean any parts or pieces that are produced by VPC, either as prototypes, samples or as finished products for sale to LMT, using or incorporating the LMT Technology.

1.9. **"Licensed Production Components"** shall mean Licensed Components made as part of a production run by VPC as opposed to prototypes or samples.

1.10. **"Licensed Production Components Costs"** shall have the meaning set forth in Section 7.1.

1.11. **"Licensed Technical Information"** shall mean unpublished research and development information, unpatented inventions, know-how, trade secrets and technical data now or hereafter in the possession of LMT that are reasonably necessary to or useful in the use of the LMT Technology or in the manufacture of Molds or Licensed Components.

1.12. **"LMT Designated Machine"** shall have the meaning set forth in Section 13.2.1.

1.13. **"LMT Mark-Up"** shall mean, with respect to Licensed Production Components only, the difference between the price LMT charges to its Customers before taxes, freight, export compliance costs paid to third parties, and shipping insurance, and the estimated Licensed Production Components Costs charged by VPC to LMT.

1.14. **"LMT Obligations"** shall mean LMT's obligations, consistent with the terms of this Agreement and at LMT's sole cost and expense, to provide on an ongoing basis:

(a) A sales and engineering staff which is reasonably capable of, and qualified to, (i) solicit Customer Orders and (ii) service Customers both pre-sale and post-sale, including pre-sale engineering and Component design, Customer quality control issues during production and post-production, handling of warranty matters, Customer complaints and issues, and all other non-manufacturing functions associated with the sale of Products.
(b) Such research and development as is reasonably needed to advance the development of the LMT Technology.
(c) Reasonable marketing of Products.
(d) Management, accounting, legal and other general and administrative services as LMT, in its reasonable judgment, deems necessary to perform these obligations.

1.15. **"LMT Share of LMT Mark-Up"** shall mean, with respect to sales of Licensed Production Components only, [*]% of the LMT Mark-Up.

1.16. **"Machine"** shall mean a machine that is consistently capable of (i) producing Licensed Production Components that meet Specifications, and (ii) performing quality production runs (as opposed to sample, pilot, or R&D production).

1.17. **"Molds"** shall mean molds made by VPC for use in the manufacture of Products.

1.18. **"Non-Production Products."** shall mean all Molds and all non-production run Components such as samples, prototypes and test runs.

1.19. **"NRE"** shall mean any set-up, tooling or non-recurring engineering activities incurred by VPC to complete an order for Products.

1.20. "**Products**" shall mean all Molds and Components.

1.21. **"Quote"** shall mean a quotation from VPC to LMT for the manufacture of specific Products described in an RFQ.

1.22. **"RFQ"** shall mean a request for quotation to be issued by LMT to VPC requesting a Quote from VPC for the manufacture of specific Products described in such request for quotation.

1.23. **"Specifications"** shall mean the drawings, plans, designs, procedures, test or other specifications for the manufacture of specific Products as set forth in an RFQ from LMT to VPC or in a Quote from VPC to LMT, or in a Purchase Order from LMT to VPC, as the context requires, all as amended from time to time in writing by the Parties. Without limiting the generality of the foregoing, the **"Specifications"** for each Product shall include, without limitation, (i) a general description of the Product, which shall include the intended use for such Product; (ii) detailed mechanical, performance, appearance and tooling specifications, including without limitation complete and detailed CAD drawings, for the Product; (iii) requirements for any raw materials to be used in manufacturing the Product, including without limitation any requirements as to type, quality or grade and a listing of any specific Amorphous Alloys to be used in the manufacture of Licensed Components; and (iv) such further information regarding LMT's or its Customer's requirements for the Products as is reasonably necessary in order to describe the Product.

1.24. **"True-Up"** shall mean the quarterly adjustment described in Section 7.4 to the estimated Licensed Production Components Costs and the LMT Mark-Up.

1.25. **"True-Up Note" or "True-Up Notes"** shall mean the promissory note(s), if any, issued by LMT pursuant to Section 7.4.4.2(d) of this Agreement.

1.26. **"VPC Share of LMT Mark-Up"** shall mean, with respect to sales of Licensed Production Components only, [*]% of the LMT Mark-Up.

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS AND AN ASTERISK, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

2. TERM AND OBLIGATIONS

2.1 **Term.** The "**Term**" of this Agreement shall be perpetual. Neither Party shall be entitled to terminate this Agreement.

2.2 **Obligations of the Parties.** LMT agrees to provide and perform the LMT Obligations and all other obligations of LMT as set forth in this Agreement, and VPC agrees to provide and perform the manufacturing services and all other obligations of VPC as set forth in this Agreement.

3. SUBLICENSE, TECHNICAL SUPPORT, INCORPORATION FROM MTA, VPC AGREEMENT TO LIMIT USE OF LICENSE, AND APPLE SECURITY AGREEMENTS.

3.1 **Sublicense**. The Parties acknowledge and agree that all Licensed Components manufactured by VPC for LMT pursuant to this Agreement must be within the VPC Fields under the Sublicense. By submitting a Request for Proposal asking that VPC manufacture Licensed Components, LMT represents and warrants that the Licensed Components described in such Request for Proposal and any subsequent Purchase Order are within the VPC Fields.

3.2 **Technical Information and Support**. The Parties acknowledge and agree that the Licensed Technical Information is included within the LMT Technology that has been licensed to VPC pursuant to the Sublicense. Upon request from VPC from time to time during the Term of this Agreement, LMT shall deliver at no additional charge to VPC any Licensed Technical Information that is then in the possession and control of LMT and readily reproducible that has not previously been delivered to VPC pursuant to this Section 3.2, including without limitation any modified, updated or newly developed Licensed Technical Information. Further, upon request from VPC from time to time during the Term of this Agreement, LMT shall provide at no additional charge to VPC reasonable technical support and consultation to VPC with respect to the use of the LMT Technology, including without limitation, use of the LMT Technology in the manufacture of Molds or Licensed Components.

3.3 **Incorporation from MTA**. Section 1(b), Section 1(d), Section 1(e) and Section 2(b) of the MTA and any related definitions for any terms used in any such Sections are hereby incorporated by reference into this Agreement.

3.4 **VPC Agreement to Limit Use of Sublicense.**

3.4.1 **Limited Use of License.** VPC hereby agrees that VPC shall exercise its rights under the Sublicense only (i) to manufacture Licensed Components to be sold to LMT, or to other licensees or sublicensees of LMT or Crucible Intellectual Property, LLC (**"Crucible"**) (whether such license or sublicense was granted directly by LMT or Crucible or indirectly through a party or parties who are a licensee or sublicensee of LMT or Crucible), or to Furniture Row, LLC, Furniture Row BC, Inc, or other entities in the Furniture Row family of companies (the **"Furniture Row Companies"**) (provided, however, that Licensed Components sold to the Furniture Row Companies as permitted by this Section 3.4.1 must be used by such entities for incorporation within other products manufactured or sold by such entities and may not be resold separately by such entities as Licensed Components), and (ii) at VPC's option, to supplement LMT's research and development and marketing and sales efforts. To the extent VPC undertakes any of the supplemental activities described in Section 3.4.1(ii), VPC shall do so at its own cost and expense. Further, VPC shall cause any New Customers (as defined herein) obtained by VPC as a result of any such supplemental marketing and sales activities to place their orders for Licensed Components through LMT. For purposes of this Agreement, **"New Customers"** shall mean customers who desire to purchase Licensed Components and who, at the time their order is to be placed, do not hold a licensee or sublicense to use the LMT Technology (whether such license or sublicense was granted directly by LMT or Crucible or indirectly through a party or parties who are a licensee or sublicensee of LMT or Crucible), and are not one of the Furniture Row Companies. For clarity, VPC shall have no obligation to conduct any of the supplemental activities described in Section 3.4.1(ii) but may do so in its sole discretion.

3.4.2 **Termination of Limitations.** The limitations set forth in Section 3.4.1 shall permanently terminate (regardless of any future cure that may be undertaken by LMT with respect to performance of the LMT Obligations), and VPC shall be entitled to use and exploit the LMT Technology to the fullest extent permitted pursuant to the Sublicense, if LMT fails to perform the LMT Obligations and fails to cure such failure within sixty (60) days following the giving of written notice of such failure by VPC.

3.4.3 **Failure to Pay Notes.** The limitations set forth in Section 3.4.1 shall also permanently terminate, and VPC shall be entitled to use and exploit the LMT Technology to the fullest extent permitted pursuant to the Sublicense, if LMT fails to timely pay the Convertible Note or the True-Up Notes after (a) notice of default is given as provided in such Notes, and (b) an additional six (6) month period has passed from the date of the default in payment during which LMT may attempt to raise additional capital to cure its defaults under the Notes (it being understood that if LMT pays all amounts due under such Convertible Note or True-Up Note(s) by the end of such six (6) month period, such payment shall be considered timely for purposes of this Section 3.4.3).

3.4.4 **LMT's Loss of License from Crucible.** The limitations set forth in Section 3.4.1 shall also permanently terminate, and VPC shall be entitled to use and exploit the LMT Technology to the fullest extent permitted pursuant to the Sublicense, if the August 5, 2010 Exclusive License from Crucible to LMT is terminated as a result of Apple, Inc. enforcing its August 5, 2010 Security Agreement against LMT.

3.4.5 **Effect of Termination of Limitations.** For clarity, following a termination of the limitations set forth in Section 3.4.1, VPC need not cause New Customers to place their Orders for Licensed Components through LMT, and VPC shall have no obligation to share any mark-up on Licensed Components with LMT.

3.5 **Apple Security Agreements**. The Parties acknowledge that on August 5, 2010, LMT and Crucible each entered into security agreements with Apple, Inc. that are to expire on or before August 5, 2012. LMT agrees that it will not extend its security agreement with Apple. The Parties further agree that if the term of either of these Apple security agreements is extended or otherwise does not expire on August 5, 2012, then notwithstanding any other provision of this Agreement, the LMT Share of LMT Mark-up for Licensed Production Components shall be reduced to [*]%, and the VPC Share of LMT Mark-up shall be increased to [*]% until the security agreements have expired or have been terminated without enforcement.

4. REQUESTS FOR QUOTATION AND QUOTES

4.1 **Issuance of RFQ**. In each and every instance where LMT has an opportunity to sell Products to a Customer (a "**Customer Order**"), LMT will provide to VPC an RFQ that contains all relevant information (including without limitation all Specifications and potential prices to LMT's Customers) that is reasonably required in order for VPC to issue a Quote for the Customer Order. LMT shall issue an RFQ to VPC and offer VPC the opportunity to submit a Quote for all of LMT's potential Customer Orders.

4.2 **Contents of RFQ.** Unless otherwise agreed by the Parties, each RFQ shall be in the form of a written or electronic communication and shall contain the following information: (i) the Specifications for the Products, including without limitation whether LMT intends that any Components included within the RFQ shall be Conventional Components; (ii) the minimum quantity of Products the Customer expects to order; (iii) the earliest or requested delivery date or shipping schedule for the Products; (iv) any special requirements for packaging and shipment of the Products; (v) applicable test and acceptance criteria requested by, or proposed to, the Customer; (vi) the proposed warranty, if any, to be given by LMT to the Customer; (vii) the estimated price that LMT intends to charge the Customer; (viii) the payment terms that LMT intends to offer the Customer; and (ix) such further information as is reasonably available to LMT and reasonably required by VPC in order for VPC to produce a Quote to manufacture the Products. VPC shall have the opportunity to request further information regarding the RFQ, and LMT shall provide all such information and such further assistance as VPC shall reasonably request. VPC shall retain all CAD drawings included with an RFQ for not less than three (3) years.

4.3 **Review of RFQ by VPC.** VPC will review each RFQ in order to determine whether VPC wishes to issue a Quote in response to such RFQ. Notwithstanding anything herein to the contrary, VPC shall have no obligation to issue a Quote in response to any RFQ, and VPC may decline to consider an RFQ or issue a Quote in VPC's sole discretion. VPC shall use reasonable efforts to notify LMT as soon as possible after VPC has determined that it does not wish to issue a Quote in response to a particular RFQ, and in any event, VPC shall be deemed to have rejected an RFQ if VPC fails to issue a Quote within thirty (30) days after receipt of the RFQ. VPC may, in response to an RFQ that calls for the manufacture of Licensed Components, propose that VPC will provide Conventional Components instead, either under circumstances where VPC does not believe it is technically or commercially feasible to manufacture the Licensed Components or where VPC believes there would be a material advantage to the Parties or the Customer in providing Conventional Components.

4.4 **Issuance of Quote**. Any Quote that VPC chooses to issue shall be in the form of a written or electronic communication and shall contain the following information: (i) the part number of the Product(s) and a classification of the Product(s) as (a) Non-Production Products, (b) Licensed Production Components, or (c) Conventional Products; (ii) any adjustments to the Specifications required to manufacture the Products (and if a Purchase Order is placed by LMT, such adjustments shall without any further action of the Parties be deemed to have been incorporated within the Specifications); (iii) the minimum quantity of the Product(s) to be manufactured by VPC and ordered by LMT; (iv) the targeted delivery date or shipping schedule for the Product(s); (v) any special requirements for packaging and shipment of the Products to be provided by VPC; (vi) applicable test and acceptance criteria; (vii) the warranty terms for the warranty to be offered by LMT to the Customer; (viii) any NRE required to manufacture the Products and any charges to LMT associated therewith; (ix) the estimated Licensed Component Production Cost and LMT Mark-Up for any Licensed Production Components, and/or the prices, charges and fees to be charged by VPC to LMT for any other Product(s); (x) the payment terms to be offered to LMT's Customer; and (xi) any special terms and conditions applicable to the manufacture and sale of the Products. Each Quote shall be binding upon VPC for thirty (30) days from the date of issuance unless the Quote is sooner withdrawn by VPC, provided that no such withdrawal shall be effective unless LMT receives notice of such withdrawal before LMT has accepted a Customer Order for or otherwise entered into a contract with its Customer for the purchase of such Products. Both Parties acknowledge that the quote process is generally an iterative process with the Customer, such that LMT and VPC may undertake the quote process described in this Section 4 multiple times before reaching a Quote that is acceptable to VPC, LMT and the Customer.

5 PURCHASE ORDERS

5.1 **Purchase Orders.** All purchases pursuant to this Agreement shall be made by means of a purchase order issued from time to time by LMT and accepted in writing by VPC (each a "**Purchase Order**"). Unless otherwise agreed by the Parties, each Purchase Order shall be in the form of a written or electronic communication and shall contain the following information: (i) a reference to the Quote pursuant to which the Purchase Order has been issued and a statement by LMT that except as specifically set forth in the Purchase Order, LMT has accepted all terms and conditions set forth in the Quote, including without limitation the estimated Licensed Component Production Cost and LMT Mark-Up for any Licensed Production Components, and/or the prices, charges and fees to be charged by VPC to LMT for any other Product(s), the payment terms to be offered to Customer, and the warranty terms for the warranty to be offered by LMT to the Customer; (ii) the part number of the Product(s) as assigned by the Quote and the Parties' agreed upon classification of the Product(s) as (a) Non-Production Products, (b) Licensed Production Components, or (c) Conventional Products; (iii) the quantity of Product(s) ordered; (iv) the requested delivery date or shipping schedule of the Product(s); (v) delivery instructions, including the location to which the Product(s) are to be shipped and the method of shipment and name of a carrier that will accept delivery Ex Works VPC's manufacturing facility (if no carrier is specified, VPC may but is not required to select a carrier); (vi) a reference to this Agreement; and (vii) a Purchase Order number for billing purposes. VPC shall accept all Purchase Orders that are consistent with a Quote that had not expired and was not withdrawn by VPC at the time the Purchase Order was received. VPC may reject any Purchase Order that is inconsistent with the Quote or for which the Quote had expired or been withdrawn at the time the Purchase Order was received. Any Purchase Order that is not accepted by VPC within five (5) business days of receipt shall be deemed to have been rejected by VPC. The terms of this Agreement shall be deemed incorporated into and made a part of each Purchase Order. Any terms appearing in any Purchase Order, or in any acknowledgment or acceptance of a Purchase Order, that differ from or are in addition to the terms of this Agreement and/or the terms to be included in the Purchase Order as specified in this Section shall be void, unless and only to the extent such terms are specifically acknowledged in writing by the Parties as constituting an amendment to this Agreement.

5.2 **Rejection of Purchase Orders**. If VPC has rejected a Purchase Order because VPC is unable to meet the delivery date or shipping schedule set forth in the Purchase Order, or because VPC finds the Purchase Order to be unacceptable for some other reason, either Party may request a meeting, which may take place either in person or by telephone, at which the Parties shall discuss changes in the Purchase Order that might make the Purchase Order acceptable to VPC.

5.3 **Forms.** The Parties shall work together to create and use RFQ, Quote, and Purchase Order forms consistent with the provisions of Sections 4 and 5.

6 PRICING

6.1 **Categories of Products and Pricing.** The Parties acknowledge and agree that the Products to be produced for LMT by VPC will fall into one of the following three categories, and that the pricing for such Products will be set as provided below:

6.1.1 **Non-Production Products.** The price to be charged by VPC and paid by LMT for Non-Production Products shall be subject to the agreement of the Parties as reflected in VPC's Quote and LMT's Purchase Order.

6.1.2 **Conventional Components.** The price to be charged by VPC and paid by LMT for Conventional Components which are not Non-Production Products shall be subject to the agreement of the Parties as reflected in VPC's Quote and LMT's Purchase Order. The price charged by LMT to its Customers shall not exceed the VPC price to LMT by more than ten percent (10%), including in the VPC price for this Section 6.1.2 only any NRE, taxes, shipping and insurance during transit to be charged by VPC to LMT.

6.1.3 **Licensed Production Components**. The initial estimated price to be charged by VPC for Licensed Production Components shall be invoiced on a per piece basis and shall be the sum of (a) an estimated per piece charge for the Licensed Production Components Costs, plus (b) an estimated per piece charge for the VPC Share of LMT Mark-Up. The VPC estimated price to LMT and the LMT Mark-Up for Licensed Production Components shall be subject to adjustment as set forth in Section 7.4. Notwithstanding anything in this Agreement (except Section 3.5) to the contrary, with respect to sales of Licensed Production Components which are to be used in the automotive industry (which shall include without limitation the production of performance vehicles, automobiles, trucks, busses and other motor vehicles and/or any component parts thereof), the **"LMT Share of LMT Mark-Up"** shall mean [*]% of the LMT Mark-Up, and the **"VPC Share of LMT Mark-Up"** shall mean [*]% of the LMT Mark-Up.

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS AND AN ASTERISK, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

6.2 **Additional Pricing Terms**. All prices, charges and fees set forth in a Purchase Order shall be in U.S. Dollars and shall be consistent with the applicable Quote. Except as otherwise agreed to in writing by the Parties, the prices, charges and fees for Non-Production Products and Conventional Components shall remain fixed for the entire quantity of such Products referenced in the Purchase Order, and the prices, charges and fees for Licensed Production Components shall be subject to adjustment as set forth in Section 7.4. Except as otherwise agreed to in writing by the Parties, VPC's price to LMT shall include its NRE associated with each Purchase Order and the cost of packaging in the amounts set forth in the Quote and the Purchase Order.

6.3 **Potential Adjustments to Customers' Price.** The Parties acknowledge and agree that the actual costs of manufacturing Products may vary from expectations. If such occurs and LMT believes that a Customer may be willing or is obligated to cover such unexpected or excessive costs, the Parties will work together to provide the information to LMT for LMT to request that the Customer cover such costs. Nothing in this Section 6.3 shall negate the obligations of LMT to pay VPC for Licensed Production Components Costs as described in Section 7.

6.4 **Taxes.** Unless the Parties otherwise agree, the prices, charges and fees charged by VPC under this Agreement are exclusive of any taxes, duties or governmentally imposed levies or charges (including without limitation value added, property, sales, use, privilege, excise, import, export or similar charges) levied by any governmental entity, other than taxes on VPC's net income. LMT shall pay and be responsible for any such taxes, duties, levies or charges.

7 LICENSED PRODUCTION COMPONENTS COSTS

7.1 **Calculation of Licensed Production Components Costs. "Licensed Production Components Costs"** shall mean the cost incurred by VPC to manufacture and deliver Licensed Production Components, and shall include the following items:

7.1.1 **Labor Costs.** This includes the fully allocated costs of all employees and contractors who are employed or contracted by VPC to manufacture and deliver Licensed Production Components, including without limitation, operators, floor managers, production supervisors, and quality control personnel. Such costs include labor costs even though such personnel are unable to conduct manufacturing operations because of Machine issues, lack of Orders from LMT, or any other reasons. Such costs shall further include all employee/contractor expenses, including without limitation, wages, bonuses, and payroll related expenses, vacation pay, worker's compensation costs, ITAR (but excluding legal costs associated with any failure on the part of VPC to comply with ITAR prior to the Effective Date, which shall be borne by VPC) and other government regulation compliance costs, and all health, retirement, and other company benefit costs, and all other similar and related costs, but shall not include:

7.1.1.1 Costs associated with sexual harassment or other discrimination claims by such employees or contractors,

7.1.1.2 Upper management and other non-production specific general and administration costs, and

7.1.1.3 As to any self-funded health plan, the cost shall not be based on the actual cost incurred by VPC for such employees, but rather, such costs shall be included in Licensed Production Components Costs based on the actual total employer costs of the health plan as a whole divided by the total average number of employees utilizing the Furniture Row Companies health plan for the prior calendar year.

7.1.2 **Direct Production Costs.** This includes all costs of machinery up-keep (parts, maintenance, repairs, and similar costs), all costs of raw materials and consumables, NRE, packaging and shipping, including any special requirements for packaging and shipment of the Licensed Production Components to be provided by VPC, cost of utilities and insurance reasonably allocated by VPC to the manufacturing and delivery of Licensed Production Components, and any and all other direct costs of manufacturing and delivering of Licensed Production Components. On the rare occasion when, pursuant to Section 8.3.2, VPC agrees to include the price of a Mold in the per piece price of the Licensed Production Components, the VPC price for the Mold will be included as a direct production cost.

7.1.3 **Machine Costs.** This includes the cost of each LMT Designated Machine, plus the costs incurred to develop and improve Machines, plus the cost to install, set-up and connect power to each LMT Designated Machine. The total of all such costs for each LMT Designated Machine shall be included as a Licensed Production Components Cost for purposes of the True-Up provided in Section 7.4 on a quarterly basis allocated over a seven (7) year period starting on the date three (3) months after VPC notifies LMT in writing that an LMT Designated Machine has been installed, set-up, and is available for production. Such Machine costs will then be a fixed minimum quarterly cost to be included in the Licensed Production Components Cost until the seven (7) year period for an LMT Designated Machine has been completed, at which time the quarterly Machine cost for that Machine will no longer be charged by VPC. General maintenance, repair, and replacement of parts for LMT Designated Machines will be included in Direct Production Costs as noted above. Replacement of major components of an LMT Designated Machine with a cost of over $25,000 per component, such as a melt system, shall also be charged to LMT as part of the LMT Designated Machine costs, quarterly over a seven (7) year period from the date of such replacement. LMT and VPC shall maintain a schedule of the LMT Designated Machines and major components and the timing and amount of such quarterly charges. Such quarterly charges shall be the **"LMT Designated Machines Quarterly Charge."**

7.1.4 **Warranty Charge.** The Warranty Charge set forth in Section 11.6 below.

7.2 **Exclusion of Facilities' Cost.** Licensed Production Components Costs shall not include VPC's cost for facilities to house manufacturing of Licensed Production Components, and such facilities' costs, including maintenance of facilities, shall be borne by VPC.

7.3 **Separate Accounting.** VPC shall maintain a separate accounting of all Licensed Production Components Costs. Such records shall be available to LMT for inspection during regular business hours after reasonable notice to VPC and shall be confidential information of VPC in accordance with Section 18.1 below.

7.4 **Quarterly True-Up to Assure Payment to VPC of Licensed Production Components Costs.**

7.4.1 **Intent of the Parties.** The Parties acknowledge and agree that VPC shall be entitled to payment, at a minimum, from LMT each quarter for (i) all Licensed Production Components Costs incurred by VPC in that quarter in connection with the manufacture and delivery of Licensed Production Components invoiced in that quarter, (ii) all Licensed Production Components Costs incurred by VPC in that quarter in connection with labor or LMT Designated Machines that are unable to conduct manufacturing operations because of Machine issues, lack of Orders from LMT, or any other reasons, and (iii) any charges for Licensed Production Components Costs incurred by VPC in connection with terminated Purchase Orders as described in Section 12.3. The raw material portion of direct production costs for a quarter shall be calculated on the basis of the difference between (a) beginning inventory plus raw material purchases, less (b) ending inventory. VPC shall be entitled to such payment from LMT for all of those costs with respect to a quarter even if there have been no sales of Licensed Production Components or no invoices issued by VPC for the manufacture of Licensed Production Components in such quarter.

7.4.2 **Estimated Invoices from VPC to LMT for Licensed Production Components Costs**. Each time VPC ships Licensed Production Components, it will concurrently deliver an invoice to LMT which, on a per piece basis, sets forth the estimated charges for such Licensed Production Components as reflected in the Purchase Order. At the same time, LMT (or VPC acting on behalf of LMT as may be agreed by the Parties) will send an invoice to LMT's Customer for the shipped Licensed Production Components.

7.4.3 **Recognition of Income and Costs.** The Parties acknowledge and agree that, as to each shipment of Licensed Production Components, LMT will recognize both revenue to LMT based on the invoice to LMT's Customer, and costs based on the invoice from VPC to LMT.

7.4.4 **True-Up of Licensed Production Components Costs and LMT Mark-Up.**

7.4.4.1 **True-Up of Actual Costs.** On or before five (5) days after the end of each quarter, or as soon thereafter as reasonably possible, VPC shall provide LMT with a schedule setting forth the aggregate actual Licensed Production Components Costs incurred by VPC during the quarter compared to the estimated aggregate Licensed Production Components Costs as reflected in the invoices issued by VPC to LMT in such quarter. The difference shall be the **"Actual Cost Difference."**

7.4.4.2 **True-Up of LMT Mark-Up.**

(a) Negative Actual Cost Difference. If the Actual Cost Difference for a quarter is a negative number (i.e., the actual aggregate Licensed Production Components Costs incurred by VPC during the quarter were less than the estimated aggregate Licensed Production Components Costs invoiced during the quarter), then the LMT Mark-Up for the invoices issued during the quarter shall be increased by an amount equal to the negative Actual Cost Difference, and the VPC Share of LMT Mark-Up and the LMT Share of LMT Mark-Up shall be recalculated for these invoices. VPC shall issue LMT a credit for the amount of the increase in the LMT Share of LMT Mark-Up, which credit may be applied by LMT against outstanding invoices issued by VPC to LMT during the quarter, beginning with the last invoice issued during the quarter and working back to the first invoice issued during the quarter. If there is a credit balance remaining after application of a credit issued in accordance with the preceding sentence, such credit balance may be applied against any invoices issued by VPC to LMT that are outstanding from time to time.

(b) Positive Actual Cost Difference. Subject to Section 7.4.4.2(c) below, if the Actual Cost Difference for a quarter is a positive number (i.e., the actual aggregate Licensed Production Components Costs incurred by VPC during the quarter were greater than the estimated aggregate Licensed Production Components Costs invoiced during the quarter), then the LMT Mark-Up for the invoices issued during the quarter shall be reduced by an amount equal to the positive Actual Cost Difference, and the VPC Share of LMT Mark-Up and the LMT Share of LMT Mark-Up shall be recalculated for these invoices. VPC shall issue LMT an invoice for the amount of the decrease in the LMT Share of LMT Mark-Up, which invoice shall be paid by LMT net forty-five (45) days after date of invoice.

(c) Positive Actual Cost Difference in Excess of LMT Mark-Up. Notwithstanding anything in Section 7.4.4.2(b) to the contrary, if the Actual Cost Difference for the quarter exceeds the amount of the estimated LMT Mark-Up for the quarter, then VPC shall issue LMT an invoice not only for the amount of the decrease in the LMT share of the LMT Mark-Up as provided in Section 7.4.4.2 (b) above, but VPC shall also add in its invoice to LMT a sum equal to the amount by which the Actual Cost Difference exceeds the LMT Mark-Up.

(d) LMT's Payment of True-Up Invoice. If the amount invoiced by VPC to LMT pursuant to the calculations set forth in Sections 7.4.4.2 (b) and (c) exceed Fifty Thousand Dollars ($50,000.00), then at LMT's option, instead of paying the True-Up amount in cash as provided in Section 7.4.4.2(b), LMT may issue a promissory note for the True-Up amount , such promissory note to be in the form attached as Attachment B to this Agreement, subject to reasonable changes to the form required by VPC from time to time, but not including changes to the term or interest rate set forth in Attachment B.

(e) Payment of Estimated Invoices. Notwithstanding the True-Up, the estimated invoices for VPC to LMT which are issued during a quarter pursuant to Quote and a Purchase Order shall be paid as otherwise provided in this Agreement.

8 PAYMENT TERMS

8.1 **Payment Terms.** Unless otherwise specified in a Purchase Order accepted by VPC, and except as otherwise specified in Section 8.2 and as to payments following termination of a Purchase Order as provided in Section 12.3, payment terms for all Products are net fifteen (15) days after the date on which LMT's Customer is obligated to pay LMT as specified in the Purchase Order. All payments shall be made in U.S. Dollars. On any invoice not paid by the date on which the payment is due, VPC shall be permitted to charge LMT interest from the due date to the date of payment at a rate equal to 12% per annum. VPC shall also be entitled to collect all costs and expenses, including reasonable attorney's fees, incurred by VPC to collect such payments. VPC may suspend or terminate shipments for Products following any non-payment or delinquency in payment continuing for more than ten (10) days after LMT's receipt of a written notice of delinquency from VPC. LMT shall timely pay VPC all amounts due regardless of whether LMT receives payment from its Customers.

8.2 **Issuance of Invoices.**

8.2.1 **For NRE.** NRE charges which are not identified and included in the Quote and Purchase Order shall be discussed with and approved by LMT before they are incurred by VPC. VPC shall issue invoices for such NRE charges for Products other than Licensed Production Components monthly as such charges are incurred. NRE charges for Licensed Production Components shall be included in Licensed Production Components Costs.

8.2.2 **For Molds.** VPC shall issue an invoice for 50% of the Molds charges upon acceptance of LMT's Purchase Order. VPC shall issue an invoice for the remaining 50% of the Molds charges upon completion by VPC of the Molds.

8.2.3 **For Components, Samples, Other.** VPC shall issue an invoice for Components, samples, prototypes, and other Non-Production Products other than Molds upon shipment of such Components or Non-Production Products.

8.2.4 **For True-Up Payments.** VPC shall issue an invoice to LMT for True-Up payments as described in Section 7.4.4.2(b) and (c) at the same time that VPC issues its quarterly reconciliation for the True-Up pursuant to Section 7.4.

8.2.4 **Payment Terms.** Invoices issued by VPC pursuant to this Section 8.2 shall be paid by LMT net forty-five (45) days after date of invoice.

8.3 **Special Payment Terms Applicable to Molds**.

8.3.1 **Mold Pricing.** Absent a prior written agreement in which VPC accepts the risk of creating a Mold, LMT shall pay VPC to attempt to create Molds, understanding that there is no guarantee that any particular Mold can be made that will meet Specifications or allow production of Licensed Components. The price for each Mold shall be as specified by VPC in its Quote. If VPC accepts a Purchase Order, and subsequently determines after exercising good faith efforts that the creation of a Mold or the subsequent production of Licensed Components using such Mold is not technically or commercially feasible, VPC shall have the right to terminate that portion of the Purchase Order applicable to such Mold and the related Licensed Components. Notwithstanding the foregoing, in every instance VPC shall be paid by LMT for its attempts to create Molds ordered by LMT and for any related NRE. In such event, VPC shall issue an invoice for the remaining 50% of the Molds and any quoted NRE charges that have been incurred upon termination of that portion of the Purchase Order. Alternatively, should VPC determine that the production of a Licensed Component is not technically or commercially feasible, but VPC would be willing to produce a Conventional Component to complete the Purchase Order, VPC shall prepare a revised Quote with adjusted pricing, delivery dates or shipping schedules to reflect such process. If LMT chooses to accept the revised Quote, the Parties shall adopt a corresponding amendment to the applicable Purchase Order.

8.3.2 **Component Pricing for Molds.** If requested by LMT, and at VPC's sole discretion and on such terms as may be agreeable to VPC in its sole discretion, VPC may agree to build the VPC price for a Mold into a per Component price.

9 ACCEPTANCE, SHIPMENTS AND DELIVERY

9.1 **Acceptance.** After completion of a Mold for production of Licensed Components by VPC as requested in a Purchase Order, and before making a production run of Components, VPC shall produce a sample of the Components for approval by LMT (alternatively and as determined by LMT, LMT may designate its Customer to approve such samples). Acceptance of the test sample shall be in writing and based on whether the sample passes an acceptance test procedure or inspection designed to demonstrate compliance with the Specifications. LMT (or if so designated, its Customer) shall accept the sample if it complies with the Specifications, and such acceptance shall constitute acceptance as well of any related Mold. Following such acceptance, VPC will produce the Components requested in the Purchase Order. Alternatively, LMT (or if so designated, its Customer) may reject the sample if it fails to comply with the Specifications, and if so rejected, LMT or its Customer will, within ten (10) days after receipt of the test sample, notify VPC in writing of the defect or deficiency (unless a longer period is agreed upon in writing by VPC). If such notice is given, then VPC will determine whether it is technically and commercially feasible to make the Components requested, and if so, will then produce another test sample for inspection. If a test sample that complies with the Specifications cannot be made by VPC using commercially reasonable efforts, then VPC may cancel the Purchase Order and the Parties shall apply the procedures and LMT shall make the payments set forth in Sections 8.3.1 and 12.3.

9.2 **Inspection of Facility.** Upon reasonable advance notice during normal business hours, LMT may inspect Molds and Components at VPC's facility and conduct additional testing of samples of Components made during the production of the Components, provided that such inspection does not unduly affect VPC's operations, interfere with production, or expose VPC's trade secrets or proprietary technology. LMT shall pay the costs of any such inspection and testing. Employees, contractors and Customers or potential Customers of LMT who enter onto VPC premises must comply with VPC's reasonable safety, security and confidentiality requirements. VPC will maintain proprietary Machines, Licensed Components and related Molds, in an area that is restricted from unauthorized access or viewing. If a defect or a deficiency in the manufacturing process is found, then VPC will make commercially reasonable efforts to correct the defect or deficiency in the manufacturing process going forward. If VPC fails to do so, then LMT may, as its sole remedy, exercise its rights under Section 12.2 below to terminate any affected Purchase Order.

9.3 **Delivery.** All shipments of Products shall be Ex Works VPC's facility of manufacture. As used in this Agreement, the term "**Ex Works**" shall have the meaning set forth in Incoterms 2000. LMT shall obtain at its sole risk and expense any export license or other official authorization that is required for the shipment and export and import of the Products and shall carry out, where applicable, all customs formalities necessary for the export and import of the Products. In the event that VPC has agreed to ship Products directly to LMT's Customer with an invoice from LMT, the invoice to the Customer will include any and all charges incurred by VPC for shipping, shipping insurance, taxes, and any other similar charges to get the Product delivered to the Customer. The VPC invoice to LMT for the Products shipped by LMT will contain identical charges to LMT. Otherwise, LMT shall pay all shipping and transportation charges directly to the carrier. LMT shall not add any mark-up to the price of any Product as to such charges, and as to Licensed Production Components, such charges shall not be included in Licensed Production Components Costs and shall be separately identified on each VPC invoice to LMT. Title to and risk of loss or damage to Products to be shipped to LMT or LMT's Customer shall pass to LMT upon VPC's tender of the Products to the carrier, unless the terms of the relevant purchase order between LMT and the Customer provide that title and risk of loss or damage pass to the Customer upon such tender, in which case title and risk of loss or damage will pass to the Customer upon such tender, and as between VPC and LMT, LMT shall be responsible for any damage sustained by the Products in transit. VPC shall mark, pack, and package the Products in a commercially reasonable manner to permit (a) delivery of the Products to their ultimate destination in safe condition (absent casualty loss during transport and delivery not caused by packing or packaging), (b) compliance with all reasonable packaging requirements of the carrier, and (c) compliance with any special instructions from LMT that were accepted by VPC in each Purchase Order. LMT shall pay VPC for any insurance covering the Products incurred by VPC during shipping. VPC shall use commercially reasonable efforts to deliver the Products on the agreed-upon delivery dates and shall use commercially reasonable efforts to notify LMT of any anticipated delays.

9.4 **Drop Shipments.** Upon request, VPC will arrange for shipments of Products at LMT's cost and risk, as provided in Section 9.3, from VPC's facility of manufacture directly to LMT's Customers on behalf of LMT utilizing LMT's invoice and packing list documents.

9.5 **Compliance with Law.** LMT shall comply with all applicable law, including without limitation the export control laws and regulations of the U.S. and prevailing regulations which may be issued from time to time by the U.S. Department of Commerce and Office of Munitions Control, U.S. Department of State, and any export/import control regulations of the U.S. and those countries involved in transactions concerning the exporting, importing and re-exporting of Products purchased under this Agreement.

10 CHANGES TO PURCHASE ORDERS

10.1 **General.** LMT may upon sufficient written notice to VPC request changes within the general scope of this Agreement to any Purchase Order. Such changes may include, but are not limited to changes in (1) Specifications, (2) methods of packaging and shipment, (3) quantities of Products to be furnished, or (4) delivery dates or shipping schedules. LMT will prepare an Engineering Change Order ("**ECO**") with respect to any changes it proposes. Such changes will not be binding on VPC unless accepted by VPC in writing, and such changes may also be subject to additional charges related to such changes. VPC shall notify LMT in writing if the ECO will result in any change in prices and/or delivery dates or shipping schedules.

11 WARRANTY

11.1 **Limited Warranty as to Components.** VPC represents and warrants to LMT and only to LMT (and not to LMT's Customers) that (i) the Conventional Components will be free from defects and (ii) the Licensed Production Components will be free from defects resulting from clear and obvious operator errors, such as using an alloy different from the specified alloy, use of the wrong Mold, or another equally clear and obvious operator error. These warranties shall extend for twelve (12) months from the date of shipment of such Components (the "**Warranty Period**"). VPC's sole obligation under this warranty, and LMT's sole remedy, is limited to the repair or replacement of defective Components furnished to LMT in accordance with Section 11.3, or, at VPC's option, return of the payments made to VPC by LMT for such Components. Absent a further written agreement of the Parties, no warranty is provided with respect to Non-Production Products, and all Non-Production Products are provided "AS IS" and with all faults.

11.2 **DISCLAIMER OF WARRANTIES.** OTHER THAN THE LIMITED WARRANTIES SET FORTH IN SECTION 11.1, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, VPC PROVIDES THE PRODUCTS AND ANY SERVICES PROVIDED HEREUNDER "AS IS" AND WITH ALL FAULTS, AND VPC HEREBY DISCLAIMS ANY AND ALL WARRANTIES AND CONDITIONS, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING WITHOUT LIMITATION ANY WARRANTIES, DUTIES OR CONDITIONS OF OR RELATED TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, COMPLIANCE WITH RESTRICTIONS ON THE USE OF CERTAIN HAZARDOUS MATERIALS (OR SIMILAR LAWS), RESULTS, WORKMANLIKE EFFORT, AND LACK OF NEGLIGENCE. OTHER THAN THE LIMITED WARRANTIES SET FORTH IN SECTION 11.1, THE ENTIRE RISK AS TO THE QUALITY, OR ARISING OUT OF THE USE OR PERFORMANCE, OF THE PRODUCTS AND ANY SERVICES REMAINS WITH LMT. Any and all warranties provided to LMT's Customers shall be provided solely by LMT.

11.3 **Return Process for Breach of Authorized Warranties.**

11.3.1 **Conventional Components.** After giving written or oral notice to VPC within the Warranty Period, LMT shall have the right to return to VPC (with a valid return materials authorization number as provided by VPC) Conventional Components not conforming to the warranty set forth in Section 11.1 and VPC shall either repair or replace such Conventional Components or refund LMT's payments for such Conventional Components. VPC shall repair or replace and ship repaired or replacement Conventional Components in a commercially reasonable time, or make such refund within thirty (30) days of receipt of the defective Conventional Component at VPC's designated facility. VPC shall bear the cost of complying with the warranty set forth in Section 11.1 for Conventional Components,, including the expense and risk of returning nonconforming Conventional Components to VPC's designated facility and of shipping repaired or replacement Conventional Components to LMT's designated facility.

11.3.2 **Licensed Production Components**. After giving written or oral notice to VPC within the warranty period offered to the Customer for Licensed Production Components, as described in the Purchase Order, LMT shall have the right to return to VPC (with a valid return materials authorization number as provided by VPC) Licensed Production Components not conforming to the warranty offered to the Customer for Licensed Production Components, as described in the Purchase Order, and VPC shall either repair or replace such Licensed Production Components or refund LMT's payments for such Licensed Production Components. VPC shall repair or replace and ship repaired or replacement Licensed Production Components in a commercially reasonable time, or make such refund within thirty (30) days of receipt of the defective Licensed Production Components at VPC's designated facility. VPC shall bear the cost of complying with both (a) the LMT warranty offered to the Customer for Licensed Production Components, as described in the Purchase Order, and (b) the VPC warranty for Licensed Production Components, including the expense and risk of returning nonconforming Licensed Production Components to VPC's designated facility and of shipping repaired or replacement Conventional Components to LMT's designated facility, subject to the provisions of Section 11.6.

11.4 **Return Process for LMT Warranties as to Conventional Products.** If LMT provides a greater warranty to LMT's Customers for Conventional Components than was given to LMT by VPC, then LMT and VPC shall agree in advance as to the circumstances under which VPC will handle such warranty claims, and the payment to VPC for such services. If VPC agrees to repair or replace Conventional Components to meet LMT's warranty, then all returns shall state the specific reason for such return, and shall be processed in accordance with the return policies and processes agreed to in writing by VPC and LMT. LMT shall bear the expense and risk of returning such Components to VPC's designated facility and of shipping repaired or replacement and shall pay VPC for such warranty service at prices to which the Parties have agreed.

11.5 **Return Process for Out-of-Warranty Components.** Absent further agreement of the Parties, VPC shall have no obligation to repair or replace, or provide a refund for out-of warranty Components. Any future agreement reached by the Parties shall be subject to the approval of VPC in its sole discretion.

11.6 **Warranty Costs For Licensed Production Components.** Notwithstanding any other provision in the Agreement, the costs associated with all warranty claims arising out of the sale of Licensed Production Components, whether arising from a VPC warranty as set forth in this Agreement or an LMT warranty as described in the Purchase Order for such Licensed Production Components, shall be paid in the first instance by VPC. To provide funds for such costs, VPC shall include in all of its pricing to LMT for Licensed Production Components a charge equal to five percent (5%) (the **"Warranty Charge"**) VPC shall establish and maintain a bookkeeping account for a warranty reserve (the **"Warranty Reserve"**) for tracking the costs of resolving warranty claims arising out of the sale of Licensed Production Components (the **"Warranty Claims"**). VPC shall credit the Warranty Reserve in the amount of the Warranty Charges received from LMT and shall debit against the Warranty Reserve the costs incurred by VPC in resolving Warranty Claims and the estimated cost of any pending Warranty Claims. All Warranty Charges received by VPC shall be tracked separately for accounting purposes; however, the cash received by VPC may be commingled with other funds of VPC and used by VPC in any manner whatsoever. LMT shall have no interest in the Warranty Charges once they have been paid to VPC and shall have no interest in the Warranty Reserve. At such time as the Warranty Reserve equals or exceeds Five Hundred Thousand Dollars ($500,000), after crediting the costs incurred in resolving all prior Warranty Claims and the estimated cost of pending Warranty Claims, the Parties shall jointly determine, based on the warranty cost experience related to Licensed Production Components and anticipated sales of Licensed Production Components, whether to maintain, increase, or reduce the five percent (5%) Warranty Charge and whether to maintain, reduce, or increase the Warranty Reserve. If the Parties agree to reduce the Warranty Reserve, VPC shall pay LMT an amount equal to two-thirds (66 2/3%) of the reduction. If at any time the Warranty Reserve is insufficient to pay any incurred but uncredited costs of resolving Warranty Claims plus the estimated cost of pending Warranty Claims, the Parties shall promptly pay VPC, on a one-third (1/3) VPC, two-thirds (2/3) LMT basis, which payments shall be credited to the Warranty Reserve, a sum necessary to meet such claims, and VPC may then increase (or decrease) future Warranty Charges until VPC has once again collected Five Hundred Thousand Dollars ($500,000) as a Warranty Reserve (or such higher or lower amount as the Parties have determined is necessary based on Warranty Claim experience and anticipated demand for Licensed Production Components).

12 TERMINATION OF PURCHASE ORDERS

12.1 **Termination of a Purchase Order.** Subject to Section 12.3, either Party may terminate a Purchase Order hereunder for default if the other Party materially breaches this Agreement as to such Purchase Order; provided, however, no termination right as to any Purchase Order shall accrue until thirty (30) days after the defaulting Party is notified in writing of the material breach and has failed to cure or give adequate assurances of performance within the thirty (30) day period after notice of a material breach.

12.2 **Termination of a Purchase Order for Convenience.** Subject to Section 12.3, LMT may terminate any Purchase Order hereunder for any reason upon thirty (30) days' prior written notice before scheduled shipment.

12.3 **Consequences of Termination of a Purchase Order.** In the event a Purchase Order hereunder is terminated for any reason other than a breach by VPC, LMT shall reimburse VPC for the cost of any existing raw material inventory that is then held by VPC or that VPC has committed to purchase in order to fulfill such Purchase Order, at the purchase price (including delivery charges, taxes, or any other charges) paid or payable by VPC to its suppliers less a reasonable salvage value as determined by VPC in its reasonable discretion. LMT shall also reimburse VPC for any quoted NRE charges incurred by VPC, provided, however, that the aggregate amount to be paid by LMT for such NRE charges shall not exceed the agreed upon amount set forth in VPC's Quote. LMT also will pay VPC for all completed and partially completed Products (including Molds), with such payment as to partially completed Products to be calculated pro rata based on the prices set forth in the applicable Purchase Orders and on the percentage of each Product that has been completed. In making the payments referenced in this Section 12.3, VPC shall credit LMT for any prepayments made pursuant to Section 8.3.1 against the corresponding payment for Molds to be made hereunder. The payments required from LMT pursuant to this Section 12.3 shall be made net thirty (30) days after date of invoice. Notwithstanding the foregoing, as to Licensed Production Components, the raw materials and other costs incurred by VPC for a Purchase Order that has been terminated shall be included in Licensed Production Components Costs.

13 MACHINERY AND PRODUCTION CAPACITY FOR LICENSED PRODUCTION COMPONENTS

13.1 **Machines and Raw Materials.** The manufacturing process for Licensed Production Components requires (i) Machines which utilize LMT Technology, and (ii) raw materials which incorporate LMT Technology and are of a type, quality and grade specified by LMT and/or its Customer which are capable of use in the Machines for production runs (the **"Raw Materials"**). Except as specifically set forth herein, VPC shall purchase such Machines and Raw Materials solely from vendors appearing on LMT's AVL. LMT shall use commercially reasonable efforts to ensure that there are sufficient vendors on the AVL capable of supplying VPC's needs for such Machines and Raw Materials at commercially reasonable prices and upon commercially reasonable delivery schedules. In the event VPC is unable to obtain its requirements for Machines or Raw Materials from a vendor on the AVL for any reason, including without limitation due to a lack of commercially reasonable prices and delivery schedules, VPC shall be entitled to purchase such Machines or Raw Materials from an alternate vendor that, to the extent required, shall be properly licensed by LMT and subject to LMT's prior written approval, which approval shall not be unreasonably withheld, delayed or conditioned. Similarly, but without regard to VPC's ability to obtain its requirements for Machines or Raw Materials from vendors then on the AVL, if VPC specifically designates to LMT one or more additional vendors that VPC wishes to engage to supply VPC's manufacturing needs, then LMT shall undertake commercially reasonable efforts, which efforts shall include without limitation any and all such actions (including amendment or termination) as may be required and are available to LMT under all agreements, contracts or other arrangements to which LMT is a party as of the Effective Date or at any time thereafter, to license such additional vendor(s) so designated by VPC on terms that are commercially reasonable and non-discriminatory as to such vendor(s).. LMT agrees that it will not enter into any contract or other agreement that will preclude LMT from licensing vendors so designated by VPC.

13.2 **Adding Production Capacity for Licensed Production Components.**

13.2.1 **LMT's Determination of Need for Additional Machines.** Each of the Parties shall appoint a program manager and shall notify the other of such appointment. The Parties' program managers shall meet, from time to time, as requested by either Party, either in person or by telephone, to discuss LMT's anticipated requirements for Products generally and Licensed Production Components and whether VPC has sufficient Machines in operation to meet such requirements. Not later than the first business day of each calendar month, LMT shall deliver to VPC an eighteen (18) month rolling forecast of LMT's anticipated requirements for Licensed Production Components. Such forecast shall be provided in writing and in good faith but shall be solely for the Parties' planning purposes and shall be non-binding upon the Parties. In each monthly forecast, LMT shall also specify the number of Machines, if any, that LMT anticipates need to be purchased by VPC and the schedule for such purchases to meet LMT's anticipated demand (**"LMT Machine Notice"**). Each Machine so designated by LMT in the LMT Machine Notice shall be a **"LMT Designated Machine"**. Upon receipt of such notice, VPC shall make commercially reasonable efforts to purchase such LMT Designated Machines on the schedule set forth in the LMT Machine Notice and to make such LMT Designated Machines available to manufacture Licensed Production Components. In addition, VPC may choose to further anticipate LMT's production needs and purchase more than the number of Machines identified in the LMT Machine Notices or purchase such Machines earlier than the schedule proposed by LMT, and if VPC does so, then the Machines purchased by VPC over and above the number of Machines specified in the LMT Machine Notices or in advance of an LMT Machine Notice shall nevertheless be included within the meaning of LMT Designated Machines, but only if and when subsequent LMT Machine Notices are given which specify the need and timing for such additional Machines or, in the case of Machines purchased by VPC in advance of the date specified in an LMT Machine Notice, upon the dates set forth in the LMT Machine Notice as the time for VPC to purchase such additional Machines.

13.2.2 **The Existing Engel Machine.** VPC has previously purchased a machine from Engel Machinery Inc. ("**Engel**") (which is not yet capable of production runs) which VPC anticipates using for Products other than Licensed Production Components. If and when the Engel machine previously purchased by VPC is capable of production runs, and is actually used for a production run of Licensed Production Components, then the Parties shall include a reasonable share of the costs of such machine based on the level of use of such Machine in the Licensed Production Components Costs in accordance with Section 7.1.3.

13.2.3 **Timing of Machine Purchases.** The timing and number of LMT Designated Machines to be purchased by VPC shall be determined in accordance with Section 13.2.1. Nothing herein shall preclude VPC from buying additional Machines to meet orders from LMT or any current or future licensee or sublicensee of the LMT Technology (whether the license or sublicense held by such party was granted directly by LMT or Crucible or indirectly through a party or parties who are a licensee or sublicensee of LMT or Crucible). LMT, as licensor of the LMT Technology, shall take commercially reasonable efforts to facilitate all such purchases and shall not act in any way to restrict or otherwise prohibit or discourage Buhler Prince, Inc. or Engel or any other approved vendor from selling Machines or Raw Materials to VPC, provided that nothing herein shall prevent LMT from exercising a right of termination under the terms of LMT's license agreements with any such vendor that fails to comply with the terms of its license agreement with LMT.

14 NO MANUFACTURING BY LMT

14.1 **No Manufacturing by LMT.** LMT shall utilize VPC as its exclusive manufacturer for all Customer Orders received by LMT and shall obtain all Products needed to fill such Customer Orders from VPC. Neither LMT nor any of its affiliates or subsidiaries shall under any circumstances, directly or indirectly, conduct manufacturing operations, sub-contract for the manufacture of Products, nor will LMT grant a license to any other party to conduct manufacturing operations utilizing the LMT Technology, except under the limited circumstances where (i) LMT has granted such party (the "**Technology Licensee")** a license to use the LMT Technology for the manufacturing, marketing, sale and support of products for use within a limited and well defined market that has reference to a particular industry (such as the license within the consumer electronics industry previously granted to Apple), and (ii) the manufacturing license may be exercised only for the benefit of the Technology Licensee, such that the Technology Licensee is permitted to manufacture or have manufactured products within the designated industry, which products must be marketed and sold by the Technology Licensee directly or through its regular distribution channels. For clarity, under no circumstances may LMT grant a license that permits the licensee to act as a contract manufacturer for third parties. The Parties acknowledge that LMT may itself conduct limited manufacturing operations on a research and development basis for the purpose of designing and developing Machines, Molds and Licensed Components, but in no event may LMT provide molds or components manufactured by LMT to customers or potential customers. Notwithstanding the foregoing sentence, LMT may manufacture samples using its existing cg casting and other laboratory grade non-production machines with the prior written consent of VPC.

14.2 **Use of Third Party Manufacturers by VPC.** VPC shall have the right to sub-contract with other manufacturers for the production of Products for LMT, and to grant such sub-manufacturers a sublicense for the LMT Technology. VPC's cost of obtaining Licensed Production Components from sub-manufacturers shall be included in Licensed Production Components Costs. To the extent, if any, that VPC decides that it will use a sub-manufacturer in another country, VPC will review and discuss such a decision with LMT; however, VPC shall have the final decision as to where and how to do manufacturing.

14.3 **Manufacturing Rights.** Nothing herein shall preclude VPC from using the LMT Technology to manufacture products for other current and future licensees or sublicensees of the LMT Technology (whether such license or sublicense was granted directly by LMT or Crucible or indirectly through a party or parties who are a licensee or sublicensee of LMT or Crucible) or for the Furniture Row Companies. LMT shall not act in any way to restrict or otherwise prohibit or discourage any current or future licensees or sublicensees of the LMT Technology (whether such license or sublicense was granted directly by LMT or Crucible or indirectly through a party or parties who are a licensee or sublicensee of LMT or Crucible) from purchasing Products from VPC.

15 LIMITATIONS OF LIABILITY

15.1 **Disclaimer of Incidental and Consequential Damages.** VPC SHALL NOT BE LIABLE UNDER ANY CIRCUMSTANCES TO LMT, ITS CUSTOMERS, OR ANYONE ELSE FOR ANY AMOUNTS REPRESENTING THEIR RESPECTIVE LOSS OF PROFITS, LOSS OF BUSINESS, LOSS OF USE, INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL OR PUNITIVE DAMAGES (EVEN IF PREVIOUSLY APPRISED OF THE POSSIBILITY THEREOF) ARISING FROM THE PERFORMANCE OR NONPERFORMANCE OF THIS AGREEMENT OR ANY ACTS OR OMISSIONS ASSOCIATED THEREWITH OR RELATED TO ANY PRODUCT OR THE USE OF ANY PRODUCT FURNISHED HEREUNDER, WHETHER THE BASIS OF THE CLAIM IS BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), STATUTES, OR ANY OTHER LEGAL THEORY. LMT SHALL INCLUDE THE SAME DISCLAIMER ON BEHALF OF LMT AND ITS SUPPLIERS ON ALL SALES OF PRODUCTS TO ITS CUSTOMERS.

15.2 **Liability Cap.** VPC'S MAXIMUM CUMULATIVE LIABILITY TO LMT, ITS CUSTOMERS, OR ANYONE ELSE FOR A CLAIM ARISING FROM THE PERFORMANCE OR NONPERFORMANCE OF THIS AGREEMENT OR ANY ACTS OR OMISSIONS ASSOCIATED THEREWITH OR RELATED TO ANY PRODUCT OR THE USE OF ANY PRODUCT FURNISHED HEREUNDER, WHETHER THE BASIS OF THE CLAIM IS BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), STATUTES, OR ANY OTHER LEGAL THEORY SHALL NOT EXCEED AN AMOUNT EQUAL TO THE CUMULATIVE AMOUNTS PAID OR PAYABLE TO VPC UNDER THE PURCHASE ORDER FROM WHICH THE CLAIM AROSE OR, IF THE CLAIM IS NOT RELATED TO A SPECIFIC PURCHASE ORDER, $100,000.

16 FORCE MAJEURE

16.1 **Force Majeure Event.** For purposes of this Agreement, a "**Force Majeure Event**" shall mean the occurrence of unforeseen circumstances (not to include failure to pay) beyond a Party's control and without such Party's negligence or intentional misconduct, including without limitation any act by any governmental authority, act of war, natural disaster, strike, boycott, embargo, shortage, riot, lockout, labor dispute, failure of a supplier to deliver (including without limitation failure of a supplier to provide parts or repair services for a Machine or raw materials) and civil commotion.

16.2 **Notice of Force Majeure Event.** Neither Party shall be responsible for any failure to perform due to a Force Majeure Event, provided that such Party gives notice to the other Party of the Force Majeure Event as soon as reasonably practicable specifying the nature and particulars and the expected duration thereof.

16.3 **Termination of Force Majeure Event.** The Party claiming a Force Majeure Event shall use commercially reasonable efforts to mitigate the effect of any such Force Majeure Event and to cooperate to develop and implement a plan of remedial and reasonable alternative measures to remove the Force Majeure Event. Upon the cessation of the Force Majeure Event, the Party affected thereby shall immediately notify the other Party of such fact, and use commercially reasonable efforts to resume normal performance of its obligations under this Agreement as soon as possible.

17 INTELLECTUAL PROPERTY

17.1 **Inventions and Improvements.** Except as specifically set forth in this Section 17.1, each of the Parties shall retain all rights to all Intellectual Property and all Intellectual Property Rights that such Party owns or has licensed from a third party (including without limitation pursuant to sub-licenses), or that such Party otherwise has a right to use, both as of the Effective Date or at any time thereafter, including without limitation any and all Intellectual Property and Intellectual Property Rights that, as between the Parties, are developed exclusively by or on behalf of such Party either before or on or after the Effective Date. In the case of LMT, all such Intellectual Property and Intellectual Property Rights shall be included within the term **"LMT Technology"** and shall be licensed to VPC under the Sublicense. Notwithstanding anything herein to the contrary, but subject to the last two sentences of this Section 17.1, any Intellectual Property or Intellectual Property Rights that are developed jointly by the Parties after the Effective Date shall be jointly owned by the Parties and shall automatically and without further action by the Parties, be included in the LMT Technology licensed to Licensee pursuant to the Sublicense. Each Party shall cooperate and cause its employees and contractors to cooperate in the preparation and prosecution of patent applications relating to any such jointly developed Intellectual Property or Intellectual Property Rights. Notwithstanding the foregoing, in order to avoid any confusion, misunderstanding or dispute, and to provide certainty as to which developments, if any, LMT will have joint ownership with VPC, LMT shall have no right to joint ownership, and will make no claim of joint ownership of any Intellectual Property or Intellectual Property Rights developed by or on behalf of VPC or jointly with VPC unless prior to the development of such rights, LMT and VPC have executed a joint development agreement which (a) specifically identifies the joint development project, (b) specifies LMT's anticipated contribution to such joint development project, and (c) specifically states that LMT will have joint ownership rights with VPC to the Intellectual Property and Intellectual Property Rights that result from such project. To the extent, if any, that LMT contributes to the development of Intellectual Property or Intellectual Property Rights under the circumstances described in the foregoing sentence without an executed development agreement which meets conditions (a) through (c) in the foregoing sentence, then such jointly developed Intellectual Property and Intellectual Property Rights and LMT's contribution to such joint development (but not any Intellectual Property or Intellectual Property Rights owned by LMT prior to such development) shall be owned exclusively by VPC, regardless of inventorship, and LMT hereby assigns to VPC, and will cause its employees, contractors, representatives, officers and directors to assign to VPC all right, title and interest in and to LMT's contribution to such Intellectual Property and Intellectual Property Rights. Nothing in this Section 17.1 shall preclude LMT from asserting a claim that any Intellectual Property or Intellectual Property Rights were developed exclusively by LMT or licensed by LMT from others.

17.2 **Ownership of Molds.** The Parties understand and agree that VPC will hold all right, title, and interest in and to all Molds created by VPC, and VPC shall retain possession of the Molds. To the extent that a Customer of LMT reasonably believes that a Mold created by VPC contains or reflects proprietary information belonging to such Customer, LMT shall notify VPC of such fact in writing and thereafter, VPC will store the Mold in a secure manner and protected from any access by any third party not bound by obligations of confidentiality that protect the Customer's proprietary information contained or reflected in such Mold. If VPC, in its sole discretion, agrees to sell a Mold to LMT or its Customer, such sale shall be pursuant to a written purchase agreement and non-disclosure agreement reasonably satisfactory to VPC which will preclude the purchasing party from duplicating the Mold.

18 CONFIDENTIALITY AND NON-SOLICITATION OF EMPLOYEES

18.2 **Confidentiality.** The disclosure and use of all confidential information pursuant to this Agreement, including without limitation the terms of this Agreement, shall be subject to the terms of the Parties' Mutual Non-Disclosure Agreement to be executed concurrently herewith, the terms of which are incorporated by reference herein (the "**Confidentiality Agreement**"). VPC agrees and acknowledges that LMT, its Customers, and other third parties will at all times continue to own all of their respective Intellectual Property, and all rights with respect thereto, incorporated into any Molds ("**Incorporated IP**") and that any unpatented Incorporated IP shall be deemed "Confidential Information" under the Confidentiality Agreement. LMT acknowledges and agrees that VPC will at all times own and continue to own VPC's Intellectual Property, and all rights with respect thereto, incorporated into any Molds or the production of Components ("**VPC Incorporated IP**") and that any unpatented VPC Incorporated IP shall be deemed "Confidential Information" under the Confidentiality Agreement.

18.3 **Non-Solicitation of Employees.** So long as this Agreement remains in effect and for a period of two (2) years thereafter, neither Party nor its affiliates or subsidiaries shall directly or indirectly solicit, recruit or hire (either as an employee or as a contractor), or attempt to solicit, recruit or hire (either as an employee or as a contractor) any of the other Party's employees or contractors, or any person who was employed or engaged as an employee or contractor by the other Party at any time within the preceding one year period (such persons being hereinafter referred to as an "**Agent"**); provided, however, that this shall not prohibit a Party from advertising for open positions provided that such advertisements are not targeted solely at the Agents of the other Party. Further, so long as this Agreement remains in effect, neither Party nor its affiliates or subsidiaries shall directly or indirectly, for its own benefit or for the benefit of a third party, induce or attempt to induce any Agent of the other Party to leave such Agent's position with the other Party, or in any other way attempt to interfere with the employment, consulting or business relationship between the other Party and any Agent of such other Party.

19 INDEMNIFICATION

19.2 **Indemnification.** LMT shall defend, indemnify and hold VPC and its directors, officers, affiliates, employees, agents, successors and assigns (each, an "I**ndemnified Party**") harmless from and against any and all liability, loss, expense (including without limitation reasonable attorney's fees), or claims for injury or damages (i) incurred by an Indemnified Party as a result of (A) any inaccuracy in or breach of the representations warranties or covenants made by LMT in this Agreement, or (B) any act or omission by any of LMT, or its directors, officers or employees that violates any law or constitutes tortious acts or omissions; or (ii) incurred by any Indemnified Party or asserted against any Indemnified Party by any third party arising out of, in connection with, or as a result of (A) the execution or delivery of this Agreement (other than a claim based on an allegation that, if true, would result in a breach of Section 20.1 by VPC), the performance by the Parties hereto or thereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby, (B) VPC's sale and delivery of Products pursuant to this Agreement, including without limitation (1) VPC's use of any Specifications or other materials provided by LMT pursuant to this Agreement, (2) any act or omission by any of LMT, or its directors, officers or employees in the marketing or sale of Products to Customers, and (3) any claim that the LMT Technology or the use of the LMT Technology, or any Specifications or other materials provided by LMT pursuant to this Agreement, or any Product manufactured by VPC pursuant to this Agreement infringes upon or otherwise violates any rights, including, without limitation, any Intellectual Property Rights, of any third party. Notwithstanding the foregoing, nothing in this Section 19.1 shall relieve VPC of its obligations under Section 11.

19.3 **Notice of Claims.** If any party is entitled to indemnification under Section 19.1, VPC will give prompt written notice to LMT of any matters giving rise to a claim for indemnification; provided that the failure to provide such notice shall not relieve LMT of its obligations under this Section 19 except to the extent that LMT is actually prejudiced by such failure to give notice.

19.4 **Procedures for Indemnification.** In case any action, proceeding or claim is brought against an Indemnified Party in respect of which indemnification is sought hereunder, LMT shall be entitled to participate and, unless in the reasonable judgment of legal counsel to the Indemnified Party a conflict of interest between it and LMT may exist with respect of such action, proceeding or claim, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Party. In the event that LMT fails, within thirty (30) days of receipt of any indemnification notice, to notify, in writing, such person of its election to defend, settle or compromise, at its sole cost and expense, any action, proceeding or claim (or discontinues its defense at any time after it commences such defense), then the Indemnified Party may, at its option, defend, settle or otherwise compromise or pay such action or claim. In any event, unless and until LMT elects in writing to assume and does so assume the defense of any such claims, proceeding or action, the Indemnified Party's costs and expenses arising out of the defense, settlement or compromise of any such action, claim or proceeding shall be losses subject to indemnification hereunder. The Indemnified Party shall cooperate fully with LMT in connection with any negotiation or defense of any such action, claim or proceeding by LMT and shall furnish to LMT all information reasonably available to the Indemnified Party which relates to such action, claim or proceeding. LMT shall keep the Indemnified Party fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. If LMT elects to defend any such action or claim, then the Indemnified Party shall be entitled to participate in such defense using counsel of its choice at its sole cost and expense. LMT shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent. Notwithstanding anything in this Section 19 to the contrary, LMT shall not, without the Indemnified Party's prior written consent, settle or compromise any claim or consent to entry of any judgment in respect thereof which imposes any future obligation on the Indemnified Party or which does not include, as an unconditional term thereof, the giving by the claimant or the plaintiff to the Indemnified Party of a release from all liability in respect of such claim.

19.5 **Indemnification Payments.** The indemnification required by this Section 19 shall be made by periodic payments of the amount thereof during the course of investigation or defense, as and when bills are received or expenses, loss, damage or liability is incurred, so long as the Indemnified Party irrevocably agrees to refund such moneys if it is ultimately determined by a court of competent jurisdiction that such party was not entitled to indemnification. The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar rights of the Indemnified Party against LMT or others, and (ii) any liabilities LMT may be subject to pursuant to the law.

19.6 **Indemnity Concerning Other Licenses.** LMT has previously granted licenses to third parties as to certain product areas. Without in any way limiting the indemnities set forth above, LMT agrees to defend, indemnify and hold the Indemnified Parties (as such term is defined in Section 19.1) harmless from and against any and all liability, loss, expense (including without limitation reasonable attorney's fees), or claims for injury or damages, by any such third party licensees arising out of the manufacture by VPC of Products. If requested by VPC, LMT will obtain a waiver from its third party licensees authorizing production of Products in a Purchase Order which LMT has asked VPC to produce. VPC shall have no obligation to request such a waiver.

20 MISCELLANEOUS

20.2 **No Violation of Other Agreements.** LMT and VPC hereby confirm, each severally with respect to itself, that the execution, delivery and performance of this Agreement do not violate any other agreement to which such Party is a party or under which such Party is otherwise bound.

20.3 **Insurance.** During the term of this Agreement and for a period of two (2) years thereafter, LMT shall carry (a) primary products liability insurance providing coverage against any and all claims relating to the manufacture of Products with terms and conditions satisfactory to VPC for limits of not less than Eleven Million Dollars ($11,000,000), and (b) general liability insurance with terms and conditions satisfactory to VPC for limits of not less than Eleven Million Dollars ($11,000,000). Upon execution of this Agreement, LMT will provide VPC a certificate of existing insurance and a copy of the endorsement on its insurance policy showing the coverage and naming VPC as an additional insured. All such policies of insurance shall be underwritten by insurance carriers of international reputation reasonably acceptable to VPC. LMT shall notify VPC promptly upon any change, reduction or termination of any insurance coverage carried by LMT. Over time, VPC may require LMT to increase its insurance limits if commercially reasonable.

20.4 **Notices.** All notices from one Party to the other required or permitted under this Agreement shall be in writing, shall refer specifically to this Agreement, and shall be delivered in person, or sent by electronic or facsimile transmission for which a confirmation of delivery is obtained, or sent by registered mail or express courier services providing evidence of delivery, in each case to the recipient Party's respective address set forth on the signature page hereof (or to such updated address as may be specified in writing to the other Party from time to time). Such notices will be deemed effective as of the date so delivered or on the third business day following mailing if sent by registered mail.

20.5 **Assignment.** Neither LMT nor VPC shall assign, transfer, subcontract or otherwise delegate any of its obligations under this Agreement without the other Party's prior written consent in each instance other than as a part of any merger, consolidation, or other statutory business combination or as a part of the sale of all or substantially all of its assets, except that VPC may assign this Agreement to Furniture Row, LLC, Furniture Row BC, Inc, or any other of the Furniture Row Companies, so long as VPC guarantees the performance by such assignee of VPC's obligations hereunder. Any attempted assignment, transfer, subcontracting or other delegation without such consent shall be void and shall constitute a breach of this Agreement. Subject to the foregoing, this Agreement shall inure to the benefit of the Parties' successors and assigns.

20.6 **Injunctive Relief.** Each of the Parties acknowledges that any breach of this Agreement by it may cause irreparable harm to the other Party or its affiliates and that the remedies for breach may include injunctive relief against such breach or specific performance to enforce the applicable obligation, in addition to damages and other available remedies.

20.7 **Entire Agreement.** This Agreement, including the MTA, the Sublicense and the Confidentiality Agreement referenced herein, constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes and cancels all other prior agreements and understandings of the Parties in connection with subject matter. The headings or titles in this Agreement are for purposes of reference only and shall not in any way affect the interpretation or construction of this Agreement.

20.8 **Waiver and Amendment.** No waiver of any of the provisions of this Agreement shall be valid unless in a written document, signed by the Party against whom such a waiver is sought to be enforced, nor shall failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder. All amendments of this Agreement shall be made in writing and signed by the Parties, and no oral amendments shall be binding on the Parties.

20.9 **Governing Law and Arbitration.** This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. In the event of a dispute between the Parties concerning the subject matter of this Agreement, the Parties shall resolve the dispute using the procedures and binding arbitration specified in Section 7 (g) of the MTA.

20.10 **Severability.** If any provision of this Agreement, or the application thereof, shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as best to reasonably effect the intent of the Parties hereto. The Parties further agree to replace such void or unenforceable provision with a provision which will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

20.11 **Interpretation.** The Parties have each been represented by counsel in the negotiation of this Agreement and have jointly prepared this Agreement with counsels' assistance. In the event of an ambiguity or a question of contract interpretation arises, no provision of this Agreement shall be construed based on any particular Party having drafted the Agreement or such provision. Further, neither the history of negotiations between the Parties, nor the fact that provisions of this Agreement (or portions thereof) have been inserted, deleted or modified in the course of preparing Agreement drafts, shall be used to construe the meaning of any provision.

20.12 **Further Assurances.** Each Party agrees to cooperate fully with the others and to execute such further instruments, documents and agreements and to give such further written assurances, as may be reasonably requested by another Party to better evidence and reflect the transactions described herein and contemplated hereby, and to carry into effect the intents and purposes of this Agreement.

20.13 **Independent Contractors.** Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between the Parties. No Party shall have the power to control the activities and operations of another, and their status is, and at all times will continue to be, that of independent contractors with respect to each other. No Party shall hold itself out as having any authority or relationship in contravention of this Section, and except as specifically called for or permitted herein, no Party shall act on behalf of another Party or enter into any contracts, warranty, or representation as to any other matter on the behalf of another Party.

20.14 **Counterparts**. This Agreement may be executed by facsimile or ".pdf" and in two or more counterparts, each of which will be deemed an original and all of which together will constitute one instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the Effective Date, by their officers, duly authorized.

Liquidmetal Technology, Inc.	Visser Precision Cast, LLC
/s/ Tom Steipp	/s/ Greg Ruegsegger
Tom Steipp	By: Gregory A. Ruegsegger
Title: President/CEO	Title: Vice President
Date: June 1, 2012	Dated: June 1, 2012
Address: 30452 Esperanza Rancho Santa Margarita, CA 92688	Address: 6275 E. 39th Street Denver, CO 80207

ATTACHMENT A
TO
MANUFACTURING SERVICES AGREEMENT

Approved Vendor List

Engel Machinery, Inc. – amorphous alloy injection molding machines

Materion Brush, Inc. – amorphous alloy

AK Engineering Company – engineering design services

Heraeus Holding GmbH – amorphous alloy

Tanaka Holdings Co., Ltd. – amorphous alloy

ATTACHMENT B
TO
MANUFACTURING SERVICES AGREEMENT

Form of Promissory Note

Date:

Borrower: Liquidmetal Technologies, Inc., a Delaware corporation

Borrower's Mailing Address: 30452 Esperanza
Rancho Santa Margarita, CA 92688

Lender: Visser Precision Cast, LLC, a Colorado corporation

Place for Payment: 5603 N. Broadway
Denver, CO 80216

Principal Amount:

Annual Interest Rate: SIX (6%) PERCENT

Maturity Date: Two (2) years after Date

Annual Interest Rate on Matured Unpaid Amounts: Fifteen percent (15%)
Terms of Payment (principal and interest): Interest shall accrue at the Annual Interest Rate starting on the date of this Note. No payments of either principal or interest are required until the Maturity Date. Interest will be calculated on the unpaid principal to the date of full payment.

This Note is payable at the Place for Payment and according to the Terms of Payment. After maturity, Borrower promises to pay any unpaid principal balance plus interest at the Annual Interest Rate on Matured, Unpaid Amounts.

If Borrower defaults in the payment of this Note, then Lender shall provide a written notice of default and provide Borrower with a five (5) day cure period. If Borrower fails to cure the default within this cure period, then Lender may declare the unpaid principal balance, earned interest, and any other amounts owed on the Note immediately due. Borrower and each surety, endorser, and guarantor waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

Borrower also promises to pay reasonable attorney's fees and court and other costs if this Note is placed in the hands of an attorney to collect or enforce the Note. These expenses will bear interest from the date of advance at the Annual Interest Rate or Matured Unpaid Amounts. Borrower will pay Lender these expenses and interest on demand at the Place for Payment. These expenses and interest will become part of the debt evidenced by the Note.

Interest on the debt evidenced by this Note will not exceed the maximum rate or amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the Principal Amount or, if the Principal Amount has been paid, refunded. On any acceleration or prepayment, any excess interest will be canceled automatically as of the acceleration or prepayment or, if the excess interest has already been paid, credited on the Principal Amount or, if the Principal Amount has been paid, refunded. This provision overrides any conflicting provisions in this Note and all other instruments concerning the debt.

This Note may be prepaid in whole or in part at any time without penalty. Any prepayments are to be applied first to the accrued interest then to the principal and interest shall immediately cease on the prepaid principal.

Lender may assign or negotiate this Note provided Lender gives written notice to Borrower of such negotiation or assignment.

Any notice required or permitted under this Note must be in writing. Notice may be given by regular mail, personal delivery, courier delivery, facsimile transmission, or other commercially reasonable means and will be effective when actually received. Any address for notice may be changed by written notice delivered as provided herein.

Copies of any notices to Lender must be sent to:

Visser Precision Cast, LLC
c/o Gregory A. Ruegsegger
5671 N. Broadway
Denver, CO 80216
Facsimile :(303) 566-8099

Copies of any notices to Borrower must be sent to:

Liquidmetal Technologies, Inc.
c/o Tony Chung
30452 Esperanza
Rancho Santa Margarita, CA 92688
Facsimile: (949) 635-2188

When the context requires, singular nouns and pronouns include the plural.

This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. The Parties hereby consent to jurisdiction and venue in the state courts in Adams County Colorado or the Federal District Court in and for the State of Colorado. The Parties irrevocably submit to the exclusive jurisdiction of those courts and agree that final judgment in any action or proceeding brought in such courts will be conclusive and may be enforced in any other jurisdiction upon final and conclusive judgment, a certified copy of which will be conclusive evidence of the judgment or in any other manner provided by law. Each Party irrevocably waives to the fullest extent permitted by applicable law (i) any objection it may have as to the laying of venue in any court referred to above; (ii) any claim that any such action or proceeding has been brought in an inconvenient forum; and (iii) any immunity that it or its assets may have from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process.

This written agreement represents the final agreement between the Parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the Parties. There are no unwritten oral agreements between the Parties concerning this Note.

LIQUIDMETAL TECHNOLOGIES, INC.
a Delaware corporation

By: _____

Its: _____

Exhibit 10.34

LIQUIDMETAL TECHNOLOGIES, INC.

SUBSCRIPTION AGREEMENT

Gentlemen:

1. Subscription.

(a) Subject to the conditions set forth in this Subscription Agreement (this "Agreement") and the Master Transaction Agreement (the "Master Transaction Agreement") dated as of the date hereof between the undersigned and Liquidmetal Technologies, Inc., a Delaware corporation (the "Company"), the undersigned, intending to be legally bound, hereby irrevocably subscribes to purchase from the Company (i) an aggregate of 30,000,000 shares of the common stock, par value $0.001 of the Company ("Common Stock"), at a subscription price of $0.10 per share, (ii) five-year warrants to purchase an additional 15,000,000 shares of Common Stock at a price of $.22 per share (the "Warrants") and (iii) a 6% Senior Secured Convertible Note in the principal amount of up to $2,000,000 (the "Note"). The Warrants shall be issued in the form attached hereto as Exhibit A and the Note shall be issued in the form attached hereto as Exhibit B. (The Common Stock, the Warrants and the Note to be purchased pursuant under this Agreement are collectively referred to herein as the "Securities." This Agreement, the Warrants and the Note to be delivered to the undersigned are collectively referred to herein as the "Transaction Documents.") The Securities are to be purchased on the dates, in the amounts, and subject to the terms and conditions described in this Agreement.

(b) The Common Stock and Warrants shall be issued by the Company and purchased by the undersigned in two closings as follows: (i) on June 1, 2012 (the "First Closing Date"), the undersigned shall purchase 20,000,000 shares of Common Stock for aggregate consideration of $2,000,000 and shall purchase a Warrant to purchase 11,250,000 shares of Common Stock for consideration of $100; and (ii) on June 28, 2012 (the "Second Closing Date"), the undersigned shall purchase 10,000,000 shares of Common Stock for aggregate consideration of $1,000,000 and shall purchase a Warrant to purchase 3,750,000 shares of Common Stock for consideration of $100. (The First Closing Date and Second Closing Date are referred to collectively as the "Closing Dates" and individually as a "Closing Date.") Notwithstanding anything in this Agreement to the contrary, the amount of consideration to be paid by the undersigned in connection with the First Closing Date shall be reduced by the amount of outstanding principal and accrued interest under the four Promissory Notes issued by the Company to the undersigned dated January 17, 2012 in the principal amount of $200,000, February 27, 2012 in the principal amount of $200,000, March 28, 2012 in the principal amount of $350,000 and April 25, 2012 in the principal amount of $300,000 (the "Promissory Notes") and also reduced by the sum of $196,700 which is owed by the Company to the undersigned with respect to currently outstanding invoices and, upon delivery by the Company of the applicable Securities on the First Closing date in accordance with the terms of this Agreement, such Promissory Notes and outstanding invoices shall be cancelled. Notwithstanding anything in this Agreement to the contrary, the undersigned's obligation to purchase the shares of Common Stock and Warrant on the Second Closing Date is conditioned on the termination of the "Apple Security Agreement" and the "Crucible Security Agreement" (as such terms are defined in the Note) and the release of all liens created by the Apple Security Agreement and the Crucible Security Agreement.

(c) The Note shall be issued and delivered on June 1, 2012 and subject to the terms and conditions set forth in the Note, advances under the Note shall be made as follows: (i) an initial advance of up to $1,000,000.00 may be made on September 15, 2012 and (ii) a second advance of up to $1,000,000.00 may be made on November 15, 2012. (Such advance dates are referred to individually as an "Advance Date" and together as the "Advance Dates").

(d) Except as provided in Section 1(b) above, the purchase price for the Common Stock and Warrants that are issued on each Closing Date shall be paid to the Company by wire transfer of immediately available funds in accordance with instructions provided by the Company to the undersigned against delivery by the Company to the undersigned of a stock certificate representing the Common Stock and the related Warrant purchased on such Closing Date, and advances under the Note on each Advance Date shall be paid to the Company by wire transfer of immediately available funds in accordance with instructions provided by the Company to the undersigned.

(e) Except as provided herein, the undersigned may not withdraw this subscription or any amount paid or advanced pursuant thereto. The undersigned understands that its purchase of the Securities is contingent upon the acceptance in writing of this Agreement by the Company.

2. Representations, Warranties and Covenants of the Subscriber. The undersigned hereby represents and warrants to, and agrees with, the Company as follows:

(a) The undersigned is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act").

(b) The undersigned has a fundamental understanding of the Company's business; the undersigned has had access to and has received all materials that have been requested by the undersigned and has had a reasonable opportunity to ask questions of the Company and its representatives; the Company has answered all inquiries that the undersigned or the undersigned's representatives have asked the Company; the undersigned has taken all the steps necessary to evaluate the merits and risks of an investment in the Securities; the undersigned has such knowledge and experience in finance, securities, investments and other business matters so as to be able to protect the interests of the undersigned in connection with this transaction, and the undersigned's investment in the Company is not material when compared to the undersigned's total financial capacity; and the undersigned understands that there are significant risks incident to an investment in the Company as proposed herein, and the undersigned can afford to bear such risks, including, without limitation, the risk of losing the entire investment.

(c) The undersigned understands that the Securities have not been registered under the Securities Act, that the Securities will be issued on the basis of the exemption provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder and under exemptions under certain state securities laws, that this transaction has not been reviewed by, passed on or submitted to any federal or state agency or self-regulatory organization where an exemption is being relied upon, and that the Company's reliance thereon is based in part upon the representations made by the undersigned in this Agreement.

(d) In addition to the Lock-Up Period described in Section 6, the undersigned acknowledges that the undersigned is familiar with the limitations imposed by the Securities Act and the rules and regulations thereunder on the transfer of the Securities. In particular with respect to such rules and regulations, the undersigned agrees that the Company shall not be required to give any effect to a sale, assignment or transfer of the Securities, unless (i) the sale, assignment or transfer of the Securities is registered under the Securities Act, it being understood that the Securities are not currently registered for sale and that the Company's only obligation to register the Securities is as set forth in the Registration Rights Agreement entered into by the Company and the undersigned as of the date hereof, or (ii) such Securities are sold, assigned or transferred in accordance with all the requirements and limitations of Rule 144 under the Securities Act, it being understood that Rule 144 is not available at the present time for the sale of the Securities, or (iii) such sale, assignment or transfer is otherwise exempt from registration under the Securities Act. The undersigned further understands that an opinion of counsel and other documents may be required to transfer the Securities.

(e) (A) The undersigned has made other investments or engaged in other substantial business activities prior to receiving an opportunity to purchase the Securities; (B) the undersigned was not organized for the purpose of acquiring the Securities; (C) the person executing the Transaction Documents on behalf of the undersigned has the full power and authority to execute and comply with the terms of the Transaction Documents on behalf of such entity and to make the representations and warranties made herein on its behalf; (D) the undersigned's principal place of business and principal office are located in the state set forth in its address below; and (E) the investment in the Securities has been affirmatively authorized, if required, by the governing board of the undersigned and is not prohibited by the governing documents of the undersigned.

(f) The undersigned will acquire the Securities for the undersigned's own account for investment and not with a view to the sale or distribution thereof or the granting of any participation therein, and has no present intention of distributing or selling to others any of such interest or granting any participation therein.

(g) Other than with respect to the transactions contemplated hereby, since the time that the undersigned was first contacted by the Company or any other person regarding the transactions contemplated hereby, neither the undersigned nor any affiliate of the undersigned with knowledge of the transactions contemplated hereby has, directly or indirectly, effected or agreed to effect any purchases or sales of the securities of the Company (including, without limitation, any short sales involving the Company's securities).

(h) No person will have, as a result of the transactions contemplated by this Agreement, any valid right, interest or claim against or upon the Company or the undersigned for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of the undersigned.

(i) The undersigned acknowledges that the representations, warranties and agreements made by the undersigned in this Section 2 shall survive the execution and delivery of this Agreement and the purchase of the Securities. The information stated herein is true and complete as of the date hereof and will be true and complete as of each Closing Date. If, prior to any Closing Date, there should be any change in such information or any of such information becomes incorrect or incomplete, the undersigned agrees to notify and supply promptly corrective information to the Company.

3. Representations and Warranties of the Company. The representations and warranties made by the Company in Section 1(b) and 2(b) of the Master Transaction Agreement are hereby incorporated by reference into this Agreement. The Company hereby further represents and warrants to the undersigned that:

(a) Organization and Qualification. The Company and its "Subsidiaries" (which for purposes of this Agreement means any entity in which the Company, directly or indirectly, owns capital stock or holds an equity or similar interest) are corporations or other legal entities duly organized and validly existing in good standing under the laws of the jurisdictions in which they are organized, as set forth in the disclosure schedule attached hereto (the "Disclosure Schedule"), and have the requisite power and authorization to own their properties and to carry on their business as now being conducted. The Company and each Subsidiary is duly qualified as a foreign corporation or other legal entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, as set forth in the Disclosure Schedule, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect. As used in this Agreement, "Material Adverse Effect" means any material adverse effect on the business, properties, assets, operations, results of operations, or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, other than any change resulting from compliance by the Company with the terms of this Agreement or the consummation of the transactions contemplated by this Agreement. The Company has no Subsidiaries except as set forth in the Disclosure Schedule or in the SEC Documents (as defined below).

(b) Authorization; Enforcement; Validity. The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement and to issue the Securities in accordance with the terms hereof and thereof. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby and thereby, including, without limitation, the issuance of the Securities, have been duly authorized by the Company's Board of Directors and no further consent or authorization is required by the Company, its Board of Directors or its stockholders. This Agreement has been duly executed and delivered by the Company, and constitutes the legal, valid and binding obligations of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies, and except that any rights to indemnity or contribution under this Agreement may be limited by federal and state securities laws and public policy considerations.

(c) Issuance of Securities. The Common Stock to be purchased pursuant to this Agreement has been duly authorized and upon issuance thereof against payment therefor on the applicable Closing Date in accordance with this Agreement will be validly issued, fully paid and nonassessable and free from all taxes, liens, charges, rights of first refusal, preemptive rights or other claims with respect to the issue thereof, with the holder being entitled to all rights accorded to a holder of Common Stock. The Warrants have been duly authorized and upon issuance thereof against payment therefor on the applicable Closing Date in accordance with the terms of this Agreement will be validly issued and free from all taxes, liens, charges, rights of first refusal, preemptive rights or other claims with respect to the issue thereof. Assuming the accuracy of each of the representations and warranties of the undersigned contained in Section 2 of this Agreement, the issuance by the Company of the Securities is exempt from the registration requirements of Section 5 of the Securities Act.

(d) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated by the Transaction Documents (including, without limitation, the issuance of the Securities and the receipt of advances under the Note) will not (i) result in a violation of the certificate of incorporation, any certificate of designations, preferences and rights of any outstanding series of preferred stock or the bylaws of the Company or any of its Subsidiaries, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party, except which are the subject of written waivers or consents which have been obtained or effected on or prior to the date hereof or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, except in the case of clauses (ii) and (iii), for such breaches or defaults as could not reasonably be expected to have a Material Adverse Effect.

(e) Consents. Except as disclosed in the Disclosure Schedule or in the SEC Documents, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency or any regulatory or self-regulatory agency or any other Person in order for it to execute, deliver or perform any of its obligations under or contemplated by the Transaction Documents, in each case in accordance with the terms hereof or thereof. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof (other than filings and reports relating to the offer and sale of the Securities required under Regulation D, the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or applicable state securities or “Blue Sky” laws), and the Company and its Subsidiaries are unaware of any facts or circumstances which might prevent the Company from obtaining or effecting any of the registrations, applications or filings pursuant to the preceding sentence.

(f) Acknowledgment Regarding the Subscriber's Purchase of Securities. The Company acknowledges and agrees that the undersigned is acting solely in the capacity of arm's length purchaser with respect to the Transaction Documents and the transactions contemplated hereby and thereby and that, except as set forth in the Disclosure Schedule or in the SEC Documents, the undersigned is not (i) an officer or director of the Company, (ii) an "affiliate" of the Company (as defined in Rule 144) or (iii) to the knowledge of the Company, a "beneficial owner" of more than 10% of the Common Stock (as defined for purposes of Rule 13d-3 of the Exchange Act). The Company further acknowledges that the undersigned is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated hereby and thereby, and any advice given by the undersigned or any of its representatives or agents in connection with the Transaction Documents and the Transactions contemplated hereby and thereby is merely incidental to the undersigned's purchase of the Securities.

(g) No General Solicitation; Placement Agent's Fees. Neither the Company, nor any of its affiliates, nor any Person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Securities. The Company shall be responsible for the payment of any placement agent's fees, financial advisory fees, or brokers' commissions (other than for persons engaged by the undersigned or its investment advisor) relating to or arising out of the transactions contemplated hereby.

(h) No Integrated Offering. None of the Company, its Subsidiaries, any of their affiliates, or any Person acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of any of the Securities under the Securities Act or cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of the Securities Act or any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of any exchange or automated quotation system on which any of the securities of the Company are listed or designated.

(i) Rights Agreement. The Company has not adopted a stockholder rights plan or similar arrangement relating to accumulations of beneficial ownership of Common Stock or a change in control of the Company.

(j) SEC Documents. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the United States Securities and Exchange Commission (the "SEC") pursuant to the reporting requirements of the Exchange Act. (All of the foregoing filed prior to the applicable Closing Date or Advance Date, as the case may be, including all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein, are referred to herein as the "SEC Documents"). Except as disclosed in the Disclosure Schedule, as of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and, to the Company's knowledge, except as disclosed in the Disclosure Schedule none of the SEC Documents, at the time they were filed with the SEC or are intended to be filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) Financial Statements. Except as disclosed in the Disclosure Schedule, as of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, (ii) as disclosed in the Disclosure Schedule or (iii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(l) Conduct of Business. Neither the Company nor any of its Subsidiaries is in violation of any term of or in default under its Certificate of Incorporation or Bylaws or its organizational charter or bylaws, respectively. Except as disclosed in the Disclosure Schedule or in the SEC Documents, neither the Company nor any of its Subsidiaries is in violation of any judgment, decree or order or any statute, ordinance, rule or regulation applicable to the Company or its Subsidiaries, and neither the Company nor any of its Subsidiaries will conduct its business in violation of any of the foregoing, except for possible violations which would not, individually or in the aggregate, have a Material Adverse Effect.

(m) Regulatory Permits. The Company and its Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, except where the failure to possess such certificates, authorizations or permits would not have, individually or in the aggregate, a Material Adverse Effect, and neither the Company nor any such Subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit.

(n) Equity Capitalization. As of the date hereof, the number of shares and type of all authorized, issued, and outstanding capital stock of the Company, and all shares of Common Stock reserved for issuance under the Company's employee and director benefit, incentive, or option plans, is set forth in the Disclosure Schedule. All of such outstanding shares have been, or upon issuance will be, validly issued and are fully paid and nonassessable. All of such outstanding shares of capital stock are duly authorized, validly issued, fully paid and nonassessable. Except as disclosed in the Disclosure Schedule or in the SEC Reports, no shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in the Disclosure Schedule or in the SEC Reports and other than pursuant to this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, or rights of first refusal, and (ii) there are no agreements, understandings, claims, antidilution protection or other commitments or rights of any character whatsoever that could require the Company to issue additional shares of capital stock of the Company or adjust the purchase or exercise price of any such instrument. Except as disclosed in the Disclosure Schedule or in the SEC Reports, there are no agreements or arrangements (other than the Registration Rights Agreement, dated as of May 1, 2009, between the Company and the buyers signatory thereto) under which the Company is obligated to register the sale of any of its securities under the Securities Act.

(o) Indebtedness and Other Contracts. Except as disclosed in the Disclosure Schedule or in the SEC Documents and other than pursuant to this Agreement, neither the Company nor any of its Subsidiaries (i) has any outstanding Indebtedness, or (ii) is in violation of any term of or in default under any contract, agreement or instrument relating to any Indebtedness. For purposes of this Agreement: (x) "Indebtedness" of any Person means, without duplication (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with generally accepted accounting principles, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations (as defined below) in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above; (y) "Contingent Obligation" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; and (z) "Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

(p) Absence of Litigation. Except as disclosed in the Disclosure Schedule or in the SEC Documents, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company, threatened against or affecting the Company, the Common Stock or any of the Subsidiaries that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(q) Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company reasonably believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has been refused any insurance coverage sought or applied for and neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(r) Employee Relations. Except as disclosed in the Disclosure Schedule or in the SEC Documents, neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or employs any member of a union. The Company and its Subsidiaries believe that their relations with their employees are good. No executive officer of the Company (as defined in Rule 501(f) of the Securities Act) has notified the Company that such officer intends to leave the Company or otherwise terminate such officer's employment with the Company. No executive officer of the Company, to the knowledge of the Company, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant. The Company and its Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(s) Title. The Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in the Disclosure Schedule or in the SEC Documents or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and any of its Subsidiaries. Any real property and facilities held under lease by the Company and any of its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its Subsidiaries.

(t) Intellectual Property Rights. To the knowledge of the Company and except as set forth in the Disclosure Schedule or in the SEC Documents, the Company and its Subsidiaries own or possess adequate rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and other intellectual property rights (collectively, "Intellectual Property Rights") necessary to conduct their respective businesses as now conducted. The Company does not have any knowledge of any infringement by the Company or its Subsidiaries of Intellectual Property Rights of others. Except as set forth in the Disclosure Schedule or in the SEC Documents, there is no claim, action or proceeding being made or brought, or to the knowledge of the Company, being threatened, against the Company or its Subsidiaries regarding its Intellectual Property Rights which could have a Material Adverse Effect.

(u) Environmental Laws. The Company and its Subsidiaries (i) are in material compliance with any and all Environmental Laws (as hereinafter defined), (ii) have received all material permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in material compliance with all terms and conditions of any such permit, license or approval where, in each of the foregoing clauses (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(v) Tax Status. The Company and each of its Subsidiaries (i) has made or filed all federal and state income and all other tax returns, reports and declarations required by any jurisdiction in which such filings are required (or has requested valid extensions thereof), (ii) has paid all taxes and other governmental assessments and charges that are owed by it, including all taxes shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and for which adequate reserves have been established on the Company's books, and (iii) has set aside on its books provision reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction.

(w) Disclosure. The Company acknowledges and agrees that the undersigned does not make and has not made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 2 of this Agreement.

(x) Manipulation of Price. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid anyone any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

(y) Internal Accounting and Disclosure Controls. The Company and each of its Subsidiaries maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset and liability accountability, (iii) access to assets or incurrence of liabilities is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets and liabilities is compared with the existing assets and liabilities at reasonable intervals and appropriate action is taken with respect to any difference. Except as set forth in the Disclosure Schedule or in the SEC Documents, the Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-14 under the Exchange Act) that are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC, including, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and its principal financial officer or officers, as appropriate, to allow timely decisions regarding required disclosure. Except as set forth in the Disclosure Schedule or in the SEC Documents, during the twelve months prior to the date hereof neither the Company nor any of its Subsidiaries have received any notice or correspondence from any accountant relating to any potential material weakness in any part of the system of internal accounting controls of the Company or any of its Subsidiaries.

(z) Investment Company Status. The Company is not, and upon consummation of the sale of the Securities will not be, an "investment company," a company controlled by an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

(aa) U.S. Real Property Holding Corporation. The Company is not, nor has it ever been, a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon the request of the undersigned.

(bb) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five (25%) or more of the total equity of a bank or any equity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(cc) Shell Company Status. The Company is not, nor has it at any time previously been, considered a "shell company" within the meaning of Rule 144(i)(1)(i) (or any successor rule) under the Securities Act.

(dd) No Event of Default Under Note. No "Event of Default," as defined in Section 4(a) of the Note and regardless of whether any amount has been advanced by the undersigned to the Company under the Note, has occurred and is continuing.

(ee) Survivability of Company's Representations and Warranties. The Company acknowledges that the representations, warranties and agreements made by the Company herein shall survive the execution and delivery of this Agreement and the Company's delivery of the Securities and receipt of the advances. The representations and warranties made by the Company herein (i) are true and correct as of the First Closing Date and (ii) will be true and correct as of the Second Closing Date and each Advance Date (unless made as of a specified date therein, in which case such representations and warranties will be true and correct as of such date), except in the case of clause (ii) to the extent that the failure of any representations and warranties to be true and correct as of the Second Closing Date and each Advance Date would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. As a condition of the undersigned's obligation to purchase the shares of Common Stock and Warrant that are to be sold on a Closing Date or to fund the advance to be made on an Advance Date, the Company shall deliver to the undersigned a written certificate executed by the Chief Executive Officer of the Company certifying as to the accuracy of clause (i) or clause (ii) of the immediately preceding sentence, as applicable (the "CEO Certificate"). The closing of each issuance and delivery of the shares of Common Stock and Warrant to be sold on a Closing Date and the funding of an advance to be made on an Advance Date shall be subject to the accuracy of (A) the CEO Certificate delivered on such date (with respect to the obligations of the undersigned) and (B) the representations and warranties of the undersigned (with respect to the obligations of the Company). If on any Closing Date or Advance Date the requirements of this paragraph 3(ee) are not satisfied, then the undersigned shall have the right, in its sole discretion, to terminate this Agreement and elect not to purchase any further Securities under this Agreement or make any further advances under the Note.

4. Indemnification.

(a) The Company shall defend, indemnify and hold the undersigned and its directors, officers, affiliates, employees, agents, successors and assigns harmless from and against any and all liability, loss, expense (including, without limitation, reasonable attorney's fees), or claims for injury or damages (i) incurred by such indemnified party as a result of (A) any inaccuracy in or breach of the representations warranties or covenants made by the Company in this Agreement or (B) any act or omission by the Company or any of its directors, officers or employees that violates any law or constitutes tortuous acts or omissions, including but not limited to any act or omission that violates any state or federal securities law; or (ii) incurred by any such indemnified party or asserted against any such indemnified party by any third party arising out of, in connection with, or as a result of the execution or delivery of this Agreement or the performance by the parties hereto of their respective obligations hereunder or the consummation of the transactions contemplated hereby. In the event that a claimant obtains a final judgment against any such indemnified party expressly finding that the such indemnified party acted with gross negligence, in bad faith or that it engaged in willful misconduct, then this indemnity and hold harmless agreement shall not apply, but only to the extent of such claim.

(b) The undersigned agrees to indemnify and hold harmless the Company and each officer, director, employee, agent and controlling person of the Company from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty made by the undersigned in this Agreement.

(c) If any party is entitled to indemnification under this section, the indemnified party will give written notice to the indemnifying party of any matters giving rise to a claim for indemnification; provided that failure to give such notice shall not relieve the indemnifying party of its obligations under this section except to the extent that the indemnifying party is actually prejudiced by such failure to give notice.

In case any action, proceeding or claim is brought against an indemnified party in respect of which indemnification is sought hereunder, the indemnifying party shall be entitled to participate and, unless in the reasonable judgment of legal counsel to the indemnified party a conflict of interest between it and the indemnifying party may exist with respect of such action, proceeding or claim, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. In the event that the indemnifying party fails, within thirty (30) days of receipt of any indemnification notice to notify, in writing, such person of its election to defend, settle or compromise, at its sole cost and expense, any action, proceeding or claim (or discontinues its defense at any time after it commences such defense), then the indemnified party may, at its option, defend, settle or otherwise compromise or pay such action or claim. In any event, unless and until the indemnifying party elects in writing to assume and does so assume the defense of any such claims, proceeding or action, the indemnified party's costs and expenses arising out of the defense, settlement or compromise of any such action, claim or proceeding shall be losses subject to indemnification hereunder. The indemnified party shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the indemnified party which relates to such action or claim. The indemnifying party shall keep the indemnified party fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. If the indemnifying party elects to defend any such action or claim, then the indemnified party shall be entitled to participate in such defense with counsel of its choice at is sole cost and expense. The indemnifying party shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent. Notwithstanding, anything in Section 4 to the contrary, the indemnifying party shall not, without the indemnified party's prior written consent, settle or compromise any claim or consent to entry of any judgment in respect thereof which imposes any future obligation on the indemnified party or which does not include, as an unconditional term thereof, the giving by the claimant or the plaintiff to the indemnified party of a release form all liability in respect of such claim.

The indemnification required by this section shall be made by periodic payments of the amount thereof during the course of investigation or defense, as and when bills are received or expenses, loss, damage or liability is incurred, so long as the indemnified party irrevocably agrees to refund such moneys if it is ultimately determined by a court of competent jurisdiction that such party was not entitled to indemnification. The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar rights of the indemnified party against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

5. Legends. Certificates evidencing the Common Stock to be purchased pursuant to this Agreement shall bear any legend required by the "blue sky" laws of any state and a restrictive legend in substantially the following form, until such time as they are not required:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORS OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE, NOR MAY ANY INTEREST THEREIN BE, OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY, SUBJECT TO CERTAIN EXCEPTIONS, A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY.

THESE SECURITIES ARE SUBJECT TO A LOCK-UP PERIOD AS SET FORTH IN A SUBSCRIPTION AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SECURITIES. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SECURITIES.

6. Lock-Up. The undersigned hereby covenants and agrees with the Company as follows:

(a) The undersigned will not, without the prior written consent of the Company (which consent may be withheld in the Company's sole discretion), directly or indirectly, sell, transfer or otherwise dispose of all or any portion of the Securities or the shares of Common Stock issuable upon exercise of the Warrants (collectively, the "Warrant Shares") or sell, offer, contract or grant any option to sell (including, without limitation, any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act with respect to the Securities or the Warrant Shares or otherwise dispose of any Securities or Warrant Shares (collectively, the "Restricted Shares"), or publicly announce an intention to do any of the foregoing, for a period commencing on the date hereof and continuing through the close of trading on December 31, 2016 (the "Lock-up Period"); provided, that the foregoing restriction shall not apply to any transfer of Restricted Shares to (i) Furniture Row, LLC ("Furniture Row") and any wholly-owned subsidiary of Furniture Row, (ii) any person who owns a majority of the outstanding capital and voting interests of Furniture Row, (iii) the spouse or lineal descendants of any person described in clause (ii), (iv) any trust formed for the benefit of any person described in clause (ii) or for the benefit of the spouse or lineal descendants of any person described in clause (ii), or (v) corporations, limited liability companies, partnerships or other entity in which Furniture Row or any person described in clauses (ii) and (iii) owns a majority of the capital and voting interests (collectively, "Permitted Transferees"); provided, further, that any such Permitted Transferee executes and delivers to the Company an agreement to be bound by the foregoing restrictions.

(b) The undersigned agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of Restricted Shares except in compliance with the foregoing restrictions.

7. Miscellaneous.

(a) This Agreement shall be binding upon and inure to the benefit of the parties hereto, the successors and assigns of the Company, and the permitted successors and assigns of the undersigned.

(b) This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. In the event of a dispute between the Parties concerning the subject matter of this Agreement, the Parties shall resolve the dispute using the procedures and binding arbitration specified in Section 7 (g) of the Master Transaction Agreement.

(d) This Agreement may not be amended except in a writing specifically intended for the purpose and executed by the party against whom enforcement of the amendment is sought.

(e) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(f) This Agreement may be executed in counterparts, each of which shall constitute an original, and all of which, together, shall constitute the same instrument.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year this subscription has been accepted by the Company as set forth below.

Visser Precision Cast, LLC

Date: June 1, 2012

By:/s/ Gregory A. Ruegsegger

Name: Gregory A. Ruegsegger

Title: Vice President

Address: 5641 North Broadway
Denver, Colorado 80216

Tax Payer Identification No.: _____

ACCEPTED BY:

Liquidmetal Technologies, Inc.

By: /s/ Tony Chung

Name: Tony Chung

Title: Chief Financial Officer

Date: June 1, 2012

EXHIBIT A

[See Exhibit 10.39 and Exhibit 10.40 to this Form S-1]

EXHIBIT B

[See Exhibit 10.38 to this Form S-1]

Exhibit 10.35

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made and entered into as of the 1st day of June, 2012, by and between LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation ("Borrower"), and VISSER PRECISION CAST, LLC, a Colorado limited liability company (the "Secured Party").

Recitals

WHEREAS, the Borrower has issued a 6% Senior Secured Convertible Note (the "Note") to Secured Party, dated as of even date herewith, between the Borrower and the Secured Party.

WHEREAS, the Secured Party has required, as a condition to making the advances under the Note, that Borrower grant the Secured Party a security interest in all of Borrower's assets listed on Exhibit A hereto, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in the Note and herein, the parties hereto, intending to be legally bound, agree as follows:

1. Incorporation of Recitals and Note. The foregoing Recitals, the Note, and the terms and provisions thereof, are hereby incorporated herein in their entirety by this reference.

2. Definitions. The following terms shall have the meanings set forth below:

"Apple" means Apple, Inc., a California corporation.

"Apple Collateral" means the property of Borrower described as "Collateral" in that certain Security Agreement by Borrower in favor of Apple, dated August 5, 2010.

"Apple Indebtedness" shall have the meaning set forth in the Note.

"Collateral" means the assets and personal and fixture property of Borrower listed on Exhibit A of any kind and nature whatsoever now owned or hereafter acquired by Borrower, whether tangible or intangible, including all proceeds thereof and all increases, substitutions, replacements, additions, and accretions thereof.

"Crucible" means Crucible Intellectual Property, LLC, a Delaware limited liability company.

"Obligations" has the meaning given in Section 3(a) below.

"Permitted Liens" mean any of the following: (i) liens for current taxes or other governmental or regulatory assessments which are not delinquent, or which are being contested in good faith by the appropriate procedures and for which appropriate reserves are maintained; (ii) liens granted in favor of the Secured Party; (iii) purchase money liens in favor of Engel Machinery, Inc. existing on the date hereof; (iv) a lien in favor of NMHG Financial Services, Inc. existing on the date hereof; (v) liens on fixed or capital assets or real property acquired, constructed or improved by the Borrower; provided that (a) such liens do not secure indebtedness in excess of $100,000 in the aggregate at any time outstanding and (b) such liens shall not apply to any other property or assets of the Borrower; (vi) security interests granted by the Borrower in favor of Apple, solely with respect to the Apple Collateral existing on the date hereof; (vii) statutory liens of landlords and liens of carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in good faith by the appropriate procedures and for which appropriate reserves are maintained; (viii) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations; (ix) deposits to secure the performance of bids, tenders, trade contracts, leases, statutory obligations, surety and appeal bonds, indemnities, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; (x) judgment liens in respect of judgments that do not constitute an Event of Default (as defined below); (xi) easements, zoning restrictions, licenses, covenants, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower; (xii) any interest or title of, or liens created by, a lessor under any leases or subleases entered into by the Borrower, as tenant, in the ordinary course of business; and (xiii) liens that are contractual rights of set-off (a) relating to the establishment of depository relations with banks not given in connection with the issuance of any Indebtedness, (b) relating to pooled deposit or sweep accounts of Borrower to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business or (c) relating to purchase orders and other agreements entered into by the Borrower with any customer in the ordinary course of business.

"Security Interest" has the meaning given in Section 3(b) below.

3. Security for Obligations.

a. This Agreement secures, and the Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, conversion, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 363(a) of the Bankruptcy Code, 11 U.S.C. §362(a)) of all obligations and liabilities of every nature of Borrower now or hereafter existing under or arising out of the Note and this Agreement and all extensions or renewals thereof, whether for principal, interest, (including, without limitation, interest that, but for the filing of a petition in bankruptcy with respect to Borrower, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from the Secured Party as a preference, fraudulent transfer or otherwise (all such obligations of Borrower being the "Obligations").

b. As security for the payment of the Obligations, the Borrower hereby grants to the Secured Party, its successors and its assigns, a security interest in the Collateral (the "Security Interest"). Without limiting the foregoing, the Secured Party is hereby authorized to file one or more financing statements, continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest, naming the Borrower as debtor and the Secured Party as secured party.

c. The Borrower agrees at all times to keep in all material respects accurate and complete accounting records with respect to the Collateral, including, but not limited to, a record of all payments and proceeds received.

4. Representations and Warranties. Borrower represents and warrants as follows:

a. Financing Statements. Except for the financing statements filed with respect to Permitted Liens, at the time of granting the security interest described herein, no financing statement covering the Collateral or any portion thereof will be on file in any public office, and, except for Permitted Liens, Borrower agrees not to execute or authorize the filing of any such additional financing statement in favor of any person, entity or governmental agency (whether federal, state or local) other than the Secured Party as long as any portion of the Obligations evidenced by the Note remain unpaid.

b. No Other Liens. Except for Permitted Liens, no effective security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office.

c. Legal Name. Borrower's exact legal name is as set forth in the first paragraph of this Agreement. Borrower shall not change its legal name or its form of organization without 30 days' prior written notice to the Secured Party.

d. Title and Authority. Borrower has (i) rights in and good title to the Collateral in which it is granting a security interest hereunder and (ii) the requisite corporate power and authority to grant to the Secured Party the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other person other than any consent or approval which has been obtained.

e. Filing. Fully executed Uniform Commercial Code financing statements containing a description of the Collateral shall have been, or shall be delivered to the Secured Party in a form such that they can be, filed of record in every governmental, municipal or other office in every jurisdiction necessary to publish notice of and protect the validity of and to establish a valid, legal and perfected security interest in favor of the Secured Party in respect of the Collateral in which a security interest may be perfected by filing a Uniform Commercial Code financing statement in the United States and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of Uniform Commercial Code continuation statements.

f. Validity of Security Interest. The Security Interest constitutes a valid, legal and perfected security interest in all of the Collateral for payment and performance of the Obligations subject only to Permitted Liens.

g. Locations of Collateral; Place of Business. Borrower hereby represents and warrants that all the Collateral is located at the locations listed on Schedule A hereto and that its federal employer identification number is as set forth on said Schedule. The Borrower agrees not to establish, or permit to be established, any other location for Collateral unless all filings under the Uniform Commercial Code as in effect in any state or otherwise which are required by this Agreement or the Note to be made with respect to the Collateral have been made and the Secured Party has a valid, legal and perfected security interest in the Collateral. Borrower confirms that its chief executive office is located at the office indicated on Schedule A hereto and that Borrower is incorporated in the State of Delaware. Borrower agrees not to change, or permit to be changed, the location of its chief executive office unless all filings under the Uniform Commercial Code or otherwise which are required by this Agreement or the Note to be made have been made and the Secured Party has a valid, legal and perfected security interest in the Collateral.

5. Covenants and Agreements. Borrower covenants and agrees as follows:

a. Restrictions. Borrower agrees that until the Obligations shall have been satisfied in full, Borrower shall not, without Secured Party's prior written consent, assign, transfer, encumber or otherwise dispose of the Collateral or any membership interests in Crucible, or any interest therein, except that Borrower may (i) sell Inventory (as such term is defined in Exhibit A hereto) in the ordinary course of business or sell obsolete equipment or inventory for the reasonable fair value thereof; or (ii) grant a Permitted Lien. In addition, the Borrower agrees that, until the Obligations shall have been satisfied in full, the Borrower will not form any new direct or indirect subsidiary with material assets unless the subsidiary, upon formation, executes a joinder to this Agreement in which all of the subsidiary's assets become included as a part of the Collateral hereunder and the subsidiary enters into a guarantee of the Note. The Borrower agrees that none of its subsidiaries has any material assets other than Crucible.

b. Defense. Borrower shall at its own expense take any and all actions reasonably necessary to protect and defend the Collateral against all claims or demands and to defend the Security Interest of the Secured Party in such Collateral, and the priority thereof, against any adverse lien of any nature whatsoever (other than Permitted Liens).

c. Maintenance. Borrower shall at all times and at its own expense maintain and keep, or cause to be maintained and kept, the Collateral, ordinary wear and tear excepted. Borrower shall perform all acts and execute all documents reasonably requested by the Secured Party at any time to evidence, perfect, maintain, record and enforce the Secured Party's interest in the Collateral in furtherance of the provisions of this Agreement, and Borrower hereby authorizes the Secured Party to execute and file one or more financing statements (and similar documents) or copies thereof or of this Agreement with respect to the Collateral signed only by the Secured Party.

d. Secured Party's Right to Take Action. If, after ten days written notice from the Secured Party, Borrower fails to perform or observe any of its covenants or agreements set forth in this Section 5 or if Borrower notifies the Secured Party that it intends to abandon all or any part of the Collateral, the Secured Party may (but need not) perform or observe such covenant or agreement or take steps to prevent such intended abandonment on behalf and in the name, place, and stead of Borrower (or, in the case of intended abandonment, in the Secured Party's own name) and may (but need not) take any and all other actions that the Secured Party may reasonably deem necessary to cure or correct such failure or prevent such intended abandonment.

e. Costs and Expenses. Except to the extent that the effect of such payment would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, Borrower shall pay the Secured Party on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and disbursements) incurred by the Secured Party in connection with or as a result of the Secured Party's taking action under subsection 5(d), except for intended abandonment of the Collateral by Borrower, or exercising its rights under Section 7, together with interest thereon from the date expended or incurred by the Secured Party.

f. Use and Disposition of Collateral. Borrower shall not make or permit to be made any assignment, pledge or hypothecation of the Collateral other than Permitted Liens or as permitted by Section 5(a) above, or grant any security interest in the Collateral except for the Security Interest and Permitted Liens. Borrower shall not make or permit to be made any transfer of any Collateral, except in the ordinary course of business or as permitted by Section 5(a) above, and Borrower shall remain at all times in possession of the Collateral owned by it other than transfers to the Secured Party pursuant to the provisions hereof and as otherwise provided in this Agreement. The Secured Party shall have the right, as the true and lawful agent of the Borrower, with power of substitution for the Borrower and in the Borrower's name, the Secured Party's name or otherwise, for the use and benefit of the Secured Party and solely to effect the purposes of this Agreement, (i) to endorse the Borrower's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment with respect to the Collateral that may come into its possession, (ii) to sign the name of the Borrower on any invoice relating to any of the Collateral and (iii) upon the occurrence and during the continuance of an event of default under this Agreement or under the Note, (A) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences or instruments of payment relating to the Collateral or any part thereof, and Borrower hereby waives notice of presentment, protest and non-payment of any instrument so endorsed, (B) to demand, collect, receive payment of, give receipt for, extend the time of payment of and give discharges and releases of all or any of the Collateral and/or release the obligor thereon, (C) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral, (D) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to or pertaining to all or any of the Collateral and (E) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Secured Party were the absolute owner of the Collateral for all purposes; provided, however, that nothing herein contained shall be construed as requiring or obligating the Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Secured Party or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken by the Secured Party or omitted to be taken with respect to the Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of Borrower or to any claim or action against the Secured Party in the absence of the gross negligence or willful misconduct of the Secured Party; and provided further that, the Secured Party shall at all times act reasonably and in good faith. It is understood and agreed that the appointment of the Secured Party as the agent of the Borrower for the purposes set forth above in this Section 5(f) is coupled with an interest and is irrevocable. The provisions of this Section 5(f) shall in no event relieve Borrower of any of its obligations hereunder with respect to the Collateral or any part thereof (other than obligations which are impaired as a result of actions taken by the Secured Party pursuant to this Section 5(f)) or impose any obligation on the Secured Party to proceed in any particular manner with respect to the Collateral or any part thereof, or in any way limit the exercise by the Secured Party of any other or further right which it may have on the date of this Agreement or hereafter, whether hereunder or by law or otherwise. Anytime action is taken under this Section 5(f), prompt written notice of such action shall be provided to Borrower by the Secured Party.

g. INTENTIONALLY OMITTED.

h. Further Assurances. Borrower agrees, at its expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Secured Party may from time to time reasonably request for the assuring and preserving of the Security Interest and the rights and remedies created hereby, including, without limitation, the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements or other documents in connection herewith.

6. Events of Default. Each of the following occurrences shall constitute an event of default under this Agreement (herein called "Event of Default"):

a. an Event of Default, as defined in the Note, shall occur; or

b. Borrower shall fail promptly to observe or perform any covenant or agreement herein binding on it and such failure is not cured within 20 days after written notice from the Secured Party; or

c. there is any levy, seizure, or attachment of all or any material portion of the Collateral, other than as set forth in this Agreement; or

d. any of the representations or warranties contained in Section 4 shall prove to have been incorrect in any material respect when made.

7. Remedies. Upon the occurrence of an Event of Default and at any time thereafter when such Event of Default exists, the Secured Party may, at its option, take any or all of the following actions:

a. exercise any or all remedies available under this Agreement or the Note including, without limitation, any and all rights afforded to a secured party under, and subject to its obligations contained in, the Uniform Commercial Code as in effect in any state or other applicable law; or

b. sell, assign, transfer, pledge, encumber, or otherwise dispose of the Collateral; or

c. enforce any patents comprising the Collateral and if Secured Party shall commence any suit for such enforcement, Borrower shall, at the request of Secured Party, do any and all lawful acts and execute any and all proper documents reasonably required by Secured Party in aid of such enforcement; or

d. incur expenses, including attorneys' fees at the regular hourly rates of the Secured Party's counsel from time to time in effect, legal expenses and costs for the exercise of any right or power under this Agreement, which expenses are secured by this Agreement;

8. **INTENTIONALLY OMITTED**.

9. **INTENTIONALLY OMITTED**.

10. **Application of Proceeds**. The proceeds of any collection or sale of Collateral, as well as any Collateral consisting of cash, shall be applied by the Secured Party during the existence of an Event of Default as follows:

FIRST, to the payment of all reasonable costs and expenses incurred by the Secured Party in connection with such collection or sale or otherwise in connection with this Agreement or any of the Obligations, including, but not limited to, all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Secured Party hereunder on behalf of Borrower and any other reasonable costs or expenses incurred in connection with the exercise of any right or remedy hereunder;

SECOND, to the payment in full of accrued interest, and then outstanding principal in respect of any amount of the Note outstanding; and

THIRD, to Borrower, its successors and assigns, or as a court of competent jurisdiction may otherwise direct.

11. **Security Interest Absolute**. All rights of the Secured Party hereunder, the Security Interest, and all obligations of Borrower hereunder, shall be absolute and unconditional irrespective of (i) any partial invalidity or unenforceability of the Note, any other agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from the Note or any other agreement or instrument, (iii) any exchange, release or nonperfection of any other Collateral, or any release or amendment or waiver of or consent to or departure from any guarantee, for all or any of the Obligations, or (iv) any other circumstance which might otherwise constitute a defense available to, or discharge of Borrower in respect of the Obligations or in respect of this Agreement.

12. **Miscellaneous**. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by the party against whom such waiver, modification, amendment, termination, discharge or release is sought to be enforced. Mere delay or failure to act shall not preclude the exercise or enforcement of the Secured Party's rights or remedies. All rights and remedies of the Secured Party shall be cumulative and may be exercised singularly or concurrently and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. The Secured Party shall not be obligated to preserve any rights Borrower may have against prior parties, to realize on the Collateral at all or in any particular manner or order, or to apply any cash proceeds of the Collateral in any particular order of application. This Agreement shall be binding upon and inure to the benefit of Borrower and the Secured Party and their respective participants, successors and permitted assigns and shall take effect when signed by Borrower and the Secured Party, and Borrower waives notice of the Secured Party's acceptance hereof; provided, however, that the Secured Party's rights hereunder may not be transferred or assigned to any third party without the prior written consent of Borrower. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Obligations.

13. **Notices**. Any notices or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by electronic mail or facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one business day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Borrower:
Liquidmetal Technologies, Inc.
30452 Esperanza
Rancho Santa Margarita, California 92688
Facsimile: (949) 635-2188
Attention: Tony Chung, CFO
Email: Tony.Chung@Liquidmetal.com

with a copy (which shall not constitute notice) to:
Jones Day
1755 Embarcadero Road
Palo Alto, CA 94303
Facsimile: (650) 739-3900
Attention: Robert T. Clarkson, Esq.
Email: rtclarkson@jonesday.com

If to Secured Party:
Visser Precision Cast, LLC
6275 E. 39th Ave.
Denver, CO 80207
Facsimile:(303) 454-1651
Attention: Ryan Coniam, General Manager
Email: ryan.coniam@visserprecisioncast.com

with a copy (which shall not constitute notice) to:
Visser Precision Cast, LLC
5641 N Broadway
Denver, CO 80216
Facsimile: (303) 566-8099
Attention: Gregory A. Ruegsegger, General Counsel
Email: greg.ruegsegger@furniturerow.com

or to such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively.

14. Waiver of Jury Trial: BORROWER AND SECURED PARTY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE SECURED PARTY ENTERING INTO THIS AGREEMENT.

15. Termination. This Agreement and the Security Interest shall terminate when all the Obligations have been fully and indefeasibly paid in full, at which time the Secured Party shall execute and deliver to the Borrower all Uniform Commercial Code termination statements and similar documents which the Borrower shall reasonably request to evidence such termination; provided, however, that all indemnities of the Borrower contained in this Agreement shall survive, and remain operative and in full force and effect regardless of, the termination of this Agreement for a period of six (6) months following the termination of this Agreement.

16. **Governing Law and Jurisdiction**. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. The parties hereby consent to jurisdiction and venue in the state courts in Adams County Colorado or the Federal District Court in and for the State of Colorado. The Parties irrevocably submit to the exclusive jurisdiction of those courts and agree that final judgment in any action or proceeding brought in such courts will be conclusive and may be enforced in any other jurisdiction upon final and conclusive judgment, a certified copy of which will be conclusive evidence of the judgment or in any other manner provided by law. Each party irrevocably waives to the fullest extent permitted by applicable law (i) any objection it may have as to the laying of venue in any court referred to above; (ii) any claim that any such action or proceeding has been brought in an inconvenient forum; and (iii) any immunity that it or its assets may have from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Security Agreement as of the date and year first written above.

SECURED PARTY:

VISSER PRECISION CAST, LLC

By: /s/ Gregory A. Ruegsegger

Name: Gregory A. Ruegsegger

Title: Vice President

BORROWER:

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung

Name: Tony Chung

Title: Chief Financial Officer

SCHEDULE A

Collateral Location:

30452 Esperanza, Rancho Santa Margarita, California, 92688, USA

Federal Employer Identification Number:

33-0264467

EXHIBIT A

COLLATERAL

The term "Collateral" shall mean the following assets of Borrower, whether now owned or hereafter acquired:

(a) All "accounts," as that term is defined in Article 9 of the Uniform Commercial Code, as in effect in the State of Colorado ("UCC"), including, without limitation, every right to payment for goods or other property of any kind sold or leased or for services rendered or for any other transaction, whether or not the right to payment has been earned by performance, and including, without limitation, every account receivable, all purchase orders, all interest in goods the sale or lease of which gives rise to the right to payment (including returned or repossessed goods and unpaid seller's rights), and the rights pertaining to such goods, including the right to stoppage in transit, every right to payment under any contract, and every lien, guaranty, or security interest that secures a right to payment for any of the foregoing ("Accounts");

(b) All chattel paper, consisting of a writing or writings evidencing both a monetary obligation and a security interest in or lease of goods, together with any guarantees, letters of credit, and other security therefore ("Chattel Paper");

(c) All "deposit accounts," as defined in the UCC ("Deposit Accounts");

(d) All "inventory" of whatever kind, as that term is used in the UCC, including, without limitation, all goods held by Borrower for sale or lease, goods furnished or to be furnished under a contract for service, and supplies, packaging, raw materials, goods in transit, work-in-process, and materials used or consumed or to be used or consumed in Borrower's business, or in the processing, packaging, or shipping of same, all finished goods, and all property, the sale or lease of which has given rise to Accounts, Chattel Paper, or Instruments, and that has been returned to Borrower or repossessed by Borrower or stopped in transit, and all warranties and related claims, credits, setoffs, and other rights of recovery with respect to any of the foregoing ("Inventory");

(e) All "equipment," as that term is used in the UCC, including, without limitation, all equipment, machinery, and other property held for use in or purchased for the Borrower's business, together with all increases, parts, fittings, accessories, repair equipment, and special tools now or later affixed to, or used in connection with, that property, all transferable rights of Borrower to the licenses and warranties (express and implied) received from the sellers and manufacturers of the foregoing property, all related claims, credits, setoffs, and other rights of recovery ("Equipment");

(f) All "instruments," including, without limitation, every instrument of any kind, as that term is used in the UCC, and includes every promissory note, negotiable instrument, certificated security, or other writing that evidences a right to payment of money, that is not a lease or security agreement, and that is transferred in the ordinary course of business by delivery with any necessary assignment or indorsement ("Instruments");

(g) "Investment property," as that term is defined in the UCC ("Investment Property");

(h) All documents, including, without limitation, any paper that is treated in the regular course of business as adequate evidence that the person in possession of the paper is entitled to receive, hold, and dispose of the goods the paper covers, including warehouse receipts, bills of lading, certificates of title, and applications for certificates of title;

(i) All "general intangibles" of any kind, as that term is used in the UCC, and includes without limitation all intangible personal property other than Accounts, Documents, Instruments and Chattel Paper, and includes, without limitation, money, contract rights, corporate or other business records, deposit accounts, inventions, designs, formulas, patents, service marks, trademarks, trade names, trade secrets, engineering drawings, goodwill, rights to prepaid expenses, registrations, franchises, copyrights, licenses (other than the Exclusive License Agreement, dated August 5, 2010 between Crucible and Borrower, as the same may be amended, modified, supplemented and amended and restated from time to time), customer lists, computer programs and other software, source code, tax refund claims, royalty, licensing and product rights, all claims under guarantees, security interests or other security held by or granted to Borrower to secure payment of any of the Accounts by an Account Debtor, all indemnification rights, and rights to retrieval from third parties of electronically processed and recorded data pertaining to any Collateral, things in action, items, checks, drafts, and orders in transit to or from Borrower, credits or deposits of Borrower (whether general or special) that are held by Secured Party ("General Intangibles")

(j) "Supporting obligations," as that term is defined in the UCC ("Supporting Obligations"); and

(k) To the extent not listed above in this Exhibit A as original collateral, proceeds and products of the foregoing.

Notwithstanding anything to the contrary in the foregoing, the term "Collateral" shall not include the Apple Collateral or any membership interests of Crucible held by Borrower.

Exhibit 10.36

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "**Agreement**") is entered into as of June 1, 2012, between Liquidmetal Technologies, Inc., a Delaware corporation (the "**Company**"), and Visser Precision Cast, LLC, a Colorado limited liability Company (the "**Buyer**").

W I T N E S S E T H:

WHEREAS, the Company and the Buyer have entered into a Subscription Agreement, dated as of June 1, 2012 (the "**Subscription Agreement**"), pursuant to which the Company has agreed to issue and sell to the Buyer, (i) up to 30,000,000 shares (collectively, the "**Common Shares**") of Common Stock (as defined below) and (ii) Common Stock Purchase Warrants to purchase up to 15,000,000 shares of the Common Stock (the "**Warrants**"). The Company has also agreed to issue to the Buyer 6% Senior Secured Convertible Notes of the Company in the principal amount of up to $2,000,000 (the "**Notes**");

WHEREAS, the Notes are convertible into shares of Common Stock; and

WHEREAS, the Warrants are exercisable to purchase shares of Common Stock pursuant to the terms and conditions set forth in the Warrants.

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in the Subscription Agreement and this Agreement, the Company and the Buyer agree as follows:

1. Certain Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Subscription Agreement. As used in this Agreement, the following terms shall have the following respective meanings:

"**Business Day**" means any day except any Saturday, any Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"**Commission**" or "**SEC**" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act (as defined below).

"**Common Stock**" means the common stock of the Company, $0.001 par value per share.

"**Conversion Shares**" means shares of Common Stock issued (or issuable at the time in question) upon conversion of the Notes.

"**Effectiveness Date**" means, with respect to a registration statement filed pursuant to Section 2 of this Agreement, the earlier of (a) (i) the sixtieth (60th) day following the Filing Date (as defined below) in the case of a registration statement on Form S-3, (ii) the ninetieth (90^{th}) day following the Filing Date in the case of a registration statement on Form S-1 or (iii) in the event that either registration statement described in clauses (i) and (ii) receives a "full review" by the Commission, the one hundred twentieth (120^{th}) day following the Filing Date, and (b) the date which is five (5) Business Days after the date on which the Commission informs the Company that (x) the Commission will not review the registration statement or (y) the Company may request the acceleration of the effectiveness of the registration statement.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Holder**" and "**Holders**" shall mean the Buyer and any Permitted Transferee(s) (as defined below) of Registrable Securities (as defined below), Common Shares, Notes or Warrants that have not been sold to the public and to whom the registration rights conferred by this Agreement have been transferred in compliance with this Agreement and the Subscription Agreement; provided that neither such person nor any affiliate of such person is registered as a broker or dealer under Section 15(a) of the Exchange Act or a member of the Financial Industry Regulatory Authority, Inc.

"**Permitted Transferee**" means (i) Furniture Row, LLC (**"Furniture Row"**) and any wholly-owned subsidiary of Furniture Row, LLC, (ii) any person who owns a majority of the outstanding capital and voting interests of Furniture Row, (iii) the spouse or lineal descendants of any person described in clause (ii), (iv) any trust formed for the benefit of any person described in clause (ii) or for the benefit of the spouse or lineal descendants of any person described in clause (ii), or (v) corporations, limited liability companies, partnerships or other entity in which Furniture Row or any person described in clauses (ii) and (iii) owns a majority of the capital and voting interests.

The terms "**register**," "**registered**" and "**registration**" shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and the applicable rules and regulations thereunder, and the declaration or ordering of the effectiveness of such registration statement.

"**Registrable Securities**" shall mean (i) the Common Shares, (ii) any Conversion Shares, (iii) any Warrant Shares, and (iv) any other securities into which the Common Shares, the Warrant Shares and the Conversion Shares may be reclassified after the date hereof; provided, however, that all such securities shall cease to be Registrable Securities at such time as they have been sold under a registration statement or pursuant to Rule 144 under the Securities Act or otherwise or at such time as they are eligible to be sold without volume limitations pursuant to Rule 144.

"**Registration Expenses**" shall mean all expenses to be incurred by the Company in connection with each Holder's registration rights under this Agreement, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, the reasonable attorney's fees of Special Counsel (as defined below) which shall in no event exceed $20,000 per registration, blue sky fees and expenses, and the expense of any special audits incident to or required by any such registration.

"**Regulation D**" shall mean Regulation D as promulgated pursuant to the Securities Act, and as may be amended from time to time.

"**Securities Act**" or "**Act**" shall mean the Securities Act of 1933, as amended.

"**Selling Expenses**" shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities, as well as all fees and disbursements of counsel for Holders other than Special Counsel.

"**Special Counsel**" means the single attorney selected by a majority in interest of the Initiating Holders (which attorney shall be reasonably acceptable to the Company) to represent the Holders' interests in connection with the registrations contemplated by this Agreement.

"**Warrant Shares**" means shares of Common Stock issued (or issuable at the time in question) upon exercise of the Warrants.

2. Demand Registration Rights.

(a) Subject to the conditions of this Section 2, if at any time following the fifth (5^{th}) anniversary date of the Subscription Agreement, the Company receives a written request from the Holders of more than fifty percent (50%) of the total number of Registrable Securities then outstanding (for purposes of this Section 2, the "**Initiating Holders**," and such request the "**Demand**") that the Company file a registration statement under the Act covering the registration for resale of the Registrable Securities, then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 2, use commercially reasonable efforts to effect, as soon as practicable, the registration for resale under the Act of all the Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company's notice pursuant to this Section 2(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their Demand by means of an underwriting, they shall so advise the Company as a part of their Demand made pursuant to Section 2(a), and the Company shall include such information in its written notice to all Holders given pursuant to Section 2(a). In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 2, if the underwriter advises the Company that marketing factors require a limitation on the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities pro rata based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) Notwithstanding the foregoing, the Company shall not be required to effect a registration pursuant to this Section 2:

(A) if, at the time of the Demand, the Common Stock is not registered pursuant to Section 12(b) or Section 12(g) of the Exchange Act or the Company is not subject to the reporting requirements of Section 15(d) of the Exchange Act; or

(B) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act; or

(B) after the Company has effected two (2) registrations pursuant to this Section 2, and such registrations have been declared or ordered effective; or

(C) if the Company shall furnish to the Holders requesting a registration statement pursuant to this Section 2 a certificate signed by the Company's Chief Executive Officer or Chairman of the Board of Directors stating that, in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, the Company shall have the right to defer such filing for a period of not more than one hundred twenty (120) days after receipt of the Demand of the Initiating Holders, provided that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided further that the Company shall not register any securities for the account of itself or any other stockholder during such one hundred twenty (120) day period (other than a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the resale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered).

(d) If: (i) the registration statement required by Section 2 is not filed on or prior to its Filing Date (as defined below), or (ii) the Company fails to file with the Commission a request for acceleration of a registration statement in accordance with Rule 461 promulgated by the Commission pursuant to the Securities Act within five (5) Business Days of the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that such registration statement will not be "reviewed" or will not be subject to further review, or (iii) all of the Registrable Securities required by this Agreement to be included in such registration statement are not registered for resale on or before the Effectiveness Date and Rule 144 is not available to the Holders with respect thereto, or (iv) after the Effectiveness Date of a registration statement, such registration statement ceases for any reason to remain continuously effective as to all Registrable Securities required to be included in such registration statement for the time period specified in this Agreement, or the Holders are otherwise not permitted to utilize the prospectus therein to resell such Registrable Securities during the time period within which the Company is required to maintain the continuous effectiveness of the registration statement, for more than twenty (20) consecutive calendar days or more than an aggregate of forty-five (45) calendar days (which need not be consecutive calendar days) during any 12-month period, except to the extent that a suspension of the Registration Statement is otherwise permitted by this Agreement or caused by a Holder (any such failure or breach being referred to as an "**Event**," and for purposes of clauses (i) and (iv), the date on which such Event occurs, and for purpose of clause (ii) the date on which such five (5) Business Day period is exceeded, and for purpose of clause (iv) the date on which such twenty (20) or forty-five (45) calendar day period, as applicable, is exceeded being referred to as "**Event Date**"), then, in addition to any other rights the Holders may have hereunder or under applicable law, on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, from the date of the Event until the twelve-month anniversary of the Event, the Company shall pay to each Holder an amount in cash, as partial liquidated damages and not as a penalty, equal to one percent (1.0%) of the aggregate purchase price paid by such Holder pursuant to the Subscription Agreement for any unregistered Registrable Securities then held by such Holder (so long as such Holder has requested that such Registrable Securities be included in the registration statement and they are required by this Agreement to be included in the registration statement); provided, however, such partial liquidated damages shall not be paid with respect to any Registrable Securities which the Holder thereof may sell at such time under Rule 144 without any volume limitation and which have been held by such Holder for a period of more than one (1) year for purposes of Rule 144(d). If the Company fails to pay any partial liquidated damages pursuant to this Section in full within seven (7) days after the date payable, the Company will pay interest thereon at a rate of eighteen percent (18%) per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the Holder, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro rata basis for any portion of a month prior to the cure of an Event.

(e) If at any time the Commission takes the position that the offering of some or all of the Registrable Securities in a registration statement is not eligible to be made on a delayed or continuous basis under the provisions of Rule 415 under the Securities Act or requires any Holder to be named as an "underwriter," the Company shall use its best efforts to persuade the Commission that the offering contemplated by the registration statement is a valid secondary offering and not an offering "by or on behalf of the issuer" as defined in Rule 415 and that none of the Holders is an "underwriter." The Holders shall have the right to participate or have their Special Counsel participate in any meetings or discussions with the Commission regarding the Commission's position and to comment or have their Special Counsel comment on any written submission made to the Commission with respect thereto. No such written submission shall be made to the Commission to which the Holders' Special Counsel reasonably objects. In the event that, despite the Company's best efforts and compliance with the terms of this Section 2(e), the Commission refuses to alter its position, the Company shall (i) remove from the registration statement such portion of the Registrable Securities (the "**Cut Back Shares**") and/or (ii) agree to such restrictions and limitations on the registration and resale of the Registrable Securities as the Commission may require to assure the Company's compliance with the requirements of Rule 415 (collectively, the "**Commission Restrictions**"); provided, however, that the Company shall not agree to name any Holder as an "underwriter" in such registration statement without the prior written consent of such Holder. Any cut-back imposed on the Holders pursuant to this Section 2(e) shall be allocated among the Holders on a pro rata basis and shall be applied first to any Warrant Shares and Conversion Shares, unless the Commission Restrictions otherwise require or provide or the Holders otherwise agree. No liquidated damages shall accrue as to any Cut Back Shares except for any liquidated damages that would accrue, if at all, in accordance with Section 2d)(iv) hereof after the date on which the Company is able to effect the registration of such Cut Back Shares in accordance with any Commission Restrictions.

3. Obligations of the Company. Whenever required under Section 2 of this Agreement to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities within ninety (90) days of the Company's receipt of the Demand (the "**Filing Date**"), which (assuming the Registrable Securities are not to be sold in an underwritten public offering) shall contain a "Plan of Distribution" in substantially the form attached hereto as Annex A, and use reasonable commercial efforts to cause such registration statement to become effective not later than the applicable Effectiveness Date, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective from the Effectiveness Date until the first to occur of (i) such time as all Registrable Securities covered by such registration statement have been sold or (ii) the earlier of (A) twelve (12) months following the effective date of such registration statement in the case of a registration statement on Form S-3 or (B) six (6) months following the effective date of such registration statement in the case of a registration statement on Form S-1;

(b) not less than three (3) Business Days prior to the filing of a registration statement or any pre-effective or post-effective amendment thereto, furnish to Special Counsel by e-mail copies of all such documents proposed to be filed, which documents (other than those incorporated or deemed to be incorporated by reference) will be subject to the review of such Special Counsel (and changes (if any) to correct appropriate information about the Holders). The Company shall not be required to file a registration statement or any pre-effective amendments thereto to which the Holders of a majority of the Registrable Securities shall reasonably object in good faith in writing.

(c) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(d) furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them;

(e) notify the Holders promptly (and, if requested, confirm such advice in writing) (i) when a registration statement has become effective and when any post-effective amendments and supplements thereto become effective, and (ii) of the issuance by the SEC or any state securities commission of any stop order suspending the effectiveness of a registration statement;

(f) use commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other state securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders;

(g) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering;

(h) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(j) cooperate with the Holders and the managing underwriter, if any, to facilitate the timely preparation and delivery of certificates not bearing any restrictive legends representing the Registrable Securities to be sold, and cause such Registrable Securities to be issued in such denominations and registered in such names in accordance with the underwriting agreement prior to any sale of Registrable Securities to the underwriters or, if not an underwritten offering, in accordance with the instructions of the Holders, and instruct any transfer agent and registrar of Registrable Securities to release any stop transfer orders in respect thereto;

(k) deliver promptly to Special Counsel and each underwriter, if any, copies of all correspondence between the SEC and the Company, its counsel or auditors and all memoranda relating to discussions with the SEC or its staff with respect to the registration statement, other than those portions of any such memoranda which contain information subject to attorney-client privilege with respect to the Company, and, upon receipt of such confidentiality agreements as the Company may reasonably request, make reasonably available for inspection by the Holders or their Special Counsel, by any underwriter, if any, participating in any disposition to be effected pursuant to such registration statement and any attorney, accountant or other agent retained by any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by the Holders or their Special Counsel or such underwriter, attorney, accountant or agent in connection with such registration statement;

(l) use commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of the registration statement; and

(m) upon written request, furnish to the Holders without charge at least one conformed copy of the registration statement and any post-effective amendments thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference).

Notwithstanding the provisions of this Section 3, the Company shall be entitled to postpone or suspend, for a reasonable period of time and upon written notice to the Holders (a "**Suspension Notice**"), the filing, effectiveness or use of, or trading under, any registration statement if the Company shall determine that any such filing or the sale of any securities pursuant to such registration statement would in the good faith judgment of the Board of Directors of the Company:

(A) materially impede, delay or interfere with any material pending or proposed financing, acquisition, corporate reorganization or other similar transaction involving the Company for which the Board of Directors of the Company has authorized negotiations;

(B) materially adversely impair the consummation of any pending or proposed material offering or sale of any class of securities by the Company; or

(C) require disclosure of material nonpublic information that, if disclosed at such time, would be materially harmful to the interests of the Company and its stockholders; provided, however, that during any such period all executive officers and directors of the Company are also prohibited from selling securities of the Company (or any security of any of the Company's subsidiaries or affiliates).

Any such postponement or suspension referred to in clauses (A) to (C) above shall not be considered an "Event" pursuant to Section 2 and no liquidated damages shall accrue or be payable with respect thereto.

In addition, any time period during which the filing of a post-effective amendment to a registration statement on Form S-1 and continuing until the time that such registration statement has been declared effective by the Commission shall not be considered an "Event" pursuant to Section 2 and no liquidated damages shall accrue or be payable with respect thereto.

In the event the Company files a registration statement on Form S-1 in satisfaction of a Demand pursuant to Section 2 due to its inability to use Form S-3, the Company shall have the option to undertake to register the Registrable Securities included in such registration statement on a new registration statement on Form S-3 after such form is available by filing a post-effective amendment to Form S-1 on Form S-3. In the event the Company exercises such option, the Company shall have a period of up to seventy-five (75) days between the filing of the post-effective amendment to register such Registrable Securities on Form S-3 and the time that the registration statement on Form S-3 covering such Registrable Securities is declared effective by the Commission, which time period shall not be considered an "Event" pursuant to Section 2 and no liquidated damages shall accrue or be payable with respect thereto.

In the event of the suspension of effectiveness of any registration statement pursuant to this Section 3, the applicable time period during which such registration statement is to remain effective shall be extended by that number of days equal to the number of days the effectiveness of such registration statement was suspended.

4. Expenses of Registration. All Registration Expenses in connection with any registration, qualification or compliance with registration pursuant to this Agreement shall be borne by the Company, and all Selling Expenses of a Holder shall be borne by such Holder.

5. Indemnification.

(a) Company Indemnity. The Company will indemnify each Holder, each of its officers, directors, agents and partners, and each person controlling each of the foregoing, within the meaning of Section 15 of the Securities Act and the rules and regulations thereunder with respect to which registration, qualification or compliance has been effected pursuant to this Agreement, and each underwriter, if any, and each person who controls, within the meaning of Section 15 of the Securities Act and the rules and regulations thereunder, any underwriter, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any final prospectus (as amended or supplemented if the Company files any amendment or supplement thereto with the SEC), registration statement filed pursuant to this Agreement or any post-effective amendment thereof or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or form of prospectus, in light of the circumstances under which they were made) not misleading, or any violation by the Company of the Securities Act or any state securities law or in either case, any rule or regulation thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and will reimburse each Holder, each of its officers, directors, agents and partners, and each person controlling each of the foregoing, for any reasonable legal fees of a single counsel and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to a Holder to the extent that any such claim, loss, damage, liability or expense arises out of or is based on (i) any untrue statement or omission based upon written information furnished to the Company by such Holder or underwriter (if any) therefor and stated to be specifically for use therein, (ii) any failure by any Holder to comply with prospectus delivery requirements or the Securities Act or the Exchange Act or any other law or legal requirement applicable to such Holder or any covenant or agreement contained in the Subscription Agreement or this Agreement applicable to such Holder, or (iii) an offer of sale of Conversion Shares or Warrant Shares occurring during a period in which sales under the registration statement are suspended as permitted by this Agreement. The indemnity agreement contained in this Section 5(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent will not be unreasonably withheld).

(b) Holder Indemnity. Each Holder will, severally but not jointly, if Registrable Securities held by it are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors, officers, agents and partners, and any other stockholder selling securities pursuant to the registration statement and any of its directors, officers, agents, partners, and any person who controls such stockholder within the meaning of the Securities Act or Exchange Act and each underwriter, if any, of the Company's securities covered by such a registration statement, each person who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act and the rules and regulations thereunder, each other Holder (if any), and each of their officers, directors and partners, and each person controlling such other Holder(s) against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on (i) any untrue statement (or alleged untrue statement) of a material fact contained in any such final prospectus (as amended or supplemented if the Company files any amendment or supplement thereto with the SEC), registration statement filed pursuant to this Agreement or any post-effective amendment thereof or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or form of prospectus, in light of the circumstances under which they were made) not misleading, but only to the extent such statement or omission was furnished by the Holder to the Company in writing for the specific purpose of including the same in such registration statement, prospectus, or amendment or supplement thereto or (ii) failure by any Holder to comply with (A) the prospectus delivery requirements of the Securities Act after being advised by the Company that it has not satisfied the conditions of Rule 172 and that such Holder is, as a consequence, required to deliver a prospectus in connection with any disposition of Registrable Securities and after the Company has provided such Holder with a current prospectus to be used in connection with any such dispositions, (B) the Securities Act, (C) the Exchange Act, (D) any other law or legal requirement applicable to such Holder, or (E) any covenant or agreement contained in the Subscription Agreement or this Agreement applicable to such Holder, and will reimburse the Company, such stockholders, and such other Holder(s) and their directors, officers, agents and partners, underwriters or control persons for any reasonable legal fees or any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such final prospectus (as amended or supplemented if the Company files any amendment or supplement thereto with the SEC), registration statement filed pursuant to this Agreement or any post-effective amendment thereof in reliance upon and in conformity with written information furnished to the Company by such Holder and stated to be specifically for use therein, and provided that the maximum amount for which such Holder shall be liable under this indemnity shall not exceed the net proceeds received by such Holder from the sale of the Registrable Securities pursuant to the registration statement in question. The indemnity agreement contained in this Section 5(b) shall not apply to amounts paid in settlement of any such claims, losses, damages or liabilities if such settlement is effected without the consent of such Holder (which consent shall not be unreasonably withheld).

(c) Procedure. Each party entitled to indemnification under this Section 5 (the "**Indemnified Party**") shall give notice to the party required to provide indemnification (the "**Indemnifying Party**") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim in any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at its own expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 5 except to the extent that the Indemnifying Party is materially and adversely affected by such failure to provide notice. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall furnish such non-privileged information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

6. Contribution. If the indemnification provided for in Section 5 herein is unavailable to the Indemnified Parties in respect of any losses, claims, damages or liabilities referred to herein (other than by reason of the exceptions provided therein), then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities as between the Company on the one hand and any Holder(s) on the other, in such proportion as is appropriate to reflect the relative fault of the Company and of such Holder(s) in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of any Holder(s) on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by such Holder(s).

In no event shall the obligation of any Indemnifying Party to contribute under this Section 6 exceed the amount that such Indemnifying Party would have been obligated to pay by way of indemnification if the indemnification provided for under Section 5(a) or 5(b) hereof had been available under the circumstances.

The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraphs. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraphs shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section, no Holder shall be required to contribute any amount in excess of the amount equal to the net proceeds received by such Holder from the sale of Registrable Securities pursuant to the registration statement in question. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

7. Survival. The indemnity and contribution agreements contained in Sections 5 and 6 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement or the Subscription Agreement, and (ii) the consummation of the sale or successive resales of the Registrable Securities.

8. Information by Holders. As a condition to the obligations of the Company to complete any registration pursuant to this Agreement with respect to the Registrable Securities of each Holder, such Holder will furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended methods of disposition of the Registrable Securities held by it as is reasonably required by the Company to effect the registration of the Registrable Securities. At least ten Business Days prior to the first anticipated filing date of a registration statement for any registration under this Agreement, the Company will notify each Holder of the information the Company requires from that Holder whether or not such Holder has elected to have any of its Registrable Securities included in the registration statement. If the Company has not received the requested information from a Holder by the second (2^{nd}) Business Day prior to the anticipated filing date, then the Company may file the registration statement without including Registrable Securities of that Holder.

9. Further Assurances. Each Holder will cooperate with the Company, as reasonably requested by the Company, in connection with the preparation and filing of any registration statement hereunder, unless such Holder has notified the Company in writing of such Holder's irrevocable election to exclude all of such Holder's Registrable Securities from such registration statement.

10. Suspension of Sales. Upon receipt of any Suspension Notice from the Company, each Holder will immediately discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until (i) it receives copies of a supplemented or amended prospectus or (ii) the Company advises the Holder that a suspension of sales under Section 3 has terminated. If so directed by the Company, each Holder will deliver to the Company (at the expense of the Company) or destroy all copies in the Holder' s possession (other than a limited number of file copies) of the prospectus covering such Registrable Securities that is current at the time of receipt of such notice.

11. Replacement Certificates. The certificate(s) representing the Registrable Securities held by the Buyer (or then Holder) may be exchanged by the Buyer (or such Holder) at any time and from time to time for certificates with different denominations representing an equal aggregate number of Registrable Securities, as reasonably requested by such Buyer (or such Holder) upon surrendering the same. No service charge will be made for such registration or transfer or exchange.

12. Transfer or Assignment. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The rights granted to the Buyer by the Company under this Agreement to cause the Company to register the Registrable Securities may be transferred or assigned (in whole or in part) to a Permitted Transferee of the Common Shares, the Notes, or the Warrants, and all other rights granted to the Buyer by the Company hereunder may be transferred or assigned to any Permitted Transferee of the Common Shares, the Notes, the Warrants or the Registrable Securities; provided in each case that (i) the Company is given written notice by the Buyer at the time of or within a reasonable time after such transfer or assignment, stating the name and address of such Permitted Transferee and identifying the securities with respect to which such registration rights are being transferred or assigned; and provided further that such Permitted Transferee agrees in writing to be bound by the registration provisions of this Agreement, (ii) such transfer or assignment is not made under the registration statement or Rule 144, and (iii) such transfer is made according to the applicable requirements of the Subscription Agreement.

13. No Piggyback on Registrations. Neither the Company nor any of its security holders (other than the Holders in such capacity pursuant hereto) may include securities of the Company in a registration statement filed pursuant to Section 2 other than the Registrable Securities, and the Company shall not after the date hereof enter into any agreement providing any such right to any of its security holders.

14. Piggyback Registration Rights.

(a) If (but without any obligation to do so) at any time after the fifth anniversary date of the Subscription Agreement the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, then the Company shall send to each Holder written notice of such determination and, if within fifteen (15) days after receipt of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities (not already covered by an effective registration statement) such Holder requests to be registered, subject to customary underwriter cutbacks applicable to holders of registration rights (as described in Section 14(b) below) and subject to restrictions in applicable registration rights agreements. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 14 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration.

(b) In connection with any offering involving an underwriting of equity securities being issued by the Company for its own account or for the account of others pursuant to a registration statement, the Company shall not be required under this Section 14 to include in such registration statement the Registrable Securities held by any Holder unless such Holder accepts and agrees to the terms of the underwriting as agreed upon between the Company and the underwriters selected by the Company (or by other persons entitled to select the underwriters) and enters into an underwriting agreement in customary form with such underwriters, and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of Registrable Securities requested to be included in such offering exceeds the amount of Registrable Securities that the underwriters determine in their sole discretion is compatible with the success of the offering (after taking into account the maximum number of shares to be sold by the Company and the other selling stockholders, if any, in the offering), then the Company shall be required to include in the offering only that number of Registrable Securities that the underwriters determine in their sole discretion will not jeopardize the success of the offering. In the event that the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be apportioned pro rata among the selling Holders based on the number of Registrable Securities held by all selling Holders or in such other proportions as shall mutually be agreed to by all such selling Holders.

15. Miscellaneous.

(a) Remedies. The Company and the Buyer acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which any of them may be entitled by law or equity.

(b) Governing Law and Arbitration. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. In the event of a dispute between the Parties concerning the subject matter of this Agreement, the Parties shall resolve the dispute using the procedures and binding arbitration specified in Section 7 (g) of the Master Transaction Agreement dated as of the date hereof between the Company and the Buyer.

(c) Notices. Any notices or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by electronic mail or facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one Business Day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Liquidmetal Technologies, Inc.
30452 Esperanza
Rancho Santa Margarita, California 92688
Facsimile: (949) 635-2188
Attention: Tony Chung, CFO
Email: Tony.Chung@Liquidmetal.com

with a copy to:

Jones Day
1755 Embarcadero Road
Palo Alto, California 94303
Facsimile: (650) 739-3900
Attention: Robert T. Clarkson, Esq.
Email: rclarkson@jonesday.com

If to Buyer:

Visser Precision Cast, LLC
Legal Office
5641 N. Broadway
Denver, Colorado 80216
Facsimile: (303) 566-8099
Attention: Gregory A. Ruegsegger, Esq.
Email: greg.ruegsegger@furniturerow.com

with a copy to:

Moye White LLP
16 Market Square, 6th floor
1400 16th Street
Denver, Colorado 80202-1486
Facsimile: (303) 292-4510
Attention: David C. Roos, Esq.
Email: david.roos@moyewhite.com

Written confirmation of receipt (A) given by the recipient of such notice or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively.

(d) Waivers. No waiver by any party of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter. The representations and warranties and the agreements and covenants of the Company and the Buyer contained herein shall survive the registration and sale of the Registrable Securities.

(e) Execution in Counterpart. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement, it being understood that all parties need not sign the same counterpart.

(f) Signatures. Facsimile signatures and signatures delivered in portable document format (PDF) shall be valid and binding on each party submitting the same.

(g) Entire Agreement; Amendment. This Agreement, together with the Subscription Agreement, the Warrants, and the agreements and documents contemplated hereby and thereby, contains the entire understanding and agreement of the parties, and may not be amended, modified or terminated except by a written agreement signed by the Company and the Holder of the Registrable Securities seeking registration of such securities.

(h) Jury Trial. EACH PARTY HERETO WAIVES THE RIGHT TO A TRIAL BY JURY.

(i) Force Majeure. The Company shall not be deemed in breach of its commitments under this Agreement if the Company is unable to fulfill its obligations hereunder in a timely fashion if the SEC is closed or operating on a limited basis as a result of the occurrence of a Force Majeure. As used herein, "**Force Majeure**" means war or armed hostilities or other national or international calamity, or one or more acts of terrorism, which are having a material adverse effect on the financial markets in the United States.

(j) Titles. The titles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(k) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

(l) Restriction on Sale of Registrable Securities. The Buyer agrees that it will not, without the prior written consent of the Company (which consent may be withheld in the Company's sole discretion), directly or indirectly, sell, transfer or otherwise dispose of all or any portion of the Registrable Securities, the Warrants or the Notes or sell, offer, contract or grant any option to sell (including, without limitation, any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act with respect to the Registrable Securities, the Warrants or the Notes or otherwise dispose of any Registrable Securities, the Warrants or the Notes (collectively, the "**Restricted Securities**"), or publicly announce an intention to do any of the foregoing, for a period commencing on the date hereof and continuing through the close of trading on December 31, 2016 (the "**Lock-up Period**"); provided, that the foregoing restriction shall not apply to any transfer of Restricted Securities to a Permitted Transferee; provided, further, that any such Permitted Transferee executes and delivers to the Company an agreement to be bound by the foregoing restrictions.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

COMPANY:

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung
Name: Tony Chung
Title: Chief Financial Officer

BUYER:

VISSER PRECISION CAST, LLC

By: /s/ Gregory A. Ruegsegger
Name: Gregory A. Ruegsegger
Title: Vice President

Annex A

Plan of Distribution

Each Selling Securityholder (the "Selling Securityholders") of the common stock and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on the Over-the-Counter Bulletin Board or any stock exchange, or other market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Securityholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the Selling Securityholders to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Securityholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Securityholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Securityholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA NASD Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASD IM-2440.

In connection with the sale of the common stock or interests therein, the Selling Securityholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The Selling Securityholders may also sell shares of the common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The Selling Securityholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Securityholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Securityholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the common stock.

Because Selling Securityholders may be deemed to be “underwriters” within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the Selling Securityholders.

The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Securityholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the Selling Securityholders or any other person. We will make copies of this prospectus available to the Selling Securityholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

Exhibit 10.37

VPC SUBLICENSE AGREEMENT

This **VPC SUBLICENSE AGREEMENT** (this "**Agreement**") is made effective as of June 1, 2012 (the "**Effective Date**"), by and between Liquidmetal Technologies, Inc., a Delaware corporation having its principal place of business at 30452 Esperanza, Rancho Santa Margarita, California 92688 ("**LMT**"), and Visser Precision Cast, LLC, a Colorado limited liability company having its principal place of business at 6275 E. 39th Street, Denver, CO 80207 ("**VPC**"). LMT and VPC are parties to that certain Master Transaction Agreement ("**MTA**") and that certain Manufacturing Services Agreement ("**MSA**"), each of even date herewith. Capitalized terms used in this Agreement without separate definition shall have the meanings specified in the MTA. LMT and VPC are each referred to individually as a "Party," and collectively as the "Parties," to this Agreement.

RECITALS

WHEREAS, LMT, Crucible Intellectual Property, LLC ("**Crucible**"), Liquidmetal Coatings, LLC, a Delaware limited liability company ("**LMC**"), and Apple Inc., a California corporation ("**Apple**"), previously entered into a Master Transaction Agreement, dated August 5, 2010 (the "**Apple Agreement**"), pursuant to which, among other provisions, LMT contributed, transferred, and assigned substantially all of its intellectual property assets to Crucible;

WHEREAS**,** LMT and Crucible entered into an Exclusive License Agreement, dated August 5, 2010, pursuant to which, among other provisions, Crucible granted an exclusive license back to LMT to the LMT Technology for use in fields other than Consumer Electronic Products (as defined below) (the "**LMT License**"); and

WHEREAS, LMT hereby desires to sublicense rights to the LMT Technology to VPC on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the provisions and agreements of the Parties as set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

In addition to the terms defined in the MTA:

1.1 "**Additional Excluded Fields**" shall mean those fields of use covered by exclusive licenses from Licensor or Crucible under the licenses and sublicenses of the LMT Technology granted by Licensor or Crucible and listed in Attachment A to this Agreement, other than the license from Crucible to Apple. Each of the fields of use described in the preceding sentence shall remain within the defined term "**Additional Excluded Fields**" only during such period as there remains in effect an exclusive license covering such field of use that was granted by Licensor or Crucible and was in full force and effect as of the Effective Date (including any renewals or extensions of any such license, which renewal or extension was made in the sole discretion of the licensee, without Licensor or Crucible exercising any right of approval or consent to such renewal or extension or failing to exercise any right that Licensor or Crucible might have had to terminate such license or otherwise prevent such renewal or extension). To the extent any such field of use drops out of the defined term "**Additional Excluded Fields**" on or after the Effective Date, such field of use shall, from that time forward, automatically and without further action of the Parties, be included within the VPC Fields.

1.2 "**Consumer Electronic Products**" shall mean personal computers (portable and desktop); tablet or slate style computing devices; handheld electronic and/or communication devices (e.g., smartphones, digital music players, multi-function devices, etc.); any device whose function includes the creation, storage or consumption of digital media; any component or sub-component in any Consumer Electronic Product; and any accessory that is the same or similar to an accessory made or sold by or on behalf of Apple (regardless of when Apple sold or started to sell such accessory) that is suitable for use with any Consumer Electronic Product. Notwithstanding the foregoing, "Consumer Electronic Products" shall not include: (i) products (except for any product that is capable of interacting or interfacing with a Consumer Electronic Product) that are powered by electricity or batteries but that do not in any way involve the creation, storage, consumption, use, viewing, transmission, or processing of digital media or digital information and do not involve the use of wireless communication networks. Products that fall into this category include, without limitation, electric-powered and/or battery-powered drills, hand tools and watches (i.e. a wrist-worn device whose sole function is to display the time of day); (ii) medical devices and other products that are not the same or similar to any Apple product (regardless of when Apple sold or started to sell such product) and that are used exclusively for the diagnosis and/or treatment of human or animal health conditions; or (iii) products or components thereof that are not the same as or similar to any Apple product (regardless of when Apple sold or started to sell such product) or component of any Apple product and that are made solely for, and sold solely into, the defense/military, automotive, medical, or industrial markets.

1.3 **"Licensed Products"** shall mean any product (excluding Consumer Electronics Products) that is manufactured using the LMT Technology and/or that otherwise uses the LMT Technology.

1.4 **"Licensee"** shall mean, individually and collectively, VPC and any Subsidiary thereof.

1.5 **"Licensor"** shall mean LMT.

1.6 "**Subsidiary"** with respect to a Party shall mean any corporation, partnership or other entity, now or hereafter, (i) greater than fifty percent (50%) of whose outstanding shares or securities entitled to vote for the election of directors or similar managing authority is directly or indirectly owned or controlled by a Party hereto, or (ii) a beneficial interest of greater than fifty percent (50%) coupled with ownership or control (either direct or indirect) of greater than fifty percent (50%) of whatever interest represents the right to make executive and/or operational decisions for such entity; provided, however, that in each case such corporation, partnership or other entity shall be deemed to be a Subsidiary only so long as all requisite conditions of being a Subsidiary are met.

1.7 "**VPC Fields**" shall mean all fields of use other than Consumer Electronic Products and the Additional Excluded Fields.

ARTICLE 2
LICENSE GRANT, CONSIDERATION, AND ENFORCEMENT

2.1 VPC Fields License Grant. Subject only to Section 4.2 of this Agreement, Licensor grants to Licensee a fully paid-up, royalty-free, irrevocable, perpetual, worldwide, nonexclusive license under the LMT Technology in the VPC Fields to use, reproduce, publish, display, distribute, perform, exploit and disclose the LMT Technology, and/or to make and have made, assemble and have assembled, use, sell, offer to sell, import and offer to import, license and offer to license, distribute and offer to distribute, repair, reconstruct, practice, and maintain Licensed Products, and/or to perform any act or step that incorporates, utilizes, embodies or reflects, any inventions claimed in the LMT Technology, including, without limitation, any such activities that would, absent such a license, subject a person or other legal entity to a claim of direct infringement, contributory infringement, inducing infringement, or any other type of infringement. Licensee's right to use the LMT Technology in the VPC Fields shall include, without limitation, the right to modify and create derivative works from the LMT Technology. Such Licensee modifications and derivative works to the LMT Technology and all Intellectual Property Rights therein (the **"Licensee Modifications")** shall be owned solely and exclusively by Licensee. Licensee shall further have the right to grant sublicenses to use the LMT Technology in the VPC Fields. Nothing in this Agreement shall give Licensee or its sublicensees any right to use any portion of the LMT Technology in the field of Consumer Electronic Products.

2.2 Consideration. Licensor acknowledges and agrees that Licensor has received additional consideration for the license and rights granted to Licensee herein by way of Licensee's execution and delivery of the MTA and the other Transaction Documents.

2.3 Enforcement.

2.3.1 As required pursuant to the Apple Agreement, Licensee acknowledges that Licensor and Crucible have the right to take any and all actions necessary to defend the LMT Technology created, conceived, invented, or discovered before the end of the Capture Period, as such term is defined in the Apple Agreement, including any extension of the Capture Period, in any litigation or administrative proceedings in which Licensee is a party. In addition, Licensee acknowledges the sole and exclusive rights of Apple to control patent prosecution for inventions and patents, as more fully set forth in Section 5 of the Apple Agreement, as to LMT Technology created, conceived, invented, or discovered before the end of the Capture Period, including any extension of the Capture Period.

2.3.2 Subject to the rights of Apple as described in Section 2.3.1, Licensor shall use reasonable efforts in its business judgment to prosecute and maintain the Intellectual Property Rights included within the LMT Technology, including without limitation any patent rights. As between Licensor and Licensee, except under the specific circumstances referenced in Section 2.3.4, Licensor shall be solely responsible for the payment of all fees, expenses and other charges associated with the prosecution and maintenance of the Intellectual Property Rights within the LMT Technology.

2.3.3 Licensor shall notify Licensee if Licensor learns of any potentially patentable inventions identified in Section 5 (e) of the Apple Agreement for which both Apple and Crucible have decided (i) not to prosecute the application for a patent thereof and not to require that such invention be treated as a trade secret, or (ii) to prosecute the application for a patent thereof but not in all jurisdictions in which an application for a filing or registration may be made. Licensor shall also notify Licensee if Licensor determines that there are any potentially patentable inventions first created, conceived, invented or discovered after the Capture Period, including any extension of the Capture Period, for which Licensor has decided (iii) not to prosecute the application for a patent thereof and not to require that such invention be treated as a trade secret, or (iv) to prosecute the application for a patent thereof but not in all jurisdictions in which an application for a filing or registration may be made. Each such notice shall include a reasonably detailed description of the applicable invention. The inventions described in this Section 2.3.3 are referred to as the **"Unpatented LMT Technology"**.

2.3.4 Licensee may cause Licensor to file and prosecute a patent application for the Unpatented LMT Technology (at Licensee's cost and expense, as set forth below), or Licensee may cause Licensor to file patent applications in jurisdictions not originally selected to be pursued by Licensor, Apple or Crucible, as the case may be, or file a Patent Cooperation Treaty application for the Unpatented LMT Technology. Licensee may also (1) take over the control of any patent prosecution of any patent application that Licensor, Apple and Crucible, as the case may be, have determined is to be abandoned; (2) cause Licensor to file a continuation, divisional or continuation-in-part application based on a pending patent application if Licensor, Apple and Crucible, as the case may be, determine not to file the continuation, divisional or continuation-in-part application; (3) pay an annuity fee for a foreign patent application if Licensor, Apple and Crucible, as the case may be, have determined not to pay the annuity fee; and (4) pay a maintenance fee for a United States patent or a foreign patent for Unpatented LMT Technology if Licensor, Apple and Crucible, as the case may be, have determined not to pay the maintenance fee. Licensor shall disclose in writing any of the determinations by Licensor, Apple or Crucible as described in the preceding sentence promptly after any such determination is made, and in any event Licensor shall provide Licensee with sufficient notice of each such determination that Licensee has a reasonable opportunity to evaluate the matter and take any of the acts described in this Section 2.3.4 on a timely basis. Any such activities that Licensee chooses to undertake shall be for the benefit of Licensor or Crucible, as the case may be, at Licensee's sole cost and expense. In connection with any patent application as to which Licensor has decided not to prosecute, Licensee shall retain intellectual property counsel reasonably acceptable to Licensor. Licensor employees shall provide cooperation and support to Licensee and patent counsel to support patent prosecution activities for inventions, current and future patent applications and patents included within the Unpatented LMT Technology. This cooperation and support will be provided at no charge to Licensee. The patent counsel engaged by Licensee shall have the sole discretion to determine when the cooperation and support is necessary to support the patent prosecution activities. Nothing in this paragraph requires Licensee to conduct any such activities. Notwithstanding anything herein to the contrary, the rights of Licensee pursuant to this Section 2.3.4 with respect to Unpatented LMT Technology described in the first sentence of Section 2.3.3 shall be subject to the receipt of prior written consent from Apple to having the applicable inventions included within the Unpatented LMT Technology. Upon request from Licensee, Licensor shall request such consent from Apple and, if such consent is granted, shall take such acts as may be required in order to permit Licensee to exercise the rights set forth in this Section 2.3.4.

2.4 Release. Licensor, on behalf of itself and its successors and assigns, hereby releases, acquits and forever discharges Licensee, its affiliates, and all of their respective current and former predecessors, successors, agents, attorneys, employees, contractors, subcontractors, officers, directors and customers, from any and all claims of infringement or misappropriation of the LMT Technology that occurred prior to the Effective Date.

2.5 Trademark Usage. In the event that Licensee desires to utilize any trademark or service mark included in the LMT Technology (collectively, the "**Trademark**"), then Licensee will comply with the following restrictions with respect to its use of the Trademark: (i) all stylized use of the Trademark shall be solely in the original logotype identified by Licensor, except as otherwise agreed in writing by Licensor, (ii) Licensee agrees not to affix the Trademark to products other than the Licensed Products, (iii) Licensee will not utilize the Trademark to refer to any materials other than amorphous metal alloys or composite materials included within the LMT Technology, (iv) Licensee agrees not to modify the Trademark or change the appearance of any stylized or logo form of the Trademark, (v) the "®" icon shall always follow the Trademark, whenever appropriate, and (vi) Licensee agrees not to take any other action that would be reasonably expected to undermine the enforceability of the Trademark.

2.6 Covenant for Continuation of License Rights. Licensee acknowledges that as part of the Apple Agreement, Licensor has granted Apple a security interest through August 5, 2012 in the LMT Technology created, conceived, invented, or discovered before the end of the Capture Period, including any extension of the Capture Period, which is licensed to Licensee pursuant to this Agreement (the "**Apple Security Interest**"), and that enforcement of the Apple Security Interest could result in a transfer of such LMT Technology. Licensee further acknowledges that pursuant to the Apple Agreement and the LMT License, if the Apple Security Interest is enforced and, as a result of such enforcement, any of the LMT Technology created, conceived, invented, or discovered before the end of the Capture Period, including any extension of the Capture Period, is transferred to any person or entity, (a) such person or entity may acquire or otherwise receive such LMT Technology free and clear of all rights, powers and privileges of Licensee under this Agreement, and (b) this Agreement may be terminated to the extent such LMT Technology shall have been so acquired upon notice from such acquirer. Notwithstanding the foregoing, Licensor represents, warrants and covenants that the license granted to VPC pursuant to this Agreement with respect to the LMT Technology created, conceived, invented, or discovered before the end of the Capture Period, including any extension of the Capture Period, shall remain in full force and effect without termination for any reason, including without limitation any termination as described in this Section 2.6, and that Licensee shall have the continuing right to exercise such license in perpetuity. Any termination or partial termination of this Agreement, including any termination due to the enforcement of the Apple Security Interest shall be a material breach of this Agreement, in which case Licensee shall have a claim against Licensor for all damages incurred by Licensee in connection with such breach and such termination or partial termination, including without limitation the damages described in Section 4.2 below.

2.7 Sublicense Obligations. If Licensee elects to grant any sublicense(s) under this Agreement, any such sublicense agreement must include the following: (a) a clear statement that, notwithstanding any other provisions in such sublicense, nothing in such sublicense shall give the sublicensee any right to use any portion of the LMT Technology created, conceived, invented, or discovered before the end of the Capture Period, including any extension of the Capture Period, in the field of Consumer Electronic Products (and Licensee shall include in each sublicense agreement the full definition of "Consumer Electronic Products" that is specified herein for reference); (b) a clear reservation of Licensor's right to take any and all actions necessary to defend the LMT Technology created, conceived, invented, or discovered before the end of the Capture Period, including any extension of the Capture Period, in any litigation or administrative proceedings in which the sublicensee is a party; and (c) a clear reservation of Crucible's right to take any and all actions necessary to defend the LMT Technology created, conceived, invented, or discovered before the end of the Capture Period, including any extension of the Capture Period, in any litigation or administrative proceedings in which the sublicensee is a party.

ARTICLE 3
TERM

3.1 Term. The term of this Agreement commences on the Effective Date and shall continue in perpetuity. This Agreement shall not be terminable by the Parties, except under the limited circumstances described in Section 4.2.

ARTICLE 4
COVENANT NOT TO SUE AND OTHER OBLIGATIONS

4.1 Covenant Not to Sue**.** Except as set forth below in this Section 4.1, Licensor, on behalf of itself and its heirs, executors, successors, assigns, agents and all other persons and entities (other than Crucible) associated with it, covenants that it will not at any time, whether now or in the future, sue, file, assist, or participate in, or cause, assert, or induce any other person or entity to sue, file, assist, or participate in any claim or allegation against any of the following for infringement of Intellectual Property Rights of any of the LMT Technology within the VPC Fields: (i) Licensee; or (ii) Licensee's past, present and future owners, shareholders, parents, subsidiaries, successors, assigns, divisions, units, officers, directors, employees, agents, attorneys, or representatives, or (iii) Licensee or such parties' respective past, present and future direct and indirect vendors, suppliers, manufacturers, distributors, customers, or end users (collectively, "**Licensee-Related Entities**") in connection with any act by a Licensee-Related Entity at the direction of or on behalf of Licensee or related to or in connection with any Licensee-branded or Licensee-licensed product. This covenant not to sue does not inure to the benefit of any third parties for their conduct that is unrelated to Licensee. Licensor shall not be in breach of this subsection (a) if Licensor participates as a party in any litigation proceedings where any of the Intellectual Property Rights included in the LMT Technology are asserted by another party against Licensee, provided that a court of competent jurisdiction shall have ruled that Licensor's participation as a party is necessary to such proceedings and shall have ordered Licensor to participate as a party, or (b) to the extent that Licensor brings a suit or proceeding to enforce any restriction to which the Parties have otherwise agreed in writing which limits VPC's exercise of the license rights granted in this Agreement.

4.2 Rejection or Termination**.** Should Licensor reject this license under section 365(n) of the Bankruptcy Code, Licensee may treat the license as terminated, in which case Licensee shall have a claim against Licensor for all damages incurred by Licensee in connection with such termination. The Parties agree that such damages shall include without limitation damages relating to the loss of the licenses and rights granted to Licensee under this Agreement, the loss or diminution in value of Licensee's investment in Licensor pursuant to the MTA and/or the Transaction Documents, plus all amounts outstanding under any loan from Licensee to Licensor pursuant to the MTA and/or the Transaction Documents, plus any amounts paid to purchase "Machines" (as such term is defined in the MSA) (less any depreciation on such Machines as shown in Licensee's financial statements, which financial statements shall be conclusive for purposes of establishing such amounts), plus interest on all such amounts invested, loaned or paid by Licensee from the date of such investment or loan or payment until the date on which Licensee recovers payment in full from Licensor of all damages hereunder and under the MTA and the Transaction Documents at a rate per annum equal to the greater of (i) 10% or (ii) the "prime rate" as reported in *The Wall Street Journal* in effect from time to time plus two percent. Alternatively, should Licensor reject this license under section 365(n) of the Bankruptcy Code, Licensee may elect, under section 365(n) to continue as licensee under this Agreement.

4.3 Licensor Obligations. Licensor shall (a) fully perform all obligations and discharge all liabilities under any licenses, sublicenses and other agreements included in or otherwise affecting the LMT Technology (including without limitation wherever there is a reference in this Section 4.3 to agreements "affecting" the LMT Technology, all obligations under the Apple Agreement (and all instruments or agreements entered in to by Licensor pursuant to or in connection with the Apple Agreement) as and when the same are to be performed; (b) without limiting the generality of the foregoing, pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the LMT Technology and all amounts that become due and payable under any trade secrets, licenses, sublicenses and other agreements included in or otherwise affecting the LMT Technology; (c) promptly provide Licensee with copies of all invoices received with respect to payments described in the preceding clause (b) and notice of any payments made pursuant to this Section 4.3 upon making such payment, and upon request of Licensee, provide copies of documents as may be reasonably necessary or advisable to confirm that Licensor has performed the obligations set forth in this Section 4.3; (d) promptly following receipt thereof, deliver copies of all notices alleging any breach or default under or asserting any adverse claim in respect of any trade secrets, licenses, sublicenses and other agreements included in or otherwise affecting the LMT Technology; and (e) upon request from Licensee, provide Licensee with reasonably detailed reports and copies of documents as may be reasonably necessary or advisable to confirm that Licensor has performed the foregoing obligations. Licensor hereby irrevocably appoint Licensee as its true attorney in fact to perform (at Licensor's expense) any of the following powers, which are coupled with an interest, and may be exercised from time to time by Licensee's officers and employees, or any of them, to perform any obligation of Licensor under this Section 4.3, in Licensor's name or otherwise, including without limitation obligations under the Apple Agreement and all instruments or agreements entered into by Licensor pursuant to or in connection with the Apple Agreement. For avoidance of doubt, Licensee shall have no obligation hereunder to exercise the rights granted pursuant to the preceding sentence.

4.4 Right of First Refusal upon License or Sale. Licensee shall have a right of first refusal (**"ROFR"**) with respect to a license, sublicense, sale or other transfer by Licensor of the LMT Technology or any portion thereof as described in this Section 4.4. In the event that the Board of Directors or similar governing body of Licensor (the **"Board"**) approves Licensor proceeding with a bona fide letter of intent, term sheet, other proposal or written agreement of any form, and whether proposed by Licensor or by a third-party (each, an "**Offer**") concerning a license, sublicense, sale or other transfer of the LMT Technology or any portion thereof other than a license to a machine or alloy vendor (a **"Technology Transaction"**), that management of Licensor or the Board has determined that it would be willing to accept, then prior to accepting any such Offer or executing any binding agreement with respect to such Technology Transaction, Licensor shall provide Licensee with written notice of the Technology Transaction, which notice shall include a written summary of the principal terms, the structure of the transaction and conditions, a copy of any such Offer and any agreements (or the most recent drafts thereof) to effect such Technology Transaction (collectively, the "**ROFR Notice**"). Licensee shall have thirty (30) days from the date of receipt of the ROFR Notice (the "**Notice Period**") to notify Licensor in writing (the "**Notice of Exercise**") whether it has elected to exercise its ROFR to acquire the offered rights in the LMT Technology under substantially the terms set forth in the Offer. If, as of the expiration of the Notice Period, Licensee fails to provide a Notice of Exercise, Licensee shall be deemed to have elected not to exercise the ROFR with respect to such Technology Transaction. If Licensee provides a Notice of Exercise within the Notice Period, the Parties shall work together in good faith to negotiate and execute a definitive agreement to consummate the Technology Transaction under substantially the terms set forth in the Offer. Notwithstanding any provision herein to the contrary, if the Offer specifies (a) payment of consideration in other than United States money, Licensee shall have the right to acquire the offered rights in the LMT Technology for the United States money equivalent of the specified consideration; and (b) a manner, time, terms, or conditions that cannot be complied with by Licensee without unreasonable effort, Licensee shall have the right to acquire the offered rights in the LMT Technology by complying with a reasonable equivalent of the specified terms or conditions.

ARTICLE 5
CONFIDENTIALITY

5.1 The disclosure and use of all confidential information pursuant to this Agreement, including without limitation the terms of this Agreement, shall be subject to the terms of the Parties' Mutual Non-Disclosure Agreement to be executed concurrently herewith, the terms of which are incorporated by reference herein (the "**Confidentiality Agreement**").

ARTICLE 6
REPRESENTATIONS, WARRANTIES, AND COVENANTS

6.1 Incorporation from MTA. Section 1(b), Section 1(d), Section 1(e), and Section 2(b) of the MTA and any related definitions for any terms used in any such Sections are hereby incorporated by reference into this Agreement.

6.2 Apple Agreement. Licensor represents, warrants, and covenants that Licensor is, shall be and shall remain, in compliance with all of its obligations to Apple under the Apple Agreement and all instruments or agreements entered in to by Licensor pursuant to or in connection with the Apple Agreement.

6.3 LMT Technology Licensees. Licensor represents, warrants, and covenants that as of the Effective Date the only other licensees and sublicensees of the LMT Technology are those listed in Attachment A to this Agreement.

6.4 Non-Solicitation. Licensor represents, warrants, and covenants that if Licensor shall license, sublicense, sell or otherwise transfer the LMT Technology to any third party after the Effective Date of this Agreement (each such third party, a **"LMT Licensee"**), Licensor shall include, as a condition to any such license, sublicense, sale or transfer, a covenant that so long as such license, sublicense, sale or transfer remains in effect neither the LMT Licensee nor its affiliates or subsidiaries shall directly or indirectly solicit, recruit or hire (either as an employee or as a contractor), or attempt to solicit, recruit or hire (either as an employee or as a contractor) any of Licensee's employees or contractors, or any person who was employed or engaged as an employee or contractor by Licensee at any time within the preceding one year period (such persons being hereinafter referred to as an "**Agent"**); provided, however, that this shall not prohibit the LMT Licensee from advertising for open positions provided that such advertisements are not targeted solely at the Agents of Licensee. Each such agreement with an LMT Licensee shall further provide that so long as such license, sublicense, sale or transfer remains in effect, neither the LMT Licensee nor its affiliates or subsidiaries shall directly or indirectly, for its own benefit or for the benefit of a third party, induce or attempt to induce any Agent of Licensee to leave such Agent's position with Licensee, or in any other way attempt to interfere with the employment, consulting or business relationship between Licensee and any Agent of Licensee. LMT shall cause Licensee to be named a third party beneficiary of such provisions under each such agreement with an LMT Licensee, with the explicit right for Licensee to enforce such restrictions directly against the LMT Licensee.

6.5 Inventions and Improvements. Licensor shall notify Licensee periodically (not less frequently than quarterly) of any improvements or additions to the LMT Technology developed or acquired by or on behalf of Licensor or Crucible. All such improvements or additions shall, without further action of the Parties, be included within the LMT Technology and thus within the license granted to Licensee pursuant to this Agreement. Except as specifically set forth in this Section 6.5, each of the Parties shall retain all rights to all Intellectual Property and all Intellectual Property Rights that such Party owns or has licensed from a third party (including without limitation pursuant to sub-licenses), or that such Party otherwise has a right to use, both as of the Effective Date or at any time thereafter, including without limitation any and all Intellectual Property and Intellectual Property Rights that, as between the Parties, are developed exclusively by or on behalf of such Party on or after the Effective Date. In the case of LMT, all such Intellectual Property and Intellectual Property Rights shall be included within the term **"LMT Technology"** and shall be licensed to VPC under this Agreement. Notwithstanding anything herein to the contrary, but subject to the last two sentences of this Section 6.5, any Intellectual Property or Intellectual Property Rights that are developed jointly by the Parties after the Effective Date shall be jointly owned by Licensor and Licensee and shall automatically and without further action by the Parties be included in the LMT Technology licensed to Licensee pursuant to this Agreement. The Parties agree to cooperate and cause their employees and contractors to cooperate in the preparation and prosecution of patent applications relating to any such jointly developed Intellectual Property and Intellectual Property Rights. Notwithstanding the foregoing, in order to avoid any confusion, misunderstanding or dispute, and to provide certainty as to which developments, if any, LMT will have joint ownership with VPC, LMT shall have no right to joint ownership, and will make no claim of joint ownership as to any Intellectual Property or Intellectual Property Rights developed by or on behalf of VPC or jointly with VPC unless prior to the development of such rights, LMT and VPC have executed a joint development agreement which (a) specifically identifies the joint development project, (b) specifies LMT's anticipated contribution to such joint development project, and (c) specifically states that LMT will have joint ownership rights with VPC to the Intellectual Property and Intellectual Property Rights that result from such project. To the extent, if any, that LMT contributes to the development of Intellectual Property or Intellectual Property Rights under the circumstances described in the foregoing sentence without an executed development agreement which meets conditions (a) through (c) in the foregoing sentence, then such jointly developed Intellectual Property and Intellectual Property Rights and LMT's contribution to such joint development (but not any Intellectual Property or Intellectual Property Rights owned by LMT prior to such development) shall be owned exclusively by VPC, regardless of inventorship, and LMT hereby assigns to VPC, and will cause its employees, contractors, representatives, officers and directors to assign to VPC all right, title and interest in and to LMT's contribution to such Intellectual Property and Intellectual Property Rights. Nothing in this Section 17.1 shall preclude LMT from asserting a claim that any Intellectual Property or Intellectual Property Rights were developed exclusively by LMT or licensed by LMT from others.

ARTICLE 7
INDEMNIFICATION

7.1 Indemnification. Licensor shall defend, indemnify and hold Licensee and its directors, officers, affiliates, employees, agents, successors and assigns (each, an "**indemnified party**") harmless from and against any and all liability, loss, expense (including without limitation reasonable attorney's fees), or claims for injury or damages (i) incurred by an indemnified party as a result of (A) any inaccuracy in or breach of the representations, warranties or covenants made by Licensor in this Agreement, or (B) any act or omission by any of Licensor or its directors, officers or employees that violates any law or constitutes tortious acts or omissions; or (ii) incurred by any indemnified party or asserted against any indemnified party by any third party arising out of, in connection with, or as a result of (A) the execution or delivery of this Agreement, the performance by the Parties hereto or thereto of their respective obligations hereunder or the consummation of the transactions contemplated hereby, (B) Licensee's use of the LMT Technology or rights under this Agreement, and (C) any claim that the LMT Technology or the use of the LMT Technology, infringes upon or otherwise violates any rights, including, without limitation, any Intellectual Property Rights, of any third party.

7.2 Notice of Claims. If any party is entitled to indemnification under Section 7.1, Licensee will give prompt written notice to Licensor of any matters giving rise to a claim for indemnification; provided that the failure to provide such notice shall not relieve Licensor of its obligations under this Section 7 except to the extent that Licensor is actually prejudiced by such failure to give notice.

7.3 Procedures for Indemnification. In case any action, proceeding or claim is brought against an indemnified party in respect of which indemnification is sought hereunder, Licensor shall be entitled to participate and, unless in the reasonable judgment of legal counsel to the indemnified party a conflict of interest between it and Licensor may exist with respect of such action, proceeding or claim, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. In the event that Licensor fails, within thirty (30) days of receipt of any indemnification notice, to notify, in writing, such person of Licensor's election to defend, settle or compromise, at its sole cost and expense, any action, proceeding or claim (or discontinues its defense at any time after it commences such defense), then the indemnified party may, at its option, defend, settle or otherwise compromise or pay such action or claim. In any event, unless and until Licensor elects in writing to assume and does so assume the defense of any such claims, proceeding or action, the indemnified party's costs and expenses arising out of the defense, settlement or compromise of any such action, claim or proceeding shall be losses subject to indemnification hereunder. The indemnified party shall cooperate fully with Licensor in connection with any negotiation or defense of any such action, claim or proceeding by Licensor and shall furnish to Licensor all information reasonably available to the indemnified party which relates to such action, claim or proceeding. Licensor shall keep the indemnified party fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. If Licensor elects to defend any such action or claim, then the indemnified party shall be entitled to participate in such defense using counsel of its choice at its sole cost and expense. Licensor shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent. Notwithstanding anything in this Section 7 to the contrary, Licensor shall not, without the indemnified party's prior written consent, settle or compromise any claim or consent to entry of any judgment in respect thereof which imposes any future obligation on the indemnified party or which does not include, as an unconditional term thereof, the giving by the claimant or the plaintiff to the indemnified party of a release from all liability in respect of such claim.

7.4 Indemnification Payments. The indemnification required by this Section 7 shall be made by periodic payments of the amount thereof during the course of investigation or defense, as and when bills are received or expenses, loss, damage or liability is incurred, so long as the indemnified party irrevocably agrees to refund such moneys if it is ultimately determined by a court of competent jurisdiction that such party was not entitled to indemnification. The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar rights of the indemnified party against Licensor or others, and (ii) any liabilities Licensor may be subject to pursuant to the law.

ARTICLE 8
MISCELLANEOUS

8.1 Notices. All notices from one Party to the other required or permitted under this Agreement shall be in writing, shall refer specifically to this Agreement, and shall be delivered in person, or sent by electronic or facsimile transmission for which a confirmation of delivery is obtained, or sent by registered mail or express courier services providing evidence of delivery, in each case to the recipient Party's respective address set forth on the signature page hereof (or to such updated address as may be specified in writing to the other Party from time to time). Such notices will be deemed effective as of the date so delivered.

8.2 Assignment. Licensor shall not assign, transfer, subcontract or otherwise delegate any of its obligations under this Agreement without Licensee's prior written consent in each instance other than as a part of any merger, consolidation, or other statutory business combination or as a part of the sale of all or substantially all of its assets. Any attempted assignment, transfer, subcontracting or other delegation without such consent shall be void and shall constitute a breach of this Agreement. Subject to the foregoing, this Agreement shall inure to the benefit of the Parties' successors and assigns.

8.3 Injunctive Relief. The parties each acknowledge that any breach of this Agreement by it may cause irreparable harm to the other parties or their respective affiliates and that the remedies for breach may include injunctive relief against such breach, in addition to damages and other available remedies.

8.4 Entire Agreement. This Agreement, including the MTA and the Transaction Documents referenced herein, constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes and cancels all other prior agreements and understandings of the Parties in connection with subject matter. The headings or titles in this Agreement are for purposes of reference only and shall not in any way affect the interpretation or construction of this Agreement.

8.5 Waiver and Amendment. No waiver of any of the provisions of this Agreement shall be valid unless in a written document, signed by the Party against whom such a waiver is sought to be enforced, nor shall failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder. All amendments of this Agreement shall be made in writing and signed by the Parties, and no oral amendments shall be binding on the Parties.

8.6 Governing Law and Arbitration This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. In the event of a dispute between the Parties concerning the subject matter of this Agreement, the Parties shall resolve the dispute using the procedures and binding arbitration specified in Section 7 (g) of the MTA.

8.7 Severability. If any provision of this Agreement, or the application thereof, shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as best to reasonably effect the intent of the Parties hereto. The Parties further agree to replace such void or unenforceable provision with a provision which will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

8.8 Interpretation. The Parties have each been represented by counsel in the negotiation of this Agreement and have jointly prepared this Agreement with counsels' assistance. In the event of an ambiguity or a question of contract interpretation arises, no provision of this Agreement shall be construed based on any particular Party having drafted the Agreement or such provision. Further, neither the history of negotiations between the Parties, nor the fact that provisions of this Agreement (or portions thereof) have been inserted, deleted or modified in the course of preparing Agreement drafts, shall be used to construe the meaning of any provision.

8.9 Further Assurances. Each Party agrees to cooperate fully with the other and to execute such further instruments, documents and agreements and to give such further written assurances, as may be reasonably requested by another Party to better evidence and reflect the transactions described herein and contemplated hereby, and to carry into effect the intents and purposes of this Agreement.

8.10 Independent Contractors. Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between the Parties. No Party shall have the power to control the activities and operations of another, and their status is, and at all times will continue to be, that of independent contractors with respect to each other. No Party shall hold itself out as having any authority or relationship in contravention of this Section, and except as specifically called for or permitted herein, no Party shall act on behalf of another Party or enter into any contracts, warranty, or representation as to any other matter on the behalf of another Party.

IN WITNESS WHEREOF, each of the Parties has executed this Agreement as of the date first written above. Each of Parties affirms that the person signing this Agreement on such Party's behalf is duly authorized to do so and thereby to bind the indicated entity. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Liquidmetal Technology, Inc.	Visser Precision Cast, LLC
/s/ Tom Steipp	/s/ Gregory A. Ruegsegger
Tom Steipp	By: Gregory A. Ruegsegger
Title: President/CEO	Title: Vice President
Date: June 1, 2012	Dated: June 1, 2012
Address: 30452 Esperanza Rancho Santa Margarita, CA 92688	Address: 6275 E. 39th Street Denver, CO 8020

ATTACHMENT A
TO
VPC SUBLICENSE AGREEMENT

List of LMT Technology Licensees

1. Exclusive License Agreement between LMT and Crucible, dated August 5, 2010.

2. Exclusive License Agreement between Crucible and Apple, Inc., dated August 5, 2010.

3. First Amended and Restated License Agreement between LMT and LLPG, Inc., dated December 31, 2006, as amended March 30, 2009, July 24, 2010 and March 4, 2011.

4. License Agreement between LMT and The Swatch Group Ltd., dated March 23, 2009, as amended March 7, 2010.

5. License Agreement between LMT and Innovative Materials Group, LLC, dated August 5, 2011.

6. License Agreement between LMT and Liquidmetal Golf, dated January 1, 2002.

7. Amended and Restated License Agreement between LMT and the California Institute of Technology, dated September 1, 2001.

Exhibit 10.38

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT. ANY TRANSFEREE OF THIS NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS NOTE, INCLUDING SECTIONS 3(c)(iii) AND 19(a) HEREOF. THE PRINCIPAL AMOUNT REPRESENTED BY THIS NOTE AND, ACCORDINGLY, THE SECURITIES ISSUABLE UPON CONVERSION HEREOF MAY BE LESS THAN THE AMOUNTS SET FORTH ON THE FACE HEREOF PURSUANT TO SECTION 3(c)(iii) OF THIS NOTE.

THESE SECURITIES AND THE SECURITIES FOR WHICH THESE SECURITIES ARE CONVERTIBLE ARE SUBJECT TO A LOCK-UP PERIOD AS SET FORTH IN SECTION 3(d) OF THESE SECURITIES. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SECURITIES AND THE SECURITIES FOR WHICH THESE SECURITIES ARE EXERCISABLE.

6% SENIOR SECURED CONVERTIBLE NOTE

Issuance Date: June 1, 2012 Principal: up to U.S. $2,000,000

FOR VALUE RECEIVED, LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation (the **"Company"**), hereby promises to pay to the order of VISSER PRECISION CAST, LLC, a Colorado limited liability company or registered Permitted Assigns (as defined below) (**"Holder"**), so much of the amount set out above as the Principal that has been advanced by Holder to the Company pursuant hereto (as reduced pursuant to the terms hereof pursuant to redemption, conversion or otherwise, the **"Principal"**), when due, whether upon the Maturity Date (as defined below), acceleration, redemption or otherwise (in each case in accordance with the terms hereof) and to pay interest (**"Interest"**) on any outstanding Principal at the rate of interest as determined pursuant to Section 2, from the date of the Initial Advance (as defined below) until the same becomes due and payable, whether upon an Interest Date (as defined below), the Maturity Date (as defined below), acceleration, conversion, redemption or otherwise (in each case in accordance with the terms hereof). This 6% Senior Secured Convertible Note (including all 6% Senior Secured Convertible Notes issued in exchange, transfer or replacement hereof, this **"Note"**) is being issued on the date set out above (the **"Issuance Date"**) pursuant to the Subscription Agreement (as defined below). Certain capitalized terms are defined in Section 29. Simultaneously with the execution of this Note, the Company, and the Holder are entering into a Master Transaction Agreement (the "**Master Transaction Agreement**"), which sets forth certain terms governing this Note, as well as certain other Transaction Documents (as defined in the Master Transaction Agreement).

So long as (a) prior to any request for an advance hereunder, the Company has (i) delivered written confirmation from Apple that the Apple Security Agreement and the Crucible Security Agreement have been terminated and Apple has released any liens it may have on the Company's assets and on Crucible's assets (including, without limitation filing UCC-3 termination statements for all UCC financing statements filed in connection therewith) and (ii) executed a security agreement in substantially the form of the Security Agreement (as defined in Section 15(b), granting Holder a lien in the Apple Collateral and (b) on the date of each request for an advance hereunder, (i) no Event of Default (as defined below) has occurred and is continuing and (ii) the representations and warranties of the Company set forth in the Subscription Agreement are true and correct as provided in Section 3(ee) of the Subscription Agreement on the date of each request:

(a) the Company may request (and the Holder will make) an advance (the "**Initial Advance**") of up to $1,000,000 under this Note, to be made on September 15, 2012, by sending a written request to the Holder for such advance, along with an executed certificate in the form attached hereto as Exhibit II (the **"Bring Down Certificate"**), no later than ten days prior to the date of such Initial Advance; and

(b) the Company may request (and the Holder will make) an advance of up to the remaining $1,000,000 under this Note, to be made on November 15, 2012, by sending a written request to the Holder for such advance, along with an executed Bring Down Certificate, no later than ten days prior to the date of such advance.

1. MATURITY. On September 15, 2015 (the **"Maturity Date"**), the Company shall pay to the Holder an amount in cash representing all outstanding Principal and accrued and unpaid Interest, and following receipt of such payment, the Holder shall mark this Note as "Cancelled" and shall surrender such cancelled Note to the Company by courier, registered mail or other traceable means. The Company may, upon thirty calendar days prior written notice to Holder and at the sole election of the Company, prepay this Note in whole or in part, without premium or penalty; provided that following receipt of such notice from the Company, the Holder may convert all or any part of the portion of this Note to be redeemed so long as the Company receives a duly executed Conversion Notice pursuant to Section 3 of this Note prior to the date on which prepayment is actually made.

2. INTEREST; INTEREST RATE. Interest on this Note shall be compounded annually, shall commence accruing on the date of the Initial Advance, shall be computed on the basis of a 365-day year and actual days elapsed and shall be payable in arrears, starting on January 1, 2013 and on the first day of each calendar quarter thereafter, ending on, and including, the Maturity Date (each, an **"Interest Date"**). Interest shall be payable in cash at the rate of 6.00% per annum (the **"Interest Rate**"). From and after the occurrence of an Event of Default, the Interest Rate shall be increased to 12.00% per annum. In the event that such Event of Default is subsequently cured, the adjustment referred to in the preceding sentence shall cease to be effective as of the date of such cure; provided that the Interest as calculated at such increased rate during the continuance of such Event of Default shall continue to apply to the extent relating to the days after the occurrence of such Event of Default through and including the date of cure of such Event of Default.

3. CONVERSION OF NOTE. This Note shall be convertible into shares of the Company's common stock, par value $0.001 per share (the **"Common Stock"**), on the terms and conditions set forth in this Section 3.

a. Conversion Right. At any time or times on or after the Issuance Date, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into fully paid and nonassessable shares of Common Stock in accordance with Section 3(c) at the Conversion Rate (as defined below). All shares of Common Stock issued upon conversion of this Note shall be subject to the Lock-Up Period described in Section 3(d). The Company shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all taxes that may be payable with respect to the issuance and delivery of Common Stock upon conversion of any Conversion Amount.

b. Conversion Rate. The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to Section 3(a) shall be determined by dividing (x) such Conversion Amount by (y) the Conversion Price (as defined below) (the **"Conversion Rate"**).

i. **"Conversion Amount"** means the sum of (A) the portion of the Principal to be converted, redeemed or otherwise with respect to which this determination is being made, plus (B) accrued and unpaid Interest with respect to such Principal, plus (C) any fees and penalties (if any) that become due under this Note and that are not paid by the Company within three days of written demand therefor.

ii. **"Conversion Price"** means, as of any Conversion Date (as defined below) or other date of determination, and subject to adjustment as provided herein, $0.22.

c. Mechanics of Conversion.

i. Optional Conversion. To convert any Conversion Amount into shares of Common Stock on any date (a **"Conversion Date"**), the Holder shall (A) transmit by facsimile (or otherwise deliver), for receipt on or prior to 5:00 p.m., California Time, on such date, a copy of an executed notice of conversion in the form attached hereto as Exhibit I (the **"Conversion Notice"**) to the Company and (B) if required by Section 3(c)(iii), surrender this Note to a common carrier for delivery to the Company as soon as practicable on or following such date (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction). On or before the first Business Day following the date of receipt of a Conversion Notice, the Company shall transmit by facsimile a confirmation of receipt of such Conversion Notice to the Holder and the Company's transfer agent (the **"Transfer Agent"**). On or before the third Business Day following the date of receipt of a Conversion Notice (the **"Share Delivery Date"**), the Company shall cause to be issued and delivered to the address as specified in the Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled. If this Note is physically surrendered for conversion as required by Section 3(c)(iii) and the outstanding Principal of this Note is greater than the Principal portion of the Conversion Amount being converted, then the Company shall as soon as practicable and in no event later than five Business Days after receipt of this Note and at its own expense, issue and deliver to the Holder a new Note (in accordance with Section 19(d)) representing the outstanding Principal not converted. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date.

ii. Company's Failure to Timely Convert. If the Company shall fail to issue a certificate to the Holder in the manner required pursuant to Section 3(c)(i) on or prior to the date which is ten Business Days after the Conversion Date (a **"Conversion Failure"**), then (A) the Company shall pay liquidated damages to the Holder for each day of such Conversion Failure in an amount equal to one percent (1.0%) of the product of (I) the sum of the number of shares of Common Stock not issued to the Holder on or prior to the Share Delivery Date and to which the Holder is entitled, and (II) the Closing Sale Price of the Common Stock on the Share Delivery Date, and (B) the Holder, upon written notice to the Company, may void its Conversion Notice with respect to, and retain or have returned, as the case may be, any portion of this Note that has not been converted pursuant to such Conversion Notice; provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to this Section 3(c)(ii) or otherwise; provided further that liquidated damages shall cease to accrue with respect to the voided portion of a Conversion Notice commencing on the date of such notice. In addition to the foregoing, if within three Trading Days after the Company's receipt of the facsimile copy of a Conversion Notice the Company shall fail to issue and deliver a certificate to the Holder in the manner required pursuant to Section 3(c)(i), and if on or after such Trading Day the Holder is required to purchase in a bona fide arm's length transaction for fair market value (in an open market transaction or otherwise and otherwise in compliance with the Lock-Up Period described in Section 3(d)) the number of shares of Common Stock necessary to deliver in satisfaction of a bona fide arm's length sale for fair market value by the Holder of Common Stock issuable upon such conversion that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, within five Business Days after the Holder's request and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (the **"Buy-In Price"**), at which point the Company's obligation to deliver such certificate (and to issue such Common Stock) shall terminate and the portion of this Note representing such shares shall be deemed converted, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such Common Stock and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) the Closing Bid Price on the Conversion Date. The Holder shall provide the Company detailed documentation indicating the amounts requested by the Holder in respect of this Section 3(c)(ii).

iii. Book-Entry. Notwithstanding anything to the contrary set forth herein, upon conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless (A) the full Conversion Amount represented by this Note is being converted or (B) the Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissue of this Note upon physical surrender. The Holder and the Company shall maintain records showing the Principal and Interest converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon conversion.

d. Lock-Up Period. As a condition to any conversion of this Note, the Holder covenants and agrees with the Company as follows:

i. The Holder will not, without the prior written consent of the Company (which consent may be withheld in the Company's sole discretion), directly or indirectly, sell, transfer or otherwise dispose of all or any portion of this Note or the shares of Common Stock issuable upon Conversion of this Note or sell, offer, contract or grant any option to sell (including, without limitation, any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act with respect to this Note or the shares of Common Stock issuable upon conversion of this Note or otherwise dispose of this this Note or the shares of Common Stock issuable upon conversion of this Note (collectively, the **"Restricted Securities"**), or publicly announce an intention to do any of the foregoing, for a period commencing on the Issuance Date and continuing through the close of trading on December 31, 2016 (the **"Lock-up Period"**); provided that the foregoing restriction shall not apply to any transfer of Restricted Securities to (A) Furniture Row, LLC or Furniture Row BC, Inc. (together, **"Furniture Row"**) and any wholly-owned subsidiary of Furniture Row, (B) any person who owns a majority of the outstanding capital and voting interests of Furniture Row, (C) the spouse or lineal descendants of any person described in clause (B), (D) any trust formed for the benefit of any person described in clause (B) or for the benefit of the spouse or lineal descendants of any person described in clause (B), or (E) corporations, limited liability companies, partnerships or other entity in which Furniture Row or any person described in clauses (B) and (C) owns a majority of the capital and voting interests (collectively, **"Permitted Transferees"**); provided, further, that any such Permitted Transferee executes and delivers to the Company an agreement to be bound by the foregoing restrictions.

ii. The Holder agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of Restricted Securities except in compliance with the foregoing restrictions.

4. RIGHTS UPON EVENT OF DEFAULT.

a. Event of Default. Each of the following events shall constitute an **"Event of Default"**:

i. the Company's failure to pay to the Holder any amount of Principal or Interest when and as due under this Note if such failure continues for a period of at least five Business Days;

ii. the Company's failure to pay to the Holder any amounts other than Principal or Interest when and as due under this Note, the Subscription Agreement or the Registration Rights Agreement, which failure is not cured within five Business Days after notice of such default sent by the Holder to the Company;

iii. any event of default occurs under the Transaction Documents and is not cured within applicable time periods under such documents or is otherwise waived in writing by the Holder;

iv. any default under, redemption prior to maturity of, or acceleration prior to maturity of any Indebtedness (as defined below) of the Company or any of its Subsidiaries; provided that in the case of a payment default of such Indebtedness, such default is not cured within applicable cure periods; further provided that in the case of a non-payment default of such Indebtedness that has not resulted in an acceleration or redemption of such Indebtedness prior to its maturity, only upon acceleration or redemption of such Indebtedness; notwithstanding the limitation contained herein on the redemption of Indebtedness prior to maturity, Holder agrees that the Company may, as a part of a transaction involving Socius CG, II, Ltd., redeem and pay prior to maturity all outstanding principal and interest due under a $1,712,000 promissory note dated October 10, 2011 payable to SAGA, SpA and such redemption and payment shall not constitute an Event of Default;

v. the Company or any of its Subsidiaries, pursuant to or within the meaning of Title 11, U.S. Code, or any similar Federal or state law for the relief of debtors (collectively, **"Bankruptcy Law"**), (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official (a "**Custodian**") or (D) makes a general assignment for the benefit of its creditors;

vi. a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company or any of its Subsidiaries in an involuntary case that remains undismissed for a period of 90 days, (B) appoints a Custodian of the Company or any of its Subsidiaries that remains undischarged or unstayed for a period of 90 days or (C) orders the liquidation of the Company or any of its Subsidiaries;

vii. a final judgment or judgments for the payment of money aggregating in excess of $250,000 are rendered against the Company or any of its Subsidiaries and which judgments are not, within 60 days after the entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; provided, however, that any judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the $250,000 amount set forth above;

viii. any breach or failure to comply with Section 15 of this Note;

ix. INTENTIONALLY OMITTED;

x. any security interest created by the Security Agreement shall at any time not constitute a valid and perfected security interest on the collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required herein or therein) in favor of the Holder, or any of the security interests granted pursuant to the Security Agreement shall be determined to be void, voidable, invalid or unperfected, are subordinated or are ineffective to provide the Holder with a perfected, first priority security interest in the collateral covered by the Security Agreement (except to the extent expressly subordinated under the terms of the Security Agreement), or, except for expiration or termination in accordance with its terms, the Security Agreement shall for whatever reason be terminated or cease to be in full force and effect, or the enforceability thereof shall be contested by the Company; or

xi. the Company or any Subsidiary commits a default under any material contract to which it is a party and as a result of which default the Company or its Subsidiaries will be legally obligated to pay damages in an aggregate amount in excess of $250,000 for such default.

b. Redemption Right Upon Event of Default. Promptly after the occurrence of an Event of Default with respect to this Note, the Company shall deliver written notice thereof via facsimile and overnight courier (an **"Event of Default Notice"**) to the Holder. At any time after the earlier of the Holder's receipt of an Event of Default Notice and the Holder becoming aware of an Event of Default, the Holder may require the Company to redeem all or any portion of this Note by delivering written notice thereof (the **"Event of Default Redemption Notice"**) to the Company, which Event of Default Redemption Notice shall indicate the portion of this Note the Holder is electing to redeem. Each portion of this Note subject to redemption by the Company pursuant to this Section 4(b) shall be redeemed by the Company at a price equal to the greater of (i) the Conversion Amount to be redeemed and (ii) the product of (A) the Conversion Rate with respect to such Conversion Amount in effect at such time as the Holder delivers an Event of Default Redemption Notice and (B) the Closing Sale Price of the Common Stock on the date immediately preceding such Event of Default (the **"Event of Default Redemption Price"**). Redemptions required by this Section 4(b) shall be made in accordance with the provisions of Section 12.

5. RIGHTS UPON CHANGE OF CONTROL.

a. Change of Control. Each of the following events shall constitute a **"Change of Control"**:

i. the Company effects any merger or consolidation of the Company with or into another Person;

ii. the Company effects any sale of all or substantially all of its assets in one or a series of related transactions (not to include enforcement of Apple's Security Agreement);

iii. any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property; or

iv. the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchange for other securities, cash or property.

No sooner than 15 days nor later than ten days prior to the consummation of a Change of Control, but not prior to the public announcement of such Change of Control, the Company shall deliver written notice thereof via facsimile and overnight courier to the Holder (a **"Change of Control Notice"**).

b. Assumption. Prior to the consummation of any Change of Control, the Company will secure from any Person purchasing the Company's assets or Common Stock or any successor resulting from such Change of Control (in each case, an **"Acquiring Entity"**) a written agreement (in form and substance satisfactory to the Holder) to deliver to the Holder in exchange for this Note, a security of the Acquiring Entity evidenced by a written instrument substantially similar in form and substance to this Note, including, without limitation, having a principal amount and interest rate equal to the principal amount and the interest rate of this Note, and otherwise satisfactory to the Holder. In the event that an Acquiring Entity is directly or indirectly controlled by a company or entity whose common stock or similar equity interest is listed, designated or quoted on a securities exchange or trading market, the Holder may elect to treat such Person as the Acquiring Entity for purposes of this Section 5(b).

c. Redemption Right. At any time during the period beginning after the Holder's receipt of a Change of Control Notice and ending on the date of the consummation of such Change of Control (or, in the event a Change of Control Notice is not delivered at least ten days prior to a Change of Control, at any time on or after the date which is ten days prior to a Change of Control and ending ten days after the consummation of such Change of Control), the Holder may require the Company to redeem all or any portion of this Note by delivering written notice thereof (**"Change of Control Redemption Notice"**) to the Company, which Change of Control Redemption Notice shall indicate the Conversion Amount the Holder is electing to redeem; provided, however, that the Company shall not be under any obligation to redeem all or any portion of this Note or to deliver the applicable Change of Control Redemption Price unless and until the applicable Change of Control is consummated. The portion of this Note subject to redemption pursuant to this Section 5 shall be redeemed by the Company in cash at a price equal to the sum of (i) the Conversion Amount of the portion to be redeemed, plus (ii) the Black Scholes Value, as of the date immediately preceding the date the Change of Control is consummated, of the Holder's right to convert the Conversion Amount hereunder upon the terms set forth herein (the "**Change of Control Redemption Price**"). Notwithstanding the foregoing, in the event of a Change of Control pursuant to which holders of Common Stock are entitled to receive cash consideration only, this Note and all rights to convert or redeem this Note shall automatically terminate, without any further action by the Holder, and the Holder shall receive an amount of cash equal to the Change of Control Redemption Price upon the consummation of such Change of Control. For the purpose of this Note, "**Black Scholes Value**" means the value, as reasonably calculated by the Company, of this Note, which shall be determined by use of the Black Scholes Option Pricing Model reflecting (i) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Note as of such date of request and (ii) an expected volatility equal to the greater of 60% and the 100 day volatility obtained from the HVT function on Bloomberg.

6. RIGHTS UPON ISSUANCE OF PURCHASE RIGHTS AND OTHER CORPORATE EVENTS.

a. Purchase Rights. If at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock, then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

b. Other Corporate Events. Prior to the consummation of any recapitalization, reorganization, consolidation, merger, spin-off or other business combination (other than a Change of Control) pursuant to which holders of Common Stock are entitled to receive securities or other assets with respect to or in exchange for Common Stock (a **"Corporate Event"**), the Company shall make appropriate provision to insure that the Holder will thereafter have the right to receive upon a conversion of this Note, (i) in addition to the shares of Common Stock receivable upon such conversion, such securities or other assets to which the Holder would have been entitled with respect to such shares of Common Stock had such shares of Common Stock been held by the Holder upon the consummation of such Corporate Event or (ii) in lieu of the shares of Common Stock otherwise receivable upon such conversion, such securities or other assets received by the holders of Common Stock in connection with the consummation of such Corporate Event in such amounts as the Holder would have been entitled to receive had this Note initially been issued with conversion rights for the form of such consideration (as opposed to shares of Common Stock) at a conversion rate for such consideration commensurate with the Conversion Rate. Provision made pursuant to the preceding sentence shall be in a form and substance satisfactory to the Holder.

7. RIGHTS UPON ISSUANCE OF OTHER SECURITIES.

a. Adjustment of Conversion Price upon Issuance of Common Stock. If and whenever on or after the Issuance Date the Company issues or sells, or in accordance with this Section 7(a) is deemed to have issued or sold, any shares of Common Stock (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company and also including shares of Common Stock issued to Socius CG, II, Ltd. in connection with the payment of principal or interest due under a $1,712,000 promissory note dated October 10, 2011 payable to SAGA, SpA, but excluding shares of Common Stock deemed to have been issued or sold by the Company in connection with any Excluded Security) for a consideration per share (the "**New Securities Issuance Price**") less than the Conversion Price in effect immediately prior to such issue or sale (the foregoing a **"Dilutive Issuance"**), then immediately after such Dilutive Issuance, the Conversion Price then in effect shall be reduced effective concurrently with such Dilutive Issuance to an amount determined by multiplying the Conversion Price then in effect by a fraction, (i) the numerator of which shall be the sum of (A) the number of shares of Common Stock outstanding immediately prior to such Dilutive Issuance on a fully diluted basis (the **"Outstanding Common"**) plus (B) the number of shares of Common Stock which the aggregate consideration received by the Company for such additional shares in the Dilutive Issuance would purchase at the Conversion Price then in effect, and (ii) the denominator of which shall be the number of shares of Outstanding Common immediately after such Dilutive Issuance but before giving effect to anti-dilution rights contained in other securities issued pursuant to the Subscription Agreement that would be triggered by the same Dilutive Issuance. For purposes of this paragraph, the issuance of shares of Common Stock to Socius CG II, Ltd. in connection with the payment of principal or interest due under a $1,712,000 promissory note dated October 10, 2011 payable to SAGA, SpA at any time prior to the Issuance Date for a consideration less than $.22 per share shall be deemed to be a Dilutive Issuance and shall require an adjustment to the Conversion Price, all in accordance with the adjustment provisions contained in this Section 7. For purposes of this paragraph, "fully-diluted basis" shall take into account all outstanding shares of Common Stock as well as shares of Common Stock issuable upon the exercise of outstanding Options and the conversion of outstanding Convertible Securities. In the case of Options or Convertible Securities, the maximum number of shares of Common Stock issuable upon exercise, exchange or conversion of such Options or Convertible Securities shall be deemed to be outstanding, provided that no further adjustment shall be made upon the actual issuance of Common Stock upon exercise, exchange or conversion of such Options or Convertible Securities. For purposes of determining the adjusted Conversion Price under this Section 7(a), the following shall be applicable:

i. Change in Option Price or Rate of Conversion. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exchange or exercise of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable or exercisable for Common Stock changes at any time, the Conversion Price in effect at the time of such change shall be adjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold in the Dilutive Issuance.

ii. Calculation of Consideration Received. In case any Option is issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such Options by the parties thereto, the Options will be deemed to have been issued for a consideration of $.01. If any Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the net amount received by the Company therefor. If any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company will be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Company will be the Closing Sale Price of such securities on the date of receipt. If any Common Stock, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or securities will be determined jointly by the Company and the Holder. If such parties are unable to reach agreement within ten days after the occurrence of an event requiring valuation (the **"Valuation Event"**), the fair value of such consideration will be determined within five Business Days after the tenth day following the Valuation Event by an independent, reputable appraiser jointly selected by the Company and the Holder. The determination of such appraiser shall be deemed binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne equally by the Company, on the one hand, and the Holder of the Note, on the other hand.

iii. Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

b. Adjustment of Conversion Price upon Subdivision or Combination of Common Stock. If the Company at any time subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company at any time combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased.

c. Other Events. If any event occurs of the type contemplated by the provisions of this Section 7 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features) other than any issuance or sale in connection with any Excluded Security, then the Company's Board of Directors will make an appropriate adjustment in the Conversion Price so as to protect the rights of the Holder under this Note; provided that no such adjustment will increase the Conversion Price as otherwise determined pursuant to this Section 7.

d. Alternative Financing. If and whenever on or after the Issuance Date and continuing until November 15, 2012 the Company issues or sells any shares of Common Stock (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding shares of Common Stock deemed to have been issued or sold by the Company in connection with any Excluded Security and also excluding shares of Common Stock issued or sold by the Company to Socius CG II, Ltd. in connection with the payment of principal or interest due under a $1,712,000 promissory note dated October 10, 2011 payable by the Company to SAGA, SpA) (the foregoing an **"Alternative Financing"**), then the Holder shall have the right to participate in such Alternative Financing up to the applicable Permitted Amount at the time of determination on the same terms and conditions as other investors in such Alternative Financing; provided that the consideration per share to the Holder in connection with such Alternative Financing shall be the lesser of (i) the consideration per share in such Alternative Financing and (ii) the Conversion Price in effect immediately prior to such issue or sale. The **"Permitted Amount"** means $2,000,000 less (i) the amount actually advanced by the Holder to the Company pursuant to the terms of this Note at the time in question less (ii) any amount not advanced by the Holder to the Company for any reason following the Company's request for such amount (including, without limitation, a determination by the Holder that (1) an Event of Default has occurred and is continuing or (2) the representations and warranties of the Company set forth in the Subscription Agreement are not true and correct as provided in Section 3(ee) of the Subscription Agreement at the time of the request) and less (iii) any amount actually invested by the Holder in connection with prior Alternative Financings, if any. For the avoidance of doubt, an "Alternative Financing" shall not include any transaction pursuant to which the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock, and any such transaction shall be subject to Section 6(a).

8. INTENTIONALLY OMITTED.

9. INTENTIONALLY OMITTED.

10. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action (but excluding acquiescence by Company to a strict foreclosure by Apple of the Apple Security Agreement), avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note.

11. RESERVATION OF AUTHORIZED SHARES.

a. Reservation. The Company shall initially reserve out of its authorized and unissued Common Stock a number of shares of Common Stock for the Note equal to 125% of the Conversion Rate with respect to the maximum Conversion Amount of the Note as of the Issuance Date. Thereafter, the Company, so long as the Note is outstanding, shall use commercially reasonable efforts to reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Note, 125% of the number of shares of Common Stock as shall from time to time be necessary to effect the conversion of the Note (without regard to any limitations on conversions) (the **"Required Reserve Amount"**).

b. Insufficient Authorized Shares. If at any time while the Note remains outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon conversion of the Note at least a number of shares of Common Stock equal to the Required Reserve Amount (an **"Authorized Share Failure"**), then the Company shall as soon as practicable use commercially reasonable efforts to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for the principal amount of the Note then outstanding (or which can still be advanced pursuant to the terms hereof, as the case may be).

12. HOLDER'S REDEMPTIONS. In the event that the Holder has sent an Event of Default Redemption Notice or a Change of Control Redemption Notice to the Company pursuant to Section 4(b) or Section 5(c), respectively (each, a **"Redemption Notice"**), the Holder shall promptly submit this Note to the Company. If the Holder has submitted an Event of Default Redemption Notice in accordance with Section 4(b), the Company shall deliver the applicable Event of Default Redemption Price to the Holder within five Business Days after the Company's receipt of the Holder's Event of Default Redemption Notice. If the Holder has submitted a Change of Control Redemption Notice in accordance with Section 5(c), the Company shall deliver the applicable Change of Control Redemption Price to the Holder concurrently with the consummation of such Change of Control if such notice is received prior to the consummation of such Change of Control and within five Business Days after the Company's receipt of such notice if such notice is received after the consummation of such Change of Control. In the event of a redemption of less than all of the Conversion Amount of this Note, the Company shall promptly cause to be issued and delivered to the Holder, at the Holder's request, a new Note (in accordance with Section 19(d)) representing the outstanding Principal which has not been redeemed. In the event that the Company does not pay the Event of Default Redemption Price or the Change of Control Redemption Price (each, the **"Redemption Price"**), as applicable, to the Holder (or deliver any Common Stock to be issued pursuant to a Redemption Notice) within the time period required, at any time thereafter and until the Company pays such unpaid Redemption Price (and issues any Common Stock required pursuant to a Redemption Notice) in full, the Holder shall have the option, in lieu of redemption, to require the Company to promptly return to the Holder all or any portion of this Note representing the Conversion Amount that was submitted for redemption and for which the applicable Redemption Price (or any Common Stock required to be issued pursuant to a Redemption Notice) has not been paid. Upon the Company's receipt of such notice, (x) the Redemption Notice shall be null and void with respect to such Conversion Amount, (y) the Company shall immediately return this Note, or issue a new Note (in accordance with Section 19(d)) to the Holder representing such Conversion Amount and (z) the Conversion Price of this Note or such new Notes shall be adjusted to the lesser of (A) the Conversion Price as in effect on the date on which the Redemption Notice is voided and (B) the Closing Bid Price on the date on which the Redemption Notice is voided.

13. INTENTIONALLY OMITTED.

14. VOTING RIGHTS. The Holder shall have no voting rights as the holder of this Note, except as required by law, including, but not limited to, the Delaware General Corporation Law, and as expressly provided in this Note.

15. RANK; SECURITY; ADDITIONAL INDEBTEDNESS; LIENS.

a. Ranking. All payments due under this Note shall be senior in right of payment to all other Indebtedness of the Company, other than the Apple Indebtedness.

b. Security. This Note is secured by assets of the Company under that certain Security Agreement, dated June1, 2012, between the Company and the Holder (the **"Security Agreement"**).

c. Incurrence of Certain Indebtedness. So long as this Note is outstanding and any Principal or Interest remains unpaid, the Company shall not, and the Company shall not permit any of its Subsidiaries to, directly or indirectly, incur or guarantee, assume or suffer to exist any Indebtedness which shall rank senior to the Note, other than obligations (i) pursuant to agreements in effect as of the Issuance Date or (ii) disclosed in the schedules delivered to the Holder pursuant to Section 3(a) of the Master Transaction Agreement. Notwithstanding the foregoing, the Company may not amend Section 3 (Termination) of the Apple Security Agreement without the prior written consent of the Holder.

d. Restricted Payments. The Company shall not, and the Company shall not permit any of its Subsidiaries to, directly or indirectly, redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness (except payment of the Apple Indebtedness in accordance with its terms), whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness if at the time such payment is due or is otherwise made or, after giving effect to such payment, an event constituting an Event of Default has occurred and is continuing.

16. PARTICIPATION. The Holder, as the holder of this Note, shall be entitled to such dividends paid and distributions made to the holders of Common Stock (each, a **"Distribution"**), in each such case to the extent of the Distribution as if the Holder had converted this Note into Common Stock (without regard to any limitations on conversion herein or elsewhere) and had held such shares of Common Stock on the record date for such dividends and distributions. Payments (if any) under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of Common Stock.

17. AMENDMENT TO THE TERMS OF NOTE. This Note shall not be modified, amended, changed, terminated, supplemented, or any term or condition hereof waived except in writing signed by the Company and the Holder(s) of Notes representing a majority of the then-outstanding Principal.

18. TRANSFER. This Note may not be offered, sold, assigned or transferred by the Holder except (a) to a Permitted Transferee in compliance with Section 3(d) or (b) with the prior written consent of the Company.

19. REISSUANCE OF THIS NOTE.

a. Transfer. If this Note is to be transferred in accordance with Section 3(d), the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note (in accordance with Section 19(d)), registered as the Holder may request, representing the outstanding Principal being transferred by the Holder and, if less than the entire outstanding Principal is being transferred, a new Note (in accordance with Section 19(d)) to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of Section 3(c)(iii) and this Section 19(a), following conversion or redemption of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note.

b. Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note (in accordance with Section 19(d)) representing the outstanding Principal.

c. Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Note or Notes (in accordance with Section 19(d) and in principal amounts of at least $100,000) representing in the aggregate the outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

d. Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding (or in the case of a new Note being issued pursuant to Section 19(a) or Section 19(c), the Principal designated by the Holder which, when added to the principal represented by the other new Notes issued in connection with such issuance, does not exceed the Principal remaining outstanding under this Note immediately prior to such issuance of new Notes), (iii) shall have an issuance date, as indicated on the face of such new Note, which is the same as the Issuance Date, (iv) shall have the same rights and conditions as this Note and (v) shall represent unpaid Interest on the Principal and Interest of this Note from the last Interest Date.

20. REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note, the Security Agreement, the Master Transaction Agreement, the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Note. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

21. PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, but not limited to, attorneys' fees and disbursements.

22. CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note.

23. FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

24. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Redemption Price or the arithmetic calculation of the Conversion Rate or the Redemption Price, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within one Business Day of receipt of the Conversion Notice or Redemption Notice or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation within one Business Day of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within one Business Day submit via facsimile (a) the disputed determination of the Closing Bid Price or the Closing Sale Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Conversion Rate or the Redemption Price to the Company's independent outside accountant. The Company, at the Company's expense, shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than five Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

25. NOTICES; PAYMENTS.

a. Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Note must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by electronic mail or facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one business day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:
Liquidmetal Technologies, Inc.
30452 Esperanza
Rancho Santa Margarita, California 92688
Facsimile: (949) 635-2188
Attention: Tony Chung, CFO
Email: Tony.Chung@Liquidmetal.com

with a copy (which shall not constitute notice) to:
Jones Day
1755 Embarcadero Road
Palo Alto, CA 94303
Facsimile: (650) 739-3900
Attention: Robert T. Clarkson, Esq.
Email: rtclarkson@jonesday.com

If to Holder:
Visser Precision Cast, LLC
6275 E. 39th Ave.
Denver, CO 80207
Facsimile:(303) 454-1651
Attention: Ryan Coniam, General Manager
Email: ryan.coniam@visserprecisioncast.com

with a copy (which shall not constitute notice) to:
Visser Precision Cast, LLC
5641 N Broadway
Denver, CO 80216
Facsimile: (303) 566-8099
Attention: Gregory A. Ruegsegger, General Counsel
Email: greg.ruegsegger@furniturerow.com

or to such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively

The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Conversion Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least twenty days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any pro rata subscription offer to holders of Common Stock or (C) for determining rights to vote with respect to any Change of Control, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

b. Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Note, such payment shall be made in lawful money of the United States of America by a check drawn on the account of the Company and sent via overnight courier service to such Person at such address as previously provided to the Company in writing (which address, in the Holder, shall initially be as set forth above); provided that the Holder may elect to receive a payment of cash via wire transfer of immediately available funds by providing the Company with prior written notice setting out such request and the Holder's wire transfer instructions. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day and, in the case of any Interest Date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of Interest due on such date.

26. CANCELLATION. After all Principal, accrued Interest and other amounts at any time owed on this Note has been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

27. WAIVER OF NOTICE. To the extent permitted by law, the Company hereby waives demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

28. GOVERNING LAW. This Note shall governed by and construed in accordance with the laws of the State of Colorado, other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. The parties hereby consent to jurisdiction and venue in the state courts in Adams County Colorado or the Federal District Court in and for the State of Colorado. The Parties irrevocably submit to the exclusive jurisdiction of those courts and agree that final judgment in any action or proceeding brought in such courts will be conclusive and may be enforced in any other jurisdiction upon final and conclusive judgment, a certified copy of which will be conclusive evidence of the judgment or in any other manner provided by law. Each party irrevocably waives to the fullest extent permitted by applicable law (i) any objection it may have as to the laying of venue in any court referred to above; (ii) any claim that any such action or proceeding has been brought in an inconvenient forum; and (iii) any immunity that it or its assets may have from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process. Notwithstanding the foregoing, any dispute concerning calculation of the Conversion Rate or Redemption Price shall be resolved in accordance with the procedures set forth in Section 24 of this Note.

29. CERTAIN DEFINITIONS. For purposes of this Note, the following terms shall have the following meanings:

a. **"Apple Indebtedness"** means obligations to Apple, Inc. ("**Apple**") under that certain Master Transaction Agreement by and among the Company, Apple and certain other parties, dated August 5, 2010 between Apple and the Company, solely to the extent such obligations are secured by collateral described in the Apple Security Agreement.

b. **"Apple Security Agreement"** means that certain Security Agreement by the Company in favor of Apple, dated August 5, 2010.

c. **"Approved Stock Plan"** means any employee benefit, option or incentive plan which has been approved by the Board of Directors and shareholders of the Company, pursuant to which the Company's securities may be issued to any employee, consultant, officer or director for services provided to the Company in effect as of the date hereof.

d. "**Bloomberg**" means Bloomberg Financial Markets.

e. **"Business Day"** means any day other than Saturday, Sunday or other day on which commercial banks in The City of Denver, Colorado are authorized or required by law to remain closed.

f. **"Closing Bid Price"** and **"Closing Sale Price"** means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or last trade price, respectively, of such security prior to 4:00 p.m., New York Time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 24. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

g. **"Contingent Obligation"** means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

h. "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for Common Stock, including, without limitation, all outstanding warrants to acquire Common Stock.

i. "'**Crucible Security Agreement**" means that certain Security Agreement by Crucible Intellectual Property, LLC ("**Crucible**") in favor of Apple, dated August 5, 2010.

j. **"Excluded Security"** means any share of Common Stock issued or issuable: (i) in connection with any Approved Stock Plan; (ii) in connection with the transactions contemplated by the Subscription Agreement, including any shares of Common Stock issued in subsequent closings after the Issuance Date and upon conversion or exercise of this Note or warrants, as the case may be, issued to the Holder; (iii) upon conversion or exercise of any Options or Convertible Securities which are outstanding on the Issuance Date or (iv) pursuant to or in connection with commercial credit arrangements, equipment lease financings, acquisitions of other assets or businesses, and strategic transactions not primarily for financing purposes (including licensing or development agreements), but only to the extent the transactions described in this clause (iv) are entered into with non-affiliates of the Company.

k. **"Indebtedness"** of any Person means, without duplication (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with generally accepted accounting principles, consistently applied for the periods covered thereby, is classified as a capital lease, (G) off-balance sheet liabilities retained in connection with asset securitization programs, synthetic leases, sale and leaseback transactions or other similar obligations arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheet of such Person and its subsidiaries, (H) all Apple Indebtedness and (I) all indebtedness referred to in clauses (A) through (H) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (J) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (I) above. Notwithstanding the foregoing, trade payables incurred in the ordinary course of business shall not constitute "Indebtedness" for purposes of this Note.

l. **"Issuance Date"** means June 1, 2012.

m. "**Options**" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

n. **"Person"** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

o. "**Principal Market**" means the OTC Bulletin Board.

p. "**Registration Rights Agreement**" means that certain registration rights agreement dated of even date herewith between the Company and the Holder.

q. "**Subscription Agreement**" means that certain subscription agreement of even date herewith by and between the Company and the Holder.

r. "**Subsidiary**" means any business entity as to which the Company directly or indirectly owns or has the power to vote or control 50% or more of any class or series of capital stock or other equity securities of such entity.

s. **"Trading Day"** means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded; provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York Time).

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the Issuance Date set out above.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung
Name: Tony Chung
Title: Chief Financial Officer

EXHIBIT I
LIQUIDMETAL TECHNOLOGIES, INC.
CONVERSION NOTICE

Reference is made to the 6% Senior Secured Convertible Note (the **"Note"**) issued to the undersigned by Liquidmetal Technologies, Inc. (the **"Company"**). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into shares of Common Stock, par value $0.001 per share (the **"Common Stock"**), of the Company as of the date specified below.

Date of Conversion:
Aggregate Conversion Amount to be converted:

Please confirm the following information:

Conversion Price:
Number of shares of Common Stock to be issued:

Please issue the Common Stock into which the Note is being converted in the following name and to the following address:

Issue to:
Facsimile Number:
Authorization:

By: _____
Title: _____

Dated: _____

EXHIBIT II

CERTIFICATE OF COMPANY

LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation (the "**Company**"), certifies to VISSER PRECISION CAST, LLC, a Colorado limited liability company or registered assigns (the "**Holder**") the following, in connection with that certain request for an advance under that certain 6% Senior Secured Convertible Note by the Company, dated June 1, 2012 (the "**Note**") being submitted by the Company to the Holder as of the date hereof:

i. The representations and warranties set forth in Section 2 of the Subscription Agreement are true and correct as of the date hereof (unless made as of a specified date therein, in which case such representations and warranties are true and correct as of the specified date), except to the extent that the failure of any representations and warranties to be true and correct as of the date hereof would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect (as defined in the Subscription Agreement).

ii. No Event of Default has occurred and is continuing.

All capitalized terms used herein and not otherwise defined herein have the meaning ascribed to them under the Note.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Company as of _____, 2012.

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____

Name:
Title:

Exhibit 10.39

NEITHER THESE SECURITIES NOR THE SECURITIES FOR WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORS OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE, NOR MAY ANY INTEREST THEREIN BE, OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY, SUBJECT TO CERTAIN EXCEPTIONS, A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES IN ACCORDANCE WITH APPLICABLE LAWS.

THESE SECURITIES AND THE SECURITIES FOR WHICH THESE SECURITIES ARE EXERCISABLE ARE SUBJECT TO A LOCK-UP PERIOD AS SET FORTH IN SECTION 14. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SECURITIES AND THE SECURITIES FOR WHICH THESE SECURITIES ARE EXERCISABLE.

LIQUIDMETAL TECHNOLOGIES, INC.

COMMON STOCK PURCHASE WARRANT

Warrant No. 1 Date of Original Issuance: June 1, 2012

Liquidmetal Technologies, Inc., a Delaware corporation (together with any entity that shall succeed to or assume the obligations of Liquidmetal Technologies, Inc. hereunder, the **"Company"**), hereby certifies that, for value received, Visser Precision Cast, LLC or its registered assigns (the **"Holder"**), is entitled to purchase from the Company up to a total of 11,250,000 shares of common stock, par value $0.001 per share (the **"Common Stock"**), of the Company (each such share, a **"Warrant Share"** and all such shares, the **"Warrant Shares"**) at an exercise price equal to $0.22 per share (as adjusted from time to time as provided in Section 9, the **"Exercise Price"**), at any time and from time to time from and after the date hereof and through and including June 1, 2017 (the **"Expiration Date"**), and subject to the following terms and conditions:

This warrant (this **"Warrant"**) is one of a series of similar warrants issued pursuant to a Subscription Agreement dated June ___, 2012 to which the Company and the original Holder are parties (the **"Subscription Agreement"**). All such warrants are referred to herein, collectively, as the **"Warrants"**.

1. Definitions. In addition to the terms defined in Section 15(g) or elsewhere in this Warrant, capitalized terms that are not otherwise defined herein shall have the meanings given to such terms in the Subscription Agreement. The term **"Common Stock"** shall mean the Company's common stock, par value $0.001 per share as authorized on the date of the Subscription Agreement and any other securities or property of the Company or of any other person (corporate or otherwise) which the Holder at any time shall be entitled to receive on the exercise hereof in lieu of or in addition to such common stock, or which at any time shall be issuable in exchange for or in replacement of such common stock. The term **"Affiliate"** shall mean any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 144 promulgated by the SEC pursuant to the Securities Act of 1933, as amended (the **"Securities Act"**).

2. Holder of Warrant. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the **"Warrant Register"**), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary from the Permitted Transferee (as defined below) and the transferring Holder.

3. Recording of Transfers. Subject to Section 6 and compliance with Section 14, the Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto duly completed and signed, to the Company at its address specified herein. As a condition to the transfer, the Company may request a legal opinion as contemplated by the legend above and related terms of the Subscription Agreement. Upon any such registration or transfer, a new Warrant to purchase Common Stock, in substantially the form of this Warrant (any such new Warrant, a **"New Warrant"**), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrant

(a) This Warrant shall be exercisable by the registered Holder in whole or in part at any time and from time to time on or after the date hereof to and including the Expiration Date by delivery to the Company of a duly executed facsimile copy of the Exercise Notice form annexed hereto (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of such Holder appearing on the books of the Company). All Warrant Shares issued upon exercise of this Warrant shall be subject to the Lock-Up Period described in Section 14. At 6:30 p.m., California time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value. The Company may not call or redeem all or any portion of this Warrant without the prior written consent of the Holder. If at any time this Warrant is exercised and as of the Trading Day period immediately preceding the Holder's delivery of an Exercise Notice in respect of such exercise, an effective Registration Statement under the Securities Act covering the Warrant Shares that are the subject of the Exercise Notice (the "**Unavailable Warrant Shares**") is not available for the resale of such Unavailable Warrant Shares, the Holder of this Warrant also may exercise this Warrant as to any or all of such Unavailable Warrant Shares and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the aggregate Exercise Price, elect instead to receive upon such exercise a reduced number of shares of Common Stock (the "**Net Number**") determined according to the following formula (a "**Cashless Exercise**"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised in a Cashless Exercise.

B= the VWAP on the Trading Day immediately preceding the date of the Exercise Notice.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

VWAP = For any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price per share of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg Financial L.P. (based on a Trading Day from 9:30 a.m. Eastern Time to 4:02 p.m. Eastern Time); (b) if the Common Stock is not then listed or quoted on a Trading Market and if prices for the Common Stock are then quoted on the OTC Bulletin Board, the volume weighted average price per share of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) if the Common Stock is not then listed or quoted on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by the Pink Sheets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company.

There cannot be a Cashless Exercise unless "B" exceeds "C".

5. Delivery of Warrant Shares.

(a) To effect exercises hereunder, the Holder shall not be required to physically surrender this Warrant upon exercise unless this Warrant ceases to be further exercisable for additional Warrant Shares. Upon delivery of the Exercise Notice to the Company (with the attached Warrant Shares Exercise Log) at its address for notice set forth herein and upon payment of the Exercise Price multiplied by the number of Warrant Shares that the Holder intends to purchase hereunder, the Company shall promptly (but in no event later than three Trading Days after the Date of Exercise) issue and deliver to the Holder, a certificate for the Warrant Shares issuable upon such exercise. A "**Date of Exercise**" means the date on which the Holder shall have delivered to the Company: (i) the Exercise Notice (with the Warrant Shares Exercise Log attached to it), appropriately completed and duly signed and (ii) except in the case of a Cashless Exercise, payment in full of the Exercise Price in immediately available funds or federal funds for the number of Warrant Shares so indicated by the Holder to be purchased.

(b) If by the third Trading Day after a Date of Exercise the Company fails to deliver the required number of Warrant Shares in the manner required pursuant to Section 5(a), then the Holder will have the right to rescind such exercise.

(c) If by the third Trading Day after a Date of Exercise the Company fails to deliver the required number of Warrant Shares in the manner required pursuant to Section 5(a), and if after such third Trading Day and prior to the receipt of such Warrant Shares, the Holder is required to purchase in a bona fide arm's length transaction for fair market value (in an open market transaction or otherwise and otherwise in compliance with the Lock-Up Period described in Section 14) the number of shares of Common Stock necessary to deliver in satisfaction of a bona fide arm's length sale for fair market value by the Holder of the Warrant Shares which the Holder was entitled to receive upon such exercise (a "**Buy-In**"), then the Company shall (1) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the Holder's total sales price (including brokerage commissions, if any) for the shares of Common Stock so sold and (2) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. The Holder shall provide the Company written notice and reasonably detailed documentation indicating the amounts requested by the Holder in respect of the Buy-In.

(d) The Company's obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses. Issuance and delivery of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and ownership thereof and customary and reasonable indemnity. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe. If a New Warrant is requested as a result of a mutilation of this Warrant, then the Holder shall deliver such mutilated Warrant to the Company as a condition precedent to the Company's obligation to issue the New Warrant.

8. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (taking into account the adjustments and restrictions of Section 9). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable.

9. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Stock Dividends and Splits, Recapitalizations, Etc. If the Company, at any time while this Warrant is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock or subdivides the outstanding shares of Common Stock into a larger number of shares (by any stock split, recapitalization or otherwise), then in each such case the Exercise Price shall be proportionately reduced and the number of Warrant Shares shall be proportionately increased, and (ii) combines outstanding shares of Common Stock into a smaller number of shares (by reverse stock split, recapitalization, or otherwise), then in each such case the Exercise Price shall be proportionately increased and the number of Warrant Shares shall be proportionately decreased. Any adjustment made pursuant to clauses (i) and (ii) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution or immediately after the effective date of such subdivision or combination (as the case may be). If any event requiring an adjustment under this paragraph occurs during the period that an Exercise Price is calculated hereunder, then the calculation of such Exercise Price shall be adjusted appropriately to reflect such event.

(b) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, distributes to all holders of Common Stock (i) evidences of its indebtedness, (ii) any security (other than a distribution of Common Stock covered by the preceding paragraph), (iii) rights or warrants to subscribe for or purchase any security, or (iv) any other asset (in each case, **"Distributed Property"**), then in each such case the Exercise Price shall be appropriately adjusted. Any adjustment made pursuant to this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such distribution. If any event requiring an adjustment under this paragraph occurs during the period that an Exercise Price is calculated hereunder, then the calculation of such Exercise Price shall be adjusted appropriately to reflect such event.

(c) Adjustment of Exercise Price upon Issuance of Common Stock. If and whenever on or after the Original Issuance Date, the Company issues or sells, or in accordance with this Section 9(c) is deemed to have issued or sold, any shares of Common Stock (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company and also including shares of Common Stock issued to Socius CG II, Ltd. or to any other person in connection with the payment of principal or interest due under a $1,712,000 promissory note dated October 10, 2011 payable to SAGA, SpA, but excluding shares of Common Stock deemed to have been issued or sold by the Company in connection with any Excluded Security) for a consideration per share less than the Exercise Price in effect immediately prior to such issue or sale (the foregoing a **"Dilutive Issuance"**), then immediately after such Dilutive Issuance, the Exercise Price then in effect shall be reduced effective concurrently with such Dilutive Issuance to an amount determined by multiplying the Exercise Price then in effect by a fraction, (x) the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such Dilutive Issuance on a fully diluted basis (the "**Outstanding Common**") plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for such additional shares in the Dilutive Issuance would purchase at the Exercise Price then in effect; and (y) the denominator of which shall be the number of shares of Outstanding Common immediately after such Dilutive Issuance but before giving effect to anti-dilution rights contained in other Securities that would be triggered by the same Dilutive Issuance. For purposes of this paragraph, the issuance of shares of Common Stock to Socius CG II, Ltd. or to any other person in connection with the payment of principal or interest due under a $1,712,000 promissory note dated October 10, 2011 payable to SAGA, SpA at any time prior to the Original Issuance Date for a consideration less than $.22 per share shall be deemed to be a Dilutive Issuance and shall require an adjustment to the Exercise Price and the number of Warrant Shares that may be purchased upon the exercise of this Warrant, all in accordance with the adjustment provisions contained in this Section 9. For purposes of this paragraph, "**fully-diluted basis**" shall take into account all outstanding shares of Common Stock as well as shares of Common Stock issuable upon the exercise of outstanding Options and the conversion of outstanding Convertible Securities. In the case of Options or Convertible Securities, the maximum number of shares of Common Stock issuable upon exercise, exchange or conversion of such Options or Convertible Securities shall be deemed to be outstanding, provided that no further adjustment shall be made upon the actual issuance of Common Stock upon exercise, exchange or conversion of such Options or Convertible Securities. For purposes of determining the adjusted Exercise Price under this Section 9(c), the following shall be applicable:

(i) Change in Option Price or Rate of Conversion. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exchange or exercise of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable or exercisable for Common Stock changes at any time, the Exercise Price in effect at the time of such change shall be adjusted to the Exercise Price which would have been in effect at such time had such Options or Convertible Securities provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold.

(ii) Calculation of Consideration Received. In case any Option is issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such Options by the parties thereto, the Options will be deemed to have been issued for a consideration of $.01. If any Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefore will be deemed to be the net amount received by the Company therefore. If any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company will be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Company will be the Closing Sale Price of such securities on the date of receipt. If any Common Stock, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefore will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or securities will be determined by the Company.

(iii) Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(d) Fundamental Transactions. If, at any time while this Warrant is outstanding, (1) the Company effects any merger or consolidation of the Company with or into another Person, (2) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (3) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (4) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a **"Fundamental Transaction"**), then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the same amount and kind of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of the number of Warrant Shares then issuable upon exercise in full of this Warrant (the **"Alternate Consideration"**). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. At the Holder's option and request, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant substantially in the form of this Warrant and consistent with the foregoing provisions and evidencing the Holder's right to purchase the Alternate Consideration for the aggregate Exercise Price upon exercise thereof. Any such successor or surviving entity shall be deemed to be required to comply with the provisions of this paragraph (d) and shall insure that the Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. Notwithstanding the foregoing, in the event of a Fundamental Transaction that is an all cash transaction pursuant to which holders of Common Stock are entitled to receive cash consideration only, this Warrant and all rights to exercise this Warrant shall automatically terminate, without any further action by the Holder, and the Holder shall receive an amount of cash equal to the greater of (x) the product obtained by multiplying (A) the number of Warrant Shares representing the remaining unexercised portion of this Warrant and (B) the difference obtained by subtracting (1) the per share consideration to be received by holders of Common Stock in such Fundamental Transaction and (2) the Exercise Price, or (y) the Black Scholes Value of the remaining unexercised portion of this Warrant, payable to the Holder upon the consummation of such Fundamental Transaction. For the purpose of this Warrant, "**Black Scholes Value**" means the value, as reasonably calculated by the Company, of this Warrant, which shall be determined by use of the Black Scholes Option Pricing Model reflecting (i) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Warrant as of such date of request and (ii) an expected volatility equal to the greater of 60% and the 100 day volatility obtained from the HVT function on Bloomberg.

(e) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to paragraph (a) of this Section, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(f) Calculations. All calculations under this Section 9 shall be rounded down to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(g) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company's transfer agent. No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least the greater of (i) $0.01 in such Exercise Price or (ii) 1% in such Exercise Price; provided, however, that any adjustments which by reason of this Section 9(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(h) Notice of Corporate Events. If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least five calendar days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

10. Payment of Exercise Price. Upon exercise of this Warrant the Holder shall pay the Exercise Price in immediately available funds unless it is a Cashless Exercise in accordance with Section 4 hereof.

11. No Fractional Shares. No fractional shares of Warrant Shares will be issued in connection with any exercise of this Warrant. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the closing price of one Warrant Share as reported by Bloomberg L.P. (or the successor to its function of reporting share prices) on the date of exercise.

12. Notices. Any and all notices or other communications or deliveries hereunder (including, without limitation, any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section prior to 6:30 p.m. (California time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section on a day that is not a Trading Day or later than 6:30 p.m. (California time) on any Trading Day, (iii) the Trading Day following the date of mailing, if sent and delivered by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be: (i) if to the Company, to Liquidmetal Technologies, Inc., 30452 Esperanza, Rancho Santa Margarita, CA 92688. Attn: Chief Executive Officer, Facsimile No.: (949) 635-2188, or (ii) if to the Holder, to the address or facsimile number as the Holder may provide to the Company in accordance with this Section.

13. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon 30 days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

14. Lock-Up Period. The undersigned covenants and agrees with the Company as follows:

(a) The undersigned will not, without the prior written consent of the Company (which consent may be withheld in the Company's sole discretion), directly or indirectly, sell, transfer or otherwise dispose of all or any portion of this Warrant or the Warrant Shares acquired upon exercise of this Warrant or sell, offer, contract or grant any option to sell (including, without limitation, any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act with respect to this Warrant or the Warrant Shares acquired upon exercise of this Warrant or otherwise dispose of this Warrant or any Warrant Shares acquired upon exercise of this Warrant (collectively, the "Restricted Securities"), or publicly announce an intention to do any of the foregoing, for a period commencing on the date hereof and continuing through the close of trading on December 31, 2016 (the **"Lock-up Period"**); provided, that the foregoing restriction shall not apply to any transfer of Restricted Securities to (i) Furniture Row, LLC or Furniture Row BC, Inc. (together, **"Furniture Row"**) and any wholly-owned subsidiary of Furniture Row, (ii) any person who owns a majority of the outstanding capital and voting interests of Furniture Row, (iii) the spouse or lineal descendants of any person described in clause (ii), (iv) any trust formed for the benefit of any person described in clause (ii) or for the benefit of the spouse or lineal descendants of any person described in clause (ii), or (v) corporations, limited liability companies, partnerships or other entity in which Furniture Row or any person described in clauses (ii) and (iii) owns a majority of the capital and voting interests (collectively, **"Permitted Transferees"**); provided, further, that any such Permitted Transferee executes and delivers to the Company an agreement to be bound by the foregoing restrictions.

(b) The undersigned agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of Restricted Securities except in compliance with the foregoing restrictions.

15. Miscellaneous.

(a) This Warrant shall be binding on and inure to the benefit of the parties hereto and the respective successors and assigns of the Holder it being understood that transfers of this Warrant by the Holder are subject to the legend set forth of the face hereof. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. The Warrants may be amended only in a writing signed by the Company and the Holder(s) of a majority of the Warrant Shares then issuable upon exercise of the Warrants that have not been exercised. In the event that any Warrants have been transferred in part, any amendment approved in accordance with the preceding sentence shall be binding on all Permitted Transferees and their successors and assigns.

(b) This Warrant shall be governed by and construed in accordance with the laws of the State of Colorado, other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. In the event of a dispute between the Parties concerning the subject matter of this Warrant, the Parties shall resolve the dispute using the procedures and binding arbitration specified in Section 7 (g) of the Master Transaction Agreement dated as of the date hereof between the Company and the Holder.

(c) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(d) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefore, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

(e) The Company will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder of this Warrant against such impairment.

(f) This Warrant does not entitle the Holder to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof. In connection with an exercise of this Warrant in accordance with the terms hereof, upon the surrender of this Warrant and the payment of the aggregate Exercise Price (or by means of a Cashless Exercise if permitted hereunder), the Warrant Shares so purchased shall be and be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the later of the date of such surrender or payment.

(g) For purposes of this Warrant, the following capitalized terms shall have the following meanings:

(i) "**Approved Stock Plan**" means any employee benefit, option or incentive plan which has been approved by the Board of Directors and shareholders of the Company, pursuant to which the Company's securities may be issued to any employee, consultant, officer or director for services provided to the Company; provided that the number of shares of the Company's Common Stock issuable pursuant to such plans, in the aggregate, shall not exceed 10% of the shares of the Company's Common Stock outstanding on a fully-diluted basis immediately prior to the First Closing Date and without giving effect to the issuance of securities pursuant to the Subscription Agreement, as adjusted for stock splits, reverse stock splits, and the like. For purposes of this definition, "fully-diluted basis" shall take into account all outstanding shares of Common Stock as well as all shares of Common Stock issuable upon the conversion of all outstanding convertible securities of the Company.

(ii) "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for Common Stock, including, without limitation, all outstanding warrants to acquire Common Stock.

(iii) **"Excluded Security"** means any share of Common Stock issued or issuable: (i) in connection with any Approved Stock Plan; (ii) in connection with the transactions contemplated by the Subscription Agreement, including any additional shares Common Stock issued in subsequent closings after the Original Issuance Date, upon exercise of this Warrant or any other Warrants or upon conversion of the Note; (iii) upon conversion or exercise of any Options or Convertible Securities which are outstanding on the Original Issuance Date; or (iv) pursuant to or in connection with commercial credit arrangements, equipment lease financings, acquisitions of other assets or businesses, and strategic transactions not primarily for financing purposes (including licensing or development agreements), but only to the extent the transactions described in this clause (iv) are entered into with non-affiliates of the Company.

(iv) "**Options**" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

(v) "**Original Issuance Date**" means the First Closing Date, as defined in the Subscription Agreement.

(vi) "**Principal Market**" means the OTC Bulletin Board.

(vii) **"Trading Day"** means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded; provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., California Time).

(viii) "**Trading Market**" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE Amex LLC, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

LIQUIDMETAL TECHNOLOGIES, INC.

/s/ Tony Chung

Name: Tony Chung
Title: Chief Financial Officer

EXERCISE NOTICE

To Liquidmetal Technologies, Inc.

The undersigned hereby irrevocably elects to purchase shares of common stock, par value $0.001 per share, of Liquidmetal Technologies, Inc. ("**Common Stock**"), pursuant to Warrant No. 1, originally issued June ___, 2012 (the "**Warrant**"), and, if not a Cashless Exercise in accordance with Section 4, encloses herewith $ in cash, federal funds or other immediately available funds, which sum represents the aggregate Exercise Price (as defined in the Warrant) for the number of shares of Common Stock to which this Exercise Notice relates, together with any applicable taxes payable by the undersigned pursuant to the Warrant.

The undersigned requests that certificates for the shares of Common Stock issuable upon this exercise be issued in the name of:

Print Name of Holder: _____

Signature: _____
Name:
Title:

HOLDER'S SOCIAL SECURITY OR
TAX IDENTIFICATION NUMBER:

Holder's Address:

Warrant Shares Exercise Log

Date	Number of Warrant Shares Available to be Exercised	Number of Warrant Shares Exercised	Number of Warrant Shares Remaining to be Exercised

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto the right represented by the within Warrant to purchase shares of Common Stock of Liquidmetal Technologies, Inc. to which the within Warrant relates and appoints attorney to transfer said right on the books of the Company with full power of substitution in the premises.

Dated: ,

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

Tax Identification Number or Social Security Number of Transferee

In the presence of:

Exhibit 10.40

NEITHER THESE SECURITIES NOR THE SECURITIES FOR WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORS OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE, NOR MAY ANY INTEREST THEREIN BE, OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY, SUBJECT TO CERTAIN EXCEPTIONS, A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES IN ACCORDANCE WITH APPLICABLE LAWS.

THESE SECURITIES AND THE SECURITIES FOR WHICH THESE SECURITIES ARE EXERCISABLE ARE SUBJECT TO A LOCK-UP PERIOD AS SET FORTH IN SECTION 14. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SECURITIES AND THE SECURITIES FOR WHICH THESE SECURITIES ARE EXERCISABLE.

LIQUIDMETAL TECHNOLOGIES, INC.

COMMON STOCK PURCHASE WARRANT

Warrant No. 2 Date of Original Issuance: June 28, 2012

Liquidmetal Technologies, Inc., a Delaware corporation (together with any entity that shall succeed to or assume the obligations of Liquidmetal Technologies, Inc. hereunder, the **"Company"**), hereby certifies that, for value received, Visser Precision Cast, LLC or its registered assigns (the **"Holder"**), is entitled to purchase from the Company up to a total of 3,750,000 shares of common stock, par value $0.001 per share (the **"Common Stock"**), of the Company (each such share, a **"Warrant Share"** and all such shares, the **"Warrant Shares"**) at an exercise price equal to $0.22 per share (as adjusted from time to time as provided in Section 9, the **"Exercise Price"**), at any time and from time to time from and after the date hereof and through and including June 1, 2017 (the **"Expiration Date"**), and subject to the following terms and conditions:

This warrant (this **"Warrant"**) is one of a series of similar warrants issued pursuant to a Subscription Agreement dated June 1, 2012 to which the Company and the original Holder are parties (the **"Subscription Agreement"**). All such warrants are referred to herein, collectively, as the **"Warrants"**.

1. Definitions. In addition to the terms defined in Section 15(g) or elsewhere in this Warrant, capitalized terms that are not otherwise defined herein shall have the meanings given to such terms in the Subscription Agreement. The term **"Common Stock"** shall mean the Company's common stock, par value $0.001 per share as authorized on the date of the Subscription Agreement and any other securities or property of the Company or of any other person (corporate or otherwise) which the Holder at any time shall be entitled to receive on the exercise hereof in lieu of or in addition to such common stock, or which at any time shall be issuable in exchange for or in replacement of such common stock. The term **"Affiliate"** shall mean any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 144 promulgated by the SEC pursuant to the Securities Act of 1933, as amended (the **"Securities Act"**).

2. Holder of Warrant. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the **"Warrant Register"**), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary from the Permitted Transferee (as defined below) and the transferring Holder.

3. Recording of Transfers. Subject to Section 6 and compliance with Section 14, the Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto duly completed and signed, to the Company at its address specified herein. As a condition to the transfer, the Company may request a legal opinion as contemplated by the legend above and related terms of the Subscription Agreement. Upon any such registration or transfer, a new Warrant to purchase Common Stock, in substantially the form of this Warrant (any such new Warrant, a **"New Warrant"**), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrant.

(a) This Warrant shall be exercisable by the registered Holder in whole or in part at any time and from time to time on or after the date hereof to and including the Expiration Date by delivery to the Company of a duly executed facsimile copy of the Exercise Notice form annexed hereto (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of such Holder appearing on the books of the Company). All Warrant Shares issued upon exercise of this Warrant shall be subject to the Lock-Up Period described in Section 14. At 6:30 p.m., California time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value. The Company may not call or redeem all or any portion of this Warrant without the prior written consent of the Holder. If at any time this Warrant is exercised and as of the Trading Day period immediately preceding the Holder's delivery of an Exercise Notice in respect of such exercise, an effective Registration Statement under the Securities Act covering the Warrant Shares that are the subject of the Exercise Notice (the "**Unavailable Warrant Shares**") is not available for the resale of such Unavailable Warrant Shares, the Holder of this Warrant also may exercise this Warrant as to any or all of such Unavailable Warrant Shares and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the aggregate Exercise Price, elect instead to receive upon such exercise a reduced number of shares of Common Stock (the "**Net Number**") determined according to the following formula (a "**Cashless Exercise**"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised in a Cashless Exercise.

B= the VWAP on the Trading Day immediately preceding the date of the Exercise Notice.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

VWAP = For any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price per share of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg Financial L.P. (based on a Trading Day from 9:30 a.m. Eastern Time to 4:02 p.m. Eastern Time); (b) if the Common Stock is not then listed or quoted on a Trading Market and if prices for the Common Stock are then quoted on the OTC Bulletin Board, the volume weighted average price per share of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) if the Common Stock is not then listed or quoted on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by the Pink Sheets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company.

There cannot be a Cashless Exercise unless "B" exceeds "C".

5. Delivery of Warrant Shares.

(a) To effect exercises hereunder, the Holder shall not be required to physically surrender this Warrant upon exercise unless this Warrant ceases to be further exercisable for additional Warrant Shares. Upon delivery of the Exercise Notice to the Company (with the attached Warrant Shares Exercise Log) at its address for notice set forth herein and upon payment of the Exercise Price multiplied by the number of Warrant Shares that the Holder intends to purchase hereunder, the Company shall promptly (but in no event later than three Trading Days after the Date of Exercise) issue and deliver to the Holder, a certificate for the Warrant Shares issuable upon such exercise. A "**Date of Exercise**" means the date on which the Holder shall have delivered to the Company: (i) the Exercise Notice (with the Warrant Shares Exercise Log attached to it), appropriately completed and duly signed and (ii) except in the case of a Cashless Exercise, payment in full of the Exercise Price in immediately available funds or federal funds for the number of Warrant Shares so indicated by the Holder to be purchased.

(b) If by the third Trading Day after a Date of Exercise the Company fails to deliver the required number of Warrant Shares in the manner required pursuant to Section 5(a), then the Holder will have the right to rescind such exercise.

(c) If by the third Trading Day after a Date of Exercise the Company fails to deliver the required number of Warrant Shares in the manner required pursuant to Section 5(a), and if after such third Trading Day and prior to the receipt of such Warrant Shares, the Holder is required to purchase in a bona fide arm's length transaction for fair market value (in an open market transaction or otherwise and otherwise in compliance with the Lock-Up Period described in Section 14) the number of shares of Common Stock necessary to deliver in satisfaction of a bona fide arm's length sale for fair market value by the Holder of the Warrant Shares which the Holder was entitled to receive upon such exercise (a "**Buy-In**"), then the Company shall (1) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the Holder's total sales price (including brokerage commissions, if any) for the shares of Common Stock so sold and (2) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. The Holder shall provide the Company written notice and reasonably detailed documentation indicating the amounts requested by the Holder in respect of the Buy-In.

(d) The Company's obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses. Issuance and delivery of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and ownership thereof and customary and reasonable indemnity. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe. If a New Warrant is requested as a result of a mutilation of this Warrant, then the Holder shall deliver such mutilated Warrant to the Company as a condition precedent to the Company's obligation to issue the New Warrant.

8. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (taking into account the adjustments and restrictions of Section 9). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable.

9. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Stock Dividends and Splits, Recapitalizations, Etc. If the Company, at any time while this Warrant is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock or subdivides the outstanding shares of Common Stock into a larger number of shares (by any stock split, recapitalization or otherwise), then in each such case the Exercise Price shall be proportionately reduced and the number of Warrant Shares shall be proportionately increased, and (ii) combines outstanding shares of Common Stock into a smaller number of shares (by reverse stock split, recapitalization, or otherwise), then in each such case the Exercise Price shall be proportionately increased and the number of Warrant Shares shall be proportionately decreased. Any adjustment made pursuant to clauses (i) and (ii) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution or immediately after the effective date of such subdivision or combination (as the case may be). If any event requiring an adjustment under this paragraph occurs during the period that an Exercise Price is calculated hereunder, then the calculation of such Exercise Price shall be adjusted appropriately to reflect such event.

(b) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, distributes to all holders of Common Stock (i) evidences of its indebtedness, (ii) any security (other than a distribution of Common Stock covered by the preceding paragraph), (iii) rights or warrants to subscribe for or purchase any security, or (iv) any other asset (in each case, **"Distributed Property"**), then in each such case the Exercise Price shall be appropriately adjusted. Any adjustment made pursuant to this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such distribution. If any event requiring an adjustment under this paragraph occurs during the period that an Exercise Price is calculated hereunder, then the calculation of such Exercise Price shall be adjusted appropriately to reflect such event.

(c) Adjustment of Exercise Price upon Issuance of Common Stock. If and whenever on or after the Original Issuance Date, the Company issues or sells, or in accordance with this Section 9(c) is deemed to have issued or sold, any shares of Common Stock (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company and also including shares of Common Stock issued to Socius CG II, Ltd. or to any other person in connection with the payment of principal or interest due under a $1,712,000 promissory note dated October 10, 2011 payable to SAGA, SpA, but excluding shares of Common Stock deemed to have been issued or sold by the Company in connection with any Excluded Security) for a consideration per share less than the Exercise Price in effect immediately prior to such issue or sale (the foregoing a **"Dilutive Issuance"**), then immediately after such Dilutive Issuance, the Exercise Price then in effect shall be reduced effective concurrently with such Dilutive Issuance to an amount determined by multiplying the Exercise Price then in effect by a fraction, (x) the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such Dilutive Issuance on a fully diluted basis (the "**Outstanding Common**") plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for such additional shares in the Dilutive Issuance would purchase at the Exercise Price then in effect; and (y) the denominator of which shall be the number of shares of Outstanding Common immediately after such Dilutive Issuance but before giving effect to anti-dilution rights contained in other Securities that would be triggered by the same Dilutive Issuance. For purposes of this paragraph, the issuance of shares of Common Stock to Socius CG II, Ltd. or to any other person in connection with the payment of principal or interest due under a $1,712,000 promissory note dated October 10, 2011 payable to SAGA, SpA at any time prior to the Original Issuance Date for a consideration less than $.22 per share shall be deemed to be a Dilutive Issuance and shall require an adjustment to the Exercise Price and the number of Warrant Shares that may be purchased upon the exercise of this Warrant, all in accordance with the adjustment provisions contained in this Section 9. For purposes of this paragraph, "**fully-diluted basis**" shall take into account all outstanding shares of Common Stock as well as shares of Common Stock issuable upon the exercise of outstanding Options and the conversion of outstanding Convertible Securities. In the case of Options or Convertible Securities, the maximum number of shares of Common Stock issuable upon exercise, exchange or conversion of such Options or Convertible Securities shall be deemed to be outstanding, provided that no further adjustment shall be made upon the actual issuance of Common Stock upon exercise, exchange or conversion of such Options or Convertible Securities. For purposes of determining the adjusted Exercise Price under this Section 9(c), the following shall be applicable:

(i) Change in Option Price or Rate of Conversion. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exchange or exercise of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable or exercisable for Common Stock changes at any time, the Exercise Price in effect at the time of such change shall be adjusted to the Exercise Price which would have been in effect at such time had such Options or Convertible Securities provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold.

(ii) Calculation of Consideration Received. In case any Option is issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such Options by the parties thereto, the Options will be deemed to have been issued for a consideration of $.01. If any Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefore will be deemed to be the net amount received by the Company therefore. If any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company will be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Company will be the Closing Sale Price of such securities on the date of receipt. If any Common Stock, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefore will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or securities will be determined by the Company.

(iii) Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(d) Fundamental Transactions. If, at any time while this Warrant is outstanding, (1) the Company effects any merger or consolidation of the Company with or into another Person, (2) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (3) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (4) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a **"Fundamental Transaction"**), then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the same amount and kind of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of the number of Warrant Shares then issuable upon exercise in full of this Warrant (the **"Alternate Consideration"**). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. At the Holder's option and request, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant substantially in the form of this Warrant and consistent with the foregoing provisions and evidencing the Holder's right to purchase the Alternate Consideration for the aggregate Exercise Price upon exercise thereof. Any such successor or surviving entity shall be deemed to be required to comply with the provisions of this paragraph (d) and shall insure that the Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. Notwithstanding the foregoing, in the event of a Fundamental Transaction that is an all cash transaction pursuant to which holders of Common Stock are entitled to receive cash consideration only, this Warrant and all rights to exercise this Warrant shall automatically terminate, without any further action by the Holder, and the Holder shall receive an amount of cash equal to the greater of (x) the product obtained by multiplying (A) the number of Warrant Shares representing the remaining unexercised portion of this Warrant and (B) the difference obtained by subtracting (1) the per share consideration to be received by holders of Common Stock in such Fundamental Transaction and (2) the Exercise Price, or (y) the Black Scholes Value of the remaining unexercised portion of this Warrant, payable to the Holder upon the consummation of such Fundamental Transaction. For the purpose of this Warrant, "**Black Scholes Value**" means the value, as reasonably calculated by the Company, of this Warrant, which shall be determined by use of the Black Scholes Option Pricing Model reflecting (i) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Warrant as of such date of request and (ii) an expected volatility equal to the greater of 60% and the 100 day volatility obtained from the HVT function on Bloomberg.

(e) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to paragraph (a) of this Section, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(f) Calculations. All calculations under this Section 9 shall be rounded down to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(g) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company's transfer agent. No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least the greater of (i) $0.01 in such Exercise Price or (ii) 1% in such Exercise Price; provided, however, that any adjustments which by reason of this Section 9(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(h) Notice of Corporate Events. If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least five calendar days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

10. Payment of Exercise Price. Upon exercise of this Warrant the Holder shall pay the Exercise Price in immediately available funds unless it is a Cashless Exercise in accordance with Section 4 hereof.

11. No Fractional Shares. No fractional shares of Warrant Shares will be issued in connection with any exercise of this Warrant. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the closing price of one Warrant Share as reported by Bloomberg L.P. (or the successor to its function of reporting share prices) on the date of exercise.

12. Notices. Any and all notices or other communications or deliveries hereunder (including, without limitation, any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section prior to 6:30 p.m. (California time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section on a day that is not a Trading Day or later than 6:30 p.m. (California time) on any Trading Day, (iii) the Trading Day following the date of mailing, if sent and delivered by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be: (i) if to the Company, to Liquidmetal Technologies, Inc., 30452 Esperanza, Rancho Santa Margarita, CA 92688. Attn: Chief Executive Officer, Facsimile No.: (949) 635-2188, or (ii) if to the Holder, to the address or facsimile number as the Holder may provide to the Company in accordance with this Section.

13. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon 30 days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

14. Lock-Up Period. The undersigned covenants and agrees with the Company as follows:

(a) The undersigned will not, without the prior written consent of the Company (which consent may be withheld in the Company's sole discretion), directly or indirectly, sell, transfer or otherwise dispose of all or any portion of this Warrant or the Warrant Shares acquired upon exercise of this Warrant or sell, offer, contract or grant any option to sell (including, without limitation, any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act with respect to this Warrant or the Warrant Shares acquired upon exercise of this Warrant or otherwise dispose of this Warrant or any Warrant Shares acquired upon exercise of this Warrant (collectively, the "Restricted Securities"), or publicly announce an intention to do any of the foregoing, for a period commencing on the date hereof and continuing through the close of trading on December 31, 2016 (the **"Lock-up Period"**); provided, that the foregoing restriction shall not apply to any transfer of Restricted Securities to (i) Furniture Row, LLC or Furniture Row BC, Inc. (together, **"Furniture Row"**) and any wholly-owned subsidiary of Furniture Row, (ii) any person who owns a majority of the outstanding capital and voting interests of Furniture Row, (iii) the spouse or lineal descendants of any person described in clause (ii), (iv) any trust formed for the benefit of any person described in clause (ii) or for the benefit of the spouse or lineal descendants of any person described in clause (ii), or (v) corporations, limited liability companies, partnerships or other entity in which Furniture Row or any person described in clauses (ii) and (iii) owns a majority of the capital and voting interests (collectively, **"Permitted Transferees"**); provided, further, that any such Permitted Transferee executes and delivers to the Company an agreement to be bound by the foregoing restrictions.

(b) The undersigned agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of Restricted Securities except in compliance with the foregoing restrictions.

15. Miscellaneous.

(a) This Warrant shall be binding on and inure to the benefit of the parties hereto and the respective successors and assigns of the Holder it being understood that transfers of this Warrant by the Holder are subject to the legend set forth of the face hereof. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. The Warrants may be amended only in a writing signed by the Company and the Holder(s) of a majority of the Warrant Shares then issuable upon exercise of the Warrants that have not been exercised. In the event that any Warrants have been transferred in part, any amendment approved in accordance with the preceding sentence shall be binding on all Permitted Transferees and their successors and assigns.

(b) This Warrant shall be governed by and construed in accordance with the laws of the State of Colorado, other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the State of Colorado. In the event of a dispute between the Parties concerning the subject matter of this Warrant, the Parties shall resolve the dispute using the procedures and binding arbitration specified in Section 7 (g) of the Master Transaction Agreement dated as of the date hereof between the Company and the Holder.

(c) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(d) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefore, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

(e) The Company will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder of this Warrant against such impairment.

(f) This Warrant does not entitle the Holder to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof. In connection with an exercise of this Warrant in accordance with the terms hereof, upon the surrender of this Warrant and the payment of the aggregate Exercise Price (or by means of a Cashless Exercise if permitted hereunder), the Warrant Shares so purchased shall be and be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the later of the date of such surrender or payment.

(g) For purposes of this Warrant, the following capitalized terms shall have the following meanings:

(i) "**Approved Stock Plan**" means any employee benefit, option or incentive plan which has been approved by the Board of Directors and shareholders of the Company, pursuant to which the Company's securities may be issued to any employee, consultant, officer or director for services provided to the Company; provided that the number of shares of the Company's Common Stock issuable pursuant to such plans, in the aggregate, shall not exceed 10% of the shares of the Company's Common Stock outstanding on a fully-diluted basis immediately prior to the First Closing Date and without giving effect to the issuance of securities pursuant to the Subscription Agreement, as adjusted for stock splits, reverse stock splits, and the like. For purposes of this definition, "fully-diluted basis" shall take into account all outstanding shares of Common Stock as well as all shares of Common Stock issuable upon the conversion of all outstanding convertible securities of the Company.

(ii) "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for Common Stock, including, without limitation, all outstanding warrants to acquire Common Stock.

(iii) **"Excluded Security"** means any share of Common Stock issued or issuable: (i) in connection with any Approved Stock Plan; (ii) in connection with the transactions contemplated by the Subscription Agreement, including any additional shares Common Stock issued in subsequent closings after the Original Issuance Date, upon exercise of this Warrant or any other Warrants or upon conversion of the Note; (iii) upon conversion or exercise of any Options or Convertible Securities which are outstanding on the Original Issuance Date; or (iv) pursuant to or in connection with commercial credit arrangements, equipment lease financings, acquisitions of other assets or businesses, and strategic transactions not primarily for financing purposes (including licensing or development agreements), but only to the extent the transactions described in this clause (iv) are entered into with non-affiliates of the Company.

(iv) "**Options**" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

(v) "**Original Issuance Date**" means the First Closing Date, as defined in the Subscription Agreement.

(vi) "**Principal Market**" means the OTC Bulletin Board.

(vii) **"Trading Day"** means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded; provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., California Time).

(viii) "**Trading Market**" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE Amex LLC, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

LIQUIDMETAL TECHNOLOGIES, INC.

/s/ Tony Chung

Name: Tony Chung
Title: Chief Financial Officer

EXERCISE NOTICE

To Liquidmetal Technologies, Inc.

The undersigned hereby irrevocably elects to purchase shares of common stock, par value $0.001 per share, of Liquidmetal Technologies, Inc. ("**Common Stock**"), pursuant to Warrant No. 2, originally issued June 28, 2012 (the "**Warrant**"), and, if not a Cashless Exercise in accordance with Section 4, encloses herewith $ in cash, federal funds or other immediately available funds, which sum represents the aggregate Exercise Price (as defined in the Warrant) for the number of shares of Common Stock to which this Exercise Notice relates, together with any applicable taxes payable by the undersigned pursuant to the Warrant.

The undersigned requests that certificates for the shares of Common Stock issuable upon this exercise be issued in the name of:

Print Name of Holder: _____

Signature: _____
Name:
Title:

HOLDER'S SOCIAL SECURITY OR
TAX IDENTIFICATION NUMBER:

Holder's Address:

Warrant Shares Exercise Log

Date	Number of Warrant Shares Available to be Exercised	Number of Warrant Shares Exercised	Number of Warrant Shares Remaining to be Exercised

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto the right represented by the within Warrant to purchase shares of Common Stock of Liquidmetal Technologies, Inc. to which the within Warrant relates and appoints attorney to transfer said right on the books of the Company with full power of substitution in the premises.

Dated: ,

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

Tax Identification Number or Social Security Number of Transferee

In the presence of:

Exhibit 21.1

Subsidiaries of Liquidmetal Technologies, Inc.

1. Liquidmetal Golf, a California corporation[(a)]

2. Crucible Intellectual Property, LLC, a Delaware limited liability company[(b)]

(a) Liquidmetal Technologies, Inc. owns 79% of the outstanding capital stock of Liquidmetal Golf, a California corporation.

(b) Liquidmetal Technologies, Inc. owns 100% of the outstanding equity of Crucible Intellectual Property, LLC, a Delaware limited liability company.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Registration Statement on Form S-1 of Liquidmetal Technologies, Inc. and subsidiaries of our report dated March 30, 2012, relating to our audit of the consolidated financial statements, appearing in the Prospectus, which is part of this Registration Statement. 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 and an explanatory paragraph relating to the adjustments necessary to restate the warrant and earnings per share information for the 2010 consolidated financial statements.

We also consent to the reference to our firm under the caption "Experts" in the Prospectus.

/s/ SingerLewak LLP
SingerLewak LLP

Los Angeles, California
July 17, 2012

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Registration Statement (No. 333) on Form S-1 of Liquidmetal Technologies, Inc. of our report dated March 29, 2012 relating to our audit of the consolidated financial statements, appearing in the Prospectus, which is part of this Registration Statement. Our report dated March 29, 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.

We also consent to the reference to our firm under the captions "Experts"

/s/ Choi, Kim & Park, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Los Angeles, California
July 12, 2012