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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **May 1, 2009**

LIQUIDMETAL TECHNOLOGIES, INC.
(Exact name of Registrant as Specified in its Charter**)**

Delaware	**000-31332**	**33-0264467**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

30452 Esperanza
Rancho Santa Margarita, CA 92688
(Address of Principal Executive Offices; Zip Code)

Registrant's telephone number, including area code: **(949) 635-2100**

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CRF 240.13e-4(c))

LIQUIDMETAL TECHNOLOGIES, INC.

FORM 8-K

Item 1.01. Entry Into a Material Definitive Agreement.

Effective May 1, 2009, Liquidmetal Technologies, Inc. (the "Company") completed a transaction (the "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 (the "Exchange Notes") and shares of a new series of convertible preferred stock designated "Series A-2 Preferred Stock", together with warrants thereon, and (ii) certain investors purchased, for an aggregate of $2.5 million in cash, shares of a new series of convertible preferred stock designated as "Series A-1 Preferred Stock" (together with the Series A-2 Preferred Stock, the "Preferred Stock"). The Transaction was consummated pursuant to a Securities Purchase and Exchange Agreement, dated May 1, 2009 (the "Securities Purchase Agreement"), among the exchanging note holders and investors (collectively, the "Buyers"). The principal purposes of the Transaction were to restructure the Company's indebtedness and to raise additional funding for working capital.

In the Transaction, the Company issued:

- $7,500,000 in principal amount of Exchange Notes,
- 500,000 shares of Series A-1 Preferred Stock at an original issue price of $5.00 per share and having a conversion price of $.10 per common share,
- 2,625,002 shares of Series A-2 Preferred Stock at an original issue price of $5.00 per share and having a conversion price of $.22 per common share,
- to the Buyers acquiring the Exchange Notes, warrants to purchase to purchase an aggregate of 3,125,007 shares of the Company's common stock at an exercise price of $.60 per share (the "Exchange Warrants"), and

- to the Buyers acquiring the Preferred Stock, warrants to purchase to purchase an aggregate of 42,329,407 shares of the Company's common stock at an exercise price of $.50 per share (the "Preferred Warrants").

The following are material terms and conditions of the Transaction and the Securities Purchase Agreement:

Terms of Exchange Notes. The Exchange Notes are convertible at any time at the option of the holder into shares of the Company's common stock at a conversion price of $.60 per share, subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company issues or grants in the future shares of common stock, or securities exercisable for or convertible into common stock, for an effective per share price less than the conversion price then in effect, the conversion price will be decreased to equal such lower price, provided that such adjustment will not apply to certain exempt issuances, including stock issuances pursuant to employee stock option plans and strategic transactions. In the event that the average of the daily volume weighted average price of the shares of the Company's common stock for any 20 consecutive trading days exceeds 250% of the conversion price, the Company will have the right, but not the obligation, to require the holders of the Exchange Notes to convert the Exchange Notes into Company common stock at the conversion price then in effect.

The Exchange Notes will bear interest at 8% per annum with interest payable in arrears on the first business day of each October and April in cash, or, at the Company's option, in the form of additional Exchange Notes (in which case the interest rate will be 10% per annum). From and after an event of default under the Exchange Notes and for so long as the event of default is continuing, the Exchange Notes will bear default interest at a rate of 12% per annum (or 15% per annum if the Company elects to pay interest with additional Exchange Notes). Any unconverted Exchange Notes will become due on January 3, 2011, although the Company will have the right to redeem the Exchange Notes early by paying the remaining principal and accrued but unpaid interest (although if the cash redemption price is being paid solely from the Company's income from continuing operations, the redemption will be subject to a three percent (3%) premium). Under a Security Agreement entered into pursuant to the Securities Purchase Agreement, the Notes are secured by all of the Company's assets, provided that the indebtedness under the Exchange Notes is subordinate to certain indebtedness from third-party commercial lenders to be incurred by the Company in the future and indebtedness not to exceed $4,000,000 in the aggregate that is secured solely by the Company's and/or its subsidiaries' accounts receivable and/or inventory.

Terms of Warrants. Under both the Exchange Warrants and Preferred Warrants (collectively, the "Warrants"), the exercise price is subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company in the future issues or grants any shares of common stock, or securities exercisable for or convertible into common stock, for a per share price less than the exercise price of the Warrants as then in effect, the exercise price of the Warrants will be reduced based on a "weighted-average" formula, provided that such adjustment will not apply to certain exempt issuances, including issuances pursuant to employee stock option plans and strategic transactions. All of the Warrants are immediately exercisable and will expire in January 2012.

Terms of Preferred Stock. The terms of the Preferred Stock are set forth in a Certificate of Designations, Preferences, and Rights of Series A Preferred Stock (the "Certificate") filed with the Delaware Secretary of State on May 1, 2009.

The Preferred Stock will accrue cumulative dividends at the annual rate of 8%, which will be payable semi-annually. Beginning on the second anniversary of the initial issuance date of the Preferred Stock, the dividend rate will increase to 10% per annum. These dividends will be payable, in cash or in kind by the issuance by the Company of additional shares of Preferred Stock, only when and as declared by the Board of Directors of the Company.

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). In the event that the Company in the future issues or grants any shares of common stock, or securities exercisable for or convertible into common stock, for a per share price less than the conversion price then in effect for such series of Preferred Stock, the conversion price of such series of Preferred Stock will be reduced based on a "weighted-average" formula, provided that such adjustment will not apply to certain exempt issuances, including issuances pursuant to employee stock option plans and strategic transactions.

On any matter submitted to a vote of the common stockholders of the Company, each holder of 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 Preferred Stock held by such holder. In addition, upon the filing of the Charter Amendment as specified below, the holders of the Preferred Stock will be entitled to elect two directors of the Company as indicated below.

As long as at least 25% of the number of shares of Preferred Stock originally issued are outstanding, the prior consent of the holders of at least two-thirds of the outstanding Preferred Stock shall be required for the Company to take any action that: (i) alters or changes the rights, preferences or privileges of the Preferred Stock, (ii) creates (by reclassification or otherwise) any new class or series of shares or securities having rights, preferences or privileges senior to, or on a parity with, the Preferred Stock, (iii) results in any merger, other corporate reorganization, sale of control, or any transaction in which all or substantially all of the assets of the Company are sold, (iv) amends or waives any provision of the Company's Certificate of Incorporation or Bylaws relative to the Preferred Stock, or (v) increases the authorized size of the Company's Board of Directors.

In the event of any liquidation, dissolution or winding up of the Company, the proceeds shall be paid first to the holders of the Preferred Stock in an amount equal to the original issue price of each share of Preferred Stock plus any accrued dividends on each share of Preferred Stock before any distributions are made to the holders of the Common Stock.

The Company has the right to redeem the Preferred Stock at any time upon 30 days advance written notice to the holder of such Preferred Stock. In addition, holders of the Preferred Stock will have a pro rata right, based on their percentage equity ownership in the Company, to participate in subsequent issuances of equity securities of the Company.

Registration Rights. In connection with the Transaction, the Company and the Buyers entered into a Registration Rights Agreement under which the Company is required, upon the written request of the holders of more than fifty percent (50%) of the securities underlying the Exchange Notes, Warrants, and Preferred Stock, on or before 180 days after the closing of the Transaction, to file a registration statement with the SEC covering the resale of the shares of Company common stock issuable pursuant to the Exchange Notes, the Warrants and the Preferred Stock and to use its best efforts to have the registration

declared effective at the earliest date (but in no event later than 60 days after filing if there is no SEC review of the registration statement, or 120 days if there is an SEC review). The Company may be required to pay liquidated damages as set forth in the Registration Rights Agreement, if the registration statement is not filed or does not become effective on a timely basis.

Additional Information. Under the Securities Purchase Agreement, the Buyers acknowledged that the Company does not have sufficient shares of common stock authorized to enable the Buyers to fully convert the Exchange Notes and the Preferred Shares and to fully exercise the purchase rights represented by the Warrants. Therefore, under the Securities Purchase Agreement, the Company agreed to hold a special meeting of shareholders at the earliest practical date, and in any event on or before July 31, 2009, for the purpose of obtaining shareholder approval of an amendment to the Company's Certificate of Incorporation (the "Charter Amendment") to increase the authorized shares of common

stock of the Company to 300,000,000 shares. Accordingly, the terms of the Exchange Notes, Preferred Stock, and Warrants limit the ability of the Buyers to convert the Exchange Notes, Preferred Stock, and Warrants, prior to the filing and acceptance of the Charter Amendment with the Delaware Secretary of State, to the number of authorized common shares remaining under the Company's Certificate of Incorporation. The Charter Amendment will also grant to the holders of the Preferred Stock the right to elect two of the five members of the Company's Board of Directors. In the event that the Charter Amendment is not approved and filed with the Delaware Secretary of State by August 31, 2009, the holders of the Preferred Stock and Notes may require the Company to redeem all or any portion of the holders' Preferred Stock and Notes.

The Securities Purchase Agreement grants to the Buyers the option to subscribe for an additional 1,000,000 shares of Series A-1 Preferred Stock at any time prior to six months from the closing date for an original issue price of $5.00 per share, provided that the Company will have the right to refuse the exercise of the option if the Company's Board of Directors determines that the Company's existing and anticipated capital resources at the time of exercise will be sufficient to fund the Company's operations for a period of at least 12 months thereafter. The Buyers of Series A-1 Preferred Stock will have the exclusive right to exercise this option as to the first 350,000 shares, with the holders of the Series A-2 Preferred Stock having the right to exercise the balance of the option.

The offers and sales of securities in the Transaction were made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, including pursuant to Rule 506 thereunder. Such offers and sales were made solely to "accredited investors" under Rule 506 and were made without any form of general solicitation and with full access to any information requested by the investors regarding the Company or the securities offered in the Transaction.

The descriptions set forth herein of the Securities Purchase Agreement, Exchange Notes, Warrants, Security Agreement, Certificate, Registration Rights Agreement, and the securities issued pursuant to such documents, do not purport to be complete and are qualified in their entirety by reference to the full text of such documents attached as exhibits to this Current Report on Form 8-K.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information included in Item 1.01 of this Form 8-K is hereby incorporated by reference into this Item 2.03.

Item 3.02. Unregistered Sales of Equity Securities.

The information included in Item 1.01 of this Form 8-K is hereby incorporated by reference into this Item 3.02.

Item 3.03. Material Modification to Rights of Security Holders.

The information in Item 5.03 of this Current Report on Form 8-K is incorporated by reference into this Item 3.03.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers,

On April 30, 2009, CK Cho and Dean Tanella resigned as directors of the Company. The resignations of Mr. Cho and Mr. Tanella were not the result of any disagreement with the Company known to an executive officer of the Company on any matter relating to the Company's operations, policies, or practices. On April 30, 2009, Abdi Mahamedi, Iraj Azarm and William Scott Jr. Ph.D were elected to the Company's Board of Directors (provided, however, that William Scott Jr. Ph.D will not take office as a director prior to the next regularly scheduled meeting of the stockholders unless and until the Company first complies with Rule 14f-1 of the Exchange Act with respect to his appointment). In connection with their election as directors, there were no arrangements or understandings between such directors and any other persons pursuant to which they were elected as directors.

Since 1987, Abdi 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. Mr. Mahamedi and certain of the Carlyle Development Group of Companies are investors in the Company and are Buyers in the Transaction. 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. Mr. Mahamedi is 47 years old.

Since 1987, Iraj Azarm has served as the Comptroller of CDG, where he directs the day to day activities of the company and acts as the liaison for investors and the firm's institutional lenders. In 1963, Mr. Azarm received degrees in Mechanical Engineering and Economics from the University of California at Berkeley. Mr. Azarm is 70 years old.

Since 2007, William Scott Jr. Ph.D has served as the treasurer and chair of the Board of Governors of Acta Materialia, Inc. From 1983 to 2004, Dr. Scott served as the technical director with ASM International. In 1968, Dr. Scott received a Ph.D in Materials Science and Engineering from the University of Pennsylvania, and in 1963, Dr. Scott received his B.S. in Metallurgical Engineering from Lafayette College. Dr. Scott is 67 years old.

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

The information included in Item 1.01 of this Form 8-K is hereby incorporated by reference into this Item 3.02.

Item 9.01. Financial Statements and Exhibits.

See the Exhibit Index set forth below for a list of exhibits included with this Form 8-K.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Larry E. Buffington
Larry E. Buffington
President and Chief Executive Officer

Date: May 7, 2009

EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Liquidmetal Technologies, Inc.
10.1	Securities Purchase and Exchange Agreement, dated May 1, 2009 (the "Securities Purchase Agreement"), among Liquidmetal Technologies, Inc. (the "Company") and the investors listed on the Schedule of Buyers attached thereto (the "Buyers").
10.2	Form of 8% Senior Secured Convertible Subordinated Note issued pursuant to Securities Purchase Agreement.
10.3	Form of Common Stock Purchase Warrant issued in connection with the 8% Senior Secured Convertible Subordinated Notes.
10.4	Form of Common Stock Purchase Warrant issued in connection with the Series A Preferred Stock.
10.5	Registration Rights Agreement, dated May 1, 2009, among the Company and the Buyers.
10.6	Security Agreement, dated May 1, 2009, among the Company and the Buyers.

CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS

OF

SERIES A PREFERRED STOCK

OF

LIQUIDMETAL TECHNOLOGIES, INC.

(Pursuant to Section 151 of the
Delaware General Corporation Law)

Liquidmetal Technologies, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Company"), hereby certifies that, pursuant to authority vested in the Board of Directors of the Company by Article 4 of the Certificate of Incorporation of the Company, the following resolution was adopted as of April 30, 2009 by the Board of Directors of the Company pursuant to Section 141 of the Delaware General Corporation Law:

"Pursuant to authority vested in the Board or Directors of the Company by Article Four of the Company's Certificate of Incorporation, out of the total authorized number of ten million (10,000,000) shares of Company preferred stock (the "Preferred Stock"), par value $0.001 per share, there shall be designated (i) a series of one million eight hundred seventy-five thousand (1,875,000) shares which shall be issued hereunder and constitute a single series to be known as "Series A-1 Preferred Stock" (hereinafter called the "Series A-1 Preferred Stock") and (ii) a series of three million two hundred eighty-one thousand two hundred fifty-three (3,281,253) shares which shall be issued hereunder and constitute a single series to be known as "Series A-2 Preferred Stock" (hereinafter called the "Series A-2 Preferred Stock", and together with the Series A-1 Preferred Stock, the "Series A Preferred Stock"). The shares of Series A Preferred Stock have the voting powers, designations, preferences and other special rights, and qualifications, limitations and restrictions thereof set forth below:

1. Certain Definitions.

"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 on the date of the First Closing (as defined in the Securities Purchase and Exchange Agreement) after giving effect to the First Closing and the full exercise of the Series A-1 Option (as defined in the Securities Purchase and Exchange Agreement), as adjusted for stock splits, reverse stock splits, and the like, unless such increased amount of shares is approved by the holders of the Company's Common Stock and the holders of the Company's Series A Preferred Stock voting together as a

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single class. 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, including all options and warrants granted.

"Buyer" means a buyer under the Securities Purchase and Exchange Agreement.

"Charter Amendment" shall have the meaning set forth in the Securities Purchase and Exchange Agreement.

"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 OTC Bulletin Board, as reported by Bloomberg Financial Markets, or, if the OTC Bulletin Board 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 Financial Markets, or, if the OTC Bulletin Board 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 Financial Markets, 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 Financial Markets, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg Financial Markets, 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 holders of Series A Preferred Stock. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

"Common Stock" means the common stock, $0.001 par value, of the Company, including the stock into which the Series A Preferred Stock is convertible, and any capital stock of any class of the Company thereafter authorized that shall not be limited to a fixed sum in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company.

"Convertible Securities" means any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

"Current Market Price" shall mean, with respect to any shares of capital stock or other securities, (i) if such stock or securities are listed or admitted to trading on a national securities exchange or an inter-dealer quotation system or traded in the over-the-counter market, the price per share or security, as the case may be, at the close of trading on the Trading Day on

which the relevant determination is to be made or, if such day is not a Trading Day, the Trading Day immediately preceding such day and (ii) if such stock or security is not so listed, admitted or traded, the fair market value of such stock or security as determined by the Board of Directors of the Company or, if the Board of Directors of the Company cannot agree, as determined by an Independent Appraiser (as defined below).

"Excluded Securities" means any share of Common Stock issued or issuable: (i) in connection with any Approved Stock Plan; (ii) upon conversion or exercise of any Notes, warrants or shares of Series A-1 Preferred Stock or Series A-2 Preferred Stock of the Company issued (A) pursuant to the Securities Purchase and Exchange Agreement, (B) as dividends on the Series A Preferred Stock, or (C) as interest under the Notes; (iii) upon conversion or exercise of any Options or Convertible Securities which are outstanding on the Original Issuance Date, (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.

"Independent Appraiser" means an investment banking firm, appraisal firm or any other financial expert of recognized national standing in the United States, selected by the holders of a majority of the Series A Preferred Stock and reasonably acceptable to the Company, that does not (or whose directors, officers, employees, affiliates or stockholders do not) have a direct or indirect material financial interest in the Company or a 5% or greater holder of Series A Preferred Stock, who has not been, and, at the time called upon to give independent financial advice to the Company or a holder of Series A Preferred Stock, is not (and none of its directors, officers, affiliates or stockholders are) a promoter, director or officer of the Company.

"Notes" means the Company's 8% Secured Convertible Subordinated Notes due January 2011.

"Options" means rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

"Securities Purchase and Exchange Agreement" means the Securities Purchase and Exchange Agreement, dated May 1, 2009, among the Company and the persons identified as "Buyers" therein.

"Senior Indebtedness" means the principal of (and premium, if any), interest on, and all fees and other amounts (including, without limitation, any reasonable costs, enforcement expenses (including reasonable legal fees and disbursements, collateral protection expenses and other reimbursement or indemnity obligations relating thereto)), and all other obligations of the Company under (i) any of the agreements or instruments evidencing any indebtedness of the Company and its subsidiaries arising after the Original Issuance Date to an unaffiliated, third-party commercial lender (together with any renewals, refundings, refinancings or other extensions thereof) for purposes of purchasing equipment (which debt shall be secured only by the assets purchased with such financing), and (ii) indebtedness not to exceed $4,000,000 in the

aggregate that is secured solely by the Company's and/or its subsidiaries' accounts receivable and/or inventory.

"Series A Issuance Price" means $5.00 per share.

"Trading Day" means (i) if the relevant stock or security is listed or admitted for trading on the New York Stock Exchange or any other national securities exchange, a day on which such exchange is open for business; (ii) if the relevant stock or security is not listed or admitted for trading on any national securities exchange but is quoted on any system for the automated dissemination of quotations of securities prices, a day on which trades may be effected through such system; or (iii) if the relevant stock or security is not listed or admitted for trading on any national securities exchange or quoted on any system for the automated dissemination of quotation of securities prices, a day on which the relevant stock or security is traded in a regular way in the over-the-counter market and for which a closing bid and a closing asked price for such stock or security are available.

"Warrants" mean the warrants issued pursuant to the Securities Purchase and Exchange Agreement.

2. Dividends.

2A. The holders of the Series A Preferred Stock shall be entitled to receive dividends, which shall begin to accrue on and be cumulative from the date of issuance of the Series A Preferred Stock (whether or not such dividends have been declared and whether or not there shall be net profits or net assets of the Company legally available for the payment of such dividends) at an annual rate equal to eight percent (8%) of the sum of (A) the Series A Issuance Price (also referred to as the "Liquidation Preference") plus (B) any accrued dividends through the immediately preceding Dividend Accrual Date that remain unpaid (the sum being referred to as the "Dividend Amount"). The dividends shall accrue semi-annually on June 1 and December 1 of each year (the "Dividend Accrual Dates") and shall be payable either in cash or in kind by issuance by the Company of additional shares of Series A Preferred Stock (the "PIK Shares") at the option of the Company of the same securities. For purposes of clarification, if the Company pays any Dividend Amount on shares of Series A-1 Preferred Stock in PIK Shares, then such PIK Shares shall be shares of Series A-1 Preferred Stock. If the Company pays any Dividend Amount on shares of Series A-2 Preferred Stock in PIK Shares, then such PIK Shares shall be shares of Series A-2 Preferred Stock. Dividends shall be payable only when and as declared by the Board of Directors of the Company. Beginning on the second anniversary of the initial issuance date of the Series A Preferred Stock (the "Original Issuance Date"), the dividend rate shall increase to 10% per annum. If the Company elects to pay any Dividend Amount in PIK Shares, each holder of Series A Preferred Stock shall be deemed to be the holder of record of such holder's pro rata share of the PIK Shares issuable with respect to the relevant Dividend Amount notwithstanding that the stock transfer books of the Company shall then be closed or that certificates evidencing such PIK Shares shall not have been actually delivered to such holder of Series A Preferred Stock. In the event that dividends on the Series A Preferred Stock are paid with PIK Shares, each such PIK Share (i) shall be valued at the then applicable Liquidation Preference per share and (ii) shall have the same Liquidation Preference as each share of Series A

Preferred Stock with respect to which the PIK Share constituted a dividend. No dividends shall be paid on any Common Stock of the Company or any capital stock of the Company that ranks junior to the Series A Preferred Stock during any fiscal year of the Company until dividends in the aggregate Dividend Amount per share (as adjusted for any stock dividends, combinations or splits with respect to such shares) of Series A Preferred Stock for the current and each prior Dividend Accrual Date shall have been paid or declared and set apart for payment to the holders of the Series A Preferred Stock.

2B. The amount of dividends payable for any period shorter than a full year shall be determined on the basis of twelve 30-day months and a 360-day year. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

3. Liquidation; Redemption.

3A. Liquidation. Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the shares of Series A Preferred Stock shall be entitled, before any distributions shall be made to the holders of the Common Stock, or any other class of capital stock of the Company ranking junior to the Series A Preferred Stock, to be paid an amount (the "Series A Liquidation Amount") equal to the Liquidation Preference per share (appropriately adjusted to reflect the occurrence of any stock split, stock dividend, stock combination, stock subdivision or like occurrences) plus accrued and unpaid dividends to the payment date for the Series A Liquidation Amount; provided that if the amount per share that would be received by the holders of the shares of Series A Preferred Stock of any series if the assets of the Company were distributed ratably to the holders of the Common Stock and the Series A Preferred Stock on an as converted to Common Stock basis would be greater than the Liquidation Preference, then the holders of the Series A Preferred Stock of such series shall be entitled to receive such greater amount. If upon such liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets to be distributed among the holders of Series A Preferred Stock of the Company shall be insufficient to permit payment to the holders of Series A Preferred Stock of the full Series A Liquidation Amount, then the entire assets of the Company to be distributed shall be distributed to the holders of Series A Preferred Stock. Written notice of such liquidation, dissolution or winding up, stating a payment date, the Series A Liquidation Amount and the place where said sums shall be payable shall be given by mail, postage prepaid, not less than 30 or more than 60 days prior to the payment date stated therein, to the holders of record of each series of Series A Preferred Stock, such notice to be addressed to each shareholder at his post office address as shown by the records of the Company. Unless waived in writing by the holders of a majority of the Series A Preferred Stock then outstanding, voting together as one class, a consolidation or merger of the Company into or with any other entity or entities, or the sale or transfer by the Company of all or substantially all of its assets, in each case under circumstances in which the holders of a majority in voting power of the outstanding capital stock of the Company, immediately prior to such a merger, consolidation or sale, own less than a majority in voting power of the outstanding capital stock of the company or the surviving or resulting company or acquirer, as the case may be, immediately following such a merger, consolidation or sale (each such transaction being hereinafter referred to as a

"Corporate Transaction") shall be treated as a liquidation within the meaning of this paragraph 3 for the purpose of determining the consideration to be received by holders of the Series A Preferred Stock upon redemption of such shares as well as the timing of such deemed redemption.

3B. Optional Redemption. The Company shall have the right at any time when no Notes remain outstanding 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 through the redemption date. Such redemption notice will include a certification by the Company's Chief Executive Officer that the Company has sufficient funds available for such redemption. In the event of a redemption of the Series A Preferred Stock in part, the Company shall redeem the shares of each holder of Series A Preferred Stock pro rata (subject to rounding for fractional shares of Series A Preferred Stock). The holders of Series A Preferred Stock shall have the right to convert the Series A Preferred Stock into Common Stock as set forth in Section 4A below at any time prior to the redemption date.

3C. Redemption of Series A Preferred Stock. In the event that the Charter Amendment is not filed with, and accepted for filing by, the Delaware Secretary of State by August 31, 2009, the Company shall deliver written notice thereof via facsimile and overnight courier to the holders of the Series A Preferred Stock. At any time after the receipt of such notice by a holder of the Series A Preferred Stock, such holder may require the Company to redeem all or any portion of such holder's Series A Preferred Stock by delivering written notice thereof (the "Redemption Notice") to the Company, which Redemption Notice shall indicate the number of shares of Series A Preferred Stock such holder is electing to redeem. Each share of the Series A Preferred Stock subject to redemption by the Company pursuant to this Section 3C shall be redeemed by the Company at a redemption price equal to the Liquidation Preference plus any accrued and unpaid dividends through the redemption date.

4. Conversion.

4A. Right to Convert. Subject to the terms and conditions of this subparagraph 4A, the holder of any share or shares of Series A Preferred Stock shall have the right, at its option at any time, to convert any such shares of Series A Preferred Stock into such number of fully paid and nonassessable whole shares of Common Stock as is obtained by multiplying the number of shares of Series A Preferred Stock so to be converted by the Liquidation Preference per share and dividing the result (together with any accrued but unpaid dividends on the shares being converted as of the conversion date) by (i) in the case of Series A-1 Preferred Stock, the conversion price of $0.10 per share of Common Stock, (ii) in the case of Series A-2 Preferred Stock, the conversion price of $0.22 per share of Common Stock, or (iii) if there has been an adjustment of such conversion prices, by the conversion prices as last adjusted and in effect at the date any share or shares of Series A Preferred Stock are surrendered for conversion (such prices, or such prices as last adjusted, being referred to herein as the "Series A-1 Conversion Price" for the Series A-1 Preferred Stock and the "Series A-2 Conversion Price" for the Series A-2 Preferred Stock, and the Series A-1 Conversion Price and Series A-2 Conversion Price are herein together referred to as the "Conversion Price"). Such right of conversion shall be

exercised by the holder thereof by surrender of a certificate or certificates for the shares to be converted to the Company at its principal office (or such other office or agency of the Company as the Company may designate by notice in writing to the holder or holders of the Series A Preferred Stock) at any time during its usual business hours on the date set forth in such notice, together with a properly completed notice of conversion in the form attached to the Series A Preferred Stock certificate with a statement of the name or names (with address), subject to compliance with applicable laws to the extent such designation shall involve a transfer, in which the certificate or certificates for shares of Common Stock, shall be issued. No dividends will be paid on the Series A Preferred Stock at the time of conversion.

As an example, to determine the number of shares of Common Stock issuable upon the conversion of 100 shares of Series A-1 Preferred Stock, the following calculations would be used (assuming no accrued but unpaid dividends and no adjustment of the conversion price):

100 shares of Series A-1 Preferred Stock x $5.00 per share of Series A-1 Preferred Stock = $500

$500/$0.10 per share of Common Stock = 5,000 shares of Common Stock

As an example, to determine the number of shares of Common Stock issuable upon conversion of 100 shares of Series A-2 Preferred Stock, the following calculations would be used (assuming no accrued but unpaid dividends and no adjustment of the conversion price):

100 shares of Series A-2 Preferred Stock x $5.00 per share of Series A-2 Preferred Stock = $500

$500/$0.22 per share of Common Stock = 2,273 shares of Common Stock

4B. Issuance of Certificates; Time Conversion Effected. On or before the second business day following the date of receipt by the Company of the written notice referred to in subparagraph 4A and surrender of the certificate or certificates for the share or shares of the Series A Preferred Stock to be converted (the "Share Delivery Date"), the Company shall issue and deliver, or cause to be issued and delivered, to the holder, registered in such name or names as such holder may direct, subject to compliance with applicable laws to the extent such designation shall involve a transfer, a certificate or certificates for the number of whole shares of Common Stock issuable upon the conversion of such share or shares of Series A Preferred Stock. To the extent permitted by law, such conversion shall be deemed to have been effected and the Conversion Price shall be determined as of the close of business on the date on which such written notice shall have been received by the Company and the certificate or certificates for such shares shall have been surrendered as aforesaid, and at such time the Series A Preferred Stock rights of the holder of such share or shares shall cease, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby.

4C. Fractional Shares; Dividends; Partial Conversion. No fractional shares shall be issued upon conversion of the Series A Preferred Stock into Common Stock, and the number of shares of Common Stock to be issued shall be rounded to the nearest whole share, and no payment or adjustment shall be made upon any conversion on account of any cash dividends paid on the Series A Preferred Stock so converted or the Common Stock issued upon such conversion. In case the number of shares of Series A Preferred Stock represented by the certificate or certificates surrendered pursuant to subparagraph 4A exceeds the number of shares converted, the Company shall upon such conversion, execute and deliver to the holder thereof at the expense of the Company, a new certificate for the number of shares of Series A Preferred Stock represented by the certificate or certificates surrendered which are not to be converted.

4D. Adjustments to Conversion Price.

(1) Direct or Indirect Issuances of Common Stock. If the Company shall, at any time or from time to time after the Original Issuance Date, issue any shares of Common Stock (other than an issuance of Common Stock as a dividend or in a split or subdivision in respect of which the adjustment provided for in subparagraph 4D(2) applies), any Options, or any Convertible Securities without consideration or for consideration per share less than the Conversion Price in effect for the Series A Preferred Stock immediately prior to the issuance of such Common Stock or securities, then such Conversion Price shall forthwith be lowered to a price determined by multiplying the Conversion Price then in effect by a fraction, (x) the numerator of which shall be the number of shares of Common Stock outstanding determined on a fully-diluted basis (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issuance or upon conversion or exchange of Convertible Securities (including the Series A Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issuance) (the "Outstanding Common") immediately prior to such issuance plus the number of shares of Common Stock that the aggregate consideration received by the Company for such issuance would purchase at such Conversion Price (determined by dividing the aggregate consideration received by the Company in respect of such issuance by the Conversion Price in effect immediately prior to such issuance), and (y) the denominator of which shall be the number of shares of Outstanding Common immediately after such issuance but before giving effect to anti-dilution contained in other Securities (as defined in the Securities Purchase and Exchange Agreement) that would be triggered by the same issuance; provided, however, that adjustments to the Conversion Price pursuant to the terms of this subparagraph 4D(1) shall not apply to issuances of Excluded Securities, including Options to purchase Excluded Securities and Convertible Securities convertible into Excluded Securities. For purposes of this subparagraph 4D, "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, including all options and warrants granted.

For the purposes of any adjustment of the Conversion Price pursuant to paragraph (1) of this subparagraph 4D, the following provisions shall be applicable:

(i) Such adjustment shall be separately calculated for the Series A-1 Preferred Stock and the Series A-2 Preferred Stock based on the respective Series A-1 Conversion Price and Series A-2 Conversion Price then in effect.

(ii) In the case of the issuance of Common Stock for cash in a public offering or private placement, the consideration shall be deemed to be the amount of cash paid therefor before deducting therefrom any discounts, commissions or placement fees payable by the Company to any underwriter or placement agent in connection with the issuance and sale thereof.

(iii) In the case of the issuance of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined in good faith by the Board of Directors of the Company.

(iv) In the case of the issuance of Options or Convertible Securities (except for Options or Convertible Securities which are Excluded Securities):

(A) the aggregate maximum number of shares of Common Stock deliverable upon exercise of such Options (assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time) shall be deemed to have been issued at the time such Options were issued and for a consideration equal to the consideration (determined in the manner provided in subparagraphs (ii) and (iii) above), if any, received by the Company upon the issuance of such Options plus the minimum purchase price provided in such Options for the Common Stock covered thereby;

(B) the aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such Convertible Securities or upon the exercise of Options to purchase or rights to subscribe for such Convertible Securities and subsequent conversion or exchange thereof (assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time) shall be deemed to have been issued at the time such Convertible Securities, Options, or rights were issued and for a consideration equal to the consideration received by the Company for any such Convertible Securities and related Options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration, if any, to be received by the Company upon the conversion or exchange of such Convertible Securities or the exercise of any related Options or rights (the consideration in each case to be determined in the manner provided in paragraphs (ii) and (iii) above);

(C) on any change in the number of shares or exercise price of Common Stock deliverable upon exercise of any such options or rights or conversions of or exchanges for such securities, the Conversion Price shall forthwith be readjusted to such conversion price as would have been obtained had

the adjustment made upon the issuance of such options, rights or securities not converted prior to such change or options or rights related to such securities not converted prior to such change been made upon the basis of such change; and

(D) no further adjustment of the Conversion Price adjusted upon the issuance of any such options, rights, convertible securities or exchangeable securities shall be made as a result of the actual issuance of Common Stock on the exercise of any such rights or options or any conversion or exchange of any such securities.

4D(2). Subdivision or Combination of Stock. In case the Company shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares or shall declare or pay a dividend on its outstanding shares of Common Stock payable in shares of Common Stock, the Series A-1 Conversion Price and Series A-2 Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined into a smaller number of shares, such Conversion Prices in effect immediately prior to such combination shall be proportionately increased.

4D(3). Record Date. In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (i) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities, or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall 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.

4D(4). Certain Distributions. If, at any time or from time to time after the Original Issuance Date, the Company shall issue or distribute to the holders of shares other than Series A Preferred Stock (the "Dividend Stock") evidences of its indebtedness, any other securities of the Company or any cash, property or other assets (excluding any issuance or distribution described in paragraph 4D(1), 4D(2), or 4(E), and also excluding cash dividends or cash distributions paid out of net profits legally available therefor in the full amount thereof) (any such non-excluded event being herein called a "Special Dividend"), then and in each such event the holders of each series of Series A Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Series A Preferred Stock of such series had been converted into Common Stock on the date of such event.

4E. Reorganization or Reclassification. If any capital reorganization or reclassification of the capital stock of the Company shall be effected in such a way (including, without limitation, by way of consolidation or merger, but excluding a consolidation, merger or sale which is treated as a Liquidation with respect to holders of Series A Preferred Stock for purposes of paragraph 3) that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock then, as a condition of such

reorganization or reclassification, lawful and adequate provision (in form satisfactory to the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting together as one class) shall be made whereby each holder of a share or shares of Series A Preferred Stock shall thereafter have the right to receive, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock of the Company immediately theretofore receivable upon the conversion of such share or shares of the Series A Preferred Stock, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of Common Stock equal to the number of shares of such stock immediately theretofore so receivable had such reorganization or reclassification not taken place and in any such case appropriate provision shall be made with respect to the rights and interests of such holder to the end that the provisions hereof (including without limitation provisions for adjustments of the Conversion Price) shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise of such conversion rights (including an immediate adjustment, by reason of such reorganization or reclassification, of the Conversion Price to the value for the Common Stock reflected by the terms of such reorganization or reclassification if the value so reflected is less than the Conversion Price in effect immediately prior to such reorganization or reclassification). In the event of a merger or consolidation of the Company as a result of which a greater or lesser number of shares of common stock of the surviving company are issuable to holders of the Common Stock of the Company outstanding immediately prior to such merger or consolidation, the Conversion Price in effect immediately prior to such merger or consolidation shall be adjusted in the same manner as though there were a subdivision or combination of the outstanding shares of Common Stock of the Company. The Company will not effect any such consolidation or merger, or any sale of all or substantially all its assets and properties, unless prior to the consummation thereof the successor company (if other than the Company) resulting from such consolidation or merger or the company purchasing such assets shall assume by written instrument (in form satisfactory to the holders of at least a majority of the outstanding shares of Series A Preferred Stock voting together as one class) executed and mailed or delivered to each holder of shares of Series A Preferred Stock at the last address of such holder appearing on the books of the Company, the obligation to deliver to such holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to receive.

4F. Notice of Adjustment. Upon any adjustment of the Series A-1 Conversion Price or Series A-2 Conversion Price, then, and in each such case, the Company shall give written notice thereof by first class mail, postage prepaid, addressed to each holder of shares of Series A-1 Preferred Stock or

Series A-2 Preferred Stock, as applicable, at the address of such holder as shown on the books of the Company, which notice shall state the Conversion Price resulting from such adjustment, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

4G. Other Notices. In case at any time:

(1) the Company shall declare any dividend upon its Common Stock payable in cash or stock or make any other distribution to the holders of its Common Stock;

(2) the Company shall offer for subscription pro rata to the holders of its Common Stock any additional shares of such stock of any class or other rights;

(3) there shall be any capital reorganization or reclassification of the capital stock of the Company, or a consolidation or merger of the Company with, or a sale of all or substantially all its assets to, another company; or

(4) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of said cases, the Company shall give, by first class mail, postage prepaid, addressed to each holder of any shares of Series A Preferred Stock at the address of such holder as shown on the books of the Company, (a) at least 15 days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, and (b) in the case of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, at least 15 days' prior written notice of the date when the same shall take place. Such notice in accordance with the foregoing clause (a) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of Common Stock shall be entitled thereto, and such notice in accordance with the foregoing clause (b) shall also specify the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, as the case may be.

4H. Mandatory Conversion. The Board of Directors of the Company shall have the right to convert each share of Series A Preferred Stock into Common Stock no less than 30 days after the Company provides written notice to holders of Series A Preferred Stock certifying that the Current Market Price of the Common Stock for 30 consecutive trading days has exceeded $0.70 (as appropriately adjusted for stock dividends, stock splits, recombinations and reclassifications of the Common Stock) with an average daily trading volume during such period of not less than 200,000 shares of Common Stock. In addition, (A) the Board of Directors of the Company shall 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 pursuant to this subparagraph 4H, and (B) the Board of Directors of the Company shall 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 pursuant to this subparagraph 4H. Any such conversion shall be effected in accordance with the provisions of subparagraphs 4B and 4C hereof, and any Series A Preferred Stock converted pursuant to this paragraph shall be converted into a number of shares of Common Stock equal to the quotient obtained by dividing (i) the Liquidation Preference per share of Series A Preferred Stock by (ii) the applicable Conversion Price.

4I. Stock to be Reserved.

(1) From and after the filing and acceptance of the Charter Amendment with the Delaware Secretary of State, the Company will at all times reserve and keep available out of its authorized but unissued Common Stock, solely for the purpose of issuance upon the conversion of the Series A Preferred Stock as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of all outstanding shares of Series A Preferred Stock. All shares of Common Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all liens, duties and charges arising out of or by reason of the issue thereof (including, without limitation, in respect of taxes) and, without limiting the generality of the foregoing, the Company covenants that it will from time to time take all such action as may be requisite to assure that the par value per share of the Common Stock is at all times equal to or less than the effective Conversion Price. The Company will take all such action within its control as may be necessary on its part to assure that all such shares of Common Stock may be so issued without violation of any applicable law or regulation, or of any requirements of any national securities exchange upon which the Common Stock of the Company may be listed. The Company will not take any action which results in any adjustment of the Conversion Price if after such action the total number of shares of Common Stock issued and outstanding and thereafter issuable upon exercise of all options and conversion of Convertible Securities, including upon conversion of the Series A Preferred Stock, would exceed the total number of shares of such class of Common Stock then authorized by the Company's Certificate of Incorporation.

(2) The Company will at all times reserve and keep available out of its authorized but unissued Series A Preferred Stock, a sufficient number of shares solely for the purpose of satisfying the Company's obligations to issue PIK Shares as herein provided. All shares of Series A Preferred Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all liens, duties and charges arising out of or by reason of the issue thereof (including, without limitation, in respect of taxes).

4J. No Reissuance of Series A Preferred Stock. Shares of Series A Preferred Stock that are converted into shares of Common Stock as provided herein shall not be reissued.

4K. Issue Tax. The issuance of certificates for shares of Common Stock upon conversion of the Series A Preferred Stock shall be made without charge to the holders thereof for any issuance tax, stamp tax, transfer tax, duty or charge in respect thereof, provided that the Company shall not be required to pay any tax, duty or charge which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the Series A Preferred Stock which is being converted.

4L. Closing of Books. The Company will at no time close its transfer books against the transfer of any Series A Preferred Stock or of any shares of Common Stock issued or issuable upon the conversion of any shares of Series A Preferred Stock in any manner which interferes with the timely

conversion of such Series A Preferred Stock; provided, however, nothing herein shall be construed to prevent the Company from setting record dates for the holders of its securities.

4M. Limitations on Conversions.

(1) Beneficial Ownership. Unless waived by a holder of Series A Preferred Stock upon no less than sixty one (61) days prior written notice to the Company, the Company shall not effect any conversion of the Series A Preferred Stock pursuant to this Section 4 to the extent that after giving effect to such conversion such holder (together with such holder's affiliates) would beneficially own in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion. Even if such holder waives the limitation set forth in the preceding sentence, the Company shall in no event effect any conversion under this Section 4, and such holder shall not have the right to convert Series A Preferred Stock pursuant to this Section 4, to the extent that after giving effect to such conversion, such holder (together with such holder's affiliates) would beneficially own in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion. For purposes of the foregoing sentences, the number of shares of Common Stock beneficially owned by a holder of Series A Preferred Stock and its affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) conversion of the remaining Series A Preferred Stock owned by such holder or any of its affiliates and (B) conversion of the unexercised or nonconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(M)(1), beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Section 4(M)(1), in determining the number of outstanding shares of Common Stock, the holders of Series A Preferred Stock may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Form 10-Q or Form 10-K, (y) a more recent public announcement by the Company or (z) any other notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. For any reason at any time, upon the written or oral request of a holder of Series A Preferred Stock, the Company shall within two (2) business days confirm orally and in writing to such holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including the Series A Preferred Stock, by such holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was reported. Notwithstanding the foregoing, the limitations of this paragraph shall not apply to Carlyle Liquid, LLC, Carlyle Holdings, LLC, Abdi Mahamedi, Atlantic Realty, and Ricardo Salas.

(2) Until the filing and acceptance of the Charter Amendment with the Delaware Secretary of State, no Buyer shall be issued, upon conversion or exercise of such Buyer's Notes, Series A Preferred Stock, or Warrants, a number of shares of Common Stock in the aggregate for all such conversions or exercises greater than the product of the Conversion Cap (as defined below) multiplied by a fraction, the numerator of which is the aggregate purchase price paid by the Buyer for all of the Notes, shares of Series A Preferred Stock, and Warrants purchased by the Buyer pursuant to the Securities Purchase and Exchange Agreement

and the denominator of which is $23,124,933.33, which is the aggregate purchase price paid by all of the Buyers for all of the Notes, shares of Series A Preferred Stock, and Warrants purchased pursuant to the Securities Purchase and Exchange Agreement (with respect to each Buyer, the "Conversion Cap Allocation"). In the event that any Buyer shall sell or otherwise transfer any of such Buyer's Series A Preferred Stock, the transferee shall be allocated a pro rata portion of such Buyer's Conversion Cap Allocation based on the Series A Issuance Price of the Series A Preferred Stock purchased by the Buyer, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Conversion Cap Allocation allocated to such transferee. The term "Conversion Cap" shall mean 32,985,406 shares of Common Stock, which represents all shares of authorized but unissued Common Stock as of the date of the Securities Purchase and Exchange Agreement to the extent not previously reserved for issuance pursuant to Convertible Securities and Options existing prior to such date.

4N. Company's Failure to Timely Convert. If the Company shall fail to issue a certificate to a holder of Series A Preferred Stock or credit such holder's balance account with the Depository Trust Company ("DTC") through its Deposit/Withdrawal At Custodian system for the number of shares of Common Stock to which such holder is entitled upon conversion of any Series A Preferred Stock on or prior to the date which is five (5) business days after the date that such holder exercises its conversion rights pursuant to this Section 4 (a "Conversion Failure"), then (A) the Company shall pay liquidated damages to such holder for each day of such Conversion Failure in an amount equal to 1.0% of the product of (I) the sum of the number of shares of Common Stock not issued to such holder on or prior to the Share Delivery Date and to which the such holder is entitled, and (II) the Closing Sale Price of the Common Stock on the Share Delivery Date and (B) such holder, upon written notice to the Company, may void its notice of conversion (in the form attached to the Series A Preferred Stock) with respect to, and have returned any Series A Preferred Stock that has not been converted pursuant to such notice of conversion; provided that the voiding of such notice of conversion shall not affect the Company's obligations to make any payments of dividends pursuant to Section 2 hereof which have accrued prior to the date of such notice pursuant to this Section 4(N) or otherwise. In addition to the foregoing, if within three (3) Trading Days after the Company's receipt of such notice of conversion, the Company shall fail to issue and deliver a certificate to such holder or credit such holder's balance account with DTC for the number of shares of Common Stock to which such holder is entitled upon such holder's conversion of any Series A Preferred Stock, and if on or after such Trading Day such holder purchases (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale by such holder of Common Stock issuable upon such conversion that such holder anticipated receiving from the Company (a "Buy-In"), then the Company shall, within five (5) business days after such holder's request and in such holder's discretion, either (i) pay cash to such holder in an amount equal to such 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, or (ii) promptly honor its obligation to deliver to such holder a certificate or certificates representing such Common Stock and pay cash to such 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 date that such holder exercises its conversion rights pursuant to this Section 4.

5. Right to Participate in Future Issuances.

In case the Company proposes at any time to issue or sell any Common Stock or any Options or Convertible Securities other than Excluded Securities and other than securities issued in a public offering (the "Offered Securities"), the Company shall, no later than ten (10) days prior to the consummation of such transaction (a "Preemptive Rights Transaction"), give notice in writing (the "Preemptive Rights Offer Notice") of such Preemptive Rights Transaction to each Series A Preferred Stock holder (each, a "Preemptive Rights Holder"). The Preemptive Rights Offer Notice shall describe the proposed Preemptive Rights Transaction, identify the proposed purchaser, and contain an offer (the "Preemptive Rights Offer") to sell to each Preemptive Rights Holder, at the same consideration to be paid by the proposed purchasers, that number of Offered Securities required to maintain such Preemptive Rights Holder's ownership percentage of the fully-diluted Common Stock in effect as of the date of the Preemptive Rights Offer Notice (the "Maximum Offer Amount"); provided, however, that in calculating such ownership percentage, only the Preemptive Rights Holder's Series A Preferred Stock (and not any outstanding shares of Common Stock or Options or other Convertible Securities then held by the Preemptive Rights Holder) will be included when the percentage interest is calculated. A Preemptive Rights Holder may subscribe for all or a portion of its Maximum Offer Amount on or prior to the 30th day following the date of sale of the Offered Securities to the initial purchasers. Any of the Offered Securities not subscribed for by a Preemptive Rights Holder shall be offered to the other Preemptive Rights Holders pursuant to a written notice from the Company on a pro rata basis for a period of 30 days. When the Offered Securities are accepted in the manner set forth in this paragraph 5, the Company shall, as promptly as practicable but no later than twenty (20) days after acceptance by a Preemptive Rights Holder of its subscription portion of the Maximum Offer Amount, issue certificates representing the applicable number of Offered Securities (free of all liens and encumbrances) to such holder against delivery by such holder of the consideration payable therefor. Any notice required to be given by Company pursuant to this paragraph 5 shall (i) specify the name of the proposed purchaser, the number of shares to be issued, the amount and type of consideration to be received therefor, and the other material terms on which the Company proposes to issue the shares, and (ii) contain an offer to sell to those holders permitted to participate in such offer all of such shares at the same price per share and for consideration consisting of (x) cash equal to the amount of cash proposed to be paid by the proposed purchaser and (y) if any of the consideration to be paid by the proposed purchaser is non-cash consideration, either the same non-cash consideration or, at the election of the particular holder, cash having an equivalent value to the non-cash consideration proposed to be paid by the proposed purchaser. The determination of equivalent value required by the preceding sentence shall be made by an Independent Appraiser, it being understood that the fees and expenses of such Independent Appraiser shall be paid by the Company. Notwithstanding anything to contrary herein, before the Company sends a Preemptive Rights Offer Notice to a Preemptive Rights Holder, the Company shall send written notification to such Preemptive Rights Holder that the Company intends to send a Preemptive Rights Offer Notice to such Preemptive Rights Holder (such notice, the "Pre-Notice"). If the Company does not receive, within three (3) business days from the date of the Pre-Notice, a written notice from such Preemptive Rights Holder stating that he, she or it does not wish to receive material non-public information relating to the Company, then the Company shall send a Preemptive Rights Offer

Notice to such Preemptive Rights Holder and such Preemptive Rights Holder shall not have the rights set forth in this paragraph.

6. Voting - - Series A Preferred Stock. In addition to any class voting rights provided by law and the Certificate of Incorporation, the holders of Series A Preferred Stock shall have the right to vote together with the holders of Common Stock as a single class on any matter on which the holders of Common Stock are entitled to vote, at any annual or special meeting of the stockholders and not as a separate class, and may act by written consent in the same manner as the holders of Common Stock; provided, however, that from and after the filing and acceptance of the Charter Amendment with the Delaware Secretary of State, the voting rights of the holders of Series A Preferred Stock shall be subject to any limitations that are set forth in the Charter Amendment. With respect to the voting rights of the holders of the Series A Preferred Stock pursuant to the preceding sentence, each holder of Series A Preferred Stock shall be 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 on the record date for the determination of shareholders entitled to vote at such meeting or the effective date of such written consent (after taking into account the conversion limitation set forth in Section 4M(1) above but disregarding the conversion limitation set forth in Section 4M(2) hereof), and shall have voting rights and powers equal to the voting rights and powers of the Common Stock, and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Company.

7. Further Restrictions. As long as at least 25% of the number of shares of Series A Preferred Stock issued on the Original Issuance Date are outstanding, and in addition to any other vote of the holders of Series A Preferred Stock required by law or by the Certificate of Incorporation, the prior consent of the holders of at least two-thirds of the outstanding Series A Preferred Stock shall be required for the Company to take any action that: (i) alters or changes the rights, preferences or privileges of the Series A Preferred Stock, (ii) constitutes the incurrence of indebtedness by the Company which possesses senior repayment rights to the Series A Preferred Stock, other than Senior Indebtedness, (iii) creates (by reclassification or otherwise) any new class or series of shares or securities having rights, preferences or privileges senior to, or on a parity with, the Series A Preferred Stock, (iv) results in the redemption of any shares of Common Stock or any other shares or securities on a parity with or junior to the Series A Preferred Stock (other than pursuant to equity incentive agreements with service providers giving the Company the right to repurchase shares upon the termination of services), (v) results in the issuance of any shares of Common Stock or Options or Convertible Securities with an effective issuance, conversion or exercise price, as applicable, lower than the Series A-1 Conversion Price at the time of such issuance (other than Excluded Securities), (vi) results in any merger, other corporate reorganization, sale of control, or any transaction in which all or substantially all of the assets of the Company are sold, (vii) amends or waives any provision of the Company's Certificate of Incorporation or Bylaws relative to the Series A Preferred Stock, (viii) increases the authorized size of the Company's Board of Directors, (ix) results in the payment or declaration of any dividend on any shares of Common Stock or any other shares or securities junior to the Series A Preferred Stock, (x) results in a confession of judgment against the Company, or settle or compromise by or against the Company (provided that no such consent shall be required for matters involving less than $50,000.00), (xi) results in any filing by the

Company for bankruptcy or receivership, (xii) results in any guaranty of any debt of a third party other than a direct or indirect wholly owned subsidiary of the Company; (xiii) results in the making of any material cash investments in the securities of another entity other than in the ordinary course of business or other than investments in wholly owned subsidiaries of the Company, (xiv) results in the mortgaging, pledging, or creating of a security interest in the property of the Company other than in the ordinary course of the Company's business consistent with past practice, or (xv) results in the Company entering into a materially new line of businesses not related to the Company's current line of business.

8. No Waiver. Except as otherwise modified or provided for herein, the holders of Series A Preferred Stock shall also be entitled to, and shall not be deemed to have waived, any other applicable rights granted to such holders under the applicable provisions of the Delaware General Corporation Law.

9. No Impairment. The Company will not, through any reorganization, transfer of assets, merger, dissolution, issue or sale of securities on any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company but will at all times in good faith assist in the carrying out of all the provisions of Article Four and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights and liquidation preferences granted hereunder of the holders of the Series A Preferred Stock against impairment.

IN WITNESS WHEREOF, this Certificate of Designation has been executed by the Company by a duly authorized executive officer as of this 1st day of May, 2009.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung
Name: Tony Chung
Title: Chief Financial Officer

SECURITIES PURCHASE AND EXCHANGE AGREEMENT

SECURITIES PURCHASE AND EXCHANGE AGREEMENT (the "**Agreement**"), dated as of May 1, 2009, among Liquidmetal Technologies, Inc., a Delaware corporation (the "**Company**"), and the investors listed on the Schedule of Buyers attached hereto (individually, a "**Buyer**" and collectively, the "**Buyers**").

WHEREAS:

A. The Company and each Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Rule 144A ("**Rule 144A**") of the Securities Act of 1933, as amended (the "**1933 Act**"), by Section 4(2) of the 1933 Act, and/or by Rule 506 of Regulation D ("**Regulation D**") as promulgated by the United States Securities and Exchange Commission (the "**SEC**") under the 1933 Act.

B. The Company currently has outstanding: (i) a series of 8% Convertible Subordinated Notes in the aggregate principal amount of $20,624,933.33 that were issued in a January 2007 private placement by the Company and were also issued as interest on such notes (the "**Existing Notes**"), and (ii) common stock purchase warrants to purchase up to an aggregate of 8,138,352 shares of the Company's common stock, par value $.001 per share (the "**Common Stock**"), which warrants were issued in connection with the Existing Notes and which have (a) an original exercise price of $1.93 per share and an expiration date of January 3, 2012 or (b) an original exercise price of $1.55 per share and an expiration date of December 28, 2012 (the "**Existing Warrants**").

C. The Company and Buyers desire to enter into a transaction under which, subject to the terms and conditions of this Agreement: (i) each holder of the Existing Notes will exchange such holder's Existing Notes and Existing Warrants for a new series of convertible notes, shares of a new class of preferred stock, or a combination of such new notes and new shares of preferred stock, together with new warrants issued thereon and (ii) certain investors will purchase for cash consideration shares of a new class of preferred stock of the Company (collectively, the "**Transactions**" or the "**Offering**").

D. In order to effectuate the Transactions, the Company has authorized and/or approved: (1) a new series of convertible preferred stock of the Company to be designated as the Company's "Series A-1 Preferred Stock," par value $0.001 per share (the "**Series A-1 Preferred**"); (2) a new series of preferred stock of the Company to be designated as the Company's "Series A-2 Preferred Stock," par value $0.001 per share (the "**Series A-2 Preferred**"); (3) a series of 8% Senior Secured Convertible Notes of the Company in the form attached hereto as Exhibit A (the "**Exchange Notes**"); (4) a series of Common Stock Purchase Warrants in the form attached hereto as Exhibit B to be issued in connection with the issuance of shares of Series A-1 Preferred and Series A-2 Preferred (the "**Preferred Warrants**"); and (5) a series of Common Stock Purchase Warrants in the form attached hereto as Exhibit C to be issued in connection with the issuance of the Exchange Notes (the "**Exchange Warrants**").

E. Contemporaneously with the execution and delivery of this Agreement, the parties hereto are executing and delivering a Registration Rights Agreement, in substantially the form attached hereto as Exhibit D (the "**Registration Rights Agreement**"), pursuant to which the Company has agreed to provide certain registration rights with respect to the Conversion Shares and the Warrant Shares (each as defined below) under the 1933 Act and the rules and regulations promulgated thereunder, and applicable state securities laws.

NOW, THEREFORE, the Company and each Buyer hereby agree as follows:

1. PURCHASE OF SERIES A-1 SHARES, SERIES A-2 SHARES, EXCHANGE NOTES, AND WARRANTS; OPTION TO PURCHASE ADDITIONAL SERIES A-1 SHARES.

(a) Purchase of Series A-1 Shares and Preferred Warrants. Subject to the satisfaction (or waiver) of the conditions set forth in Sections 6 and 7 below, the Company shall issue and sell to each Buyer, and each such Buyer severally, but not jointly, agrees to purchase and acquire from the Company on the First Closing Date (as defined below), the number of Series A-1 Shares set forth opposite such Buyer's name in Column (3) on the Schedule of Buyers and the Preferred Warrants set forth opposite such Buyer's name in Column (4) on the Schedule of Buyers. This paragraph shall not apply to any Buyer for which the number of shares of Series A-1 Shares set forth next to the Buyer's name on the Schedule of Buyers is zero (0).

(b) Purchase of Series A-2 Shares and Preferred Warrants. Subject to the satisfaction (or waiver) of the conditions set forth in Sections 6 and 7 below, the Company shall issue and sell to each Buyer, and each such Buyer severally, but not jointly, agrees to purchase and acquire from the Company on the First Closing Date (as defined below), the number of Series A-2 Shares set forth opposite such Buyer's name in Column (5) on the Schedule of Buyers and the Preferred Warrants set forth opposite such Buyer's name in Column (6) on the Schedule of Buyers. This paragraph shall not apply to any Buyer for which the number of shares of Series A-2 Shares set forth next to the Buyer's name on the Schedule of Buyers is zero (0).

(c) Purchase of Exchange Notes and Exchange Warrants. Subject to the satisfaction (or waiver) of the conditions set forth in Sections 6 and 7 below, on the First Closing Date (as defined below), the Company shall issue to each Buyer, and each Buyer severally, but not jointly, agrees to purchase and acquire from the Company an Exchange Note in the aggregate principal amount set forth opposite the Buyer's name in Column (7) on the Schedule of Buyers and the Exchange Warrants set forth opposite the Buyer's name in Column (8) on the Schedule of Buyers. This paragraph shall not apply to any Buyer for which the amount of Exchange Notes set forth next to the Buyer's name on the Schedule of Buyers is zero (0). The Company agrees and acknowledges that the Exchange Notes, Exchange Warrants, and Series A-2 Shares are being issued hereunder to the Buyers thereof solely in exchange for other securities of the Company for purposes of Rule 144(d)(3)(ii) under the 1933 Act.

(d) Purchase Price. The purchase price for the Series A-1 Shares (together with the related Preferred Warrants described in Section 1(a) above) shall be $5.00 per Series A-1 Share. The purchase price for the Series A-2 Shares (including the related Preferred Warrants described in Section 1(b) above) shall be $5.00 principal amount of Existing Notes per Series A-2

Share. The purchase price for the Exchange Notes (including the related Exchange Warrants described in Section 1(c) above) shall be equal to $1.00 for each $1.00 of principal amount under the Exchange Notes.

(e) Payment of Purchase Price. On the First Closing Date (as defined below), the aggregate purchase price to be paid by each Buyer for all of the Preferred Shares, Exchange Notes, and Warrants being purchased hereunder (referred to as the "**Investment Amount**") shall be paid in the form of: (i) cash, in the amount set forth opposite the Buyer's name in Column (2) on the Schedule of Buyers, by wire transfer of immediately available funds in accordance with the Company's written wire instructions and (ii) the surrender and exchange of all rights under the Existing Notes, with the total remaining value, including unpaid principal and accrued but unpaid interest, set forth opposite the Buyer's name in Column (1) on the Schedule of Buyers, and the surrender and exchange of all rights under and with respect to the Existing Warrants. Upon the First Closing and receipt of the Investment Amounts described above, the Company shall deliver to each Buyer the Series A-1 Shares, the Series A-2 Shares, the Exchange Notes, and the Warrants which such Buyer is then purchasing, duly executed on behalf of the Company and registered in the name of such Buyer or its designee.

(f) Option to Purchase Series A-1 Shares.

(i) The Company hereby grants to the Buyers of Preferred Stock (as defined below) an option (the "**Series A-1 Option**"), upon the terms and subject to the conditions herein contained, to purchase up to an aggregate of one million (1,000,000) Series A-1 Shares (the "**Option Shares**") for a purchase price of $5.00 per Series A-1 Share. Notwithstanding the foregoing and subject to the terms and conditions set forth below in this Section 1(f), (A) the Buyers of Series A-1 Shares (the "**A-1 Buyers**") shall have the first right to purchase the first three hundred fifty thousand (350,000) Option Shares (the "**Initial Option Shares**") pursuant to this Series A-1 Option and (B) the Buyers of Series A-2 Shares (the "**A-2 Buyers**") shall have the first right to purchase the remaining six hundred fifty thousand (650,000) Option Shares plus the Initial Option Shares, if any, not purchased by the A-1 Buyers (the "**Remaining Shares**"). The right of the A-2 Buyers to purchase the Remaining Shares shall be contingent upon (1) the purchase by the A-1 Buyers of all, but not less than all, of the Initial Option Shares or (2) the failure of the A-1 Buyers to purchase all of the Initial Option Shares on or before the date that is five (5) months from the date of the First Closing (the "**Remaining Share Condition**").

(ii) With regard to the purchase of the Initial Option Shares, each A-1 Buyer shall be entitled to purchase a maximum number of Initial Option Shares pursuant to the Series A-1 Option in the same proportion as its purchase obligation set forth in Column (3) on the Schedule of Buyers; provided that any A-1 Buyer may assign its rights to purchase Initial Option Shares under this Section 1(f)(ii) to any other Buyer. The Series A-1 Option may be exercised by the A-1 Buyers for the purchase of Initial Option Shares by delivering an Exercise Notice (as defined below) to the Company at any time and from time to time after the date hereof up until 5:00 p.m., New York City time, on the date that is five (5) months from the date of the First Closing. Any A-1 Buyer who elects to purchase Initial Option Shares in accordance with this Section 1(f)(ii) must provide the Company with written notice (an "**Exercise Notice**") stating that such Buyer is exercising its Series A-1 Option and setting forth the number of Initial

Option Shares such Buyer intends to purchase.

(iii) Upon the occurrence of the Remaining Share Condition, each A-2 Buyer shall be entitled to purchase a maximum number of Remaining Shares pursuant to the Series A-1 Option in the same proportion as its purchase obligation set forth in Column (5) on the Schedule of Buyers; provided that any A-2 Buyer may assign its rights to purchase Remaining Shares under this Section 1(f)(iii) to any other Buyer. The Series A-1 Option may be exercised by the A-2 Buyers for the purchase of Remaining Shares by delivering an Exercise Notice to the Company at any time after the Remaining Share Condition occurs and from time to time thereafter until 5:00 p.m., New York City time, on the date that is six (6) months from the date of the First Closing (the "**Option Expiration Date**").

(iv) In addition to any other limitation provided herein, in no event shall any part of the Series A-1 Option be exercisable unless the applicable Exercise Notice is delivered to the Company on or before the Option Expiration Date, provided that in the event that the A-1 Buyers purchased all of the Initial Option Shares pursuant to the Series A-1 Option and the A-2 Buyers did not purchase all of the Remaining Shares pursuant hereto, then the A-1 Buyers shall have the right to purchase any Remaining Shares not purchased by the A-2 Buyers (the "**Remaining Unpurchased Shares**") by delivering to the Company an Exercise Notice with respect thereto no later than thirty (30) days after the Option Expiration Date. Each A-1 Buyer shall have the right to purchase the Remaining Unpurchased Shares in the same proportion as its purchase obligation set forth in Column (3) on the Schedule of Buyers; provided that any A-1 Buyer may assign its rights to purchase the Remaining Unpurchased Shares under this Section 1(f)(iv) to any other Buyer.

(v) Notwithstanding anything in this Agreement to the contrary, upon the Company's receipt of an Exercise Notice, if the Board of Directors of the Company determines in good faith that the Company's anticipated capital resources (including access to borrowing availability under credit facilities) will be sufficient to fund the Company's operations for a period of at least twelve (12) months after the Company's receipt of the Exercise Notice, then the Company shall have the right to refuse the exercise of the Series A-1 Option by delivering, prior to the Option Closing Date (as defined below), a written notice to the exercising Buyers stating that the Board of Directors has made such determination, in which event the Buyers will not have the right to exercise the Series A-1 Option (a "**Refusal Notice**"). After any such Refusal Notice, the Buyers will have the right to deliver a subsequent Exercise Notice at any time after the thirtieth (30^{th}) day after receipt of the Refusal Notice, subject to the Company's right to issue a Refusal Notice again at such time. Notwithstanding the foregoing, in the event that a Refusal Notice is delivered in response to an Exercise Notice properly delivered by the A-1 Buyers on or before the date that is five (5) months from the date of the First Closing, then the A-2 Buyers shall not have a right to purchase any Remaining Shares unless the A-1 Buyers are first provided with an opportunity to purchase the Initial Option Shares covered by such Exercise Notice. In addition, in the event that a Refusal Notice is delivered in response to an Exercise Notice properly delivered by the A-2 Buyers prior to the Option Expiration Date, then the A-1 Buyers shall not have the right to purchase any Remaining Unpurchased Shares unless the A-2 Buyers are first provided with an opportunity to purchase the Remaining Shares covered by such Exercise Notice.

(g) Closing. The purchase and sale of the Series A-1 Shares, the Series A-2 Shares, the Exchange Notes, and the Warrants (the "**First Closing**") shall occur on the First Closing Date at the offices of Foley & Lardner LLP, 100 North Tampa Street, Suite 2700, Tampa, Florida 33602. The date and time of the First Closing (the "**First Closing Date**") shall be 10:00 a.m., New York, NY Time, on the date hereof, subject to notification of satisfaction (or waiver) of the conditions to the First Closing set forth in Sections 6 and 7 below (or such later date as is mutually agreed to by the Company and each Buyer). The closing with respect to each exercise of the Series A-1 Option shall occur on a date (each such date, an "**Option Closing Date**") specified by the exercising Buyer that is not less than fifteen (15) business days nor more than twenty (20) business days following the date upon which such Buyer provides the Company with an Exercise Notice. The First Closing Date and each Option Closing Date are herein referred to as a "**Closing Date**" and each closing hereunder is referred to as a "**Closing**."

(h) Certain Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

(i) "*Conversion Shares*" means shares of Common Stock issuable upon the conversion of the Preferred Shares or Exchange Notes.

(ii) "*Preferred Shares*" means shares of Series A-1 Shares and/or Series A-2 Shares, as applicable.

(iii) "*Schedule of Buyers*" means the Schedule of Buyers attached to this Agreement.

(iv) "*Securities*" means the Exchange Notes, Preferred Shares, Conversion Shares, and Warrant Shares.

(v) "*Series A-1 Shares*" means shares of Series A-1 Preferred (including any shares issued as dividends on the Series A-1 Preferred), and "*Series A-2 Shares*" means shares of Series A-2 Preferred (including any shares issued as dividends on the Series A-2 Preferred).

(vi) "*Warrants*" means the Preferred Warrants and Exchange Warrants.

(vii) "*Warrant Shares*" means the shares of Common Stock issuable upon the exercise of the Warrants.

2. BUYER'S REPRESENTATIONS AND WARRANTIES.

Each Buyer represents and warrants with respect to only itself that:

(a) No Public Sale or Distribution. Such Buyer is acquiring the Preferred Shares, the Exchange Notes, and the Warrants, as applicable, for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered or exempted under the 1933 Act; provided, however, that by making the representations herein, such Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in

accordance with or pursuant to a registration statement or an exemption from the registration requirements of the 1933 Act and applicable state securities laws. Such Buyer presently does not have any agreement or understanding, directly or indirectly, with any person to distribute any of the Securities.

(b) Qualified Institutional Buyer; Accredited Investor Status. Such Buyer is a "qualified institutional buyer" as defined in Rule 144A under the 1933 Act (a "**QIB**") and/or such Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D.

(c) Transfer or Resale. In connection with such Buyer's subsequent offers to sell, such Buyer (i) will offer the Securities for resale only upon the terms and conditions set forth in this Agreement (the "**Exempt Resales**"), and (ii) will solicit offers to buy the Securities only from, and will offer and sell the Securities only to, (A) persons reasonably believed by such Buyer to be QIBs or (B) persons reasonably believed by such Buyer to be an "accredited investor" as that term is defined in Rule 501(a) of Regulation D (an "**Accredited Investor**") or (C) persons reasonably believed by such Buyer to be non-U.S. persons referred to in Regulation S under the 1933 Act ("**Non-U.S. Persons**"), and in connection with each such sale, it will take reasonable steps to ensure that the purchaser of such Securities is aware that such sale is being made in reliance on Rule 144A, Regulation D or Regulation S, as applicable.

(d) General Solicitation. No form of general solicitation or general advertising in violation of the 1933 Act has been or will be used nor will any offers in any manner involving a public offering within the meaning of Section 4(2) of the 1933 Act or, with respect to any Securities to be sold in reliance on Regulation S, by means of any directed selling efforts be made by such Buyer or any of its representatives in connection with the offer and sale of any of the Securities.

(e) Reliance on Exemptions. Such Buyer understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Buyer's compliance with, the representations, warranties, agreements, acknowledgments, and understandings of such Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of such Buyer to acquire the Securities.

(f) Information. Such Buyer and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by such Buyer. Such Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company and have received what such Buyer and its advisors, if any, believe to be satisfactory answers to any such inquiries. Such Buyer understands that its investment in the Securities involves a high degree of risk. Such Buyer has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities.

(g) No Governmental Review. Such Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or made

any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(h) Restrictions. Such Buyer understands that except as provided in this Agreement and the Registration Rights Agreement: (i) the Securities have not been and are not being registered under the 1933 Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) such Buyer shall have delivered to the Company an opinion of counsel, in a form reasonably acceptable to the Company, to the effect that such Securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, such as Rule 144 or Rule 144A promulgated under the 1933 Act (or a successor rule thereto) (collectively, "**Rule 144**"); (ii) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the Person (as defined in Section 3(p)) through whom the sale is made) may be deemed to be an

underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) except as set forth in the Registration Rights Agreement, neither the Company nor any other Person is under any obligation to register the Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder. The Securities may be pledged in connection with a bona fide margin account or other loan secured by the Securities and such pledge of Securities shall not be deemed to be a transfer, sale or assignment of the Securities hereunder, and no Buyer effecting a pledge of Securities shall be required to provide the Company with any notice thereof or otherwise make any delivery to the Company pursuant to this Agreement or any other Transaction Document (as defined below), including, without limitation, this Section 2(h); provided, that in order to make any sale, transfer or assignment of Securities, such Buyer and its pledgee makes such disposition in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

(i) Legends. Buyer understands that the certificates or other instruments representing the Preferred Shares, the Exchange Notes and the Warrants and, until such time as the resale of the Conversion Shares and the Warrant Shares have been registered under the 1933 Act as contemplated by the Registration Rights Agreement, the certificates representing the Securities, except as set forth below, shall bear any legend as required by the "blue sky" laws of any state and a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of such stock certificates):

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN/THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT 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 FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of the Securities upon which it is stamped, if, unless otherwise required by state securities laws, (i) such Securities are registered for resale under the 1933 Act or (ii) in connection with a sale, assignment or other transfer, such holder provides the Company with an opinion of counsel, in a form reasonably acceptable to the Company, to the effect that such sale, assignment or transfer of the Securities may be made without registration under the applicable requirements of the 1933 Act.

(j) Validity; Enforcement. This Agreement and the Registration Rights Agreement have been duly and validly authorized, executed and delivered on behalf of such Buyer and shall constitute the legal, valid and binding obligations of such Buyer enforceable against such Buyer in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other 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 the Transaction Documents (as defined below) may be limited by federal and state securities laws and public policy considerations.

(k) No Conflicts. The execution, delivery and performance by such Buyer of this Agreement and the Registration Rights Agreement and the consummation by such Buyer of the transactions contemplated hereby and thereby will not (i) result in a violation of the organizational documents of such Buyer, (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 agreement, indenture or instrument to which such Buyer is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to such Buyer, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of such Buyer to perform its obligations hereunder.

(l) Residency. Such Buyer is a resident of that jurisdiction specified below its address on the Schedule of Buyers. Such Buyer represents that it was not organized solely for purposes of making an investment in the Company.

(m) Certain Trading Activities. Such Buyer has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with such Buyer, engaged in any transactions in the securities of the Company (including, without limitation, any Short Sales (as defined in Regulation SHO promulgated under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) involving the Company's securities) since the time that such Buyer was first contacted by the Company or any other Person regarding an investment in the

Company. Such Buyer covenants that neither it nor any Person acting on its behalf or pursuant to any understanding with it will engage in any transactions in the securities of the Company (including Short Sales) prior to the time that the transactions contemplated by this Agreement are publicly disclosed by the Company. Such Buyer has maintained, and covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to Section 4(e) such Buyer will maintain, the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction) and any information other than the terms of this transaction that the Company provided to such Buyer on a confidential basis.

(n) No Group. Other than affiliates of such Buyer who are also Buyers under this Agreement, such Buyer is not under common control with or acting in concert with any other Buyer and is not part of a "group." Other than Carlyle Liquid, LLC, Carlyle Holdings, LLC, Abdi Mahamedi, Atlantic Realty, and Ricardo Salas (the "**Affiliated Investors**"), no Buyer, together with its affiliates, will, following any Closing, beneficially own more than 10% of the voting power of the Company's then-outstanding capital stock.

(o) Buyer Due Diligence. Such Buyer acknowledges that, except for the matters that are expressly covered by the provisions of this Agreement, including the exhibits and schedules hereto, such Buyer is relying on its own investigation and analysis in entering into this Agreement and consummating the transactions contemplated hereby. Such Buyer is informed and sophisticated in the transactions contemplated by this Agreement and has undertaken such investigation, and has been provided with and has evaluated such documents and information, as it has deemed necessary in connection with the execution, delivery and performance of this Agreement. Such Buyer is consummating the transactions contemplated by this Agreement without any

representation or warranty, expressed or implied, by the Company except as expressly set forth in this Agreement and the exhibits and schedules hereto. Such Buyer acknowledges and agrees that the Company 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 3.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each of the Buyers 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 on Schedule 3(a), 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 on Schedule 3(a), 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. The Company has no Subsidiaries except as set forth on Schedule 3(a).

(b) Authorization; Enforcement; Validity. The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement, the Securities, the Registration Rights Agreement, the Security Agreement, the Irrevocable Transfer Agent Instructions (as defined in Section 5) and each of the other agreements entered into by the parties hereto in connection with the Transactions contemplated by this Agreement (collectively, the "**Transaction Documents**") and to issue the Securities in accordance with the terms hereof and thereof. The execution and delivery of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby, including, without limitation, the issuance of the Preferred Shares, the Exchange Notes and the Warrants and the reservation for issuance and the issuance of the Conversion Shares and the Warrant Shares issuable upon conversion, issuance or exercise thereof, as the case may be, 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 and the other Transaction Documents of even date herewith have been duly executed and delivered by the Company, and constitute the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective 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 the Transaction Documents may be limited by federal and state securities laws and public policy considerations.

(c) Issuance of Securities. The Preferred Shares, the Exchange Notes and the Warrants are duly authorized and, upon issuance in accordance with the terms hereof, shall be free from all taxes, liens and charges with respect to the issue thereof. Upon the filing of the Charter Amendment (as defined in Section 4(m) hereof) with the Delaware Secretary of State, the number of shares of Common Stock which equals the sum of 100% of the number of shares of Common Stock issuable upon conversion of the Preferred Shares and the Exchange Notes and exercise of the Warrants to be issued at the First Closing will be duly authorized and reserved for issuance. Upon conversion, exercise or issuance in accordance with the terms of the Preferred Shares, the Exchange Notes and the Warrants, the Conversion Shares and the Warrant Shares, as the case may be, will be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof, with the holders being entitled to all rights accorded to a holder of Common Stock. Assuming the accuracy of each of the representations and warranties of the Buyers contained in Section 2, the issuance by the Company of the Securities is exempt from the registration requirements of Section 5 of the 1933 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 hereby and thereby (including, without limitation, the issuance of the Preferred Shares, the Exchange Notes and the Warrants and the reservation for issuance and issuance of the Conversion Shares and the Warrant Shares) 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 applicable Closing Date or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and the rules and regulations of the Principal Market (as defined below)) 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 Schedule 3(e), 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 First Closing Date (other than filings and reports relating to the offer and sale of the Securities required under Regulation D or applicable securities or "Blue Sky" laws as contemplated under Section 4(b) of this Agreement), 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 registration, application or filings pursuant to the preceding sentence. The Company is not in violation of the listing requirements of the Principal Market (as defined below) and has no knowledge of any facts which would reasonably lead to delisting or suspension of the Common Stock in the foreseeable future.

(f) Acknowledgment Regarding Buyer's Purchase of Securities. The Company acknowledges and agrees that each Buyer 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 on Schedule 3(f), no Buyer is (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 no Buyer is 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 a Buyer or any of its representatives or agents in connection with the Transaction Documents and the Transactions contemplated hereby and thereby is merely incidental to such Buyer'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 any Buyer 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, and 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 1933 Act or cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of the 1933 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 SEC pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed prior to the date hereof (whether or not required to be filed), and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "**SEC Documents**"). 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, none of the SEC Documents, at the time they were 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. 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, or (ii) 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) Absence of Certain Changes. Except as disclosed in Schedule 3(l) or in the SEC Documents, since December 31, 2008 (i) there has been no Material Adverse Effect, and (ii) the Company has not (A) declared or paid any dividends, (B) sold any assets, individually or in the aggregate, in excess of $100,000 outside of the ordinary course of business, or (C) had capital expenditures, individually or in the aggregate, in excess of $250,000. The Company has not taken any steps to seek protection pursuant to any bankruptcy law nor does the Company have any knowledge or reason to believe that its creditors intend to initiate involuntary

bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so. The Company is not as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the First Closing, will not be Insolvent (as defined below). For purposes of this Section 3(l), "**Insolvent**" means (i) the Company is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, or (ii) the Company intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature.

(m) Conduct of Business. Neither the Company nor its Subsidiaries is in violation of any term of or in default under its Certificate of Incorporation or Bylaws or their organizational charter or bylaws, respectively. Except as disclosed in Schedule 3(m), 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. Without limiting the generality of the foregoing, the Company is not in violation of any of the rules, regulations or requirements of the OTC Bulletin Board (the "**Principal Market**") other than violations which could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect and has no knowledge of any facts or circumstances which would reasonably lead to delisting or suspension of the Common Stock by the Principal Market in the foreseeable future. Except as disclosed on Schedule 3(m), since January 1, 2006, (i) the Common Stock has been designated for quotation on the Principal Market, (ii) trading in the Common Stock has not been suspended by the SEC or the Principal Market and (iii) the Company has received no communication, written or oral, from the SEC or the Principal Market regarding the suspension or delisting of the Common Stock from the Principal Market.

(n) 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.

(o) 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 Plans (as defined below), is set forth in Schedule 3(o). 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. 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 SEC Documents and other than pursuant to this Agreement and as contemplated by the Company's employee and director benefit, incentive, or option plans disclosed in the Company's SEC Documents (the "**Plans**"), (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, 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 SEC Documents, there are no agreements or arrangements (other than the Registration Rights Agreement) under which the Company is obligated to register the sale of any of its securities under the 1933 Act.

(p) Indebtedness and Other Contracts. Except as disclosed in Schedule 3(p) or in the SEC Documents, 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.

(q) Absence of Litigation. Except as disclosed in the SEC Documents, there is no action, suit, proceeding, inquiry or investigation before or by the Principal Market, 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 Company's Subsidiaries that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(r) 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.

(s) Employee Relations. Except as disclosed in Schedule 3(s), 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 1933 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.

(t) 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 Schedule 3(t) 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.

(u) Intellectual Property Rights. To the knowledge of the Company and except as set forth 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 ("**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 Schedule 3(u), 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.

(v) 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.

(w) 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, (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.

(x) Disclosure. The Company confirms that it has not provided any of the Buyers or their respective agents or counsel with any information that will constitute material, nonpublic information on the First Closing Date, other than information and documentation regarding the transactions contemplated by this Agreement, which information shall be included on the 8-K Filing (as defined in Section 4(e) below). The Company understands and confirms that each of the Buyers will rely on the foregoing representations in effecting transactions in securities of the Company. The Company acknowledges and agrees that no Buyer makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 2.

(y) 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.

(z) 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 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 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.

(aa) 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.

(bb) U.S. Real Property Holding Corporation. The Company is not, nor has 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 Buyer's request.

(cc) 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.

(dd) Trading Activities. It is understood and acknowledged by the Company that, except as set forth in Section 4(l) of this Agreement (which contains certain covenants by the Buyers): (i) none of the Buyers have been asked to agree, nor has any Buyer agreed, to desist

from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term; (ii) any Buyer, and counter parties in "derivative" transactions to which any such Buyer is a party, directly or indirectly, presently may have a "short" position in the Common Stock, and (iii) each Buyer shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that one or more Buyers may engage in hedging and/or trading activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Conversion Shares and the Warrant Shares are being determined and (b) such hedging and/or trading activities, if any, can reduce the value of the existing stockholders' equity interest in the Company both at and after the time the hedging and/or trading activities are being conducted. The Company acknowledges that such aforementioned hedging and/or trading activities do not constitute a breach of this Agreement, the Notes, the Warrants or any of the documents executed in connection herewith, except to the extent such hedging and/trading activities violate the provisions of Section 4(l) of this Agreement.

(ee) 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 1933 Act.

4. COVENANTS.

(a) Best Efforts. Each party shall use its best efforts timely to satisfy each of the conditions to be satisfied by it as provided in Sections 6 and 7 of this Agreement.

(b) Form D and Blue Sky. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to each Buyer promptly after such filing. The Company shall, on or before any applicable Closing Date, take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for or to qualify the Securities for sale to the Buyers at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyers on or prior to the Closing Date. The Company shall make all filings and reports relating to the offer and sale of the Securities required under applicable securities or "Blue Sky" laws of the states of the United States following any Closing Date.

(c) Reporting Status. With a view to making available to the Buyers the benefits of Rule 144 promulgated under the 1933 Act or any similar rule or regulation of the Commission that may at any time permit the Buyers to sell securities of the Company to the public without registration, the Company shall use its commercially reasonable efforts to: (i) make and keep public information available, as those terms are understood and defined in Rule 144; (ii) file with the Commission in a timely manner all reports and other documents required of the Company under the 1933 Act and the Exchange Act; and (iii) furnish to each Buyer, so long as such Buyer owns Registrable Securities (as defined in the Registration Rights Agreement) (the "**Reporting Period**"), promptly upon request, (A) a written statement by the Company, if true, that it has complied with the applicable reporting requirements of Rule 144, the 1933 Act and the

Exchange Act, (B) a copy of the most recent annual or quarterly report of the Company and copies of such other reports and documents so filed by the Company, (C) the information required by Rule 144A(d)(4) (or any successor rule) under the 1933 Act, and (D) such other information as may be reasonably requested to permit the Buyers to sell such securities pursuant to Rule 144 without registration.

(d) Fees. The Company shall be responsible for the payment of any placement agent's fees, transfer taxes or stamp duties, financial advisory fees, or broker's commissions (other than for Persons engaged by any Buyer) relating to or arising out of the transactions contemplated hereby. Except as otherwise set forth in this Agreement or in the Transaction Documents, each party to this Agreement shall bear its own expenses in connection with the sale of the Securities to the Buyers.

(e) Disclosure of Transactions and Other Material Information. On or before 8:30 a.m., New York, NY Time, on the fourth Business Day following the date hereof, the Company shall file a Current Report on Form 8-K describing the terms of the transactions contemplated by the Transaction Documents in the form required by the Exchange Act, and attaching the material Transaction Documents (including, without limitation, this Agreement (and all schedules to this Agreement), the form of Exchange Note, the Security Agreement, and the Registration Rights Agreement) as exhibits to such filing (including all attachments, the "**8-K Filing**"). Neither the Company nor any Buyer shall issue any press releases or any other public statements with respect to the Transactions; provided, however, that the Company shall be entitled, without the prior approval of any Buyer, to make any press release or other public disclosure with respect to such Transactions (i) in substantial conformity with the 8-K Filing and (ii) as is required by applicable law and regulations.

(f) Reservation of Shares. From and after the filing of the Charter Amendment with the Delaware Secretary of State, the Company shall take all action necessary to at all times have authorized, and reserved for the purpose of issuance, 100% of the Conversion Shares and the Warrant Shares.

(g) Sales by Buyers. Each Buyer will sell any Securities sold by it in compliance with applicable prospectus delivery requirements, if any, or otherwise in compliance with the requirements for an exemption from registration under the 1933 Act and the rules and regulations promulgated thereunder. No Buyer will make any sale, transfer or other disposition of the Securities in violation of the federal or state securities laws.

(h) Like Treatment of Noteholders. The terms of the Exchange Note(s) issued to each Buyer pursuant to the terms of this Agreement and the Transaction Documents shall be identical in all material respects. In addition, neither the Company nor any of its affiliates shall, directly or indirectly, pay or cause to be paid any consideration (immediate or contingent), whether by way of interest, fee, payment for the redemption or conversion of the Exchange Notes, or otherwise, to any Buyer of Exchange Notes or holder of Exchange Notes, for or as an inducement to, or in connection with the solicitation of, any consent, waiver or amendment of any terms or provisions of the Transaction Documents, unless such consideration is required to be paid to all Buyers of Exchange Notes or holders of Exchange Notes bound by such consent, waiver or amendment. The Company shall not, directly or indirectly, redeem any Exchange

Notes unless such offer of redemption is made pro rata to all Buyers of Exchange Notes or holders of Exchange Notes, as the case may be, on identical terms. For clarification purposes, this provision constitutes a separate right granted by the Company to each Buyer of Exchange Notes and negotiated separately by each Buyer of Exchange Notes, is intended for the Company to treat the Buyers of Exchange Notes as a class, and shall not in any way be construed as the Buyers of Exchange Notes acting in concert or as a group with respect to the purchase, disposition or voting of Exchange Notes or otherwise.

(i) Indemnification. In consideration of each Buyer's execution and delivery of the Transaction Documents and acquiring the Securities thereunder and in addition to all of the Company's other obligations under the Transaction Documents, the Company shall defend, protect, indemnify and hold harmless each Buyer and each other holder of the Securities and all of their stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing Persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "**Indemnitees**") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "**Indemnified Liabilities**"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any material misrepresentation or breach of any material representation or warranty made by the Company in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, (b) any breach of any material covenant, agreement or obligation of the Company contained in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby or (c) any cause of action, suit or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company) and arising out of or resulting from (i) the execution, delivery, performance or enforcement of the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, (ii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Securities, or (iii) any disclosure made by such Buyer pursuant to Section 4(e). To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law. Except as otherwise set forth herein, the mechanics and procedures with respect to the rights and obligations under this Section 4(i) shall be the same as those set forth in Section 5 of the Registration Rights Agreement. Notwithstanding anything herein to the contrary, the Company shall have no indemnification obligations to any Buyer hereunder to the extent that an Indemnified Liability is attributable to the gross negligence or willful misconduct of such Buyer.

(j) Tax Matters. The Buyers and the Company agree that each of (i) the Series A-1 Shares and the Preferred Warrants issued thereon, (ii) the Series A-2 Shares and the Preferred Warrants issued thereon, and (iii) the Exchange Notes and the Exchange Warrants constitute an "investment unit" for purposes of Section 1273(c)(2) of the Internal Revenue Code of 1986, as amended (the "**Code**"). The Buyers shall notify the Company of their determination of the allocation of the issue price of such investment unit among the Series A-1 Shares and the Preferred Warrants, the Series A-2 Shares and the Preferred Warrants, and the Exchange Notes

and the Exchange Warrants in accordance with Section 1273(c)(2) of the Code and Treasury Regulation Section 1.1273-2(h), and neither the Buyers nor the Company shall take any position inconsistent with such allocation in any tax return or in any judicial or administrative proceeding in respect of taxes so long as the same allocation is made by all Buyers.

(k) RESERVED.

(l) No Transactions Pending Announcement of Transaction. Each Buyer covenants that neither it nor any Person acting on its behalf or pursuant to any understanding with it has engaged or will engage in any transactions in the securities of the Company (including short sales within the meaning of SEC Regulation SHO) from the time that it has first learned of the transactions contemplated by this Agreement until the time that the transactions contemplated by this Agreement are publicly disclosed by the Company. Such Buyer has maintained, and covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to Section 4(e) hereof, such Buyer will maintain, the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction) and any information other than the terms of this transaction that the Company provided to Buyer on a confidential basis.

(m) Shareholder Approval of Charter Amendment. The Buyers have been informed by the Company that the Company does not have sufficient shares of Common Stock authorized to enable the Buyers to fully convert the Exchange Notes and the Preferred Shares and to fully exercise the purchase rights represented by the Warrants. The Company shall hold a special meeting of shareholders (which may also be at the annual meeting of shareholders) at the earliest practical date, and in any event on or before July 31, 2009, for the purpose of obtaining shareholder approval of an amendment to the Company's Certificate of Incorporation ("**Shareholder Approval**") in substantially the form attached as Exhibit I hereto (the "**Charter Amendment**"), with the recommendation of the Company's Board of Directors that such proposal be approved, and the Company shall solicit proxies from its shareholders in connection therewith in the same manner as all other management proposals in such proxy statement, and shall otherwise use commercially reasonable efforts to solicit from its shareholders proxies in favor of such matters and to obtain Shareholder Approval. All management-appointed proxy holders shall vote their proxies in favor of such proposal. If the Company does not obtain Shareholder Approval at the first meeting, the Company shall call a meeting every four months thereafter to seek Shareholder Approval until the earlier of (i) the date Shareholder Approval is obtained or (ii) the date that there are no Exchange Notes or Preferred Shares outstanding. Upon obtaining Shareholder Approval, the Company will, as soon as practicable thereafter, file the Charter Amendment with the Delaware Secretary of State.

(n) Approval of Charter Amendment by Buyers of Series A-1 Shares and Series A-2 Shares. Each Buyer of Series A-1 Shares and each Buyer of Series A-2 Shares agrees to vote all shares of capital stock of the Company, including, without limitation, shares of the Company's Common Stock, shares of the Company's Series A-1 Preferred, and shares of the Company's Series A-2 Preferred, registered in his, her or its name, beneficially owned by him, her or it, or for which he, she or it holds a proxy (including those shares identified in the Voting Proxy Agreements described in Section 7(j) hereof) as of the date of this Agreement and any and all other shares of capital stock or other voting securities of the Company legally or beneficially

owned by him, her or it or for which he, she or it holds a proxy (including those shares identified in the Voting Proxy Agreements described in Section 7(j) hereof) after the date of this Agreement or acquired by him, her or it after the date of this Agreement (including, without limitation, through new issuances, exercises of stock options or warrants, conversion or exchange of convertible or exchangeable securities, stock splits, stock dividends, recapitalizations and similar events) in favor of the Charter Amendment to increase the number of authorized shares of Common Stock to 300,000,000.

(o) Information Rights. The holders of the Exchange Notes shall have the right to receive unaudited monthly financial statements of the Company (consisting of a balance sheet and income statement in a form ordinarily prepared by the Company) upon written request to the Company and upon entering into a mutually agreeable nondisclosure agreement with the Company acknowledging that such financial statements constitute "material nonpublic information" of the Company.

(p) Board Observation Rights. The Buyers of Exchange Notes hereunder hereby appoint Dwight Mamanteo (the "**Observer**") as their representative to serve as an observer to the Board of Directors of the Company (the "**Board**"). The Company agrees that, beginning on the date of the First Closing and continuing for so long as fifty percent (50%) of the original principal amount of the Exchange Notes issued on the date of the First Closing remain outstanding, the Observer:

(i) will have the right to attend all regular and special meetings of the Board or any committees thereof, provided that the Board or any such committee may excuse the Observer from portions of the meeting for any discussions that they reasonably believe to be appropriate only for members of the Board;

(ii) will be copied on all Board-wide or committee-wide communications made by the Company and/or Board members and will be provided with all Board-wide or committee-wide distributed materials, including Board books, unless the Observer requests in writing not to be copied on such communications and materials;

(iii) will treat all information received in connection with its Board observation rights hereunder ("**Board Information**") confidentially and not disclose it to any other third party and will not use the Board Information for any purposes other than representing the interests of the holders of the Exchange Notes with respect to their rights under the Exchange Notes; notwithstanding the foregoing, the Observer may share Board Information with any holder of Exchange Notes that enters into a confidentiality agreement with the Company in a form reasonably acceptable to the Company;

Observer agrees that much of the Board Information will be "material nonpublic information" and that Observer will at all times comply with SEC Regulation FD and applicable insider trading laws with respect thereto. Observer also agrees that its rights under this Section 3(p) are being granted to Observer personally and that Observer may not designate any other person to attend Board or committee meetings in lieu of Observer, unless otherwise consented to in writing by the Company. The Company agrees to reimburse Observer for any reasonable out-of-pocket

travel expenses incurred by the Observer in attending any Board or committee meeting pursuant to this Section 4(p).

(q) Sale of South Korean Manufacturing Facility. In the event that Liquidmetal Korea Co. Ltd., a subsidiary of the Company organized under the laws of the Republic of Korea ("**LMK**"), sells its manufacturing facility in the Republic of Korea (the "**Facility**"), the Company will cause LMK to use its best efforts to transfer and distribute the proceeds of sale (net of transaction expenses and the payoff of obligations encumbering the Facility), or as much thereof as shall be permitted to be transferred under the laws and procedures of the Republic of Korea, to the Company. The Company will use any such proceeds received by it solely to pay the outstanding principal of the Exchange Notes pursuant to Section 1(i) of the Exchange Notes as promptly as practicable after the Company's receipt of such proceeds.

5. TRANSFER AGENT INSTRUCTIONS. Within three (3) business days after the First Closing Date, the Company shall issue irrevocable instructions to its transfer agent, and any subsequent transfer agent, to issue certificates or credit shares to the applicable balance accounts at The Depository Trust Company ("**DTC**"), registered in the name of each Buyer or its respective nominee(s), for the Conversion Shares and the Warrant Shares in such amounts as specified from time to time by each Buyer to the Company upon conversion of the Series A-1 Shares, the Series A-2 Shares, and the Exchange Notes or exercise of the Warrants in the form of Exhibit E attached hereto (the "**Irrevocable Transfer Agent Instructions**"). No instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section 5, and stop transfer instructions to give effect to Section 2(h) hereof, will be given by the Company to its transfer agent with respect to the Warrant Shares and Conversion Shares, and that the Conversion Shares and the Warrant Shares shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the other Transaction Documents. If a Buyer effects a sale, assignment or transfer of the Securities in accordance with Sections 2(c), (h), and (i) hereof, the Company shall permit the transfer and shall promptly instruct its transfer agent to issue one or more certificates or credit notes or shares to the applicable balance accounts at DTC in such name and in such denominations as specified by such Buyer to effect such sale, transfer or assignment. In the event that such sale, assignment or transfer involves Securities sold, assigned or transferred pursuant to an effective registration statement or pursuant to Rule 144, the transfer agent shall issue such Securities to the Buyer, assignee or transferee, as the case may be, without any restrictive legend so long as the Buyer complies with the terms of Section 2(h) and Section 2(i). The Company acknowledges that a breach by it of its obligations under this Section 5 will cause irreparable harm to a Buyer. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 5 will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section 5, that a Buyer shall be entitled, in addition to all other available remedies, to an order and/or injunction restraining any breach and requiring immediate issuance and transfer. Nothing in this Section 5 will affect in any way the Buyer's obligations and agreements set forth in Section 4 hereof to comply with all applicable prospectus delivery requirements, upon resale of the Securities.

6. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY. The obligation of the Company hereunder to issue the Series A-1 Shares, the Series A-2 Shares,

the Exchange Notes and the Warrants to each respective Buyer at the First Closing is subject to the satisfaction, at or before the First Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing each Buyer with prior written notice thereof:

(a) Such Buyer shall have executed each of the Transaction Documents to which it is a party and delivered the same to the Company.

(b) Such Buyer and each other Buyer shall have delivered to the Company the Investment Amount for the Series A-1 Shares, the Series A-2 Shares, the Exchange Notes, and the Warrants being purchased by such Buyer and each other Buyer at the First Closing by wire transfer of immediately available funds pursuant to the wire instructions provided by the Company and/or by surrender of such Buyer's and each other Buyers' Existing Notes. Such Buyer and each other Buyer surrendering Existing Notes shall also surrender his, her, or its Existing Warrants.

(c) The representations and warranties of such Buyer shall be true and correct in all material respects as of the First Closing Date (except for representations and warranties that speak as of a different date), and such Buyer shall have performed, satisfied and complied in all material respects

with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by such Buyer at or prior to the First Closing Date.

(d) The Company shall have received written resignations of all members of the Company's Board of Directors, other than John Kang and Robert Biehl, resigning their positions as directors of the Company.

7. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE BUYERS. The obligation of each Buyer hereunder to purchase the Series A-1 Shares, the Series A-2 Shares, the Exchange Notes and the Warrants at the First Closing is subject to the satisfaction, at or before the First Closing Date, of each of the following conditions, provided that these conditions are for each Buyer's sole benefit and may be waived by such Buyer at any time in its sole discretion by providing the Company with prior written notice thereof:

(a) The Company shall have executed and delivered to such Buyer (i) each of the Transaction Documents and (ii) the Exchange Notes and the Warrants being purchased by such Buyer at the First Closing pursuant to this Agreement. In addition, the Company shall have issued to such Buyer the Series A-1 Shares and the Series A-2 Shares being purchased by such Buyer at the First Closing pursuant to this Agreement.

(b) All of the Buyers shall have executed their respective Transaction Documents and paid the respective purchase price for their Securities hereunder (including the wiring of the cash purchase price for the Series A-1 Shares).

(c) The Company shall have filed with the Delaware Secretary of State a Certificate of Designation for the Preferred Stock in substantially the form attached hereto as Exhibit F.

(d) The Company shall have delivered to such Buyer a copy of the Irrevocable

Transfer Agent Instructions, in the form of Exhibit E attached hereto, which instructions shall have been delivered to and acknowledged in writing by the Company's transfer agent.

(e) The Company shall have delivered to such Buyer a certificate evidencing the incorporation and good standing of the Company issued by the Secretary of State of Delaware, as of a date within 10 days of the First Closing Date and a bring-down good standing certificate issued by the Secretary of State of Delaware dated as of the First Closing Date.

(f) The Company shall have delivered to such Buyer a certificate, executed by the Secretary of the Company and dated as of the First Closing Date, as to (i) the resolutions consistent with Sections 3(b) and 4(k) as adopted by the Company's Board of Directors (the "**Resolutions**"), (ii) the Certificate of Incorporation and (iii) the Bylaws, each as in effect at the First Closing.

(g) Each Buyer shall have received the opinion of Foley & Lardner LLP, the Company's counsel, dated as of the First Closing Date, in substantially the form of Exhibit G attached hereto.

(h) The representations and warranties of the Company shall be true and correct as of the First Closing Date (except for representations and warranties that speak as of a different date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the First Closing Date.

(i) The Company shall have received the written resignations of all of the members of the Company's Board of Directors, other than John Kang and Robert Biehl, resigning their positions as directors of the Company. Following the receipt of such resignations, John Kang and Robert Biehl, as the only remaining directors, shall (i) set the size of the Company's Board of Directors at five (5) members, (ii) appoint Abdi Mahamedi, Bill Scott, and Iraj Azarm to fill the vacancies on the Company's Board of Directors (provided, however, that Bill Scott shall not take office as a director prior to the next regularly scheduled meeting of the stockholders unless and until the Company first complies with Rule 14f-1 of the Exchange Act with respect to his appointment), (iii) approve the Charter Amendment, and (iv) approve the calling of a meeting of the shareholders for the purpose of obtaining Shareholder Approval of the Charter Amendment.

(j) The following shareholders of the Company shall have entered into a Voting Proxy Agreement in substantially the form attached hereto as Exhibit H: John Kang, Abdi Mahamedi, Jack Chitayat, and Ricardo Salas.

8. RELEASE AND WAIVER. In exchange for the agreements and covenants of the Company hereunder and effective upon the First Closing, each of the Buyers, on behalf of himself, herself, or itself and his, her, or its agents, assigns, heirs, devisees, and successors, releases, waives, and forever discharges the Company, its agents, officers, directors, shareholders, employees, attorneys, and representatives, from any and all claims, causes of action, suits, debts, liabilities, damages and expenses (including attorneys' fees and costs) of any type whatsoever (collectively, "**Claims**"), whether known or unknown, that any of the Buyers have or may have or may have at any time through the date hereof as a result of any breach or default under the Existing Notes, the Existing Warrants, or the related Securities Purchase Agreement dated January 3, 2007, or under the related Registration Rights Agreement dated

January 3, 2007. Upon the First Closing and the issuance of the Securities in accordance with this Agreement, each of the Existing Notes will be deemed satisfied and paid in full and the Existing Warrants will be deemed to be terminated.

9. MISCELLANEOUS.

(a) Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of

Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

(b) Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other parties; provided that a facsimile signature (including electronic copies of documents in Adobe PDF format) shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

(c) Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

(d) Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

(e) Entire Agreement; Amendments. This Agreement supersedes all other prior oral or written agreements between the Buyers, the Company, their affiliates and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor any Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company, the holders of more than one-half of the

outstanding Preferred Shares, and the holders of Exchange Notes representing more than one-half of the aggregate principal amount of the outstanding Exchange Notes, and any amendment to this Agreement made in conformity with the provisions of this Section 9(e) shall be binding on all Buyers and holders of Series A-1 Shares, Series A-2 Shares, Exchange Notes, and Warrants, as applicable. No provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement of the waiver is sought. The Company has not, directly or indirectly, made any agreements with any Buyers relating to the terms or conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents.

(f) Notices. Any notices, consents, waivers 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 (which shall not constitute notice) to:

Foley & Lardner LLP
100 North Tampa Street, Suite 2700
Tampa, Florida 33602
Facsimile: (813) 221-4210
Attention: Curt Creely, Esq.
Email: ccreely@foley.com

If to a Buyer, to its address, electronic mail address, and facsimile number set forth on the Schedule of Buyers, with copies to such Buyer's representatives as set forth on the Schedule of Buyers, 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.

(g) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any purchasers of the Preferred Shares, the Exchange Notes, and the Warrants. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of at least a majority of the outstanding Preferred Shares and the holders of Exchange Notes representing at least a majority of the aggregate principal amount of the Exchange Notes then outstanding, except pursuant to a sale of all or substantially all of the business and assets of the Company whether by means of merger, consolidation, asset sale, stock sale, or otherwise.

(h) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

(i) Survival. The representations and warranties of the Company and the Buyers contained in Sections 2 and 3 and the agreements and covenants set forth in Sections 4, 5, and 9 shall survive the First Closing. Each Buyer shall be responsible only for its own representations, warranties, agreements and covenants hereunder.

(j) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(k) Payment Set Aside. To the extent that the Company makes a payment or payments to the Buyers hereunder or pursuant to any of the other Transaction Documents or the Buyers enforce or exercise their rights hereunder or thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

(l) Independent Nature of Buyers' Obligations and Rights. The obligations of each Buyer under any Transaction Document are several and not joint with the obligations of any other Buyer, and no Buyer shall be responsible in any way for the performance of the obligations of any other Buyer under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Buyer pursuant hereto or thereto, shall be deemed to constitute the Buyers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Buyers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Buyer confirms that it has independently participated in the negotiation of the transaction

contemplated hereby with the advice of its own counsel and advisors. Each Buyer shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of any other Transaction Documents, and it shall not be necessary for any other Buyer to be joined as an additional party in any proceeding for such purpose.

(m) Reimbursement of Counsel Expenses. The Company shall reimburse the holders of the Existing Notes for the reasonable legal fees of one joint legal counsel to represent them in connection with the transactions contemplated by this Agreement, provided that such reimbursement shall not exceed $10,000 in total for such counsel's fees.

IN WITNESS WHEREOF, each Buyer and the Company have caused their respective signature page to this Securities Purchase and Exchange Agreement to be duly executed as of the date first written above.

COMPANY:

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung

Name: Tony Chung
Title: Chief Financial Officer

[Counterpart Signature Page to Securities Purchase and Exchange Agreement]

IN WITNESS WHEREOF, each Buyer and the Company have caused their respective signature page to this Securities Purchase and Exchange Agreement to be duly executed as of the date first written above.

BUYERS

/s/ Carlyle Liquid Holdings, LLC

/s/ Fort Mason Master, LP

/s/ Fort Mason Partners, LP

/s/ The Tail Wind Fund Ltd.

/s/ Solomon Strategic Holdings, Inc.

/s/ Carlyle Liquid, LLC

/s/ Carlyle Holdings, LLC

/s/ Castlerigg Master Investments Ltd.

/s/ Diamond Opportunity Fund, LLC

/s/ Rockmore Investment Master Fund Ltd.

/s/ Abdi Mahamedi

/s/ BridgePointe Master Fund Ltd.

/s/ Iroquois Master Fund

/s/ Rodd Friedman

/s/ Myron Neugeboren

/s/ Ricardo Salas

/s/ Chang Ki Cho

/s/ Eric Brachfeld

/s/ Ed Neugeboren

/s/ Wynnefield Partners Small Cap Value LP

[Counterpart Signature Page to Securities Purchase and Exchange Agreement]

/s/ Wynnefield Partners Small Cap Value LP I

/s/ Wynnefield Small Cap Value Offshore Fund, Ltd.

/s/ Kenneth Lisiak

/s/ Vestal Venture Capital

/s/ Mermelstein Development

/s/ Atlantic Realty

[Counterpart Signature Page to Securities Purchase and Exchange Agreement]

SCHEDULE OF BUYERS

Buyer	Address, E-Mail and Facsimile Number	(1) Value of Existing Notes to be Exchanged	(2) Cash Investment	(3) Series A-1 Shares to be Purchased	(4) Preferred Warrants to be Issued in Connection with Series A-1 Shares	(5) Series A-2 Shares to be Purchased	(6) Preferred Warrants to be Issued in Connection with Series A-2 Shares	(7) Aggregate Principal Amount of Exchange Notes to be Purchased	(8) Exchange Warrants to be Issued in Connection with Exchange Notes	Legal Representative's Address and Facsimile Number
Carlyle Liquid Holdings, LLC			$ 2,500,000.00	500,000	12,500,000					
Carlyle Liquid Holdings, LLC		$ 4,443,710.48				888,743	10,099,343			
Fort Mason Master, LP	580 California Street Suite 1925 San Francisco, CA 94104 (415) 288-8113	$ 1,334,979.22				84,928	965,087	$ 910,341.27	379,309	
Fort Mason Partners, LP	580 California Street Suite 1925 San Francisco, CA 94104 (415) 288-8113	$ 86,572.51				5,508	62,586	$ 59,035.02	24,598	

Tail Wind Fund Ltd.	c/o Tail Wind Advisory and Management Ltd 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665	$	1,554,670.05			98,904	1,123,906	$	1,060,151.56	441,730	Peter J. Weisman, PC 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665
Solomon Strategic Holdings Inc.	c/o Tail Wind Advisory and Management Ltd 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665	$	310,933.98			19,781	224,782	$	212,030.29	88,346	Peter J. Weisman, PC 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665

SCHEDULE OF BUYERS
(Continued)

Buyer	Address, E-Mail and Facsimile Number	(1) Value of Existing Notes to be Exchanged	(2) Cash Investment	(3) Series A-1 Shares to be Purchased	(4) Preferred Warrants to be Issued in Connection with Series A-1 Shares	(5) Series A-2 Shares to be Purchased	(6) Preferred Warrants to be Issued in Connection with Series A-2 Shares	(7) Aggregate Principal Amount of Exchange Notes to be Purchased	(8) Exchange Warrants to be Issued in Connection with Exchange Notes	Legal Representative's Address and Facsimile Number
Carlyle Liquid, LLC	2 Gannett Drive Suite 201 White Plains, NY 10604 (914) 694-6789	$ 2,338,056.05				467,612	5,313,764	$ —	0	
Carlyle Holdings, LLC	2 Gannett Drive Suite 201 White Plains, NY 10604 (914) 694-6789	$ 290,535.70				58,108	660,309	$ —	0	
Castlerigg Master Investments Ltd.	c/o Sandell Asset Management Corporation 40 West 57th Street 26th Floor New York, NY 10019 (212) 603-5710	$ 2,487,472.04				158,246	1,798,250	$ 1,696,242.47	706,768	
Diamond Opportunity Fund	500 Skokie Blvd, Suite 310 Northbrook, IL 60062 (847) 919-4410	$ 406,750.00				25,877	294,049	$ 277,368.60	115,571	
Rockmore Investment Master Fund Ltd.	150 East 58th Street, 28th Floor New York, NY 10155 (212) 258-2315	$ 1,243,736.02				79,123	899,125	$ 848,121.24	353,384	
Abdi Mahamedi	c/o Carlyle Development Group 2 Gannett Drive, Suite 201 White Plains, NY 10604 (914) 694-6789	$ 581,071.42				116,215	1,320,617	$ —	0	

SCHEDULE OF BUYERS
(Continued)

Buyer	Address, E-Mail and Facsimile Number	(1) Value of Existing Notes to be Exchanged	(2) Cash Investment	(3) Series A-1 Shares to be Purchased	(4) Preferred Warrants to be Issued in Connection with Series A-1 Shares	(5) Series A-2 Shares to be Purchased	(6) Preferred Warrants to be Issued in Connection with Series A-2 Shares	(7) Aggregate Principal Amount of Exchange Notes to be Purchased	(8) Exchange Warrants to be Issued in Connection with Exchange Notes	Legal Representative's Address and Facsimile Number
BridgePointe Master Fund Ltd.	c/o Roswell Capital Partners 1120 Sanctuary Parkway Suite 325 Alpharetta, GA 30004 (770) 777-5844	$ 903,242.73				57,462	652,975	$ 615,934.03	256,640	
Iroquois Master Fund	641 Lexington Avenue 26th Floor New York, NY 10022 (212) 207-3452	$ 236,925.29				15,073	171,279	$ 161,562.72	67,318	

Rodd Friedman	93 Hillspoint Road Westport, CT 06880 (203) 663-1303	$	70,544.03			4,488	50,998	$ 48,104.98	20,044
Myron Neugeboren	P.O. Box 1410 Lakeville, Ct 06309 (860) 435-2603	$	13,696.33			872	9,902	$ 9,339.72	3,892
Ricardo Salas	64 Ritz Cove Drive Monarch Beach, CA 92629 (949) 315-3096	$	411,664.31			82,333	935,601	$ —	0
Chang Ki Cho		$	542,485.01			108,498	1,232,921	$ —	0
Eric Brachfeld	890 West End Avenue Suite 160 New York, NY 10025 (212) 298-9933	$	67,810.63			13,563	154,116	$ —	0
Ed Neugeboren	282 New Norwalk Road New Canaan, CT 06840 (212) 618-0202	$	9,522.11			606	6,884	$ 6,493.26	2,706

SCHEDULE OF BUYERS
(Continued)

Buyer	Address, E-Mail and Facsimile Number	(1) Value of Existing Notes to be Exchanged	(2) Cash Investment	(3) Series A-1 Shares to be Purchased	(4) Preferred Warrants to be Issued in Connection with Series A-1 Shares	(5) Series A-2 Shares to be Purchased	(6) Preferred Warrants to be Issued in Connection with Series A-2 Shares	(7) Aggregate Principal Amount of Exchange Notes to be Purchased	(8) Exchange Warrants to be Issued in Connection with Exchange Notes	Legal Representative's Address and Facsimile Number
Wynnefield Partners Small Cap Value LP	450 Seventh Avenue Suiite 509 New York, NY 10123 (212) 760-0824	$ 527,250.09				33,543	381,161	$ 359,539.32	149,809	
Wynnefield Partners Small Cap Value LP I	450 Seventh Avenue Suiite 509 New York, NY 10123 (212) 760-0824	$ 690,446.62				43,925	499,140	$ 470,825.34	196,178	
Wynnefield Small Cap Value Offshore	450 Seventh Avenue Suiite 509 New York, NY 10123 (212) 760-0824	$ 665,339.46				42,328	480,989	$ 453,704.41	189,044	
Kenneth Lisiak	17 Ross Lane Middleton, MA 01949 (978) 774-3778	$ 79,541.24				15,909	180,776	$ —	0	
Vestal Venture Capital	6471 Enclave Way Boca Raton, FL 33496 (561) 912-9979	$ 456,370.88				29,034	329,921	$ 311,205.78	129,670	
Mermelstein Development	302 Fifth Avenue, 8th Floor New York, NY 10001	$ 581,071.42				116,215	1,320,617	$ —	0	
Atlantic Realty	c/o Jack Chitayat 1836 El Camino Del Teatro La Jolla, CA 92037	$ 290,535.70				58,108	660,309	$ —	0	
Total		$ 20,624,936.33	$ 2,500,006.00	500,009	12,500,012	2,625,017	29,829,425	$ 7,500,021.00	3,125,031	

Schedule 3(a)

Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation or Organization	Jurisdictions in which Qualified to Do Business as a Foreign Corporation or Entity
Liquidmetal Golf	**California Corporation**	**None**
Liquidmetal Korea Co., Ltd.	**South Korean organized entity**	**South Korea**

Amorphous Technologies International (Asia) PTE Ltd.	**Singapore organized entity (inactive, dissolution in progress)**	**Singapore**
Liquidmetal Coatings, LLC	**Delaware Limited Liability Company**	**None**

Schedule 3(e)

None.

Schedule 3(f)

None other than that disclosed in SEC Documents.

Schedule 3(l)

None other than that disclosed in SEC Documents.

Schedule 3(m)

None.

Schedule 3(o)

Shares of Common Stock outstanding	**44,825,402**
Options to purchase Common Stock outstanding:	
1996 Stock Option Plan	3,039,198
2002 Equity Incentive Plan	2,621,421
2002 Non-employee Director Stock Option Plan	540,000
Options Not Under a Plan	1,845,163
Total Options Outstanding	**8,045,782**

Schedule 3(p)

None other than (i) that disclosed in SEC Documents, and (ii) the default by Liquidmetal Korea Co. Ltd., the Company's subsidiary organized under the laws of the Republic of Korea under its loan from Kookmin Bank.

Schedule 3(s)

None.

Schedule 3(t)

None other than that disclosed in SEC Documents.

Schedule 3(u)

None.

EXHIBITS

Exhibit A	Form of Exchange Note
Exhibit B	Form of Preferred Warrant
Exhibit C	Form of Exchange Warrant
Exhibit D	Form of Registration Rights Agreement
Exhibit E	Form of Irrevocable Transfer Agent Instructions
Exhibit F	Form of Certificate of Designation
Exhibit G	Form of Opinion of Foley & Lardner LLP
Exhibit H	Form of Voting Proxy Agreement
Exhibit I	Form of Charter Amendment

Exhibit A

Filed separately, therefore omitted.

Exhibit B

Filed separately, therefore omitted.

Exhibit C

Filed separately, therefore omitted.

Exhibit D

Filed separately, therefore omitted.

Exhibit E

Form of Irrevocable Transfer Agent Instructions

TRANSFER AGENT INSTRUCTIONS

LIQUIDMETAL TECHNOLOGIES, INC.

May 1, 2009

American Stock Transfer & Trust Company
Attn: Mr. Joe Wolf
59 Maiden Lane
New York, NY 10038

Re: Private Placement of 8 % Senior Secured Convertible Notes, Series A Preferred Shares and Warrants

Ladies and Gentlemen:

This letter refers to that certain Securities Purchase and Exchange Agreement, dated as of May 1, 2009 (the "Securities Purchase Agreement"), by and among Liquidmetal Technologies, Inc., a Delaware corporation (the "Company"), and the investors listed on the Schedule of Buyers attached thereto (collectively, the "Buyers") pursuant to which the Company has issued the following to certain of the Buyers: (i) 8 % Senior Secured Convertible Notes (the "Exchange Notes"), which are convertible into shares of common stock of the Company, par value $0.001 per share (the "Common Stock"), (ii) shares of the Company's Series A-1 Preferred Stock, par value $0.001 per share (the "Series A-1 Shares"), which are convertible into shares of Common Stock, (iii) shares of the Company's Series A-2 Preferred Stock, par value $0.001 per share (the "Series A-2 Shares," and together with the Series A-1 Shares, the "Series A Shares"), which are convertible into shares of Common Stock; (iv) Common Stock Purchase Warrants issued in connection with the issuance of Series A Shares (the "Preferred Warrants"); and (v) Common Stock Purchase Warrants issued in connection with the issuance of the Exchange Notes (the "Exchange Warrants", and together with the Preferred Warrants, the "Warrants").

The Company hereby authorizes and instructs you (provided that you are the transfer agent of the Company at such time):

(i) to establish as of the date of this letter a reserve of 32,985,406 shares of Common Stock for issuance to holders of Exchange Notes upon conversion of their Exchange Notes, conversion of the Series A Shares, and exercise of the Warrants (the "Conversion Share Reserve"). Upon the Company's notification to you that the Company has filed with the Delaware Secretary of State a Certificate of Amendment to the Company's Certificate of Incorporation increasing the number of the Shares of the Company's Common Stock to 300,000,000 (a "Charter Amendment Notification"), the Conversion Share Reserve will be increased to 217,613,202. The Conversion Share Reserve shall be adjusted to appropriately reflect the effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into Common Stock), reorganization, recapitalization, reclassification, exchange or other like change with respect to Common Stock occurring on or after the date hereof; and

(ii) to issue shares of Common Stock upon conversion of the Exchange Notes (the "Note Conversion Shares") to or upon the order of a Buyer from time to time upon delivery to you of a properly completed and duly executed Notice, in the form attached hereto as Exhibit I, which has been acknowledged by the Company as indicated by the signature of a duly authorized officer of the Company thereon; and

---

(iii) to issue shares of Common Stock upon conversion of the Series A Shares (the "Series A Conversion Shares", and together with the Note Conversion Shares, the "Conversion Shares") to or upon the order of a Buyer from time to time upon delivery to you of a properly completed and duly executed Notice, in the form attached hereto as Exhibit II, which has been acknowledged by the Company as indicated by the signature of a duly authorized officer of the Company thereon; and

(iv) to issue shares of Common Stock upon exercise of the Warrants (the "Warrant Shares") to or upon the order of a Buyer from time to time upon delivery to you of a properly completed and duly executed Notice, in the form attached hereto as Exhibit III, which has been acknowledged by the Company as indicated by the signature of a duly authorized officer of the Company thereon.

Notwithstanding the foregoing, until you have received the Charter Amendment Notification, you will not issue any Conversion Shares or Warrant Shares to any Buyer as aforesaid to the extent that the aggregate number of such shares would exceed the number of shares set forth next to the Buyer's name on Exhibit V hereto.

You acknowledge and agree that so long as you have previously received (a) written confirmation from the Company's outside legal counsel that either (1) a registration statement covering resales of all or some of the Conversion Shares and Warrant Shares (the "Securities") has been declared effective by the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), or (2) that sales of all or some of the Securities may be made in conformity with Rule 144 under the Securities Act and (b) if applicable, a copy of such registration statement identifying the Securities covered thereby, then within two (2) business days of your receipt of any Notice described in (ii)-(iv) above, you shall issue the certificates representing the Conversion Shares or the Warrant Shares, as applicable, and to the extent that the Notice identifies Securities that are covered by foregoing either of clause (1) or (2) above, such certificates shall not bear any legend restricting transfer of the Conversion Shares or Warrant Shares and should not be subject to any stop-transfer restriction; provided, however, that if such Conversion Shares or Warrant Shares are not registered for resale under the Securities Act or able to be sold under Rule 144, then, the certificates for such Conversion Shares or Warrant Shares shall bear the following legend:

> NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN/THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT 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 FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

A form of written confirmation from the Company's legal counsel that a registration statement covering resales of the Conversion Shares or the Warrant Shares has been declared effective by the SEC under the Securities Act is attached hereto as Exhibit IV.

In furtherance of the foregoing, with respect to any Conversion Shares issuable pursuant to the conversion of the Exchange Notes or Series A-2 Preferred Stock in the manner set forth above to a Buyer who represents in writing that such Buyer is not, and has not been for a period of at least ninety (90) days thereto, an "affiliate" within the meaning of Rule 144 and that such Buyer has a holding period of at least six months with respect to such Conversion Shares for purposes of Rule 144, such Conversion Shares shall be issued without any restrictive legend thereon based on the Buyer's compliance with Rule 144.

These instructions may not be rescinded or revoked other than by means of a communication signed by the Company.

Please execute this letter in the space indicated to acknowledge your agreement to act in accordance with these instructions. Should you have any questions concerning this matter, please contact Curt Creely of Foley & Lardner LLP, our outside legal counsel, at (813) 225-4122.

Very truly yours,

THE COMPANY:

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____
Tony Chung
Chief Financial Officer

THE FOREGOING INSTRUCTIONS ARE
ACKNOWLEDGED AND AGREED TO

this day of , 2009

AMERICAN STOCK TRANSFER & TRUST COMPANY

By: _____
Name: _____
Title: _____

Enclosures

EXHIBIT I
LIQUIDMETAL TECHNOLOGIES, INC.
NOTICE

Reference is made to the 8% 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:

The undersigned hereby certifies to the Company that the undersigned's conversion of the amount set forth above in accordance with Section 3(a) of the Note will not directly result in the undersigned (together with the undersigned's affiliates) beneficially owning in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion, calculated in accordance with Section 3(d)(i) of the Note; provided that if the undersigned has previously waived the 4.99% beneficial ownership limitation upon no less than sixty one (61) days prior written notice, the undersigned certifies to the Company that the undersigned's conversion of the amount set forth above will not directly result in the undersigned (together with the undersigned's affiliates) beneficially owning in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion, calculated in accordance with Section 3(d)(i) of the Note. Notwithstanding the foregoing, the certification set forth in this paragraph shall not apply to, and shall not be deemed to be made by, any Affiliated Investor (as that term is defined in the Purchase Agreement referred to in the Note).

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: _____

Account Number:
(if electronic book entry transfer)

Transaction Code Number:
(if electronic book entry transfer)

ACKNOWLEDGMENT

The Company hereby acknowledges this Notice and hereby directs American Stock Transfer & Trust Co. to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated May 1, 2009, from the Company.

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____
Name:
Title:

EXHIBIT II

NOTICE

To Liquidmetal Technologies, Inc.

In accordance with and pursuant to the Certificate of Designation of Liquidmetal Technologies, Inc. (the **"Company"**), the undersigned hereby elects to convert shares of Series A-1 Preferred Stock, par value $0.001 per share (the "**Series A-1 Shares**") and/or shares of Series A-2 Preferred Stock, par value $0.001 per share (the "**Series A-2 Shares**", and together with the Series A-1 Shares, the "**Series A Shares**") 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:

Amount of Series A-1 Shares to be converted:

Amount of Series A-2 Shares to be converted:

Liquidation Preference:

Conversion Price for Series A-1 Shares:

Conversion Price for Series A-2 Shares:

Number of shares of Common Stock to be issued upon conversion of Series A-1 Shares:

Number of shares of Common Stock to be issued upon conversion of Series A-2 Shares:

Total number of shares of Common Stock to be issued upon conversion of Series A Shares:

The undersigned requests that certificates for the shares of Common Stock issuable upon conversion of the Series A Shares be issued in the name of

Print Name of Holder: _____

Signature: _____
Name:
Title:

HOLDER'S SOCIAL SECURITY OR
TAX IDENTIFICATION NUMBER:

Holder's Address:

ACKNOWLEDGMENT

The Company hereby acknowledges this Notice and hereby directs American Stock Transfer & Trust Co. to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated May 1, 2009, from the Company.

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____
Name:
Title:

EXHIBIT III

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. [ ], originally issued May 1, 2009 (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 hereby certifies to the Company that the undersigned's exercise of the amount set forth above will not directly result in the undersigned (together with the undersigned's affiliates) beneficially owning in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such exercise, calculated in accordance with Section 4(b) of the Warrant; provided that if the undersigned has waived the 4.99% beneficial ownership requirement by providing the Company with notice at least 61 days prior to the date hereof, the undersigned hereby certifies to the Company that the undersigned's exercise of the amount set forth above will not directly result in the undersigned (together with the undersigned's affiliates) beneficially owning in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion, calculated in accordance with Section 4(b) of the Warrant. Notwithstanding the foregoing, the certification set forth in this paragraph shall not apply to, and shall not be deemed to be made by, any Affiliated Investor (as that term is defined in the Purchase Agreement referred to in 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:

ACKNOWLEDGMENT

The Company hereby acknowledges this Notice and hereby directs American Stock Transfer & Trust Co. to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated May 1, 2009, from the Company.

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____
Name:
Title:

EXHIBIT IV

FORM OF NOTICE OF EFFECTIVENESS OF REGISTRATION STATEMENT

American Stock Transfer & Trust Company
Attn: Mr. Joe Wolf
59 Maiden Lane
New York, NY 10038

Re: Liquidmetal Technologies, Inc.

Ladies and Gentlemen:

We are counsel to Liquidmetal Technologies, Inc., a Delaware corporation (the "Company"), and have represented the Company in connection with the negotiation and execution of that certain Securities Purchase and Exchange Agreement, dated as of May 1,, 2009, by and among the investors named on the Schedule of Buyers attached thereto (the "Buyers") and the Company (the "Purchase Agreement"). Upon the terms and subject to the conditions of the Purchase Agreement, the Company has issued the following to certain of the Buyers: (i) 8 % Senior Secured Convertible Notes (the "Exchange Notes"), which are convertible into shares of common stock of the Company, par value $0.001 per share (the "Common Stock"), (ii) shares of the Company's Series A-1 Preferred Stock, par value $0.001 per share (the "Series A-1 Shares"), which are convertible into shares of Common Stock, (iii) shares of the Company's Series A-2 Preferred Stock, par value $0.001 per share (the "Series A-2 Shares," and together with the Series A-1 Shares, the "Series A Shares"), which are convertible into shares of Common Stock; (iv) Common Stock Purchase Warrants issued in connection with the issuance of Series A Shares (the "Preferred Warrants"); and (v) Common Stock Purchase Warrants issued in connection with the issuance of the Exchange Notes (the "Exchange Warrants", and together with the Preferred Warrants, the "Warrants"). Pursuant to the Purchase Agreement, the Company entered into a Registration Rights Agreement with the Buyers, dated as of May 1, 2009 (the "Registration Rights Agreement"), pursuant to which the Company agreed, among other things, to register the resale of the Registrable Securities (as defined in the Registration Rights Agreement). In connection with the Company's obligations under the Registration Rights Agreement, on , 2009, the Company filed the Registration Statement on Form S-1 (File No. 333-) (the "Registration Statement") with the Securities and Exchange Commission (the "SEC") relating to the Registrable Securities which names each of the Buyers as a selling stockholder thereunder.

In connection with the Registration Statement, we advise you that a member of the SEC's staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the Securities Act at [ENTER TIME OF EFFECTIVENESS] on [ENTER DATE OF EFFECTIVENESS], and we have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC and the Registrable Securities are available for resale under the Securities Act of 1933, as amended, pursuant to the Registration Statement.

Very truly yours,

[COMPANY'S COUNSEL]

By: _____

CC: [LIST NAMES OF BUYERS]

EXHIBIT V
Allocation of Conversion Cap

Buyer	Allocation of Conversion Cap (Based on Investment Amount)
Carlyle Liquid Holdings, LLC	3,566,000
Carlyle Liquid Holdings, LLC	6,338,509
Fort Mason Master, LP	1,904,214
Fort Mason Partners, LP	123,487
Tail Wind Fund Ltd.	2,217,581
Solomon Strategic Holdings Inc.	443,516
Carlyle Liquid, LLC	3,335,003
Carlyle Holdings, LLC	414,420
Castlerigg Master Investments Ltd.	3,548,130
Diamond Opportunity Fund	580,188
Rockmore Investment Master Fund Ltd.	1,774,065
Abdi Mahamedi	828,840
BridgePointe Master Fund Ltd.	1,288,385
Iroquois Master Fund	337,950
Rodd Friedman	100,624
Myron Neugeboren	19,536
Ricardo Salas	587,198
Chang Ki Cho	773,801
Eric Brachfeld	96,725
Ed Neugeboren	13,582
Wynnefield Partners Small Cap Value LP	752,070
Wynnefield Partners Small Cap Value LP I	984,853
Wynnefield Small Cap Value Offshore	949,040

Kenneth Lisiak	113,458
Vestal Venture Capital	650,967
Mermelstein Development	828,840
Atlantic Realty	414,420
Total	**32,985,406**

Exhibit F

Filed separately, therefore omitted.

Exhibit G

Form of Opinion of Foley & Lardner LLP

ATTORNEYS AT LAW
100 NORTH TAMPA STREET, SUITE 2700
TAMPA, FL 33602-5810
P.O. BOX 3391
TAMPA, FL 33601-3391
813.229.2300 TEL
813.221.4210 FAX
www.foley.com

May 1, 2009

CLIENT/MATTER NUMBER
078489-0130

To the Addressees Set Forth on
Attached Schedule A

Re: Liquidmetal Technologies, Inc.

Ladies and Gentlemen:

We have acted as counsel to Liquidmetal Technologies, Inc., a Delaware corporation (the "Company"), in connection with the transactions contemplated by the Securities Purchase and Exchange Agreement, dated as of the date hereof (the "Purchase Agreement"), among the Company and the persons and entities set forth in Schedule A hereto (the "Buyers"). This letter is being delivered to you pursuant to Section 7(g) of the Purchase Agreement. Capitalized terms not otherwise defined in this letter shall have the respective meanings ascribed to them in the Purchase Agreement. The Uniform Commercial Code as currently in effect in the State of New York is referred to herein as the "New York UCC", and the Uniform Commercial Code as currently in effect in the State of Delaware is referred to herein as the "Delaware UCC".

In rendering this opinion, we have examined (i) the Purchase Agreement, the Exchange Notes, the Warrants, the Registration Rights Agreement, the Voting Proxy Agreement, the Security Agreement, the Account Control Agreement, and the Certificate of Designations, Preferences and Rights of Series A Preferred Stock of the Company (collectively, the "Transaction Documents"), (ii) a copy of the Certificate of Incorporation of the Company certified by the Secretary of the State of Delaware on April 21, 2009 (the "Certificate"), (iii) a certificate of good standing with respect to the Company issued by the Delaware Secretary of State dated April 21, 2009, (iv) a copy of the Bylaws of the Company certified by the Secretary of the Company on or about the date of this letter (the "Bylaws"), (v) a copy of the resolutions of the Board of Directors of the Company adopted on April 30, 2009, as certified by the Secretary of the Company on the date of this letter, and (vi) an unfiled copy of the financing statement attached hereto as Exhibit A (the "UCC Financing Statement") naming the Company as debtor and WC Collateral Agent LLC ("Agent"), as secured party and agent for the persons or entities listed as a Secured Party on Schedule 1 to the Security Agreement (the "Investors"), which we understand will be filed in the office of the Secretary of State of Delaware (the "Filing Office"). We have also 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 and documents of the Company, certificates of officers, directors and representatives of the Company, certificates of public officials and such other documents as we have deemed appropriate as a basis for the opinions set forth below. We also have relied upon the factual representations made by the Company in the Transaction Documents. We have made no attempt to independently verify the factual statements and representations contained in certificates or in the Transaction Documents.

As to the incorporation and good standing of the Company under the laws of the State of Delaware, we have relied solely on certificates from the Delaware Secretary of State dated April 21, 2009, which we assume remain accurate as of the date of this letter.

The opinions set forth in this letter are limited to the federal laws of the United States of America, the laws of the State of New York, and, with respect to our opinions in paragraphs 1, 2 and 3, the Delaware General Corporation Law as set forth in the Aspen Publishers Guide, Volume 3, and, we express no opinion as to the laws of any other jurisdiction. In addition, we express no opinion relating to usury laws, Federal Reserve Board margin regulations, and local laws (including statutes, administrative decisions, and rules and regulations of county, municipal and political subdivisions), as well as any choice-of-law provisions in the Transaction Documents.

Our opinion in paragraph 4 concerning the validity, binding effect, and enforceability of the Transaction Documents means that (i) the Transaction Documents constitute effective contracts under applicable law, and (ii) subject to the remainder of this paragraph, a remedy will be available to the applicable party if the Company is in material default under the Transaction Documents to obtain the practical realization of benefits contemplated by the Purchase Agreement. This opinion does not mean that (a) any particular remedy is available upon a material default, or (b) every provision of the Transaction Documents will be upheld or enforced in any or each circumstance by a court. Furthermore, the validity, binding effect and enforceability of the Transaction Documents may be limited or otherwise affected by (y) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statutes, rules, regulations or other laws affecting the enforcement of creditors' rights and remedies generally and (z) the unavailability of, or limitation on the availability of, specific performance or injunctive relief or a particular right or remedy (whether in a proceeding in equity or at law) because of an equitable principle or a requirement as to commercial reasonableness, conscionability, or good faith.

For purposes of our opinion set forth in opinion paragraph 11 herein as it relates to the laws of the State of Delaware, we have reviewed standard compilations of the version of the UCC as enacted in such state, as set forth in the Commerce Clearing House Secured Transactions Guide, Volume 2 and 5, and our opinion is based solely on such review. We are not licensed to practice law in the State of Delaware, do not purport to be experts on the laws of Delaware, and did not consult local counsel in such state.

Our security interest opinion in paragraph 11 is limited to Article 9 of the Delaware UCC, and therefore this opinion paragraph does not address (i) laws of any jurisdiction other than Article 9 of the Delaware UCC, (ii) collateral of a type not subject to Article 9 of the Delaware UCC, or (iii) under §§ 9-301 through 9-307 of the Delaware UCC, what law governs perfection, the effect of perfection or non-perfection, or priority of security interests granted in the collateral covered by this opinion letter.

In rendering the opinions set forth below, we have made the following assumptions, in addition to the other assumptions set forth in this letter: (i) the genuineness of all signatures other than those on behalf of the Company; (ii) the authenticity and completeness of all documents submitted to us as originals; (iii) the conformity to originals of all documents and instruments submitted to us as photostatic copies, and the authenticity and completeness of the originals of such latter

documents; (iv) the legal capacity of each natural person; (v) the legal existence of all parties to the Transaction Documents other than the Company; (vi) the power and authority of each person other than the Company to execute, deliver and perform each document executed and delivered and to do each other act done or to be done by such person; (vii) the authorization, execution, and delivery by each person other than the Company of each document executed and delivered or to be executed and delivered by such person; (viii) the legality, validity, binding effect, and enforceability as to each person other than the Company of each document executed and delivered or to be executed and delivered and of each other act done or to be done by such person; (ix) the payment of all required documentary stamps, taxes and fees imposed upon the execution, filing or recording of documents; (x) that there have been no undisclosed modifications of any documents reviewed by us in connection with the rendering of the opinion and no undisclosed prior waiver of any right or remedy contained in any of the documents; (xi) the truthfulness of each statement as to all factual matters contained in any document reviewed by us in connection with this opinion; (xii) the accuracy on the date of the opinion as well as on the date stated in all governmental certifications of each statement as to each factual matter contained in such governmental certifications; (xiii) that with respect to the Transaction Documents, there has been no mutual mistake of fact and there exists no fraud or duress; (xiv) the constitutionality and validity of all relevant laws, regulations and agency actions; (xv) that the UCC Financing Statement contains the correct name of the Company and all other information which is contained in the UCC Financing Statement and required for filing by Section 9-516 of the Delaware UCC is true and correct; and (xvi) that the Company has the power to transfer rights in the Article 9 Collateral (as hereinafter defined) and value (as described in Section 9-203(2) of the New York UCC) has been given.

For purposes of this opinion, "to our knowledge" or "known to us" means the actual current conscious awareness of those attorneys in our firm who have given substantive attention to the transactions contemplated by the Transaction Documents, without independent investigation to determine the existence or absence of any facts or circumstances.

Based on the foregoing, and subject to the qualifications, assumptions and limitations set forth herein, we are of the opinion that:

1. The Company is a corporation incorporated and in good standing under the laws of the State of Delaware.

2. Except for any obligations, rights, or other matters that are contingent upon or dependent on the completion of the Charter Amendment Approval/Filing (as that term is defined below), the Company has all requisite corporate power and authority to execute, deliver and perform the Transaction Documents, to issue, sell and deliver the Exchange Notes, the Preferred Shares, and the Warrants pursuant to the Transaction Documents, and to carry out and perform its obligations under, and to consummate the transactions contemplated by, the Transaction Documents. Upon the completion of the Charter Amendment Approval/Filing, the Company will have the requisite corporate power and authority to issue, sell and deliver the Conversion Shares and the Warrant Shares pursuant to the Transaction Documents. For purposes of this opinion, the term "Charter Amendment Approval/Filing" shall mean the process of obtaining Shareholder Approval (as defined in the

Purchase Agreement), filing the Charter Amendment (as defined in the Purchase Agreement) with the Delaware Secretary of State, and the acceptance of the Charter Amendment for filing by the Delaware Secretary of State.

3. Except for the Charter Amendment Approval/Filing, all corporate action on the part of the Company necessary for the authorization, execution and delivery by the Company of the Transaction Documents, the authorization, issuance, sale and delivery of the Exchange Notes, the Preferred Shares and the Warrants pursuant to the Purchase Agreement, the issuance and delivery of Conversion Shares and Warrant Shares, and the consummation by the Company of the transactions contemplated by the Transaction Documents has been duly taken.

4. The Transaction Documents have been duly and validly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except (a) that such enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general and (b) that the remedies of specific performance and injunctive and other forms of injunctive relief may be subject to equitable defenses. Notwithstanding the foregoing, we render no opinion as to the validity, attachment, perfection, or enforceability of any security interest in the Collateral (as defined in the Security Agreement).

5. The authorized capital stock of the Company as of the date hereof is 100,000,000 shares of common stock, par value $.001 per share (the "Common Stock"), and 10,000,000 shares of preferred stock, par value $.001 per share. The issuance of the Exchange Notes, the Preferred Shares, and the Warrants has been duly authorized, and when issued and paid for in accordance with the terms of the Transaction Documents, such securities will be validly issued, and in the case of the Preferred Shares, fully paid and non-assessable. Upon the completion of the Charter Amendment Approval/Filing, the shares of Common Stock issuable upon conversion of the Exchange Notes, conversion of the Preferred Shares and exercise of the Warrants will be duly reserved, and when issued in accordance with the terms of the Preferred Shares, the Exchange Notes and the Warrants, as applicable, will be validly issued, fully paid and nonassessable**.**

6. Assuming (i) the accuracy of the information provided by the purchasers in the Transaction Documents including the relevant information with respect to the status of each Buyer as an "accredited investor" within the meaning of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), (ii) the absence of any form of general solicitation or general advertising with respect to the offer or sale of the Securities, (iii) the observance of all limitations on resale of the Securities, and (iv) the timely filing of a Form D with respect to the offer or sale of the Securities, the issuance and sale of the Securities by the Company to the Buyers is exempt from registration under the Securities Act by virtue of Regulation D promulgated thereunder.

7. The execution, delivery and performance by the Company of, and the compliance by the Company with the terms of, the Transaction Documents and the issuance, sale and delivery of the Exchange Notes, Preferred Shares, Conversion Shares, Warrants, and Warrant Shares pursuant to the Purchase Agreement do not, after giving effect to the Charter Amendment Approval/Filing: (a) conflict with or result in a violation of any

provision of the Certificate or Bylaws, (b) conflict with or result in a violation of any provision of law, rule, or regulation known to us to be applicable to the Company, or (c) to our knowledge, conflict with, result in a breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or result in or permit the termination or modification of, any agreement, instrument, order, writ, judgment or decree known to us to which the Company is a party or is subject.

8. To our knowledge, no consent, license, permit, waiver, approval or authorization of, or designation, declaration, registration or filing with, any court, governmental or regulatory authority, or self-regulatory organization, is required in connection with the valid execution, delivery and performance by the Company of the Transaction Documents, or the offer, sale, issuance or delivery of the Exchange Notes, the Preferred Shares, Conversion Shares, Warrants, or Warrant Shares or the consummation of the transactions contemplated thereby.

9. Based solely on (i) our review of Rule 144 under the Securities Act of 1933, as amended ("Rule 144"), and applicable "no-action" letters issued by the Securities and Exchange Commission, and (ii) the veracity of the assumptions set forth in the following sentence, the Conversion Shares issuable to a Buyer pursuant to the conversion of the Exchange Notes and Series A-2 Preferred Stock will be deemed to have been acquired, for purposes of Rule 144(d)(3)(ii), on the date on which the Buyer acquired and paid the full purchase price for the Existing Notes which were surrendered in exchange for the Exchange Notes. The opinion in the preceding sentence is based on the following assumptions: (a) that any conversion of the Exchange Notes and Series A-2 Preferred Stock will be made in accordance with the terms and provisions of the Exchange Notes and Series A-2 Preferred Stock, as applicable, and (b) no other consideration was paid for the Exchange Notes and Series A-2 Preferred Stock other than the Buyer's surrender of the Existing Notes.

10. The Security Agreement creates a valid security interest in favor of Agent, as agent for the Investors, as security for the payment of the Obligations (as defined in the Security Agreement) in the right, title, and interest of the Company in the collateral described in the Security Agreement to the extent such a security interest can be created under article 9 of the New York UCC (the "Article 9 Collateral").

11. The UCC Financing Statement is in appropriate form for filing in the Filing Office. Upon the filing of the UCC Financing Statement with the Filing Office, the security interests in the Article 9 Collateral granted by the Company to Agent pursuant to the Security Agreement will be perfected to the extent that such security interest may be perfected under the Delaware UCC by filing said UCC Financing Statement in the Filing Office. We have not been asked to file continuation statements with respect to the UCC Financing Statement.

The foregoing opinions are subject to the following additional assumptions and qualifications:

a. Our opinion is limited by:

i. The requirement that the enforcing party act in a commercially reasonable manner and in good faith in exercising its rights under the Security Agreement and comply with the provisions of part 6 of article 9 of the New York UCC; and

ii The possible rights of third parties to the extent that (a) any of the collateral described in the Security Agreement prohibits, restricts or requires the consent of the obligor to the assignment or transfer of, or the creation of a security interest in such collateral, or provides that any such action constitutes a default or gives rise to any right or remedy of such obligor; (b) such collateral is not an account, chattel paper, promissory note, or general intangible subject to and within the meaning of the New York UCC; and (c) the consent of such obligor has not been obtained; provided, however, that to the extent such collateral is a general intangible which is not a payment intangible, or the transaction is the sale of a payment intangible or promissory note, the security interest in such collateral may be subject to the provisions of section 9-408(c) of the New York UCC.

b. We have not examined the records of Agent or the Investors, and except as set forth herein, the Company, or any court or any public, quasi-public, private, or other office in any jurisdiction, and our opinions are subject to matters that an examination of such records would reveal.

c. In the case of proceeds, continuation of perfection of Agent's security interest therein is limited to the degree set forth in section 9-315 of the Delaware UCC.

d. We express no opinion as to any actions that may be required to be taken under the New York UCC or the Delaware UCC, or other applicable law in order for the effectiveness of the UCC Financing Statement, or the validity or perfection of any security interest, to be maintained.

e. We express no opinion with respect to consumer goods, investment property in a consumer transaction, as-extracted collateral, timber to be cut, commercial tort claims, or goods represented by a certificate of title.

f. We call to your attention that in the case of property which becomes collateral after the date hereof, section 547 of the United States Bankruptcy Code (the "Code") provides that a transfer is not made until the debtor has rights in the property transferred, so a security interest in after-acquired property may be treated as a voidable preference under the conditions (and subject to the exceptions) provided by section 547, and section 552 of the Code limits the extent to which property acquired by a debtor after the commencement of a case under the Code may be subject to a security interest arising from a security agreement entered into by the debtor before the commencement of such case.

g. We have made no examination of, and express no opinion as to, (a) the adequacy of any description of collateral, (b) title to the real property, fixtures, personal property, or other collateral described in the Security Agreement or the existence of any liens, charges, or encumbrances thereon, or (c) the priority of the security interests created or evidenced by the Security Agreement.

h. We express no opinion as to the effect on the opinions expressed herein of (i) the compliance or non-compliance of any party to the Transaction Documents (other than the Company to the extent set forth herein) with any state, federal or other laws or regulations applicable to it or (ii) the legal or regulatory status or the nature of the business of any party (other than the Company to the extent expressly set forth herein).

This opinion letter is provided to you for your exclusive use solely in connection with the Transaction Documents and the transactions contemplated thereby and may not be relied upon by any person other than you or for any other purpose without our prior written consent. This opinion letter may not be used, quoted, referred to, copied, published, or relied upon by, or furnished to, any other person without our prior written consent. This opinion letter speaks only as of the date hereof and to its addressees and we have no responsibility or obligation to update this opinion, to consider its applicability or correctness to other than its addressees, or to take into account changes in law, facts or any other developments of which we may later become aware.

Very truly yours,

Foley & Lardner LLP

SCHEDULE A

Carlyle Liquid Holdings, LLC	2 Gannett Drive Suite 201 White Plains, NY 10604 (914) 694-6789
Fort Mason Master, LP	580 California Street Suite 1925 San Francisco, CA 94104 (415) 288-8113
Fort Mason Partners, LP	580 California Street Suite 1925 San Francisco, CA 94104 (415) 288-8113
Tail Wind Fund Ltd.	c/o Tail Wind Advisory and Management Ltd 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665
Solomon Strategic Holdings Inc.	c/o Tail Wind Advisory and

	Management Ltd 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665
Carlyle Liquid, LLC	2 Gannett Drive Suite 201 White Plains, NY 10604 (914) 694-6789
Carlyle Holdings, LLC	2 Gannett Drive Suite 201 White Plains, NY 10604 (914) 694-6789
Castlerigg Master Investments Ltd.	c/o Sandell Asset Management Corporation 40 West 57th Street 26th Floor New York, NY 10019 (212) 603-5710
Diamond Opportunity Fund	500 Skokie Blvd, Suite 310 Northbrook, IL 60062 (847) 919-4410
Rockmore Investment Master Fund Ltd.	150 East 58th Street, 28th Floor New York, NY 10155 (212) 258-2315

Abdi Mahamedi	c/o Carlyle Development Group 2 Gannett Drive, Suite 201 White Plains, NY 10604 (914) 694-6789
BridgePointe Master Fund Ltd.	c/o Roswell Capital Partners 1120 Sanctuary Parkway Suite 325 Alpharetta, GA 30004 (770) 777-5844
Iroquois Master Fund	641 Lexington Avenue 26th Floor New York, NY 10022 (212) 207-3452
Rodd Friedman	93 Hillspoint Road Westport, CT 06880 (203) 663-1303
Myron Neugeboren	P.O. Box 1410 Lakeville, Ct 06309 (860) 435-2603
Ricardo Salas	64 Ritz Cove Drive Monarch Beach, CA 92629 (949) 315-3096
Chang Ki Cho	
Eric Brachfeld	890 West End Avenue Suite 160 New York, NY 10025 (212) 298-9933
Ed Neugeboren	282 New Norwalk Road New Canaan, CT 06840 (212) 618-0202
Wynnefield Partners Small Cap Value LP	450 Seventh Avenue Suite 509 New York, NY 10123 (212) 760-0824

Wynnefield Partners Small Cap Value LP I	450 Seventh Avenue Suite 509 New York, NY 10123 (212) 760-0824
Wynnefield Small Cap Value Offshore	450 Seventh Avenue Suite 509 New York, NY 10123 (212) 760-0824
Kenneth Lisiak	17 Ross Lane Middleton, MA 01949 (978)774-3778

Vestal Venture Capital	6471 Enclave Way Boca Raton, FL 33496 (561) 912-9979
Mermelstein Development	302 Fifth Avenue, 8th Floor New York, NY 10001
Atlantic Realty	c/o Jack Chitayat 1836 El Camino Del Teatro La Jolla, CA 92037

EXHIBIT A

Financing Statement

Exhibit H

Form of Voting Proxy Agreement

VOTING PROXY AGREEMENT

THIS VOTING PROXY AGREEMENT (this "Agreement"), dated as of May 1, 2009, by and among the shareholders listed on Schedule A hereto (each a "Holder" and collectively, the "Holders") and Carlyle Liquid Holdings LLC, a New York limited liability company (the "Carlyle" or, the "Proxyholder"). Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Exchange Agreement (as defined below).

WHEREAS, each Holder owns a number of shares of common stock of Liquidmetal Technologies, Inc., a Delaware corporation (the "Company"), as set forth next to each Holder's name on Schedule A hereto (such shares of common stock, the "Shares"); and

WHEREAS, the Securities Purchase and Exchange Agreement (the "Exchange Agreement"), dated as of May 1, 2009, among the Company and the Holders, provides in Section 7(j) that, as a condition to closing, the Company must provide Carlyle with an executed Voting Proxy Agreement signed by a sufficient number of Holders to give Carlyle the power to vote a majority of the Company's shares of common stock for the purposes of approving an amendment (the "Charter Amendment") to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock to 300,000,000 to meet the Company's obligation under the Exchange Agreement to reserve for issuance a number of shares of common stock equal to the sum of 100% of the number of shares of common stock issuable upon conversion of the Preferred Shares and the Exchange Notes and exercise of the Warrants to be issued at such Closing (such rights, the "Voting Rights"); and

WHEREAS, the parties hereto desire to provide for certain rights and obligations relati ng to the Voting Rights of the Holder and certain other matters.

NOW, THEREFORE, in consideration of the mutual promises set forth below (the mutuality, adequacy and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1

PROXY

SECTION 1.01. Voting Rights; Irrevocable Proxy. (a) The Holders hereby irrevocably constitute and appoint the Proxyholder, its true and lawful attorney, agent and proxy for and in their name, place and stead, with the exclusive right to exercise the Voting Rights on the Charter Amendment attributable to Holders' Shares, in such Proxyholder's sole and absolute discretion, at any annual or special meeting of stockholders of the Company, at any and all adjournments thereof, and on any other occasion in respect of which the consent of Holders relating to the Voting Rights on the Charter Amendment may be given or may be requested or solicited by the Company or any other Person, whether at a meeting, pursuant to the execution of a written conse nt or otherwise, and Holder hereby ratifies and confirms all that the Proxyholder may do by virtue hereof. The Holders agree with the Proxyholder that, without the prior written consent of

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the Proxyholder, they will not, so long as this Agreement shall be in effect, take any action with respect to the Voting Rights on the Charter Amendment, appoint any person other than the Proxyholder as their attorney, agent or proxy with respect to such Shares, or take any action inconsistent with the appointment of the Proxyholder as their lawful attorney, agent and proxy, or the exercise by the Proxyholder of the powers granted to it, hereunder.

(b) The powers granted pursuant to this Section 1.01, and the proxy granted pursuant hereto, are coupled with an interest and shall be irrevocable during the term of this Agreement.

SECTION 1.02. Acceptance of Appointment. Carlyle accepts its appointment as the Proxyholder and agrees to serve in such capacity pursuant to the terms hereof.

ARTICLE 2

MISCELLANEOUS

SECTION 2.01. Lock-Up. John Kang and Ricardo Salas agree that, until the Shareholder Approval, they will not, directly or indirectly, sell, assign, transfer or dispose of any of their Shares.

SECTION 2.02. Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

SECTION 2.03. Reasonable Best Efforts. Each party hereto will use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable laws and regulations to consummate the transactions contemplated by this Agreement.

SECTION 2.04. Remedies. Each party hereto acknowledges that the remedies at law of the other parties for a breach or threatened breach of this Agreement would be inadequate and, in recognition of this fact, any party to this Agre ement, without posting any bond, and in addition to all other remedies which may be available, shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 2.05. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopier) and shall be deemed to have been duly given or made if sent by telecopy, delivered personally, sent by electronic mail (provided confirmation of transmission is electronically generated and ke pt on file by the sending party) or sent by registered or certified mail (postage prepaid, return receipt requested) to such party at its address or telecopier number set forth on Schedule A hereto or the signature pages hereof, or such other address or telecopier number as such party may hereinafter specify for the purpose to the party giving such notice. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. in the place

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of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

SECTION 2.06. Waivers; Amendments. (a) No failure or delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercis e of any other right, power or privilege.

(b) Any provision of this Agreement may be waived if, but only if, such waiver is in writing and is signed, by the party or parties against whom the waiver is to be effective. No provision of this Agreement may be amended or otherwise modified except by an instrument in writing executed by each of the parties hereto.

SECTION 2.07. Termination. This Agreement shall terminate and be of no further force and effect on the earlier to occur of (i)& nbsp;the second anniversary of the date hereof and (ii) the date on which the Charter Amendment is duly approved by the Company's stockholders.

SECTION 2.08. Successors and Assigns; Third Party Rights. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any entity other than the parties hereto and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 2.09. Applicable Law; Submission to Jurisdiction. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, without regard to the conflicts of law rules of such state. Each of the parties hereto hereby consents to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York, or any other New York State court sitting in New York County, New York (and of the appropriate appellate courts therefrom) over any suit, action or proceeding arising out of or relating to this Agreement. Each party hereto irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue in any such court or that any such proceeding which is brought in accordance with this Section has been brought in an inconvenient forum. S ubject to applicable law, process in any such proceeding may be served

on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing and subject to applicable law, each party agrees that service of process on such party as provided in Section 2.05 shall be deemed effective service of process on such party. Nothing herein shall affect the right of any party to serve legal process in any other manner permitted by law or at equity or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

WITH RESPECT TO A PROCEEDING IN ANY SUCH COURT, EACH OF THE PARTIES IRREVOCABLY WAIVES AND RELEASES TO THE OTHER ITS RIGHT TO A TRIAL BY JURY, AND AGREES THAT IT WILL NOT SEEK A TRIAL BY JURY IN ANY SUCH PROCEEDING.

SECTION 2.10. Severability. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

SECTION& nbsp;2.11. Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and there are no restrictions, promises, representations, warranties, covenants, or undertakings with respect to the subject matter hereof, other than those expressly set forth or referred to herein.

SECTION 2.12. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other parties; provided that a facsimile signature (including documents in Adobe PDF format) shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

SECTION 2.13. Headings. The headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provisions hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

PROXYHOLDER:

CARLYLE LIQUID HOLDINGS LLC

By: _____
Name:
Title:

HOLDERS:

By: _____
Name: John Kang
Title:

By: _____
Name: Ricardo Salas
Title:

By: _____
Name: Jack Chitayat
Title:

By: _____
Name: Abdi Mahamedi
Title:

SCHEDULE A

1. John Kang

2. Ricardo Salas

3. Jack Chitayat

4. Abdi Mahamedi

Exhibit I

FORM OF CHARTER AMENDMENT

CERTIFICATE OF AMENDMENT
TO THE CERTIFICATE OF INCORPORATION OF
LIQUIDMETAL TECHNOLOGIES, INC.

Liquidmetal Technologies, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "General Corporation Law"), does hereby certify as follows:

FIRST: That the original Certificate of Incorporation of Liquidmetal Technologies, Inc. (the "Corporation") was filed with the Secretary of State of the State of Delaware on May 15, 2003, and that a Certificate of Ownership and Merger of Liquidmetal Technologies (a California corporation) with and into the Corporation was filed with the Secretary of State of the State of Delaware on May 21, 2003.

SECOND: That, at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth proposed amendments to the Certificate of Incorporation of the Corporation, declaring said amendments to be advisable, and calling a meeting of the stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendments is as follows:

RESOLVED, that the Certificate of Incorporation of this Corporation be amended by changing Article IV thereof so that, as amended, Article IV shall be and read as follows:

"The Corporation shall have authority to issue Three Hundred Ten Million (310,000,000) shares of capital stock, consisting of Three Hundred Million (300,000,000) shares of common stock, $0.001 par value per share (the "Common Stock"), and Ten Million (10,000,000) shares of preferred stock, $0.001 par value per share (the "Preferred Stock"), of which One Million Eight Hundred Seventy-Five Thousand (1,875,000) shares are hereby designated as "Series A-1 Preferred Stock" and Three Million Two Hundred Eighty-One Thousand Two Hundred Fifty-Three (3,281,253) shares are hereby designated as "Series A-2 Preferred Stock." The Preferred Stock authorized by the Certificate of Incorporation, as amended, may be issued from time to time in one or more series. The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them. The voting powers, designations, preferences and other special rights, and qualifications, limitations and restrictions of the Series A-1 Preferred Stock and Series A-2 Preferred Stock (collectively, the "Series A Preferred Stock") are set forth in a Certificate of Designation, Preferences, and Rights previously filed by the Corporation with the Secretary of State of Delaware on May 1, 2009 (the "Series A Certificate of Designation")."

RESOLVED, that the Certificate of Incorporation of this Corporation be amended by changing Article VIII thereof so that, as amended, Article VIII shall be and read as follows:

"(a) Directors — General. Subject to Section (b) below, the number of directors of the Corporation shall be determined by resolution of the Board of Directors. Elections of directors need not be by written ballot, unless the Bylaws of the Corporation shall so provide.

(b) Series A Directors and Common Directors. Notwithstanding the foregoing, for as long as at least 25% of the number of shares of Series A Preferred Stock issued on May 1, 2009 (the initial issuance date of the Series A Preferred Stock) are outstanding, the Board of Directors of the Company shall consist of five (5) members. In any election of directors taking place after May 1, 2009, as long as at least 25% of the number of shares of Series A Preferred Stock issued on May 1, 2009 are outstanding, (i) the holders of the Series A Preferred Stock, voting as a separate class, shall have the right to elect two of the members of the Corporation's Board of Directors, (ii) the holders of the Common Stock, voting as a separate class, shall have the right to elect two of the members of Company's Board of Directors (the "Common Directors"), and (iii) the holders of the Common Stock and the holders of the Series A Preferred Stock, voting together as a single class (with the holders of Preferred Stock voting on an as converted to Common Stock basis as described in the last sentence of this Section (b)), shall have the right to elect one of the members of the Company's Board of Directors.

In addition to any class voting rights provided by law and the Certificate of Incorporation, and subject to the first paragraph of this Section (b), the holders of Series A Preferred Stock shall have the right to vote together with the holders of Common Stock as a single class on any matter on which the holders of Common Stock are entitled to vote, at any annual or special meeting of the stockholders and not as a separate class, and may act by written consent in the same manner of the holders of the Common Stock; provided, however, that the holders of Series A Preferred Stock shall not have the right to vote on the election of the Common Directors. With respect to the voting rights of the holders of the Series A Preferred Stock pursuant to the preceding sentence, each holder of Series A Preferred Stock shall be 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 on the record date for the determination of shareholders entitled to vote at such meeting or the effective date of such written consent (after taking into account the conversion limitation set forth in Section 4M(1) of the Series A Certificate of Designation but disregarding the conversion limitation set forth in Section 4M(2) of the Series A Certificate of Designation), and shall have

voting rights and powers equal to the voting rights and powers of the Common Stock, and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Company."

THIRD: That thereafter, pursuant to a resolution of the Board of Directors of the Corporation, a special meeting of the stockholders of the Corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law at which meeting the necessary number of shares as required by statute were voted in favor of the amendments.

FOURTH: That said amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law.

FIFTH: That said amendments shall be effective upon filing in the Office of the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by a duly authorized officer this day of , 2009.

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____

Name: _____

Title: _____

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.

8% SENIOR SECURED CONVERTIBLE NOTE

Issuance Date: May 1, 2009 Principal: U.S. $[ ]

FOR VALUE RECEIVED, LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation (the **"Company"**), hereby promises to pay to the order of [INSERT HOLDER] or registered assigns (**"Holder"**) the amount set out above as the Principal (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 set out above as the Issuance Date (the **"Issuance Date"**) until the same becomes due and payable, whether upon an Interest Date (as defined below), the Maturity Date, acceleration, conversion, redemption or otherwise (in each case in accordance with the terms hereof). This 8% Senior Secured Convertible Note (including all 8% Senior Secured Convertible Notes issued in exchange, transfer or replacement hereof, this **"Note"**) is one of an issue of 8% Senior Secured Convertible Notes (collectively, the **"Notes"** and such other 8% Senior Secured Convertible Notes, the **"Other Notes"**) issued on the Issuance Date pursuant to the Securities Purchase and Exchange Agreement (as defined below). Certain capitalized terms are defined in Section 29.

(1) MATURITY. On January 3, 2011 (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 (30) calendar days prior written notice to Holder and at the sole election of the Company, prepay this Note in whole or in part for a cash

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redemption price equal to: (i) if the cash redemption price is being paid, in whole or in part, from the proceeds of sales of the Company's assets, which shall include fees received from licensing the Company's intellectual property assets, One Hundred Percent (100%) of the portion of the principal amount being redeemed plus all accrued and unpaid interest on the portion of the principal amount being redeemed or (ii) if the cash redemption price is being paid solely from the Company's income from continuing operations, One Hundred Three Percent (103%) of the portion of the principal amount being redeemed plus all accrued and unpaid interest on the portion of the principal amount being redeemed; provided that (as to both clauses (i) and (ii) above) following such notice the Holder may convert all or any part of the portion of the 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 commence accruing on the Issuance Date and shall be computed on the basis of a 365-day year and actual days elapsed and shall be payable in arrears on the first Business Day of October and April during the period beginning on the Issuance Date and ending on, and including, the Maturity Date (each, an **"Interest Date"**). Interest shall be payable on each Interest Date at the option of the Company (i) in cash at the rate of 8.00% per annum (the **"Cash Interest Rate"**) or (ii) at the rate of 10.00% per annum (the **"Note Interest Rate"**, and together with the Cash Interest Rate, referred to sometimes herein as the **"Interest Rate"**) in the form of one or more additional 8% Senior Secured Convertible Notes, upon the same terms and conditions of the form of this Note, in the principal amount of such Interest. Prior to the payment of Interest on an Interest Date, Interest on this Note shall accrue at the Cash Interest Rate and be payable by way of inclusion of the Interest in the Conversion Amount in accordance with Section 3(b)(i). From and after the occurrence of an Event of Default, the Interest Rate shall be increased so that the Cash Interest Rate shall be twelve percent (12.00%) per annum and the Note Interest Rate per annum shall be fifteen percent (15%) 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 NOTES. 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. Subject to the provisions of Section 3(d), 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). 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

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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 (as defined below) 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 (3) 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, $0.60.

(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., New York 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 second Business Day following the date of receipt of a Conversion Notice (the **"Share Delivery Date"**), the Company shall (X) credit such aggregate number of shares of Common Stock to which the Holder shall be entitled to the Holder's or its designee's balance account with Depository Trust Company ("**DTC**") through its Deposit/Withdrawal At Custodian system or (Y) if the Transfer Agent is not participating in DTC Fast Automated Securities Transfer Program, issue and deliver 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 or credit the Holder's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon conversion of any Conversion Amount on or prior to the date which is five 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 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. In addition to the foregoing, if within three (3) 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 or credit the Holder's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon such Holder's conversion of any Conversion Amount, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale 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 (5) 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, 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.

(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 physical surrender and reissue of this Note. 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.

(iv) Pro Rata Conversion; Disputes. In the event that the Company receives a Conversion Notice from more than one Holder of Notes for the same Conversion Date and the Company can convert some, but not all, of such portions of the Notes submitted for conversion, the Company, subject to Section 3(d), shall convert from each Holder of Notes electing to have Notes converted on such date a pro rata amount of such Holder's portion of its Notes submitted for conversion based on the principal amount of Notes submitted for conversion on such date by such Holder relative to the aggregate principal amount of all Notes submitted for conversion on such date. In the event of a dispute as to the number of shares of Common Stock issuable to the Holder in connection with a conversion of this Note, the Company shall issue to the Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with Section 24.

(d) Limitations on Conversions.

(i) Beneficial Ownership. Unless waived by the Holder upon no less than sixty one (61) days prior written notice to the Company, the Company shall not effect any conversion of this Note pursuant to Section 3(a) to the extent that after giving effect to such conversion the Holder (together with the Holder's affiliates) would beneficially own in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving

effect to such conversion. Even if the Holder waives the limitation set forth in the preceding sentence, the Company shall in no event effect any conversion of this Note, and the Holder of this Note shall not have the right to convert any portion of this Note pursuant to Section 3(a), to the extent that after giving effect to such conversion, the Holder (together with the Holder's affiliates) would beneficially own in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion. For purposes of the foregoing sentences, the number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon conversion of this Note with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) conversion of the remaining, nonconverted portion of this Note beneficially owned by the Holder or any of its affiliates and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any Other Notes or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section 3(d)(i), beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Section 3(d)(i), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Form 10-Q or Form 10-K, (y) a more recent public announcement by the Company or (z) any other notice by the

Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two Business Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Note, by the Holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was reported. Notwithstanding the foregoing, the limitations of this paragraph shall not apply to any Holder who is an Affiliated Investor (as that term is defined in the Securities Purchase and Exchange Agreement).

(ii) Additional Conversion Limitation. Until the Charter Amendment (as defined in the Securities Purchase and Exchange Agreement) has been filed with, and accepted by, the Delaware Secretary of State, no Buyer (as defined in the Securities Purchase and Exchange Agreement) shall be issued, upon conversion or exercise of such Buyer's Notes, Preferred Shares (as defined in the Securities Purchase and Exchange Agreement), or Warrants, a number of shares of Common Stock in the aggregate for all such conversions or exercises greater than the product of the Conversion Cap (as defined below) multiplied by a fraction, the numerator of which is the aggregate purchase price paid by the Buyer for all of the Notes, Preferred Shares, and Warrants purchased by the Buyer pursuant to the Securities Purchase and Exchange Agreement and the denominator of which is $23,124,933.33, which is the aggregate purchase price paid by all of the Buyers for all of the Notes, Preferred Shares, and Warrants purchased pursuant to the Securities Purchase and Exchange Agreement (with respect to each Buyer, the **"Conversion Cap Allocation"**). In the event that any Buyer shall sell or otherwise transfer any of such Buyer's Notes, the transferee shall be allocated a pro rata portion of such Buyer's Conversion Cap Allocation based on the principal amount of the Notes purchased by the Buyer, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Conversion Cap Allocation allocated to such transferee. The term **"Conversion Cap"** shall mean 32,985,406 shares of Common Stock, which represents all shares of authorized but unissued Common Stock as of the date of the Securities Purchase and Exchange Agreement to the extent not previously reserved for issuance pursuant to Convertible Securities and Options existing prior to such date.

(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 Securities Purchase and Exchange

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 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 (as defined in the Securities Purchase and Exchange Agreement) other than with respect to (A) the Other Notes and (B) the default by Liquidmetal Korea Co. Ltd., the Company's subsidiary organized under the laws of the Republic of Korea, in existence as of the Original Issuance Date under its loan from Kookmin Bank; 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;

(iv) the Company shall fail to observe or perform any other material covenant or agreement contained in the Securities Purchase and Exchange Agreement or the other Transaction Documents (as defined in the Securities Purchase and Exchange Agreement), which failure is not cured within ten Business Days after notice of such default sent by the Holder to the Company;

(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) the failure of the Charter Amendment to be filed with, and accepted for filing by, the Delaware Secretary of State by August 31, 2009;

(x) any security interest created by the Security Agreement shall at any time not constitute a valid and perfected first priority 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;

(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; or

(x) any Event of Default (as defined in the Other Notes) occurs with respect to any Other Notes.

(b) Redemption Right. Promptly after the occurrence of an Event of Default with respect to this Note or any Other 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 consolidation, merger or other business combination (including, without limitation, a reorganization or recapitalization) of the Company with or into another Person (other than (A) a consolidation, merger or other business combination (including, without limitation, reorganization or recapitalization) in which Holders of the Company's voting power immediately prior to the transaction continue after the transaction to hold, directly or indirectly, the voting power of the surviving entity or entities necessary to elect a majority of the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities, or (B) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company);

(ii) the sale or transfer of all or substantially all of the Company's assets; or

(iii) a purchase, tender or exchange offer made to and accepted by the Holders of more than the 50% of the outstanding shares of Common Stock.

No sooner than 15 days nor later than 10 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"**). The transactions contemplated by the Securities Purchase and Exchange Agreement shall not be deemed to constitute a Change of Control for purposes of this Agreement.

(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 Holders of Notes representing at least a majority of the aggregate principal amount of the Notes then outstanding) to deliver to each Holder of Notes in exchange for such Notes, a security of the Acquiring Entity evidenced by a written instrument substantially similar in form and substance to the Notes, including, without limitation, having a principal amount and interest rate equal to the principal amounts and the interest rates of the Notes held by such Holder, and satisfactory to the Holders of Notes representing at least a majority of the principal amount of the Notes then outstanding. 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 Holders of Notes representing at least a majority of the aggregate principal amount of the Notes then outstanding 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 10 days prior to a Change of Control, at any time on or after the date which is 10 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**"). 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; provided that the Black Scholes Value of this Note shall not for this purpose exceed an amount equal to $2.50 multiplied by the number of shares of Common Stock for which this Note may be converted at the time the Change of Control is consummated (with such $2.50 cap being subject to adjustment for stock dividends, stock splits, reverse stock splits, and the like).

(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 (the **"Purchase Rights"**), 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 Holders of Notes representing at least a majority of the aggregate principal amount of the Notes then outstanding.

(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, 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 equal to the New Securities Issuance Price. 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 Holders of Notes representing at least a majority of the principal amounts of the Notes then outstanding. 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 Holders of Notes representing at least a majority of the principal amounts of the Notes then outstanding. 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 hand, and the Holders of the Notes, 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), 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.

(8) **INTENTIONALLY OMITTED.**

(9) COMPANY'S RIGHT OF MANDATORY CONVERSION. (a) Mandatory Conversion. If at any time from and after the Issuance Date, the Weighted Average Price of the Common Stock exceeds 250% of the Conversion Price as of the Issuance Date (subject to appropriate adjustments for stock splits, stock dividends, stock combinations and other similar transactions after the Issuance Date) for each of any 20 consecutive Trading Days (the **"Mandatory Conversion Measuring Period"**) and the Conditions to Mandatory Conversion (as set forth in Section 9(c)) are satisfied or waived in writing by the Holder, the Company shall have the right to require the Holder to convert all or any such portion of the Conversion Amount of this Note designated in the Mandatory Conversion Notice into fully paid, validly issued and nonassessable shares of Common Stock in accordance with Section 3(c) hereof at the Conversion Rate as of the Mandatory Conversion Date (as defined below) (a "**Mandatory Conversion**"). The Company may exercise its right to require conversion under this Section 9(a) by delivering within not more than five Trading Days following the end of such Mandatory Conversion Measuring Period a written notice thereof by facsimile and overnight courier to all, but not less than all, of the Holders of Notes and the Transfer Agent (the **"Mandatory Conversion Notice"** and the date all of the Holders received such notice is referred to as the "**Mandatory Conversion Notice Date**"). The Mandatory Conversion Notice shall be irrevocable.

(b) Pro Rata Conversion Requirement. If the Company elects to cause a conversion of all or any portion of the Conversion Amount of this Note pursuant to Section 9(a), then it must simultaneously take the same action with respect to the Other Notes (except that the Company is not required to take the same action with respect to the Other Notes to the extent limited by Section 3(d) in this Note or similar provisions under the Other Notes). If the Company elects to cause the conversion of this Note pursuant to Section 9(a) (or similar provisions under the Other Notes) with respect to less than all of the Conversion Amounts of the Notes then outstanding, then the Company shall require conversion of a Conversion Amount from each of the Holders of the Notes equal to the product of (I) the aggregate Conversion Amount of Notes which the Company has elected to cause to be converted pursuant to Section 9(a), multiplied by (II) the fraction, the numerator of which is the sum of the aggregate principal amount of the Notes purchased by such Holder pursuant to the Securities Purchase and Exchange Agreement and the denominator of which is the sum of the aggregate principal amount of the Notes and purchased by all Holders pursuant to the Securities Purchase and Exchange Agreement (except to the extent limited by Section 3(d) in this Note or similar provisions under the Other Notes) (such fraction with respect to each Holder is referred to as its "**Allocation Percentage**," and such amount with respect to each Holder is referred to as its "**Pro Rata Conversion Amount**"). In the event that the initial Holder of any Notes shall sell or otherwise transfer any of such Holder's Notes, the transferee shall be allocated a pro rata portion of such

Holder's Allocation Percentage. The Mandatory Conversion Notice shall state (i) the Trading Day selected for the Mandatory Conversion in accordance with Section 9(a), which Trading Day shall be at least 10 Business Days but not more than 60 Business Days following the Mandatory Conversion Notice Date (the "**Mandatory Conversion Date**"), (ii) the aggregate Conversion Amount of the Notes which the Company has elected to be subject to mandatory conversion from all of the Holders of the Notes pursuant to this Section 9 (and analogous provisions under the Other Notes), (iii) each Holder's Pro Rata Conversion Amount of the Conversion Amount of the Notes the Company has elected to cause to be converted pursuant to this Section 9 (and analogous provisions under the Other Notes) and (iv) the number of shares of Common Stock to be issued to such Holder as of the Mandatory Conversion Date. All Conversion Amounts converted by the Holder after the Mandatory Conversion Notice Date shall reduce the Conversion Amount of this Note required to be converted on the Mandatory Conversion Date. If the Company has elected a Mandatory Conversion, the mechanics of conversion set forth in Section 3(c) shall apply, to the extent applicable, as if the Company and the Transfer Agent had received from the Holder on the Mandatory Conversion Date a Conversion Notice with respect to the Conversion Amount being converted pursuant to the Mandatory Conversion.

(c) Conditions to Mandatory Conversion. For purposes of this Section 9, "**Conditions to Mandatory Conversion**" means the following conditions: (i) during the period beginning on the date that is six months prior to the Mandatory Conversion Date and ending on and including the Mandatory Conversion Date, the Company shall have delivered shares of Common Stock upon any conversion of Conversion Amounts as set forth in Section 3(c)(i); (ii) on each day during the period beginning on the first Trading Day of the Mandatory Conversion Measuring Period and ending on and including the Mandatory Conversion Date, the Common Stock shall be traded, listed, or quoted (as applicable) on the Principal Market, the NASDAQ Global Market or Global Select Market, the NASDAQ Capital Market, the New York Stock Exchange, or the American Stock Exchange; (iii) on the Mandatory Conversion Date either (x) the Registration Statement or Registration Statements required pursuant to the Registration Rights Agreement shall be effective and available for the sale for all of the Registrable Securities in accordance with the terms of the Registration Rights Agreement or (y) all shares of Common Stock

issuable upon conversion of the Notes shall be eligible for sale without restriction and without the need for registration under any applicable federal or state securities laws; (iv) on the Mandatory Conversion Date, an Authorized Share Failure shall not be in effect; and (v) the average number of shares of Common Stock traded on the Principal Market for the 20 Trading Days prior to the Mandatory Conversion Date shall equal or exceed 200,000 shares per day.

(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, 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. Upon the filing of the Charter Amendment (as defined in the Securities Purchase and Exchange Agreement) with the Delaware Secretary of State, the Company shall initially reserve out of its authorized and unissued Common Stock a number of shares of Common Stock for each of the Notes equal to 125% of the Conversion Rate with respect to the Conversion Amount of each such Note as of the Issuance Date. Thereafter, the Company, so long as any of the Notes are 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 Notes, 125% of the number of shares of Common Stock as shall from time to time be necessary to effect the conversion of all of the Notes then outstanding (without regard to any limitations on conversions) (the **"Required Reserve Amount"**). The number of shares of Common Stock reserved for conversions of the Notes shall be allocated pro rata among the Holders of the Notes based on the principal amount of the Notes held by each Holder at the time of Issuance Date or increase in the number of reserved shares, as the case may be (the **"Authorized Share Allocation"**). In the event that a Holder shall sell or otherwise transfer any of such Holder's Notes, each transferee shall be allocated a pro rata portion of such Holder's Authorized Share Allocation. Any shares of Common Stock reserved and allocated to any Person which ceases to hold any Notes shall be allocated to the remaining Holders of Notes, pro rata based on the principal amount of the Notes then held by such Holders.

(b) Insufficient Authorized Shares. If at any time after the filing of the Charter Amendment with the Delaware Secretary of State and while any of the Notes remain 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 Notes 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 Notes then outstanding.

(12) HOLDER'S REDEMPTIONS.

(a) Mechanics. 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.

(b) Redemption by Other Holders. Upon the Company's receipt of notice from any of the Holders of the Other Notes for redemption or repayment as a result of an event or occurrence substantially similar to the events or occurrences described in Section 4(b) or Section 5(c) (each, an **"Other Redemption Notice"**), the Company shall immediately forward to the Holder by facsimile a copy of such notice. If the Company receives a Redemption Notice and one or more Other Redemption Notices during the seven Business Day period beginning on and including the date which is three Business Days prior to the Company's receipt of the Holder's Redemption Notice and ending on and including the date which is three Business Days after the Company's receipt of the Holder's Redemption Notice and the Company is unable to redeem all principal, interest and other amounts designated in such Redemption Notice and such Other Redemption Notices received during such seven Business Day period, then the Company shall redeem a pro rata amount from each Holder of the Notes (including the Holder) based on the principal amount of the Notes submitted for redemption pursuant to such Redemption Notice and such Other Redemption Notices received by the Company during such seven Business Day period.

(13) SUBORDINATION TO SENIOR INDEBTEDNESS.

(a) General. The Company and the Holder covenant and agree that this Note shall be subject to the provisions of this Section 13 and to the extent and in the manner set forth in this Section 13, the indebtedness represented by this Note and the payment of Principal, Interest, the Redemption Price, and any redemption amount, liquidated damages, fees, expenses, or any other amounts in respect of this Note are hereby expressly made subordinate and junior and subject in right of payment to the prior payment in full in cash of all Senior

Indebtedness of the Company now outstanding or hereinafter incurred. However, notwithstanding anything to the contrary set forth in this Note, the provisions of this Section 13 shall apply only to Senior Indebedness described in clause (ii) of Section 29(q) of this Note.

(b) No Payment if Default in Senior Indebtedness.

(i) no cash payment on account of Principal or Redemption Price of, or Interest on, this Note or any other payment payable with respect to this Note shall be made, and no portion of this Note shall be redeemed or purchased directly or indirectly by the Company, if at the time of such payment or purchase or immediately after giving effect thereto, (A) a default in the payment of principal, premium, if any, interest or other obligations in respect of any Senior Indebtedness occurs and is continuing (or, in the case of Senior Indebtedness for which there is a period of grace, in the event of such a default that continues beyond the period of grace, if any, specified in the instrument evidencing such Senior Indebtedness) (a "**Payment Default**"), unless and until such Payment Default shall have been cured or waived or shall have ceased to exist or (B) the Company shall have received notice (a "**Payment Blockage Notice**") from the holder or holders of Senior Indebtedness that there exists under such Senior Indebtedness a default, which shall not have been cured or waived, permitting the holder or holders thereof to declare such Senior Indebtedness due and payable, but in the case of this clause (B), only for the period (the "**Payment Blockage Period**") commencing on the date of receipt of the Payment Blockage Notice and ending on the date such default shall have been cured or waived. The Company shall resume payments on and distributions in respect of this Note, including any past scheduled payments of the principal of (and premium, if any) and interest on this Note to which the Holder would have been entitled but for the provisions of this Section 13(b)(ii), within five (5) Business Days of the date upon which such Payment Default is cured or waived or ceases to exist or the date on which the Payment Blockage Period ends (and if payment is made within such time period, any Event of Default with respect to such nonpayment shall be cured).

(c) Payment upon Dissolution, Etc. In the event of any bankruptcy, insolvency, reorganization, receivership, composition, assignment for benefit of creditors or other similar proceeding initiated by or against the Company or any dissolution or winding up or total or partial liquidation or reorganization of the Company (being hereinafter referred to as a "**Proceeding**"), the Holder agrees that such Holder shall, upon request of a holder of Senior Indebtedness, and at such holder of Senior Indebtedness' own expense, take all reasonable actions (including but not limited to the execution and filing of documents and the giving of testimony in any Proceeding, whether or not such testimony could have been compelled by process) necessary to prove the full amount of all its claims in any Proceeding, and the Holder shall not waive any claim in any Proceeding without the written consent of such holder. If the Holder does not file a proper proof of claim or proof of debt in the form required in any Proceeding at least thirty (30) days before the expiration of the time to file such claim, the holders of any Senior Indebtedness are hereby authorized to file an appropriate claim for and on behalf of the Holder.

The Holder shall retain the right to vote and otherwise act with respect to the claims under this Note (including, without limitation, the right to vote to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension); provided that the Holder shall not vote with respect to any such plan or take any other action in any way so as to (i) contest the validity of any Senior Indebtedness or any collateral therefor or guaranties thereof, (ii) contest the relative rights and duties of any of the lenders under the Senior Indebtedness established in any instruments or agreement creating or evidencing the Senior Indebtedness with respect to any of such collateral or guaranties, or (iii) contest the Holders' obligations and agreements set forth in this Section 13.

Upon payment or distribution to creditors in a Proceeding of assets of the Company of any kind or character, whether in cash, property or securities, all principal and interest due upon any Senior Indebtedness shall first be paid in full before the Holder shall be entitled to receive or, if received, to retain any payment or distribution on account of this Note, and upon any such Proceeding, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holder would be entitled except for the provisions of this Section 13, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holder who shall have received such payment or distribution, directly to the holders of the Senior Indebtedness (pro rata to each such holder on the basis of the respective amounts of such Senior Indebtedness held by such holder) or their representatives to the extent necessary to pay all such Senior Indebtedness in full after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness, before any payment or distribution is made to the Holder or any Holders of the Notes.

(d) Payments on Notes. Subject to Sections 13(b) and 13(c), the Company may make regularly scheduled payments of the Principal of, or Interest on, this Note or any other payment payable with respect to this Note, if at the time of payment, and immediately after giving effect thereto, there exists no Payment Default or a Payment Blockage Period.

(e) Certain Rights. Nothing contained in this Section 13 or elsewhere in this Note is intended to or shall impair, as among the Company, its creditors including the holders of Senior Indebtedness and the Holder, the right, which is absolute and unconditional, of the Holder to convert this Note in accordance herewith.

(f) Subrogation. Subject to payment in full in cash of all Senior Indebtedness, the rights of the Holder shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of the assets of the Company made on such Senior Indebtedness until all principal and interest on this Note shall be paid in full in cash; and for purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness of any cash, property or securities to which the Holder would be entitled except for the subordination provisions of this Section 13 shall, as between the Holder and the Company

and/or its creditors other than the holders of the Senior Indebtedness, be deemed to be a payment on account of the Senior Indebtedness.

(g) Rights of Holders Unimpaired. The provisions of this Section 13 are and are intended solely for the purposes of defining the relative rights of the Holder and the holders of Senior Indebtedness and nothing in this Section 13 shall impair, as between the Company and the Holder, the

obligation of the Company, which is unconditional and absolute, to pay to the Holder the principal thereof (and premium, if any) and interest thereon, in accordance with the terms of this Note.

(h) Holders of Senior Indebtedness. These provisions regarding subordination will constitute a continuing offer to all Persons who, in reliance upon such provisions, become holders of, or continue to hold, Senior Indebtedness; such provisions are made for the benefit of the holders of Senior Indebtedness, and such holders are hereby made obligees under such provisions to the same extent as if they were named therein, and they or any of them may proceed to enforce such subordination and no amendment or modification of the provisions contained herein shall diminish the rights of such holders unless such holders have agreed in writing thereto. The holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Holder, without incurring responsibility to the Holder and without impairing or releasing the subordination provisions of this Section 13, (i) subject to the limitations set forth herein, increase the amount of, change the manner, terms or place of payment of, or renew or alter, any Senior Indebtedness, or otherwise amend, modify, restate or supplement the same (provided that any such modified indebtedness continues to be constitute Senior Indebedness within the meaning of this Agreement), (ii) sell, exchange or release any collateral mortgaged, pledged or otherwise securing the Senior Indebtedness, (iii) release any Person liable in any manner for the Senior Indebtedness and (iv) exercise or refrain from exercising any rights against the Company or any other Person.

(i) Proceeds Held in Trust. In the event that notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (including, without limitation, by way of setoff or otherwise) prohibited by the provisions hereof shall be received by the Holder before all Senior Indebtedness if paid in full in cash, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Indebtedness, as their respective interests may appear, as calculated by the Company, for application to, or to be held as collateral for, the payment of any Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in cash after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness.

(j) Blockage of Remedies. In addition to any restrictions included in the Security Agreement, during any Payment Default or any Payment Blockage Period, if an Event of Default has occurred and is continuing under this Note, the Holder will not commence or join with any creditor of the Company in asserting or commencing any proceedings to collect or enforce its rights hereunder or take any action to foreclose or realize upon the indebtedness

hereunder for a period beginning on the date of such Event of Default and ending on the date such Payment Default is cured, waived or ceases to exist or the date such Payment Blockage Period ends, as the case may be.

(k) Subsequent Senior Indebtedness Requested Modifications. In connection with the incurrence of any future Senior Indebtedness, the Holder agrees that it shall act reasonably and negotiate in good faith any modifications to the provisions of this Section 13 reasonably requested by the holder of such Senior Indebtedness; provided that nothing in this section shall restrict the holders of Notes representing at least a majority of the aggregate principal amount of the Notes then outstanding from changing or amending this Section 13 pursuant to Section 17 hereof upon the request of the Company.

(l) Failure to Make Payment. In the event that the Company is prohibited or restricted from making any payment required under this Note by reason of the provisions of this Section 13, such prohibition or restriction shall not preclude the failure to make such payment from being an Event of Default under Section 4(a) of this Note.

(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) Rank. All payments due under this Note (a) shall rank *pari passu* in right of payment with all Other Notes (**"Pari Passu Indebtedness"**), (b) shall be subordinate in right of payment to the prior payment of all existing and future Senior Indebtedness upon the terms set forth in Section 13 above, and (c) shall be senior in right of payment to all other Indebtedness of the Company, other than Senior Indebtedness and Pari Passu Indebtedness.

(b) Security. This Note is secured by assets of the Company under that certain Security Agreement, dated May 1, 2009, among the Company and the initial purchasers of the Notes (the "**Security Agreement**").

(c) Incurrence of Certain Indebtedness. So long as this Note is outstanding, 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 Notes, other than Senior Indebtedness and Qualified Subsidiary Indebtedness. "**Qualified Subsidiary Indebtedness**" means: (i) Indebtedness incurred by Liquidmetal Coatings, LLC or its Subsidiaries, but only to the extent not guaranteed by, or secured by the assets of, the Company or any other Company Subsidiary, and (ii) Indebtedness incurred by the Company's foreign subsidiaries, but only to the extent not guaranteed by, or secured by the assets of, the Company or any Company Subsidiary incorporated in the United States. "**Qualified Subsidiary Indebtedness**" shall not include any Indebtedness incurred by Liquidmetal Korea Co. Ltd., a subsidiary of the Company organized under the laws of the

Republic of Korea ("**LMK**"), after the date of the Securities Purchase and Exchange Agreement except to the extent that such Indebtedness is incurred to refinance Indebtedness existing prior to the date of the Securities Purchase and Exchange Agreement on terms than are more favorable or the same to LMK as the terms of such existing Indebtedness.

(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, other than Senior Indebtedness, Pari Passu Indebtedness, or Qualified Subsidiary Indebtedness, 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 NOTES; LIKE TREATMENT OF NOTES. 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 Holder. In addition, neither the Company nor any of its affiliates shall, directly or indirectly, pay or cause to be paid any consideration (immediate or contingent), whether by way of interest, fee, payment for the redemption or conversion of the Notes, or otherwise, to any Holder of Notes, for or as an inducement to, or in connection with the solicitation of, any consent, waiver or amendment of any terms or provisions of the Notes, unless such consideration is required to be paid to all Holders of Notes. The Company shall not, directly or indirectly, redeem any Notes unless such offer of redemption is made pro rata to all Holders of Notes on identical terms. For clarification purposes, this provision constitutes a separate right granted by the Company to each Holder of Notes and negotiated separately by each Holder of Notes, is intended for the Company to treat the Holders of Notes as a class, and shall not in any way be construed as the Holders of Notes acting in concert or as a group with respect to the purchase, disposition or voting of Notes or otherwise.

(18) TRANSFER. This Note may be offered, sold, assigned or transferred by the Holder without the consent of the Company, subject only to the provisions of Section 2(f) of the Securities Purchase and Exchange Agreement.

(19) REISSUANCE OF THIS NOTE.

(a) Transfer. If this Note is to be transferred, 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 then 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 of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued Interest on the Principal and Interest of this Note, from the Issuance 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 Securities Purchase and Exchange Agreement and the Registration Rights Agreement, 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 all the Purchasers 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. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in accordance with Section 9(f) of the Securities Purchase and Exchange Agreement. 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. Notwithstanding the foregoing, Section 4(i) of the Securities Purchase and Exchange Agreement shall apply to all notices given pursuant to this Note.

(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 case of each of the Purchasers, shall initially be as set forth on the Schedule of Buyers attached to the Securities Purchase and Exchange Agreement); 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 and the Securities Purchase and Exchange Agreement.

(28) GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

(29) CERTAIN DEFINITIONS. For purposes of this Note, the following terms shall have the following meanings:

(a) **"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 on the date of the First Closing (as defined in the Securities Purchase and Exchange Agreement) after giving effect to the First Closing and the full exercise of the Series A-1 Option (as defined in the Securities Purchase and Exchange Agreement), as adjusted for stock splits, reverse stock splits, and the like, unless such increased amount of shares is approved by the holders of the Company's Common Stock and the holders of the Company's Series A-1 Preferred Stock and Series A-2 Preferred Stock voting together as a single class. 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, including all options and warrants granted.

(b) "**Bloomberg**" means Bloomberg Financial Markets.

(c) **"Business Day"** means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(d) **"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.

(e) **"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.

(f) "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for Common Stock.

(g) **"Excluded Security"** means any share of Common Stock issued or issuable: (i) in connection with any Approved Stock Plan; (ii) upon conversion or exercise of any Notes, Other Notes, warrants or shares of Series A-1 Preferred Stock or Series A-2 Preferred Stock of the Company issued (A) pursuant to the Securities Purchase and Exchange Agreement, (B) as dividends on the Series A Preferred Stock, or (C) as interest under the Notes or Other Notes; (iii) upon conversion or exercise of any Options or Convertible Securities which are outstanding on the Issuance Date, (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.

(h) **"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, and (H) all indebtedness referred to in clauses (A) through (G) 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 (I) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (H) above. Notwithstanding the foregoing, trade payables incurred in the ordinary course of business shall not constitute "Indebtedness" for purposes of this Note.

(i) **"Issuance Date"** means May 1, 2009.

(j) "**Options**" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

(k) "**Original Issuance Date**" means the First Closing Date, as defined in the Securities Purchase and Exchange Agreement.

(l) **"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.

(m) "**Principal Market**" means the OTC Bulletin Board.

(n) "**Registration Rights Agreement"** means that certain registration rights agreement between the Company and the initial Holders of the Notes relating to the registration of the resale of the shares of Common Stock issuable upon conversion of the Notes and the exercise of the Warrants.

(o) **"SEC"** means the United States Securities and Exchange Commission.

(p) **"Securities Purchase and Exchange Agreement"** means the Securities Purchase and Exchange Agreement, dated May 1, 2009, among the Company and the initial Holders of the Notes pursuant to which the Company issued the Notes.

(q) **"Senior Indebtedness"** means the principal of (and premium, if any), interest on, and all fees and other amounts (including, without limitation, any reasonable costs, enforcement expenses (including reasonable legal fees and disbursements, collateral protection expenses and other reimbursement or indemnity obligations relating thereto)), and all other obligations of the Company under (i) any of the agreements or instruments evidencing any Indebtedness of the Company and its Subsidiaries arising after the Issuance Date to an unaffiliated, third-party commercial lender (together with any renewals, refundings, refinancings or other extensions thereof) for purposes of purchasing equipment (which debt shall be secured only by the assets purchased with such financing), and (ii) Indebtedness not to exceed $4,000,000 in the aggregate that is secured solely by the Company's and/or its Subsidiaries' accounts receivable and/or inventory.

(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).

(t) **"Warrants"** means the warrants issued under the Securities Purchase and Exchange Agreement to the initial Holders of the Notes.

(u) **"Weighted Average Price"** means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market during the period beginning at 9:30:01 a.m., New York Time (or such other time as the Principal Market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York Time (or such other time as the Principal Market publicly announces is the official close of trading) as reported by Bloomberg through its "Volume at Price" functions, or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market

on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York Time (or such other time as such market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York Time (or such other time as such market publicly announces is the official close of trading) as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Weighted Average Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Weighted Average Price 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.

[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: _____
Name: Tony Chung
Title: Chief Financial Officer

EXHIBIT I

LIQUIDMETAL TECHNOLOGIES, INC.
CONVERSION NOTICE

Reference is made to the 8% 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:

The undersigned hereby certifies to the Company that the undersigned's conversion of the amount set forth above in accordance with Section 3(a) of the Note will not directly result in the undersigned (together with the undersigned's affiliates) beneficially owning in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion, calculated in accordance with Section 3(d)(i) of the Note; provided that if the undersigned has previously waived the 4.99% beneficial ownership limitation upon no less than sixty one (61) days prior written notice, the undersigned certifies to the Company that the undersigned's conversion of the amount set forth above will not directly result in the undersigned (together with the

undersigned's affiliates) beneficially owning in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion, calculated in accordance with Section 3(d)(i) of the Note. Notwithstanding the foregoing, the certification set forth in this paragraph shall not apply to, and shall not be deemed to be made by, any Affiliated Investor (as that term is defined in the Purchase Agreement referred to in the Note).

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: _____

Account Number:
(if electronic book entry transfer)

Transaction Code Number:
(if electronic book entry transfer)

ACKNOWLEDGMENT

The Company hereby acknowledges this Conversion Notice and hereby directs American Stock Transfer & Trust Co. to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated May 1, 2009, from the Company.

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____

Name:
Title:

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.

LIQUIDMETAL TECHNOLOGIES, INC.

COMMON STOCK PURCHASE WARRANT

Warrant No. [ ] Date of Original Issuance: May 1, 2009

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, [INSERT GRANTEE] or its registered assigns (the **"Holder"**), is entitled to purchase from the Company up to a total of [ ] 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 $0.60 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 January 3, 2012 (the **"Expiration Date"**), and subject to the following terms and conditions:

1. Definitions. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein shall have the meanings given to such terms in the Securities Purchase and Exchange Agreement dated May 1, 2009 to which the Company and the original Holder are parties (the **"Purchase 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 Purchase 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

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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.

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 transferee and transferor.

3. Recording of Transfers. Subject to Section 6, 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 Purchase 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 Warrants.

(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). At 6:30 p.m., New York City 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 (i) this Warrant is exercised after one year from the date of issuance of this Warrant but before the Expiration Date and (ii) during the Trading Day period immediately preceding the Holder's delivery of an Exercise Notice in respect of such exercise, a Registration Statement (as defined in the Registration Rights Agreement) 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".

(b) The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 4(a) or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, such Holder (together with such Holder's Affiliates, and any other person or entity acting as a group together with such Holder or any of such Holder's Affiliates), as set forth on the applicable Notice of Exercise, would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by such Holder or any of its Affiliates and (B)

exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(b), beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the **"Exchange Act"**) and the rules and regulations promulgated thereunder, it being acknowledged by a Holder that the Company is not representing to such Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and such Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 4(b) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by such Holder together with any Affiliates) and of which a portion of this Warrant is exercisable shall be in the sole discretion of a Holder, and the submission of a Notice of Exercise shall be deemed to be each Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by such Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to such aggregate percentage limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 4(b), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Form 10-Q or Form 10-K, as the case may be, (y) a more recent public announcement by the Company or (z) any other notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. For any reason and at any time, upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by such Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Beneficial Ownership Limitation provisions of this Section 4(b) may be waived by such Holder, at the election of such Holder, upon not less than 61 days' prior notice to the Company to change the Beneficial Ownership Limitation to 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant, and the provisions of this Section 4(b) shall continue to apply. Upon such a change by a Holder of the Beneficial Ownership Limitation from such 4.99% limitation to such 9.99% limitation, the Beneficial Ownership Limitation may not be further waived by such Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 4(b)) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant. Notwithstanding anything contained

in this Warrant to the contrary, the limitations of this paragraph shall not apply to any Affiliated Investor, as that term is defined in the Purchase Agreement.

(c) Additional Conversion Limitation. Until the Charter Amendment (as defined in the Purchase Agreement) has been filed with, and accepted by, the Delaware Secretary of State, no Buyer (as defined in the Purchase Agreement) shall be issued, upon conversion or exercise of such Buyer's Exchange Notes (as defined in the Purchase Agreement), Preferred Shares (as defined in the Purchase Agreement), or Warrants, a number of shares of Common Stock in the aggregate for all such conversions or exercises greater than the product of the Conversion Cap (as defined below) multiplied by a fraction, the numerator of which is the aggregate purchase price paid by the Buyer for all of the Exchange Notes, Preferred Shares, and Warrants purchased by the Buyer pursuant to the Purchase Agreement and the denominator of which is $23,124,933.33, which is the aggregate purchase price paid by all of the Buyers for all of the Exchange Notes, Preferred Shares, and Warrants purchased pursuant to the Purchase Agreement (with respect to each Buyer, the **"Conversion Cap Allocation"**). In the event that any Buyer shall sell or otherwise transfer any of such Buyer's Warrants, the transferee shall be allocated a pro rata portion of such Buyer's Conversion Cap Allocation based on the exercise price of the Warrants purchased by the Buyer, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Conversion Cap Allocation allocated to such transferee. The term **"Conversion Cap"** shall mean 32,985,406 shares of Common Stock, which represents all shares of authorized but unissued Common Stock as of the date of the Purchase Agreement to the extent not previously reserved for issuance pursuant to Convertible Securities and Options existing prior to such date. The term "**Convertible Securities**"

means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for Common Stock. The term "**Options**" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

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 (as defined herein)) issue and deliver to the Holder, a certificate for the Warrant Shares issuable upon such exercise, which, unless otherwise required by the Purchase Agreement, shall be free of restrictive legends. A "**Date of Exercise**" means the date on which the Holder shall have delivered to 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 purchases in a bona fide arm's length transaction for fair market value (in an open market transaction or otherwise) 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. From and after the date that the Charter Amendment (as defined in the Purchase Agreement) is filed with the Delaware Secretary of State, 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 and upon the filing of the Charter Amendment with the Delaware Secretary of State, 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, 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, "**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 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 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 constitutes a Change in Control (as defined in the 8% Senior Secured Convertible Notes of the Company issued in connection with the Purchase Agreement), at the request of the Holder delivered before the 90th day after such Fundamental Transaction is consummated, the Company (or the successor to the Company) shall purchase this Warrant from the Holder by paying to the Holder, within five business days after such request (or, if later, on the effective date of the Fundamental Transaction), cash in an amount equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date such Fundamental Transaction is consummated. 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; provided that the Black Scholes Value of this Warrant shall not for this purpose exceed an amount equal to $2.50 multiplied by the number of shares of Common Stock for which this Warrant is exercisable at the time the Fundamental Transaction is consummated (with such $2.50 cap being subject to adjustment for stock dividends, stock splits, reverse stock splits, and the like).

(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 made 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 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. (New York City 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. (New York City 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 appearing on the Warrant Register or such other 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. 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. This Warrant may be amended only in writing signed by the Company and the Holder and their successors and assigns.

(b) All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings to resolve any dispute concerning the interpretations, enforcement and defense of this Warrant and the transactions herein contemplated (**"Proceedings"**) (whether brought against a party hereto or its respective Affiliates, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "**New York Courts**"), although depositions may be taken in other locations. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any Proceeding, any claim that it is not personally subject to the jurisdiction of any New York Court, or that such Proceeding has been commenced in an improper or inconvenient forum. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Warrant or the transactions contemplated hereby. If any party shall commence a Proceeding to enforce any provisions of this Warrant, then the prevailing party in such Proceeding shall be reimbursed by the other party for its attorney's fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Proceeding.

(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 therefor, 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 on the date of the First Closing (as defined in the Securities Purchase and Exchange Agreement) after giving effect to the First Closing and the full exercise of the Series A-1 Option (as defined in the Securities Purchase and Exchange Agreement), as adjusted for stock splits, reverse stock splits, and the like, unless such increased amount of shares is approved by the holders of the Company's Common Stock and the holders of the Company's Series A-1 Preferred Stock and Series A-2 Preferred Stock voting together as a single class. 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, including all options and warrants granted.

(ii) "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for Common Stock.

(iii) **"Excluded Security"** means any share of Common Stock issued or issuable: (i) in connection with any Approved Stock Plan; (ii) upon conversion or exercise of any Notes, warrants or shares of Series A-1 Preferred Stock or Series A-2 Preferred Stock of the Company issued (A) pursuant to the Purchase Agreement, (B) as dividends on the Series A Preferred Stock, or (C) as interest under the Notes or Other Notes; (iii) upon conversion or exercise of any Options or Convertible Securities which are outstanding on the Original Issuance Date, (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 Purchase 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., New York 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.

[Signature Follows]

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.

By: _____
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. [ ], originally issued May 1, 2009 (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 hereby certifies to the Company that the undersigned's exercise of the amount set forth above will not directly result in the undersigned (together with the undersigned's affiliates) beneficially owning in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such exercise, calculated in accordance with Section 4(b) of the Warrant; provided that if the undersigned has waived the 4.99% beneficial ownership requirement by providing the Company with notice at least 61 days prior to the date hereof, the undersigned hereby certifies to the Company that the undersigned's exercise of the amount set forth above will not directly result in the undersigned (together with the undersigned's affiliates) beneficially owning in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion, calculated in accordance with Section 4(b) of the Warrant. Notwithstanding the foregoing, the certification set forth in this paragraph shall not apply to, and shall not be deemed to be made by, any Affiliated Investor (as that term is defined in the Purchase Agreement referred to in 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:

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.

LIQUIDMETAL TECHNOLOGIES, INC.

COMMON STOCK PURCHASE WARRANT

Warrant No. [ ] Date of Original Issuance: May 1, 2009

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, [INSERT GRANTEE] or its registered assigns (the **"Holder"**), is entitled to purchase from the Company up to a total of [ ] 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 $0.50 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 January 3, 2012 (the **"Expiration Date"**), and subject to the following terms and conditions:

1. Definitions. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein shall have the meanings given to such terms in the Securities Purchase and Exchange Agreement dated May 1, 2009 to which the Company and the original Holder are parties (the **"Purchase 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 Purchase 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

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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.

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 transferee and transferor.

3. Recording of Transfers. Subject to Section 6, 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 Purchase 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 Warrants.

(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). At 6:30 p.m., New York City 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 (i) this Warrant is exercised after one year from the date of issuance of this Warrant but before the Expiration Date and (ii) during the Trading Day period immediately preceding the Holder's delivery of an Exercise Notice in respect of such exercise, a Registration Statement (as defined in the Registration Rights Agreement) 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".

(b) The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 4(a) or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, such Holder (together with such Holder's Affiliates, and any other person or entity acting as a group together with such Holder or any of such Holder's Affiliates), as set forth on the applicable Notice of Exercise, would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by such Holder or any of its Affiliates and (B)

exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(b), beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the **"Exchange Act"**) and the rules and regulations promulgated thereunder, it being acknowledged by a Holder that the Company is not representing to such Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and such Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 4(b) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by such Holder together with any Affiliates) and of which a portion of this Warrant is exercisable shall be in the sole discretion of a Holder, and the submission of a Notice of Exercise shall be deemed to be each Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by such Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to such aggregate percentage limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 4(b), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Form 10-Q or Form 10-K, as the case may be, (y) a more recent public announcement by the Company or (z) any other notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. For any reason and at any time, upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by such Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Beneficial Ownership Limitation provisions of this Section 4(b) may be waived by such Holder, at the election of such Holder, upon not less than 61 days' prior notice to the Company to change the Beneficial Ownership Limitation to 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant, and the provisions of this Section 4(b) shall continue to apply. Upon such a change by a Holder of the Beneficial Ownership Limitation from such 4.99% limitation to such 9.99% limitation, the Beneficial Ownership Limitation may not be further waived by such Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 4(b)) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant. Notwithstanding anything contained

in this Warrant to the contrary, the limitations of this paragraph shall not apply to any Affiliated Investor, as that term is defined in the Purchase Agreement.

(c) Additional Conversion Limitation. Until the Charter Amendment (as defined in the Purchase Agreement) has been filed with, and accepted by, the Delaware Secretary of State, no Buyer (as defined in the Purchase Agreement) shall be issued, upon conversion or exercise of such Buyer's Exchange Notes (as defined in the Purchase Agreement), Preferred Shares (as defined in the Purchase Agreement), or Warrants, a number of shares of Common Stock in the aggregate for all such conversions or exercises greater than the product of the Conversion Cap (as defined below) multiplied by a fraction, the numerator of which is the aggregate purchase price paid by the Buyer for all of the Exchange Notes, Preferred Shares, and Warrants purchased by the Buyer pursuant to the Purchase Agreement and the denominator of which is $23,124,933.33, which is the aggregate purchase price paid by all of the Buyers for all of the Exchange Notes, Preferred Shares, and Warrants purchased pursuant to the Purchase Agreement (with respect to each Buyer, the **"Conversion Cap Allocation"**). In the event that any Buyer shall sell or otherwise transfer any of such Buyer's Warrants, the transferee shall be allocated a pro rata portion of such Buyer's Conversion Cap Allocation based on the exercise price of the Warrants purchased by the Buyer, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Conversion Cap Allocation allocated to such transferee. The term **"Conversion Cap"** shall mean 32,985,406 shares of Common Stock, which represents all shares of authorized but unissued Common Stock as of the date of the Purchase Agreement to the extent not previously reserved for issuance pursuant to Convertible Securities and Options existing prior to such date. The term "**Convertible Securities**"

means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for Common Stock. The term "**Options**" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

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 (as defined herein)) issue and deliver to the Holder, a certificate for the Warrant Shares issuable upon such exercise, which, unless otherwise required by the Purchase Agreement, shall be free of restrictive legends. A "**Date of Exercise**" means the date on which the Holder shall have delivered to 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 purchases in a bona fide arm's length transaction for fair market value (in an open market transaction or otherwise) 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. From and after the date that the Charter Amendment (as defined in the Purchase Agreement) is filed with the Delaware Secretary of State, 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 and upon the filing of the Charter Amendment with the Delaware Secretary of State, 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, 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, "**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 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 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 constitutes a Change in Control (as defined in the 8% Senior Secured Convertible Notes of the Company issued in connection with the Purchase Agreement), at the request of the Holder delivered before the 90th day after such Fundamental Transaction is consummated, the Company (or the successor to the Company) shall purchase this Warrant from the Holder by paying to the Holder, within five business days after such request (or, if later, on the effective date of the Fundamental Transaction), cash in an amount equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date such Fundamental Transaction is consummated. 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; provided that the Black Scholes Value of this Warrant shall not for this purpose exceed an amount equal to $2.50 multiplied by the number of shares of Common Stock for which this Warrant is exercisable at the time the Fundamental Transaction is consummated (with such $2.50 cap being subject to adjustment for stock dividends, stock splits, reverse stock splits, and the like).

(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 made to the nearest cent or the nearest $1/100^{th}$ 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 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. (New York City 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. (New York City 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 appearing on the Warrant Register or such other 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. 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. This Warrant may be amended only in writing signed by the Company and the Holder and their successors and assigns.

(b) All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings to resolve any dispute concerning the interpretations, enforcement and defense of this Warrant and the transactions herein contemplated (**"Proceedings"**) (whether brought against a party hereto or its respective Affiliates, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "**New York Courts**"), although depositions may be taken in other locations. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any Proceeding, any claim that it is not personally subject to the jurisdiction of any New York Court, or that such Proceeding has been commenced in an improper or inconvenient forum. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Warrant or the transactions contemplated hereby. If any party shall commence a Proceeding to enforce any provisions of this Warrant, then the prevailing party in such Proceeding shall be reimbursed by the other party for its attorney's fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Proceeding.

(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 therefor, 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 on the date of the First Closing (as defined in the Securities Purchase and Exchange Agreement) after giving effect to the First Closing and the full exercise of the Series A-1 Option (as defined in the Securities Purchase and Exchange Agreement), as adjusted for stock splits, reverse stock splits, and the like, unless such increased amount of shares is approved by the holders of the Company's Common Stock and the holders of the Company's Series A-1 Preferred Stock and Series A-2 Preferred Stock voting together as a single class. 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, including all options and warrants granted.

(ii) "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for Common Stock.

(iii) **"Excluded Security"** means any share of Common Stock issued or issuable: (i) in connection with any Approved Stock Plan; (ii) upon conversion or exercise of any Notes, warrants or shares of Series A-1 Preferred Stock or Series A-2 Preferred Stock of the Company issued (A) pursuant to the Purchase Agreement, (B) as dividends on the Series A Preferred Stock, or (C) as interest under the Notes or Other Notes; (iii) upon conversion or exercise of any Options or Convertible Securities which are outstanding on the Original Issuance Date, (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 Purchase 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., New York 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.

[Signature Follows]

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.

By: _____
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. [ ], originally issued May 1, 2009 (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 hereby certifies to the Company that the undersigned's exercise of the amount set forth above will not directly result in the undersigned (together with the undersigned's affiliates) beneficially owning in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such exercise, calculated in accordance with Section 4(b) of the Warrant; provided that if the undersigned has waived the 4.99% beneficial ownership requirement by providing the Company with notice at least 61 days prior to the date hereof, the undersigned hereby certifies to the Company that the undersigned's exercise of the amount set forth above will not directly result in the undersigned (together with the undersigned's affiliates) beneficially owning in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion, calculated in accordance with Section 4(b) of the Warrant. Notwithstanding the foregoing, the certification set forth in this paragraph shall not apply to, and shall not be deemed to be made by, any Affiliated Investor (as that term is defined in the Purchase Agreement referred to in 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**	**Number of Warrant Shares Exercised**	**Number of Warrant Shares**

	Exercised		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 10.5

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "**Agreement**") is entered into as of May 1, 2009, between Liquidmetal Technologies, Inc., a Delaware corporation (the "**Company**"), and each of the buyers signatory hereto (each a "**Buyer**" and collectively, the "**Buyers**").

W I T N E S S E T H:

WHEREAS, the Company and the Buyers have entered into a Securities Purchase and Exchange Agreement, dated as of May 1, 2009 (the "**Purchase Agreement**"), pursuant to which, among other things, the Company has agreed to issue and sell to the Buyers, in the amounts set forth on the Schedule of Buyers attached to the Purchase Agreement, (i) shares of the Company's Series A-1 Preferred Stock, including those purchasable pursuant to the Series A-1 Option (as such term is defined in the Purchase Agreement) (collectively, the "**Series A-1 Shares**"), (ii) shares of the Company's Series A-2 Preferred Stock (the "**Series A-2 Shares**," and together with the Series A-1 Shares, the "**Series A Shares**"), (iii) Common Stock Purchase Warrants to be issued in connection with the issuance of the Series A Shares (the "**Preferred Warrants**"), (iv) 8% Senior Secured Convertible Notes of the Company (the "**Exchange Notes**"), and (v) Common Stock Purchase Warrants to be issued in connection with the issuance of the Exchange Notes (the "**Exchange Warrants**," and together with the Preferred Warrants, the "**Warrants**");

WHEREAS, the Series A Shares and the Exchange Notes are convertible into shares of Common Stock (the "**Conversion Shares**"); and

WHEREAS, the Warrants are exercisable into shares of Common Stock pursuant to the terms and conditions set forth in the Warrants (the "**Warrant Shares**").

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

1. Certain Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Purchase 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.

"**Effectiveness Date**" means, with respect to a registration statement filed pursuant to Section 2 of this Agreement, the earlier of (a) the sixtieth (60th) day following the Filing Date (as defined below) (or, in the event that the registration statement receives a "full review" by the

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Commission, the one hundred twentieth (120th) day following the Filing Date), and (b) the date which is three (3) Business Days after the date on which the Commission informs the Company (i) that the Commission will not review the registration statement or (ii) that 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 or transferees of Registrable Securities (as defined below), Series A Shares, Exchange 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 Purchase 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.

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 Conversion Shares issuable upon conversion of the Series A Shares and the Exchange Notes outstanding on the date of the Demand (as defined below), (ii) any Warrant Shares issuable upon exercise of the Warrants outstanding on the date of the Demand, and (iii) any other securities into which 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 Holders (which attorney shall be reasonably acceptable to the Company) to represent the Holders' interests in connection with the registrations contemplated by this Agreement.

2. Demand Registration Rights.

(a) Subject to the conditions of this Section 2, if at any time following the 180th day after the date of this Agreement, the Company receives a written request from the Holders of more than fifty percent (50%) of the total number of Registrable Securities (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). Notwithstanding anything in this Agreement to the contrary and in addition to any other limitation herein, no Demand may be made by the Initiating Holders until (i) the Series A-1 Option described in Section 1(f) of the Purchase Agreement has expired, or, where a purchase of Series A-1 Shares pursuant to the Series A-1 Option is being completed following the expiration of the option period pursuant to Section 1(f)(v) of the Purchase Agreement, the closing of such purchase, or (ii) the closing of the purchase of all of the Series A-1 Shares available pursuant to the Series A-1 Option.

(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) 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 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, or the Holders are otherwise not permitted to utilize the prospectus therein to resell such Registrable Securities, for more than ten (10) consecutive calendar days or more than an aggregate of twenty (20) 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 (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 ten (10) or twenty (20) 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 two percent (2%) of the aggregate purchase price paid by such Holder pursuant to the Purchase Agreement for any unregistered Registrable Securities underlying Exchange Notes or Series A Shares 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 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, 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 4(d)(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 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 until the distribution contemplated in the registration statement has been completed or the Registrable Securities can be sold without volume limitations pursuant to Rule 144 under the Act;

(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 the Holders' 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 Holders' 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 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 not misleading in the light of the circumstances then existing;

(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 the Holders' 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).

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 not misleading in light of the circumstances under which they were made, 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 Purchase 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 not misleading in light of the circumstances under which they were made, 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 Purchase 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 Purchase 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 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 Conversion Shares and the Warrant Shares 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 shares of Common Stock, 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 transferee or assignee of the Series A Shares, the Exchange Notes, or the Warrants, and all other rights granted to the Buyer by the Company hereunder may be transferred or assigned to any transferee or assignee of the Series A Shares, the Exchange 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 said transferee or assignee and identifying the securities with respect to which such registration rights are being transferred or assigned; and provided further that the transferee or assignee of such rights 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, (iii) such transfer is made according to the applicable requirements of the Purchase Agreement, and (iv) the transferee has provided to the Company an investor questionnaire (or equivalent document) evidencing that the transferee is a "qualified institutional buyer" or an "accredited investor" defined in Rule 501(a)(1), (2),(3), or (7) of Regulation D.

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 this Agreement 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) 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; Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such

service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

(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:

Foley & Lardner LLP
100 North Tampa Street, Suite 2700
Tampa, Florida 33602
Facsimile: 813-221-4210
Attention: Curt P. Creely

If to a Buyer, to its address, electronic mail address, or facsimile number set forth on the Schedule of Buyers attached to the Purchase Agreement, with copies to such Buyer's representatives as set forth on such Schedule of Buyers, 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.

(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 each Buyer contained herein shall survive the Closing.

(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 Purchase 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.

[S*ignatures follow*]

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

COUNTERPART SIGNATURE PAGE
TO REGISTRATION RIGHTS AGREEMENT,

DATED MAY 1 2009,
AMONG LIQUIDMETAL TECHNOLOGIES, INC. AND
THE "BUYERS" IDENTIFIED THEREIN

The undersigned hereby executes and delivers the Registration Rights Agreement to which this signature page is attached, which, together with all counterparts of the Registration Rights Agreement and the signature pages of the Company and the other Buyers under the Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Registration Rights Agreement.

BUYERS

/s/ Carlyle Liquid Holdings, LLC

/s/ Fort Mason Master, LP

/s/ Fort Mason Partners, LP

/s/ The Tail Wind Fund Ltd.

/s/ Solomon Strategic Holdings, Inc.

/s/ Carlyle Liquid, LLC

/s/ Carlyle Holdings, LLC

/s/ Castlerigg Master Investments Ltd.

/s/ Diamond Opportunity Fund, LLC

/s/ Rockmore Investment Master Fund Ltd.

/s/ Abdi Mahamedi

/s/ BridgePointe Master Fund Ltd.

/s/ Iroquois Master Fund

/s/ Rodd Friedman

/s/ Myron Neugeboren

/s/ Ricardo Salas

/s/ Chang Ki Cho

/s/ Eric Brachfeld

/s/ Ed Neugeboren

/s/ Wynnefield Partners Small Cap Value LP

/s/ Wynnefield Partners Small Cap Value LP I

/s/ Wynnefield Small Cap Value Offshore Fund, Ltd.

/s/ Kenneth Lisiak

/s/ Vestal Venture Capital

/s/ Mermelstein Development

/s/ Atlantic Realty

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).

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made and entered into as of the 1st day of May, 2009, by and between LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation ("Borrower"), and WC COLLATERAL AGENT LLC, a Delaware limited liability company ("Agent") and each other person or entity listed as a Secured Party on Schedule 1 attached to this Agreement (the "Investors" and, together with Agent, the "Secured Parties").

Recitals

WHEREAS, the Secured Parties have agreed to purchase 8% Senior Secured Convertible Notes (the "Notes") from the Borrower pursuant to the terms of a Securities Purchase and Exchange Agreement (the "Purchase Agreement"), of even date herewith, between the Borrower and the Secured Parties.

WHEREAS, the Secured Parties have required, as a condition to purchasing the Notes, that Borrower grant the Agent, for the benefit of the Investors, 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 Notes, the Purchase Agreement, and herein, the parties hereto, intending to be legally bound, agree as follows:

1. **Incorporation of Recitals, Purchase Agreement, and Notes**. The foregoing Recitals, the Purchase Agreement, the Notes, 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:

"Collateral" means all assets and personal and fixture property of Borrower of any kind and nature whatsoever now owned or hereafter acquired by Borrower, whether tangible or intangible, including without limitation all of Borrower's right, title, and interest in and to the property and assets listed on Exhibit A, including all proceeds thereof and all increases, substitutions, replacements, additions, and accretions thereof.

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

"Patents" mean, collectively, all of Borrower's letters patent under the laws of the United States listed on Schedule A hereto, all recordings and registrations thereof and applications therefor, including, without limitation, the inventions described therein, all reissues, continuations, divisions, renewals, extensions, continuations-in-part thereof, in each case whether now owned or existing or hereafter acquired or arising.

"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 Agent and/or the Secured Parties; (iii) licenses or sublicenses of Patents, in each instance granted to others not interfering in any material respect with the business of the Borrower; (iv) liens or security interests existing on the date hereof in connection with indebtedness or obligations disclosed in Schedule 3(p) of the Purchase Agreement, but only if the existence of the lien or security interest is disclosed on Schedule 3(p) ("Existing Indebtedness"); or (v) liens or security interests granted by the Borrower to secure Senior Indebtedness.

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

"Senior Indebtedness" shall have the meaning set forth in the Notes.

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 Notes 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 Agent or any 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 Agent, its successors and its assigns, for the pro rata benefit of the Investors, their successors and their assigns, a security interest in the Collateral (the "Security Interest"). Without limiting the foregoing, the Agent 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 debtors and the Agent 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 in favor of the Agent, 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 Agent as long as any portion of the Obligations evidenced by the Notes remain unpaid.

b. No Other Liens. Except as set forth on Schedule 4(b) hereto, 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 Agent.

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 Agent 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. Borrower has the sole, full and clear title to each of the Patents shown on Schedule A hereto and the registrations thereof are valid and subsisting and in full force and effect. None of the Patents has been abandoned or dedicated, and, except to the extent that the Agent, upon prior written notice by Borrower, shall consent, Borrower will not do any act, or omit to do any act, whereby the Patents may become abandoned or dedicated and shall notify the Agent immediately if it knows of any reason or has reason to know that any application or registration may become abandoned or dedicated. Borrower hereby represents and warrants that the Patents shown on Schedule A are the only issued U.S. patents owned by Borrower as of the date of this Agreement.

e. Filing. Fully executed Uniform Commercial Code financing statements containing a description of the Collateral shall have been, or shall be delivered to the Agent in a form such that they can be, filed of record in every governmental, municipal or other office in every jurisdiction in which any portion of the Collateral is located necessary to publish notice of and protect the validity of and to establish a valid, legal and perfected security interest in favor of the Agent in respect of the Collateral in which a security interest may be perfected by filing 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 Notes to be made with respect to the Collateral have been made and the Agent 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 Notes to be made have been made and the Agent has a valid, legal and perfected security interest.

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 Agent's prior written consent, assign, transfer, encumber or otherwise dispose of the Collateral, or any interest therein, except that Borrower may (i) license (other than on an exclusive basis for all known fields of use for the duration of the term of the patent) or grant similar rights and interests on an arm's length basis consistent with good industry practice in all or any part of the Patents to unrelated third parties pursuant to its business; (ii) sell, license on an exclusive basis for all known fields of use for the duration of the term of the patent or otherwise transfer for value all or any part of the Patents with the prior written consent of the Agent, which consent will not be unreasonably withheld; (iii) 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 (iv) 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 Notes. The Borrower agrees that none of its subsidiaries has any material assets other than Liquidmetal Korea Co., Ltd. and Liquidmetal Coatings, LLC.

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 Agent 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. Borrower shall perform all acts and execute all documents, including, without limitation, security agreements with respect to patents in form suitable for filing with the United States Patent and Trademark Office, substantially in the form of Exhibit B, hereof requested by the Agent at any time to evidence, perfect, maintain, record and enforce the Agent's interest in the Collateral

that consists of patents or otherwise in furtherance of the provisions of this Agreement, and Borrower hereby authorizes the Agent 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 Agent. Borrower will take all necessary steps in any proceeding before the United States Patent and Trademark Office or any similar office or agency of the United States or any State thereof to maintain each application and registration of the Patents, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings.

d. Agent's Right to Take Action. If, after ten days written notice from Agent, Borrower fails to perform or observe any of its covenants or agreements set forth in this Section 5 or if Borrower notifies Agent that it intends to abandon all or any part of the Collateral, Agent 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 Agent's own name) and may (but need not) take any and all other actions that Agent 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 Agent on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and disbursements) incurred by the Agent or the Secured Parties in connection with or as a result of the Agent'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 Agent or the Secured Parties.

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 Agent pursuant to the provisions hereof and as otherwise provided in this Agreement. The Agent 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 Agent's name or otherwise, for the use and benefit of the Investors 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 Notes, (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 Agent were the absolute owner of the Collateral for all purposes; provided, however, that nothing herein contained shall be construed as requiring or obligating the Agent or any Investor to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Agent or such Investor 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 Agent or any Investor 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 Agent or any Investor in the absence of the gross negligence or willful misconduct of the Agent or such Investor; and provided further that, the Agent shall at all times act reasonably and in good faith. It is understood and agreed that the appointment of the Agent 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 Agent pursuant to this Section 5(f)) or impose any obligation on the Agent or any Investor to proceed in any particular manner with respect to the Collateral or any part thereof, or in any way limit the exercise by the Agent or any Investor 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 Agent.

g. Account Control Agreement. Borrower agrees to use best efforts to obtain as soon as practicable the signature of Bank of America to an account control agreement for all Deposit Accounts of the Company. Such account control agreement shall be in substantially the form set forth as Exhibit C, with such reasonable changes as shall be requested by Bank of America. Upon Bank of America's agreement to the form of account control agreement, the Borrower will promptly execute such agreement and deliver a duly executed counterpart to Agent.

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 Agent 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 Notes, 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 Agent; 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**. Subject to the provisions of Section 8 hereof, upon the occurrence of an Event of Default and at any time thereafter, the Agent may, at its option, take any or all of the following actions:

a. exercise any or all remedies available under this Agreement or the Notes 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 the patents comprising the Collateral and if Agent shall commence any suit for such enforcement, Borrower shall, at the request of Agent, do any and all lawful acts and execute any and all proper documents reasonably required by Agent in aid of such enforcement; or

d. incur expenses, including attorneys' fees at the regular hourly rates of the Agent'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. **Subordination of Security Interest to Senior Creditors**. The Secured Parties hereby subordinate any and every lien and security interest in the Collateral (as defined in the Loan Agreement) now or hereafter held by them (but only to the extent it secures the Senior Indebtedness) to any and every Permitted Lien (as defined in the Notes) that any holder of the Existing Indebtedness or any Senior Indebtedness ("Senior Creditors") now or hereafter holds in the Collateral with respect to Existing Indebtedness or Senior Indebtedness, notwithstanding any statement or provision contained in this Agreement or the Notes to the contrary and irrespective of the time or order of filing or recording of financing statements, deeds of trust, mortgages or other notices of security interests, liens or assignments granted pursuant thereto, and irrespective

of anything contained in any filing or agreement to which any party hereto or its respective successors and assigns may now or hereafter be a party, and irrespective of the ordinary rules for determining priorities under the Uniform Commercial Code or under any other law governing the relative priorities of secured creditors. Senior Creditors shall have the exclusive right to manage, perform and enforce the terms of their respective privileges, rights, and agreements with respect to their respective Collateral according to their discretion and the exercise of their business judgment including, but not limited to, the exclusive right to take or retake possession of the Collateral and to hold, prepare for sale, process, sell, lease, dispose of, or liquidate the Collateral, pursuant to a foreclosure or otherwise. Notwithstanding anything to the contrary contained in this Agreement or the Notes, only the Senior Creditors shall have the right to restrict or permit, or approve or disapprove, the sale, transfer or other disposition of their respective Collateral. Accordingly, should a Senior Creditor elect to exercise its rights and remedies with respect to any of the Collateral, such Senior Creditor may proceed to do so without regard to any interest of the Secured Parties, and the Secured Parties waive any claims that they may have against Senior Creditors for any disposition of the Collateral. In the event Secured Party receives the proceeds of any Collateral in which a Senior Creditor has a lien or security interest, such Secured Party shall be deemed to hold all of such proceeds in trust for the benefit of Senior Creditor until all secured obligations to the Senior Creditor are paid in full. A Secured Party shall not, without the prior written consent of the applicable Senior Creditor, be permitted to enforce any rights or exercise any remedies with respect to the Collateral in which a Senior Creditor has a security interest or lien (including, without limitation, the right to take any action to foreclose, repossess, marshall, control or exercise any remedies with respect to the Collateral), so long as any obligation to a Senior Creditor secured by such Collateral shall continue to exist. Upon the request of a holder or prospective holder of Senior Indebtedness, each Secured Party will execute any reasonable written affirmation, in favor of such holder or prospective holder, of the provisions of this paragraph and/or the provisions of Section 13 of the Notes. In addition, each Secured Party hereby agrees to comply with the provisions of Section 13 of the Notes, including without limitation paragraphs (b) and (c) thereof.

9. **Collateral Agent**. Pursuant to a Collateral Agent Agreement of even date herewith among the Investors, Agent, and Borrower, the Investors have designated Agent as their administrative agent with respect to the Collateral upon the terms and conditions set forth in said agreement.

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 Agent as follows:

FIRST, to the payment of all reasonable costs and expenses incurred by the Agent 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 Agent hereunder on behalf of the Borrower and any other reasonable costs or expenses incurred in connection with the exercise of any right or remedy hereunder;

SECOND, pro rata to the payment in full of accrued interest, and then outstanding principal in respect of any amount of the Notes outstanding (pro rata as among the Investors in accordance with the principal amount of the Notes held by them);

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

11. **Security Interest Absolute**. All rights of the Agent hereunder, the Security Interest, and all obligations of the Borrower hereunder, shall be absolute and unconditional irrespective of (i) any partial invalidity or unenforceability of the Notes, 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 Notes 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 the 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 any of the Secured Parties' rights or remedies. All rights and remedies of a 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 Parties 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 Parties and their respective participants, successors, and permitted assigns and shall take effect when signed by Borrower and the Secured Parties, and Borrower waives notice of Secured Parties' acceptance hereof; provided, however, that the Secured Parties' rights hereunder may not be transferred or assigned to any third party without the prior written consent of Borrower. This Agreement shall be governed by the internal law of the State of New York without regard to conflicts of law provisions. 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 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 (which shall not constitute notice):

Foley & Lardner LLP
100 North Tampa Street, Suite 2700
Tampa, Florida 33602
Facsimile: 813-221-4210
Attention: Curt P. Creely

If to the Agent to:

WC Collateral Agent LLC
450 7th Avenue, Suite 509
New York, NY 10123

with a copy to (which shall not constitute notice):

Gersten Savage LLP
600 Lexington Avenue, 9th Floor
New York, NY 10022
Facsimile: (212) 980-5192
Attention: David E. Danovitch, Esq.
Email: ddanovitch@gerstensavage.com

If to a Investor, to its address, electronic mail address, or facsimile number set forth on the Schedule 1 hereto, 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 HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT BORROWER 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 PARTIES 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 Agent 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.

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

AGENT:

WC COLLATERAL AGENT LLC

By: /s/ Nelson Obus
Name: Nelson Obus
Title: President

BORROWER:

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung
Name: Tony Chung
Title: Chief Financial Officer

COUNTERPART SIGNATURE PAGE
TO SECURITY AGREEMENT

DATED MAY 1, 2009,
AMONG LIQUIDMETAL TECHNOLOGIES, INC.,
THE "AGENT" INDENTIFIED THEREIN AND
THE "INVESTORS" IDENTIFIED THEREIN

The undersigned hereby executes and delivers the Security Agreement to which this Signature Page is attached, which, together with all counterparts of the Security Agreement and Signature Pages of the Borrower, Agent, and other "Investors" under the Security Agreement, shall constitute one and the same document in accordance with the terms of the Security Agreement.

INVESTORS:

/s/ Fort Mason Master, LP

/s/ Fort Mason Partners, LP

/s/ The Tail Wind Fund Ltd.

/s/ Solomon Strategic Holdings, Inc.

/s/ Castlerigg Master Investments Ltd.

/s/ Diamond Opportunity Fund, LLC

/s/ Rockmore Investment Master Fund Ltd.

/s/ BridgePointe Master Fund Ltd.

/s/ Iroquois Master Fund

/s/ Rodd Friedman

/s/ Myron Neugeboren

/s/ Ed Neugeboren

/s/ Wynnefield Partners Small Cap Value LP

/s/ Wynnefield Partners Small Cap Value LP I

/s/ Wynnefield Small Cap Value Offshore Fund, Ltd.

SCHEDULE 1 TO SECURITY AGREEMENT

"INVESTORS"

Buyer	Address, E-Mail and Facsimile Number	Principal Amount of Notes	Legal Representative's Address and Facsimile Number
Fort Mason Master, LP	580 California Street Suite 1925 San Francisco, CA 94104 (415) 288-8113	$ 910,341.27	
Fort Mason Partners, LP	580 California Street Suite 1925 San Francisco, CA 94104 (415) 288-8113	$ 59,035.02	
Tail Wind Fund Ltd.	c/o Tail Wind Advisory and Management Ltd 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665	$ 1,060,151.56	Peter J. Weisman, PC 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665
Solomon Strategic Holdings Inc.	c/o Tail Wind Advisory and Management Ltd 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665	$ 212,030.29	Peter J. Weisman, PC 767 Third Avenue, 6th Floor New York, NY 10017 (212) 676-5665
Castlerigg Master Investments Ltd.	c/o Sandell Asset Management Corporation 40 West 57th Street 26th Floor New York, NY 10019 (212) 603-5710	$ 1,696,242.47	
Diamond Opportunity Fund	500 Skokie Blvd, Suite 310 Northbrook, IL 60062 (847) 919-4410	$ 277,368.60	
Rockmore Investment Master Fund Ltd.	150 East 58th Street, 28th Floor New York, NY 10155 (212) 258-2315	$ 848,121.24	
BridgePointe Master Fund Ltd.	c/o Roswell Capital Partners 1120 Sanctuary Parkway Suite 325 Alpharetta, GA 30004 (770) 777-5844	$ 615,934.03	
Iroquois Master Fund	641 Lexington Avenue 26th Floor New York, NY 10022 (212) 207-3452	$ 161,562.72	
Rodd Friedman	93 Hillspoint Road Westport, CT 06880 (203) 663-1303	$ 48,104.98	
Myron Neugeboren	P.O. Box 1410 Lakeville, Ct 06309 (860) 435-2603	$ 9,339.72	
Ed Neugeboren	282 New Norwalk Road New Canaan, CT 06840 (212) 618-0202	$ 6,493.26	
Wynnefield Partners Small Cap Value LP	450 Seventh Avenue	$ 359,539.32	

	Suite 509 New York, NY 10123 (212) 760-0824		
Wynnefield Partners Small Cap Value LP I	450 Seventh Avenue Suite 509 New York, NY 10123 (212) 760-0824	$	470,825.34
Wynnefield Small Cap Value Offshore	450 Seventh Avenue Suite 509 New York, NY 10123 (212) 760-0824	$	453,704.41
Vestal Venture Capital	6471 Enclave Way Boca Raton, FL 33496 (561) 912-9979	$	311,205.78

SCHEDULE 4(B)

The security interest in favor of Hana Financial, Inc.

SCHEDULE A

Collateral Location:

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

Federal Employer Identification Number:

33-0264467

Patents Described in Section 4(d):

Title of Patent	US Patent Number
Porous Amorphous Alloy for Catalysts	4,608,319
Materials Transformable (Armacore)	4,725,512
WC Containing Coating	5,030,519
Be Containing Alloys (Compositon)	5,288,344
Be Containing Alloys (Method)	5,368,659
Joining Using Bulk Alloys	5,482,580
Composites of Bulk Alloy (Method)	5 567 251
Diamond Composites of Bulk Alloys	5,567,532
Zr-T-Ni-Cu Bulk Alloys (-101 Series)	5,618,359
Ti-Containing Hard-Facing Coating	5,695,825
Die-Casting of Bulk Alloys	5,711,363
Quinary Bulk Alloys (-105 type)	5 735 975
Torsional Spring of Bulk Alloys	5,772,803
Casting of Zr-base Bulk Alloys	5,797,443
Composites of Bulk Alloy (Article)	5,866,254
Die-Forming (Molding) of Bulk Alloys	5,896,642
Apparatus for Hard-Facing Coating	5,942,289
Replication with Bulk Alloys	5,950,704
Composite Kinetic Energy Penetrator	6,010,580
Vacuum Die-Casting	6,021,840
Zirconia Containing Coating	6,376,091
Shaped-Charge Projectiles	6,446,558
Casting of Amorphous Metallic Parts (Hot Mold Quenching)	6,620,264
Yttrium Addition (Chinese Group)	6,682,611
Golf Club Made of Bulk Alloy	6,685,577
Centrifugal-Method	6,695,936
In-Situ Ductile Composite	6,709,536
Metal Frame	6,771,490
Joining by Casting	6,818,078
Gliding Boards	6,843,496
Forming Molded Articles	6,875,293
Cutting Tools	6,887,586
Improving Bulk Alloys	7,008,490

Thermoplastic Casting (TPC)	7,017,645
Foamed Structures	7,073,560
Encapsulated Ceramic Armor	7,157,158
Investment Casting of Bulk-Solidifying Amorphous Alloys	7,293,599
Retractable Memory Stick	D563,954
Bulk Amorphous Refractory Glasses Based on the NI-NB-SN Ternary Alloy System	7,368,022
Golf Club Made of Bulk-Solidifying Amorphous Metal	7,357,731
Jewelry Made of Precious Amorphous Metal and Method of Making Such Articles	7,412,848

EXHIBIT A

Collateral

The term "Collateral" shall mean the following assets of the Borrower:

(a) All "accounts," as that term is defined in Article 9 of the Uniform Commercial Code, as in effect in the State of New York ("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 the 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 the 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 the Borrower or repossessed by the 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 the 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 (as defined in Section 2 of this Agreement), service marks, trademarks, trade names, trade secrets, engineering drawings, goodwill, rights to prepaid expenses, registrations, franchises, copyrights, licenses, 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 Parties ("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.

EXHIBIT B

SECURITY AGREEMENT

(PATENTS)

WHEREAS, LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation (herein referred to as "Borrower"), owns the letters patent, and/or applications for letters patent, of the United States, more particularly described on Schedule A annexed hereto as part hereof (the "Patents");

WHEREAS, Borrower is obligated to WC Collateral Agent LLC, as agent (herein referred to as the "Secured Party") for the Investors named in those certain Secured Convertible Notes dated as of the date hereof issued by the Borrower (each such note, as amended, modified or supplemented from time to time in accordance with its terms, shall collectively be referred to as the "Note") and Borrower has entered into a Security Agreement dated the date hereof (the "Agreement") in favor of Secured Party; and

WHEREAS, pursuant to the Agreement, Borrower has assigned to Secured Party, and granted to Secured Party a security interest in, all right, title and interest of Borrower in and to the Patents, together with any reissue, continuation, continuation-in-part or extension thereof, and all proceeds thereof, including, without limitation, any and all causes of action which may exist by reason of infringement thereof for the full term of the Patents (the "Collateral"), to secure the prompt payment, performance and observance of the Obligations, as defined in the Agreement;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, Borrower does hereby further assign unto Secured Party and grant to Secured Party a security interest in, the Collateral to secure the prompt payment, performance and observance of the Obligations.

Borrower does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the assignment of the security interest in the Collateral made and granted hereby are more fully set forth in the Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein.

Secured Party's address is 450 7th Avenue, Suite 509, New York, NY 10123

IN WITNESS WHEREOF, Borrower has caused this Agreement to be duly executed by its officer thereunto duly authorized as of the day of 2009.

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____
Name: _____
Title: _____

EXHIBIT C

FORM OF ACCOUNT CONTROL AGREEMENT
