As filed with the Securities and Exchange Commission on April 4, 2002

Registration No. 333-73716

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Liquidmetal Technologies

(Exact name of registrant as specified in its charter)

California	3399	33-0264467
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

Liquidmetal Technologies

100 North Tampa St., Suite 3150
Tampa, Florida 33602
(813) 314-0280
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John Kang

Chief Executive Officer
Liquidmetal Technologies
100 North Tampa St., Suite 3150
Tampa, Florida 33602
(813) 314-0280
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Martin A. Traber, Esq. **Steven W. Vazquez, Esq.** **Foley & Lardner** **100 North Tampa St., Suite 2700** **Tampa, Florida 33602** **(813) 229-2300**	**Michael L. Fitzgerald, Esq.** **Sidley Austin Brown & Wood LLP** **875 Third Avenue** **New York, New York 10022** **(212) 906-2000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

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

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Subject to Completion

Preliminary Prospectus dated April 4, 2002

PROSPECTUS

5,000,000 Shares

Common Stock

This is Liquidmetal Technologies' initial public offering. Liquidmetal Technologies is selling all of the shares.

We expect the public offering price to be between $15.00 and $17.00 per share. Currently, no public market exists for the shares. We have applied to have the shares quoted on the Nasdaq National Market under the symbol "LQMT."

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 6 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Liquidmetal Technologies	$	$

The underwriters may also purchase up to an additional 750,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

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

The shares will be ready for delivery on or about , 2002.

Merrill Lynch & Co.

UBS Warburg

Robert W. Baird & Co.

The date of this prospectus is , 2002

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PROSPECTUS SUMMARY

This summary highlights information that we present more fully in the rest of this prospectus. This summary does not contain all of the information you should consider before buying shares of our common stock in this offering. You should read the entire prospectus carefully, including the section entitled "Risk Factors" and our consolidated financial statements and the notes to those statements.

Overview

We are the leading developer of products made from amorphous alloys. We have the exclusive right to develop, manufacture, and sell what we believe are the only commercially available bulk amorphous alloys. Our amorphous alloys, or Liquidmetal alloys, possess a combination of performance, processing, and cost advantages that we believe makes them preferable to other materials in a variety of applications. With respect to performance, our alloys are in many cases stronger, harder, more elastic, and more wear and corrosion resistant than commonly used high-performance alloys. With respect to processing, our bulk amorphous alloys possess advantages that are typically associated with plastics, such as the ability to be molded into highly finished products without costly post-finishing processes. We market and sell Liquidmetal alloy industrial coatings and make products and components from bulk Liquidmetal alloys that can be incorporated into the finished goods of our customers. We believe that we are the only commercial enterprise dedicated to the development, manufacturing, and marketing of amorphous alloy products.

The unique atomic structure of Liquidmetal alloys differentiates them from other metals and alloys. An alloy is an engineered material consisting of two or more metals dissolved into each other in a molten state. In this molten state, the atomic particles of all metals and alloys are arranged in a completely random, or amorphous, structure. When cooled into a solid, the atomic particles of other metals and alloys become organized into regular and predictable patterns, similar to the manner in which ice forms when water freezes and crystallizes. These patterns contain naturally occurring structural defects that limit the potential strength of the material. In contrast, amorphous alloys retain their amorphous atomic structure when they solidify, allowing for an alloy with performance and processing characteristics that are superior in many ways to those of commonly used high-performance alloys. For example, bulk Liquidmetal alloys are about 250% stronger than commonly used titanium alloys, but can be molded like plastics.

Prior to 1993, amorphous alloys could only be created in thin forms, such as coatings, powders, and films. In 1993, researchers at the California Institute of Technology, or Caltech, developed the first commercially viable bulk amorphous alloy. Bulk amorphous alloys can have significant thickness, up to about one inch, which allows for their use in a wider variety of applications. Through a license agreement with Caltech, we have the exclusive right to commercialize Caltech's bulk amorphous alloy technology. In 1997, we began selling products made from bulk amorphous alloys, and we have since made significant advances in the composition and processing of our bulk amorphous alloys.

We believe that the development and commercialization of bulk amorphous alloys represent an important step forward in materials science. The development of plastics and the commercialization of titanium alloys are examples of major advances in materials science that have realized commercial success. Plastics can be molded into final shapes in many forms at relatively low costs using a variety of processing methods. This cost advantage has allowed plastic to become one of the most prevalent materials used today, even though it is a relatively weak material. Titanium alloys are lighter and stronger than most metals and alloys, but are difficult to process and relatively expensive to produce.

Liquidmetal alloys combine the processing and cost advantages of plastics with performance characteristics that exceed in many respects those of high-performance alloys, like titanium. Nevertheless, current bulk Liquidmetal alloys may not be able to replace plastics in applications in which high strength is not important or replace high-performance alloys in applications that are subject to high temperatures, such as internal engine components. However, we believe that the combination of performance, processing,

and cost advantages of our alloys will result in them replacing other materials in a variety of applications. We also believe that these advantages will enable the creation of entirely new products that are not commercially viable with existing materials.

Our Strategy

Our goal is to use our leadership position in amorphous alloy technology to develop and commercialize a wide variety of product applications. The key elements of our strategy include:

- Identifying and developing new applications that will utilize the performance, processing, and cost advantages of our alloys.
- Focusing our commercialization efforts on applications for products with relatively high unit volumes that are sold in major industries.
- Developing internal manufacturing capabilities for substantially all of our products to facilitate quality control, generate efficiencies, improve our technology, and protect our intellectual property.
- Establishing the Liquidmetal brand as a high-performance alloy and superior substitute for materials currently used in various applications and as an enabling technology that facilitates the creation of commercially viable new products.
- Enhancing our competitive position by aggressively developing, exploiting, and protecting our existing technologies, as well as future advances in amorphous alloy technologies.
- Pursuing acquisitions, joint ventures, and other strategic transactions to gain access to new technologies, products, markets, and manufacturing capabilities.

Initial Applications

We have identified several initial market opportunities to allow us to execute our strategy. These include:

- *Casings for electronic products.* We produce casing components for cellular phones and other electronic products.
- *Sporting goods and leisure products.* We are developing and marketing various applications for Liquidmetal alloys in the sporting goods and leisure products industry. We make golf club components and watchcases and are currently marketing them to finished goods manufacturers.
- *Medical devices.* We are developing various medical devices made from Liquidmetal alloys, including precision instruments used in eye surgeries, and we are producing prototypes of these products for testing by potential customers. In addition, recently completed initial test results lead us to believe that Liquidmetal alloys will be biologically compatible for other medical applications, such as orthopedic devices.
- *Industrial coatings.* We market and sell industrial coatings that reduce the wear and consequent failure of industrial machinery and equipment. We estimate that our coatings represented about 80% of worldwide sales of hard band coatings for oil drill pipe in 2001.
- *Defense applications.* We have been awarded a contract by the Defense Advanced Research Projects Agency, or DARPA, for funding of up to $2 million to test Liquidmetal alloy rods in kinetic energy penetrators, which are armor piercing munitions.

Liquidmetal Golf

Historically, we engaged in the retail marketing and sale of golf clubs through our majority owned subsidiary, Liquidmetal Golf. On September 29, 2001, our board of directors voted to sell or otherwise discontinue Liquidmetal Golf's retail golf business. Our board of directors made this decision in order to conform our business operations to our strategy of incorporating components and products that we manufacture into the finished goods of our customers. This retail golf club business is treated as a discontinued operation in our consolidated financial statements.

Historically, Liquidmetal Golf's retail golf club business consisted of the marketing and sale of golf clubs that were designed by Liquidmetal Golf and that carried the Liquidmetal Golf brand name. These golf clubs, which were manufactured by a third party, were marketed and sold by Liquidmetal Golf directly to retail outlets and consumers. Although the retail golf club business is being discontinued, Liquidmetal Golf will be engaged in the business of manufacturing and selling golf club components to golf original equipment manufacturers that will integrate these components into their own golf clubs and then sell them under their respective brand names. Consistent with our decision to discontinue the retail golf business, we are winding down the retail business and liquidating the inventory of our retail golf business. Liquidmetal Technologies owns 79.19% of the outstanding equity interest in Liquidmetal Golf.

Corporate Information

We were incorporated in California in 1987. Our principal executive offices are located at 100 North Tampa St., Suite 3150, Tampa, Florida 33602, and our telephone number at that address is (813) 314-0280. Our principal research and development offices are located at 25800 Commercentre Dr., Suite 100, Lake Forest, California 92630, and our telephone number at that address is (949) 206-8000. Our Internet site address is www.liquidmetal.com. Any information that is included on or linked to our Internet site is not a part of this prospectus.

Liquidmetal® and the Liquidmetal logo are registered trademarks of Liquidmetal Technologies. Other trademarks and service marks appearing in this prospectus are the property of their respective holders.

The Offering

Shares offered by Liquidmetal Technologies	5,000,000 shares
Shares outstanding after the offering	40,731,986 shares
Use of proceeds	We estimate that our net proceeds from the offering, assuming no exercise of the underwriters' overallotment option, will be approximately $72.5 million. We intend to use a portion of the net proceeds to repay approximately $7.8 million in outstanding indebtedness, and we intend to use approximately $35.0 to $45.0 million for the construction and equipping of manufacturing facilities. We intend to use the remaining net proceeds for general corporate purposes, including capital expenditures and working capital, and potential strategic transactions such as acquisitions and joint ventures.
Risk factors	See the section entitled "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Proposed Nasdaq National Market symbol	LQMT

The number of shares of common stock outstanding after the offering is based upon the number of shares outstanding as of December 31, 2001 and:

- includes 456,857 shares that will be issued upon the conversion of our Series A convertible preferred stock upon the closing of this offering;
- includes 251,614 shares issued upon the exercise of vested stock options after December 31, 2001 and prior to the date hereof;
- excludes 5,255,415 shares issuable pursuant to options granted under our stock incentive plans at a weighted average exercise price of $5.93 per share, of which 1,482,374 options were vested as of December 31, 2001, and also excludes an additional 11,000,000 shares reserved for issuance pursuant to future option grants under our stock incentive plans;
- excludes 2,909,680 shares that are issuable pursuant to non-qualified stock options granted outside of our stock incentive plans at a weighted average exercise price of $3.19 per share, all of which were vested as of December 31, 2001; and
- excludes 645,162 shares that are issuable pursuant to warrants having an exercise price of $4.65 per share that were outstanding as of December 31, 2001.

Unless otherwise specifically noted, all financial information and share data in this prospectus have been adjusted to reflect a one-for-3.1 reverse stock split of our outstanding common stock and preferred stock on April 4, 2002. In addition, except as otherwise noted, all information in this prospectus assumes no exercise of the underwriters' overallotment option.

Summary Consolidated Financial Data

The following summary consolidated financial data should be read in conjunction with the Liquidmetal Technologies consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. The summary consolidated financial data for the years ended December 31, 2001, 2000, and 1999 and as of December 31, 2001 have been derived from our audited consolidated financial statements included elsewhere in this prospectus.

	Year Ended December 31,		
	2001	2000	1999
	(in thousands, except per share data)		
Consolidated Statements of Operation Data:			
Revenue	$ 3,882	$ 4,200	$ 2,012
Cost of sales	1,924	1,983	805
Gross profit	1,958	2,217	1,207
Operating expenses:			
Selling, general, and administrative	4,302	1,449	847
Research and development	1,725	455	333
Total operating expenses	6,027	1,904	1,180
Interest expense, net	(1,095)	(188)	(190)
Income (loss) from continuing operations	(5,164)	125	(163)
Loss from operations of discontinued retail golf segment, net	(5,973)	(8,938)	(7,977)
Loss from disposal of discontinued retail golf segment, net	(11,949)	—	—
Net loss	(23,086)	$ (8,813)	$ (8,140)
Income (loss) per share from continuing operations (basic)	$ (0.15)	$ 0.00	$ (0.01)
Income (loss) per share from continuing operations (diluted)	$ (0.15)	$ 0.00	$ (0.01)
Weighted average common shares used to compute income (loss) per share from continuing operations (basic)(1)	33,323	30,233	26,788
Weighted average common shares used to compute income (loss) per share from continuing operations (diluted)(1)	33,323	33,285	26,788

	As of December 31, 2001		
	Actual	Pro forma(2)	Pro Forma As Adjusted(3)
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 2,230	$ 2,230	$66,975
Working capital (deficiency)	(9,572)	(9,572)	55,173
Total assets	6,680	6,680	71,425
Long-term debt, including current portion	2,988	2,988	—
Shareholders' equity (deficiency)	(7,503)	(7,503)	64,997

(1) As adjusted to reflect a one-for-3.1 reverse stock split of our outstanding common stock and preferred stock on April 4, 2002.

(2) Pro forma to give effect to the conversion of all of our Series A convertible preferred stock into 456,857 shares of common stock upon the consummation of this offering.

(3) Pro forma as adjusted to give effect to the sale of 5,000,000 shares in this offering at an assumed initial public offering price of $16.00 per share (the midpoint of the expected range) after deducting the underwriting discount and commissions and estimated offering expenses and to give effect to the repayment of $7.8 million in principal and accrued interest on several outstanding loans with the proceeds from this offering, of which $3.5 million in principal was issued subsequent to December 31, 2001.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information contained in this prospectus, before you decide to buy our common stock. If any of the following risks actually occur, our business, financial condition, or results of operations could be materially adversely affected. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may impair our business. Any adverse effect on our business, financial condition, or results of operations could result in a decline in the trading price of our common stock and the loss of all or part of your investment.

We have not sustained profitability and may incur losses in the future.

We had an accumulated deficit of approximately $58.6 million at December 31, 2001. Of this accumulated deficit, $44.3 million is attributable to losses generated by our discontinued retail golf business during the years 1997 through 2001. We realized a net loss of $5.2 million for the year ended December 31, 2001, excluding the results of our discontinued retail golf business. We may incur additional operating losses in the future. Moreover, we expect that our operating expenses will continue to increase significantly as we develop our own manufacturing capabilities, expand our management team and sales and marketing operations, and invest substantial resources for research and development activities. Consequently, it is possible that we may not achieve positive earnings and, if we do achieve positive earnings, we may not be able to achieve them on a sustainable basis.

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

We have marketed and sold industrial coatings to distributors in the coating industry since 1987. Our experience selling products made from bulk amorphous alloys has been limited to our discontinued retail golf business, which had a different marketing strategy than the one we are currently employing. We only recently began producing bulk amorphous alloy components and products for incorporation into our customers' finished goods. While we anticipate this business will generate substantially all of our revenue in the future, we have not generated any revenue from this business to date and have only a limited number of purchase orders. Moreover, many of our relationships with potential customers are at an early stage, and there can be no assurance that these customers will enter into purchase commitments with us. Therefore, we have limited financial, operational, and manufacturing data that you can use to evaluate our business and business prospects. Any evaluation of our business and business prospects must be considered in light of our limited history of developing, manufacturing, and selling bulk amorphous alloy components and products for incorporation into our customers' finished goods.

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

We intend to sell our bulk Liquidmetal alloy products to customers that incorporate them into their finished goods in several markets that we have identified. We have not yet generated any revenue from these planned sales. The extent of demand for bulk Liquidmetal alloys as substitute materials or for new applications in these markets is uncertain. We have made assumptions in our business plans regarding the market size for, and the manufacturing requirements of, our products based in part on information we receive from third parties. If these assumptions prove to be incorrect, we may not be able to achieve profitability.

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

Our discontinued retail golf business has contributed approximately 46.2%, 61.5%, and 74.7% of our revenues for the years ended December 31, 2001, 2000, and 1999, respectively. As a result of our

limited history of selling bulk amorphous alloy components and products that are incorporated into the finished goods of our customers, and because the revenues, costs and expenses, assets and liabilities, and cash flows in connection with our discontinued retail golf business have been segregated in our consolidated financial statements, our historical results of operations may not be indicative of our future results. In addition, we have estimated in our consolidated financial statements the losses that we will incur while we continue to operate our discontinued retail golf business prior to its sale or discontinuation. If the losses we actually incur increase materially from these estimates, our financial results could be harmed.

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

To increase our revenues, we must establish and maintain relationships with customers that incorporate our components and products into their finished goods. We expect to rely on the marketing, distribution, and, in some cases, the research and development abilities of our customers to assist us in developing, commercializing, and marketing our products in different markets. To date, we have formalized only a few of these relationships. Our future growth will depend in large part on our ability to enter into these relationships and the subsequent success of these relationships. If our products are chosen to be incorporated into a customer's products, we may still not realize significant revenues from that customer if that customer's products are not commercially successful.

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

Our ability to generate revenue from new customers will be affected by the amount of time it takes for:

- us to identify a potential customer;
- our customers to test Liquidmetal alloys;
- prototypes to be designed;
- manufacturing facilities to be prepared for full-scale production upon the transition from prototype to final product; and
- with respect to some types of products, such as medical devices, obtaining regulatory approval.

We currently do not have a sufficient history of selling products made from our bulk amorphous alloys to predict accurately the length of our average sales cycle. We believe that our average sales cycle from the time we deliver an active proposal to a customer until the time our customer fully integrates our bulk amorphous alloys into its product could be a significant period of time. The sales cycle could extend longer than we anticipate. The time it takes to transition a customer from limited production to full-scale production runs will depend upon the nature of the products into which our alloys are integrated. Our inexperience in this area could delay our ability to generate additional revenue.

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

We believe that many of our customers will perform numerous tests and extensively evaluate our components and products before incorporating them into their finished products. The time required for testing, evaluating, and designing our components and products into a customer's products, and in some cases, obtaining regulatory approval, can take a significant amount of time, with an additional period of time before a customer commences volume production of products incorporating our components and products, if ever. Moreover, because of this lengthy development cycle, we may experience a delay

between the time we accrue expenses for research and development and sales and marketing efforts and the time when we generate revenues, if any. We may incur substantial costs in an attempt to transition a customer from initial testing to prototype and from prototype to final product. If we are unable to minimize these transition costs, or to recover the costs of these transitions from our customers, our operating results will be adversely affected.

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

For the near future, we expect that a significant portion of our revenues will be concentrated in a limited number of customers. For example, for the year ended December 31, 2001, revenues from three customers of our industrial coatings represented approximately 52% of total revenues from continuing operations. A reduction, delay, or cancellation of orders from one or more of our customers or the loss of one or more customer relationships could significantly reduce our revenues. Unless we establish long-term sales arrangements with these customers, they will have the ability to reduce or discontinue their purchases of our products on short notice.

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

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

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

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

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

Our future growth and success will depend in part on our ability to identify new product applications and retain our technological advantage over other materials for these applications. We intend to identify and develop applications that will incorporate our bulk amorphous alloys into our customers' products. Consequently, for many of our targeted applications, we will compete with manufacturers of similar products that use different materials. For example, we have targeted the cellular phone casing market as an application for our alloys. In this market, we believe we will compete with other manufacturers of cellular phone casings who use plastics or metal to construct their casings. In other markets, we will compete directly with suppliers of the incumbent material. For example, we intend to develop orthopedic devices made from our alloys. Because we intend to sell these orthopedic devices to medical device manufacturers that internally manufacture these products, we believe that we will compete

in this market with the suppliers of titanium alloy, stainless steel, and other materials currently used to make orthopedic devices. Manufacturers of competing products or suppliers of incumbent materials may have significantly greater financial resources than us.

In addition, in each of our targeted markets, our success will depend in part on the ability of our customers to compete successfully in their respective markets. Thus, even if we are successful in replacing an incumbent material in a finished product, we will remain subject to the risk that our customer will not compete successfully in its own market.

Future advances in materials science could render Liquidmetal alloys obsolete.

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

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

Our future growth and success will depend, in part, on our ability to retain key members of our management and scientific staff, particularly John Kang, our President and Chief Executive Officer, and Professor William Johnson, Vice Chairman of our board of directors. We do not have “key man” or similar insurance on either of these individuals. If we lose either of their services or the services of other key personnel, our financial results or business prospects may be harmed. Additionally, our future growth and success will depend on our ability to attract, train and retain new engineering, manufacturing, sales, and management personnel. We cannot be certain that we will be able to attract and retain the personnel necessary to manage our operations effectively. Competition for experienced executives and scientists from numerous companies and academic and other research institutions may limit our ability to hire or retain personnel on acceptable terms. In addition, many of the companies with which we compete for experienced personnel have greater financial and other resources than we do. Moreover, the employment of non-citizens may be restricted by applicable immigration laws.

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

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

- our management team has worked together for a relatively short period of time;
- we have a limited history of manufacturing our own products, and we intend to rapidly develop and equip additional manufacturing facilities in South Korea upon the completion of this offering;
- we have a limited history of developing, manufacturing, and marketing products made from bulk Liquidmetal alloys, and we expect that our bulk alloy business will generate a majority of our revenue in the near future;
- we intend to rapidly expand our research and development programs; and
- we intend to pursue acquisitions, joint ventures, and other strategic transactions that will enhance or expand our technology and manufacturing base.

We will need to add manufacturing, scientific, managerial, marketing, sales, and other personnel, both domestically and internationally. We will also need to rapidly institute additional operational, financial, and management controls to accommodate our expansion, as well as additional reporting systems and

procedures. If we fail to effectively manage this growth, we may not be able to effectively implement our strategy, and our financial results and business prospects could be harmed.

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

We intend to pursue strategic transactions that provide access to new technologies, products, markets, and manufacturing capabilities. These transactions could include acquisitions, partnerships, joint ventures, business combinations, and investments. For example, we may pursue transactions that will give us access to new technologies that are useful in connection with the composition, processing, or application of Liquidmetal alloys. In particular, upon the completion of this offering, we intend to focus our acquisition efforts on companies that will expand or enhance our manufacturing capabilities. We may not be able to successfully identify any potential strategic transactions. Even if we do identify one or more potentially beneficial strategic transactions, we may not be able to consummate these transactions on favorable terms or obtain the benefits we anticipate from such a transaction. If we are able to consummate any strategic transactions, the transactions could pose significant integration challenges or management and business disruptions, especially while we are in the early stages of our growth.

We do not have direct experience in manufacturing our products, and we may encounter manufacturing problems or delays or may be unable to produce high-quality products at acceptable costs.

We intend to internally manufacture substantially all of our bulk Liquidmetal alloy products, including products that we develop in conjunction with our customers. To date, all of our products have been outsourced for manufacture by third parties, except for prototypes and sample quantities of various bulk Liquidmetal alloy products. The development and operation of our manufacturing facilities will require significant investment of capital and managerial attention and require various permits and approvals from regulatory agencies. We have limited experience in manufacturing our products and may be required to manufacture a range of products in high volumes while ensuring high quality and consistency. We cannot assure you that we will be able to accomplish our manufacturing plans or that we will be able to obtain all regulatory permits or approvals necessary to construct and operate our manufacturing facilities.

We currently own and operate a small manufacturing facility in South Korea and are establishing additional manufacturing facilities in South Korea. Additionally, we have recently leased space in a facility in Pinellas County, Florida that we may use for prototype manufacturing. We may also establish additional manufacturing facilities in the United States or abroad. We cannot assure you that these facilities will be completed on a timely basis or within the currently contemplated budgets. We also cannot assure you that these facilities will be able to produce their intended products with the production yields, quality controls, and production costs that we currently assume. We may be required to incur additional capital expenditures if it is necessary to increase our manufacturing capability, and we may not be able to finance any future capital expenditures on commercially reasonable terms or at all.

The loss of manufacturing services for our industrial coating products could harm our business.

We intend to continue to outsource the manufacturing of our industrial coatings, the sales of which currently constitute substantially all of our operating revenues. If any of these subcontractors terminates or fails to perform their respective obligations under a manufacturing agreement, we may be unable to manufacture our industrial coating products in a timely manner and our business may be harmed. Establishing our own manufacturing capabilities for our coatings or identifying substitute manufacturers could be expensive and time-consuming and result in a reduction of our revenues.

We expect to derive a substantial portion of our revenues from sales outside the United States, and problems associated with international business operations could affect our ability to manufacture and sell our products.

We are in the process of constructing additional manufacturing facilities in South Korea. We expect that we will manufacture substantially all of our initial products in our South Korean facilities. As a result, our manufacturing operations are subject to risks of political instability, including the risk of conflict between North Korea and South Korea. In addition, we anticipate that sales to customers located outside of the United States will account for a significant portion of our revenues in future periods and that the trend of foreign customers accounting for an increasing portion of our total sales may continue. Specifically, we expect to derive a significant amount of revenue from sales to customers located in South Korea and throughout Asia. A significant downturn in the economies of Asian countries where our products are sold, particularly South Korea's economy, would materially harm our business.

Our operations and revenues are subject to a number of risks associated with foreign commerce, including:

- difficulties in staffing and managing our manufacturing facilities located in South Korea;
- product or material transportation delays or disruption, including the availability and costs of air and other transportation between our South Korean facilities and the United States;
- political and economic instability;
- potentially adverse tax consequences;
- burden of complying with complex foreign laws and treaties; and
- trade protection laws, policies, and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs.

Moreover, customers may sell finished goods that incorporate our components and products outside of the United States, which exposes us indirectly to additional foreign commerce risks.

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

We expect to denominate sales of our products in foreign countries exclusively in U.S. dollars. Any increase in the value of the U.S. dollar relative to the local currency of a foreign country will increase the price of our products in that country so that our products become relatively more expensive to customers in the local currency of that foreign country. As a result, sales of our products in that foreign country may be adversely affected. Moreover, as a result of operating a manufacturing facility in South Korea, a substantial portion of our costs are and will continue to be denominated in the South Korean won. Adverse changes in the exchange rates of the South Korean won to the U.S. dollar will affect our costs of goods sold and operating margins and could result in exchange losses.

Our inability to protect our licenses, patents and proprietary rights in the United States and foreign countries could harm our business because third parties may take advantage of our research and development efforts.

We have an exclusive license from Caltech to several patents and patent applications relating to amorphous alloy technology and we have obtained several of our own patents. We also have the exclusive right to Caltech's inventions, proprietary information, know-how, and other technology relating to bulk amorphous alloys existing as of September 1, 2001. Our success depends in part on our ability to obtain and maintain patent and other proprietary right protection for our technologies and products in the United

States and other countries. If we are unable to obtain or maintain these protections, we may not be able to prevent third parties from using our proprietary rights. Specifically, we must:

- protect and enforce our license agreement with Caltech and our own patents and intellectual property;
- exploit our license of the patented technology under our license agreement with Caltech as well as our own patents; and
- operate our business without infringing on the intellectual property rights of third parties.

Caltech owns several issued United States patents covering the composition and method of manufacturing of the family of Liquidmetal alloys. We also hold several United States and corresponding foreign patents covering the manufacturing processes of Liquidmetal alloys and their use. The patents relating to our coatings expire on various dates between 2004 and 2017, and those relating to our bulk amorphous alloys between 2013 and 2017. If we are unable to protect our proprietary rights prior to the expiration of these patents, we may lose the advantage we have established as being the first to market bulk amorphous alloy products. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems and costs in protecting our proprietary rights in these foreign countries.

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

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

Our success depends, in part, on our ability to operate without infringing valid, enforceable patents or proprietary rights of third parties and not breaching any licenses that may relate to our technology and products. Future patents issued to third parties may contain claims that conflict with our patents and that compete with our products and technologies, and third parties could assert infringement claims against us. Any litigation or interference proceedings, regardless of their outcome, may be costly and may require significant time and attention of our management and technical personnel. Litigation or interference proceedings could also force us to:

- stop or delay using our technology;
- stop or delay our customers from selling, manufacturing or using products that incorporate the challenged intellectual property;
- pay damages; or
- enter into licensing or royalty agreements that may be unavailable on acceptable terms.

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

Some of the applications that we have identified or may identify in the future may be subject to government regulations. For example, medical devices such as precision ophthalmic instruments and orthopedic devices made from our alloys are subject to extensive government regulation in the United States by the Food and Drug Administration, or FDA. The medical device manufacturers to whom we sell

our products may need to comply with FDA requirements, including premarket approval or clearance under Section 510(k) of the Food Drug and Cosmetic Act before marketing in the United States medical device products that incorporate our alloys. These medical device manufacturers may be required to obtain similar approvals before marketing these medical devices in foreign countries. Medical device manufacturers, with which we intend to jointly develop and sell our medical device products, may not provide significant assistance to us in obtaining required regulatory approvals. The process of obtaining and maintaining required FDA and foreign regulatory approvals could be lengthy, expensive, and uncertain. Additionally, regulatory agencies can delay or prevent product introductions. The failure to comply with applicable regulatory requirements can result in substantial fines, civil and criminal penalties, stop sale orders, loss or denial of approvals, recalls of products, and product seizures.

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

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

You will suffer immediate and substantial dilution as a result of this offering.

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our outstanding common stock. As a result, investors purchasing common stock in this offering will incur immediate and substantial dilution in net tangible book value per share of our common stock from the initial public offering price in the amount of $14.49 per share, based on an assumed initial public offering price of $16.00 per share (the midpoint of the expected price range). Additional dilution may be incurred to investors in this offering if stock options or warrants, whether currently outstanding or subsequently granted, are exercised.

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

Our executive officers and directors and entities affiliated with them will, in the aggregate, beneficially own approximately 65.5% of our common stock following this offering. As a result, these shareholders, acting together, will be able to significantly influence all matters requiring shareholder approval, including the election and removal of directors and approval of significant corporate transactions such as mergers, consolidations and sales of assets. They also could dictate the management of our business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination, which could cause the market price of our common stock to fall or prevent you from receiving a premium in such a transaction.

The price of our common stock may be highly volatile, and you may not be able to resell your shares at or above the initial public offering price.

Prior to this offering, there has been no public market for our common stock. An active trading market for our common stock may not develop or be sustained following this offering. The initial public offering price for the shares was determined by negotiations between us and Merrill Lynch and may not be indicative of prices that will prevail in the trading market. You may not be able to sell your shares quickly or above the initial public offering price if trading in our stock is not active. Furthermore, the market price of our common stock may decline below the price you paid for your shares.

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including:

- the degree to which we successfully implement our business strategy;
- actual or anticipated variations in quarterly or annual operating results;
- changes in recommendations by the investment community or in their estimates of our revenues or operating results;
- speculation in the press or investment community;
- strategic actions by our competitors;
- announcements of technological innovations or new products by us or our competitors; and
- changes in business conditions affecting us and our customers.

The market prices of securities of companies without consistent product revenues and earnings, have been highly volatile and are likely to remain highly volatile in the future. This volatility has often been unrelated to the operating performance of these companies. In the past, following periods of volatility in the market price of a company's securities, class action litigation has often been brought against the company. If a securities class action suit is filed against us, whether or not meritorious, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business in order to respond to the litigation.

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

Sales of a large number of shares of our common stock, or the availability of a large number of shares for sale, could adversely affect the market price of our common stock and could impair our ability to raise funds in additional stock offerings. Based on shares outstanding as of April 1, 2002, upon completion of this offering, we will have 40,731,986 shares of common stock outstanding, assuming no exercise of options or warrants after April 1, 2002. % of our outstanding common stock is subject to agreements with the underwriters that restrict their ability to transfer their stock for 180 days after the date of this prospectus. Merrill Lynch, on behalf of the underwriters, may in its sole discretion and at any time waive the restrictions on transfer in these agreements during this period. After these agreements expire, approximately shares will be eligible for sale in the public market assuming no exercise of stock options or warrants. In addition, following this offering, three shareholders have piggyback registration rights with respect to 3.7 million shares of our common stock currently owned by them or issuable to them pursuant to options. In the event that we propose to register additional shares of common stock under the Securities Act of 1933 for our own account, these shareholders are entitled to receive notice of that registration and to include their shares in the registration, subject to limitations described in the agreements granting these rights.

We will have broad discretion in how we use the net proceeds from this offering.

We intend to use the net proceeds from this offering primarily for the repayment of existing indebtedness, for capital expenditures relating to the construction and equipping of manufacturing facilities, and for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds to pursue strategic transactions such as acquisitions and joint ventures. However, our management has not designated a specific use for a substantial portion of the net proceeds and will have broad discretion over their use. Our management may allocate the net proceeds differently than investors in this offering would have preferred, or we may not maximize our return on the net proceeds.

We may require additional funding, which may not be available on favorable terms or at all.

Our future capital requirements will depend on the amount of cash generated by our operations. We may need additional funds in the future to support our working capital requirements, the expansion of manufacturing capabilities, and for other purposes, and we may seek to raise additional funds through public or private equity financing, bank debt financing or from other sources. Adequate funds may not be available when needed or may not be available on favorable terms. If we raise additional funds by issuing equity securities, existing stockholders may be diluted. If funding is insufficient at any time in the future, we may not be able to develop or enhance our products or services, take advantage of business opportunities or respond to competitive pressures, any of which could harm our business.

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

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

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

The provisions described above could delay or make more difficult transactions involving a change in control of us or our management.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions, or future events. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions. These statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances, or achievements expressed or implied by the forward-looking statements. Consequently, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the section entitled “Risk Factors” above.

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

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or other date stated in this prospectus. Our business, financial condition, results of operations, and prospects may have changed by then.

USE OF PROCEEDS

We expect to receive approximately $72.5 million in net proceeds from the sale by us of shares of common stock in this offering (approximately $83.7 million if the underwriters' over allotment option is exercised in full), based on an assumed initial public offering price of $16.00 per share (the midpoint of the expected price range), and after deducting underwriting discounts, commissions and estimated offering expenses.

We currently intend to use the net proceeds as follows:

- approximately $35.0 to $45.0 million of the net proceeds for the construction and equipping of our manufacturing facilities;
- approximately $7.8 million of the net proceeds to repay in full the principal and accrued interest on several outstanding loans from some of our officers and directors, including:
    - $2.9 million in principal amount bearing interest at 8.5% per year with a maturity date of December 31, 2002;
    - $1.0 million in principal amount bearing interest at 8.0% per year with a maturity date of the earlier of December 31, 2002 or the closing of an initial public offering or other significant funding transaction;
    - $2.0 million in principal amount borrowed subsequent to December 31, 2001 and bearing interest at 8.0% per year with a maturity date of the earlier of May 1, 2003 or the closing of an initial public offering; and
    - $1.5 million in principal amount borrowed subsequent to December 31, 2001 and bearing interest at 8.0% per year with a maturity date of the earlier of July 1, 2003 or the closing of an initial public offering; and
- the remaining proceeds for general corporate purposes, including working capital and capital expenditures.

We may also use a portion of the net proceeds to pursue acquisitions, joint ventures, and other strategic transactions to gain access to new technologies, products, markets, and manufacturing capabilities. However, we have no specific plans, agreements, or commitments to do so and are not currently engaged in any negotiations for any acquisition or investment.

The amounts and timing of our use of proceeds will vary depending on a number of factors, including the amount of cash generated or used by our operations, competitive and technological developments, and the rate of growth, if any, of our business. As a result, we will retain broad discretion in the allocation of, and have no specific plans for, a significant portion of the net proceeds of this offering. Pending the uses described above, we will invest the net proceeds of this offering in cash, cash-equivalents, money market funds, or short-term interest-bearing, investment-grade securities.

DIVIDEND POLICY

Liquidmetal Technologies has never declared or paid any cash dividends on its common stock. We anticipate that any earnings will be retained for development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Our board of directors has sole discretion to pay cash dividends based on our financial condition, results of operations, capital requirements, contractual obligations and other relevant factors. In the future, we may also obtain loans or other credit facilities that may restrict our ability to declare or pay dividends.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2001:

- on an actual basis;
- on a pro forma basis to reflect the conversion of all of our shares of Series A convertible preferred stock into 456,857 shares of common stock upon the consummation of this offering; and
- on a pro forma as adjusted basis to reflect the sale of 5,000,000 shares of common stock in this offering at an assumed initial offering price of $16.00 per share (the midpoint of the expected price range), after deducting estimated underwriting discounts and commissions and estimated offering expenses and to reflect to the repayment of $7.8 million in principal and accrued interest on several outstanding loans (some of which were obtained subsequent to December 31, 2002) with the proceeds from this offering.

	December 31, 2001		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited) (in thousands, except share data)	
Long-term debt, including current portion	$ 2,988	$ 2,988	$ —
Shareholders equity (deficit):			
Preferred stock, no par value: 10,000,000 shares authorized; 456,857 issued and outstanding actual; none issued and outstanding pro forma; and none issued and outstanding pro forma as adjusted	5,577	—	
Common stock, no par value: 200,000,000 shares authorized; 35,023,515 shares issued and outstanding actual; 35,480,372 shares issued and outstanding pro forma; and 40,731,986 shares issued and outstanding pro forma as adjusted	29,752	35,329	107,829
Paid-in capital	22,401	22,401	22,401
Unamortized stock-based compensation	(6,717)	(6,717)	(6,717)
Accumulated deficit	(58,588)	(58,588)	(58,588)
Accumulated foreign exchange translation gain	72	72	72
Total shareholders' (deficiency) equity	(7,503)	(7,503)	64,997
Total capitalization	$ (4,515)	$ (4,515)	$ 64,997

The table does not include 8,810,257 shares issuable upon the exercise of options and warrants that are outstanding as of April 1, 2002, and does not include an additional 11,000,000 shares reserved for issuance for future award grants under our stock incentive plans.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering. We calculate net tangible book value per share by calculating the total assets less intangible assets and total liabilities, and dividing it by the number of outstanding shares of common stock.

After giving effect to the sale of shares of common stock at an assumed initial public offering price of $16.00 per share (the midpoint of the expected price range), after deducting the estimated underwriting discounts, commissions and estimated offering expenses, our pro forma as adjusted net tangible book value as of December 31, 2001, would have been $64.3 million, or $1.59 per share. This represents an immediate increase in the pro forma as adjusted net tangible book value of $1.82 per share to existing shareholders and an immediate dilution of $14.41 per share to you, as illustrated in the following table:

Assumed initial public offering price per share		$16.00
Pro forma net tangible book value per share at December 31, 2001	$(0.23)	
Increase per share attributable to new investors	$ 1.82	
Pro forma net tangible book value per share after this offering		$ 1.59
Dilution per share to new investors		$14.41

The following table shows on a pro forma as adjusted basis at December 31, 2001, the total number of shares of common stock purchased, the total consideration paid to us, and the average price per share paid by existing shareholders.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
	(in thousands, except percentage and per share data)				
Existing shareholders(1)	35,480	87.6	$ 35,329	30.6	$ 1.00
New investors	5,000	12.4	80,000	69.4	$16.00
Totals	40,480	100%	$115,329	100%	$ 2.85

(1) Includes 456,857 shares that will be issued upon the conversion of our Series A convertible preferred stock upon the closing of this offering.

You will experience additional dilution upon the exercise of outstanding options and warrants, and to the extent that we issue new options or rights under our stock incentive plans or issue additional shares of capital stock in the future, you may experience further dilution.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the Liquidmetal Technologies' consolidated financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. The selected consolidated financial data for the years ended December 31, 2001, 2000 and 1999 and as of December 31, 2001 and 2000, have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated financial data for the year ended December 31, 1998 and as of December 31, 1999 and 1998 have been derived from our audited consolidated financial statements not included in this prospectus. The selected consolidated financial data as of and for the year ended December 31, 1997 has been derived from unaudited internal financial records.

	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(audited)				(unaudited)
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue	$ 3,882	$ 4,200	$ 2,012	$ 3,143	$ 3,216
Cost of sales	1,924	1,983	805	1,388	1,460
Gross profit	1,958	2,217	1,207	1,755	1,756
Operating expenses:					
Selling, general, and administrative	4,302	1,449	847	2,123	1,750
Research and development	1,725	455	333	278	1,057
Total operating expenses	6,027	1,904	1,180	2,401	2,807
Other (expense) income, net	(1,095)	(188)	(190)	452	18
Income (loss) from continuing operations	(5,164)	125	(163)	(194)	(1,033)
Loss from operations of discontinued retail golf segment, net	(5,973)	(8,938)	(7,977)	(7,052)	(2,403)
Loss from disposal of discontinued retail golf segment, net	(11,949)	—	—	—	—
Net loss	$(23,086)	$ (8,813)	$ (8,140)	$ (7,246)	$ (3,436)
Income (loss) per share from continuing operations — basic(1)	$ (0.15)	$ 0.00	$ (0.01)	$ (0.01)	$ (0.05)
Income (loss) per share from continuing operations — diluted(1)	$ (0.15)	$ 0.00	$ (0.01)	$ (0.01)	$ (0.05)
Weighted average common shares used to compute income (loss) per share from continuing operations — basic(1)	33,323	30,233	26,788	21,505	20,499
Weighted average common shares used to compute income (loss) per share from continuing operations — diluted(1)	33,323	33,285	26,788	25,650	20,499

	As of December 31,				
	2001	2000	1999	1998	1997
	(audited)				(unaudited)
	(in thousands, except per share data)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 2,230	$ 124	$ 314	$ 33	$ 312
Working capital (deficiency)	(9,572)	(3,967)	117	2,928	1,478
Total assets	6,680	1,945	2,043	5,557	3,552
Long-term debt, including current portion	2,988	2,506	2,106	1,596	—
Shareholders' equity (deficiency)	(7,503)	(3,680)	(1,461)	2,033	1,966

(1) As adjusted to reflect a one-for-3.1 reverse stock split of our outstanding common stock and preferred stock on April 4, 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

When you read this section of this prospectus, it is important that you also read our consolidated financial statements and related notes included elsewhere in this prospectus. This section of this prospectus contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations, and intentions. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the factors described below and in the section entitled "Risk Factors."

Overview

We are in the business of developing, manufacturing, and marketing products made from amorphous alloys. We market and sell Liquidmetal alloy industrial coatings and make products from bulk Liquidmetal alloys that can be incorporated into the finished goods of our customers. Since our inception in 1987, we have marketed and sold industrial coatings made from our proprietary amorphous alloys. In 1993, we acquired an exclusive license to commercialize what we believe is the world's first commercially viable bulk amorphous alloy, and we began selling products made from this alloy in 1997.

The historical operating information contained in this section is based substantially on our coatings business, which we believe will constitute a diminishing percentage of our business in the near future. We only recently began producing bulk amorphous alloy components and products for incorporation into our customers' finished goods. While we anticipate this business will generate substantially all of our revenue in the near future, we have not generated any revenue from this marketing effort to date. Accordingly, you should not rely on the following discussion or on our historical financial information contained in this discussion and elsewhere in this prospectus as being indicative of our future results or financial condition.

Historically, we have derived revenues primarily from the sale of Liquidmetal alloy coatings to a number of different industries. Prospectively, we expect that a significant portion of our revenues will be derived from new applications that utilize our bulk amorphous alloys. We will be focusing our initial commercialization efforts primarily on applications for products with high unit volumes that are sold in major industries. We expect that these new sources of revenues will significantly change the current size and character of our revenue mix.

The cost of sales for our Liquidmetal coatings consists primarily of the costs incurred in outsourcing our manufacturing to a third party. We expect that our cost of sales will change significantly from historical results as we further develop our bulk amorphous alloy business. Although we plan to continue outsourcing the manufacturing of our coatings, we intend to internally manufacture applications derived from our bulk amorphous alloys. By manufacturing our products in our own facilities with our own equipment, we expect to reduce costs, protect know-how, and achieve efficiencies. However, we expect to incur substantial capital expenses as we establish our manufacturing capabilities.

Selling, general, and administrative expenses currently consist primarily of marketing and advertising, salaries and related benefits, professional fees, administrative expenses, and other expenses related to our operations. While many of these same expenses will continue, we expect that the amounts incurred of these expenses will increase significantly in support of the expanding operations, facilities, and applications offered. For example, we intend to hire additional personnel to manage our manufacturing activities and the sales and marketing of new applications.

Research and development expenses represent salaries, related benefits expense, expenses incurred for the design and testing of new processing methods, and other expenses related to the research and development of Liquidmetal alloys. Costs associated with research and development activities are expensed as incurred. We plan to enhance our competitive position by improving our existing technologies and developing advances in amorphous alloy technologies. We believe that our research and development

efforts will focus on the discovery of new alloy compositions, the development of improved processing technology, and the identification of new applications for our alloys. We expect these research and development efforts to increase significantly, as will our expenses relating to these efforts.

Our historical operations included our coatings business and our retail golf operation conducted through our majority-owned Liquidmetal Golf subsidiary. On September 29, 2001, our board of directors voted to sell or otherwise discontinue the retail golf operations of Liquidmetal Golf in order to conform our operations to our business strategy. Pursuant to Accounting Principles Board Opinion No. 30, *Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, we have reclassified our consolidated financial statements to reflect the discontinuation of Liquidmetal Golf's retail golf operations. The revenues, costs and expenses, assets and liabilities, and cash flows of the retail golf business have been segregated in our Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Loss, and Consolidated Statements of Cash Flows. The net operating results, net assets, and net cash flows of the retail golf business have been reported as discontinued operations in our consolidated financial statements.

The following discussion and analysis of our financial condition and results of operations focuses on the historical results of our continuing operations.

Results of Operations

Comparison of the years ended December 31, 2001 and 2000

Revenues. Revenues decreased to $3.9 million in 2001 from $4.2 million in 2000. This decrease was primarily due to the absence in 2001 of some non-recurring sales that occurred in 2000. These non-recurring sales were the result of a recall of defective drill pipe that was manufactured overseas by third parties, and as a result of this recall, there was a need to coat the replacement pipe. This decrease in revenue was partially offset by a $0.2 million increase in revenue during 2001 primarily resulting from increased drilling activities as a result of higher crude oil prices.

Cost of Sales. Cost of sales decreased to $1.9 million, or 50% of revenue, in 2001 from $2.0 million, or 47% of revenue, in 2000. The decrease in cost of sales reflects the corresponding decline in sales volume over the same period. The increase in cost of sales as a percentage of revenue was the result of a change in our sales mix that included greater sales to the oil drilling industry which carries a slightly lower gross profit margin than sales to other industries.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased to $4.3 million, or 111% of revenue, in 2001 from $1.4 million, or 35% of revenue, in 2000. This increase was primarily a result of increases in wages, professional fees, stock option based compensation, and travel expenses of $1.2, $0.6, $0.5, and $0.4 million, respectively. These expenses represented the continued additions to our corporate infrastructure required to prepare for and support the anticipated growth of our bulk Liquidmetal alloy business.

Research and Development Expenses. Research and development expenses increased to $1.7 million, or 44% of revenue, in 2001 from $0.5 million, or 11% of revenue, in 2000. This increase was primarily a result of expenses related to the continued research and development of new Liquidmetal alloys and related processing capabilities. This included the hiring of additional research employees, developing new manufacturing techniques, and contracting with consultants to advance the development of our alloys.

Other (Expense) Income, Net. Other expense, net increased to $1.1 million, or 28% of revenue, in 2001 from $0.2 million, or 4% of revenue, in 2000. This increase was primarily due to the amortization of the fair value of warrants granted in connection with subordinated promissory notes we issued in February 2001.

Comparison of the years ended December 31, 2000 and 1999

Revenues. Revenues increased to $4.2 million in 2000 from $2.0 million in 1999. This increase was primarily a result of increased sales of our amorphous alloy coatings generated both from new clients and increased sales to existing clients due to increased drilling activities resulting from higher crude oil prices. By contrast, our sales decreased in 1999 as a result of the decline in oil drilling activities related to a decline in crude oil prices. Contributing to the revenue increase in 2000 were non-recurring sales of coatings for replacement drill pipe in connection with the recall of defective foreign drill pipe. This increase was partially offset by a decrease in revenue from one-time licensing fees and royalties under a now terminated license we granted to a third party to manufacture and sell our coatings for specific applications.

Cost of Sales. Cost of sales increased to $2.0 million, or 47% of revenue, in 2000 from $0.8 million, or 40% of revenue, in 1999. This increase was primarily a result of increased costs to support sales of our amorphous alloy coatings. The increase in cost of sales as a percentage of revenues was primarily a result of decreased licensing fees and royalties fees in 2000. These licensing fees and royalties had no cost of sales associated with them.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased to $1.5 million, or 35% of revenue, in 2000 from $0.8 million, or 42% of revenue, in 1999. This increase was primarily a result of additions to our corporate infrastructure required to prepare for and support the anticipated growth of our bulk amorphous alloy business. In 2000, increases in wages, professional fees, and other general corporate expenses of $0.2, $0.2, and $0.1 million, respectively, were the primary sources of this increase.

Research and Development Expenses. Research and development expenses increased to $0.5 million, or 11% of revenue, in 2000 from $0.3 million, or 17% of revenue, in 1999. This increase was primarily a result of expenses related to the hiring of additional research employees to advance the development of new amorphous alloys and their processing. This increase in personnel added $0.1 million in additional wage expense.

Other (Expense) Income, Net. Other expense, net was $0.2 million, or 4% of revenue, in 2000, and was $0.2 million, or 9% of revenue, in 1999. This expense was primarily attributable to interest on notes payable outstanding during both years.

Liquidity and Capital Resources

We have used cash principally to fund our working capital and capital investment requirements. Since 1997, we have financed our operations primarily through private sales of our equity securities (including through the exercise of options) and through the issuance of our subordinated promissory notes, resulting in net proceeds of approximately $26.8 million through December 31, 2001. As of December 31, 2001 and December 31, 2000, we had cash and cash equivalents of $2.2 million and $0.1 million, respectively.

Our operating activities, including our discontinued retail golf operations, used cash of $12.1 million for the year ended December 31, 2001. Cash used in operating activities for the year ended December 31, 2001 resulted primarily from a loss from continuing operations of $5.2 million and net cash used by discontinued operations of $8.9 million that was partially offset by an increase in current liabilities of $1.3 million for that period and changes in operating assets and liabilities. Our operating activities used cash of $4.9 million for the year ended December 31, 2000. While we had negative working capital of $9.6 million and $4.0 million as of December 31, 2001 and 2000, respectively, management believes that it has taken sufficient steps to decrease future cash needs by discontinuing our retail golf business and raising additional debt and equity financing, including this offering.

Our investing activities used cash of $1.2 million for the year ended December 31, 2001. We used $0.8 million primarily for the acquisition of machinery and equipment in connection with the development of our South Korean manufacturing facility, $0.3 million for our corporate offices, for computer equipment,

office equipment, leasehold improvements and patents. This amount also includes $0.1 million of investments in patents and other intellectual property related to our Liquidmetal alloys. Our investing activities used cash of $0.1 million for the year ended December 31, 2000, primarily in connection with the purchase of machinery, equipment, and furniture for our operations and the investment in patents and other intellectual property relating to our alloys.

Our financing activities provided $15.3 million in cash for the year ended December 31, 2001. This amount includes $3.5 million from the sale of shares of our common stock, $2.4 million from exercises of options to purchase shares of our common stock, and $5.6 million from the sale of our Series A convertible preferred stock. This amount also includes $4.0 million from the sale of subordinated promissory notes, of which $0.1 million was repaid in the same period. Our financing activities provided $4.7 million in cash for the year ended December 31, 2000. This amount includes $3.7 million through the sale of shares of our common stock, $0.5 million from sale of common stock of our majority-owned subsidiary, Liquidmetal Golf, and $1.3 million through the issuance of subordinated promissory notes, net of $0.8 million in repayments of subordinated notes in 2000.

As of December 31, 2001, our outstanding debt was $3.0 million, net of debt discount of $0.9 million. As of December 31, 2001, aggregate principal payments required under outstanding subordinated promissory notes totaled $3.9 million, of which $2.9 million bear interest at 8.5% per annum and are due on December 31, 2002, and $1.0 million bear interest at 8.0% per annum and are due on December 31, 2002, or, if earlier, upon the closing of an initial public offering or significant funding transaction. On March 12, 2002, we issued an additional subordinated promissory note in consideration of a $2 million loan, and this note bears interest at 8.0% per annum and is due on the earlier of May 1, 2003 or the closing of an initial public offering. On April 3, 2002, we issued additional subordinated promissory notes in consideration of $1.5 million in loans that bear interest at 8.0% per annum and that are due on the earlier of July 1, 2003 or the closing of an initial public offering. The subordinated notes may be prepaid only with the consent of the noteholders. The holders of these notes are John Kang, Rick Salas, and Tjoa Thian Song, each of whom are directors and shareholders of our company. John Kang is also our president and chief executive officer, and Rick Salas is our corporate secretary. We believe that the terms and conditions of these notes, including their interest rates, are more favorable to us than the terms and conditions that we could have obtained from clearly independent third parties. These notes and all accrued interest thereon will be paid in full with the proceeds from this offering.

We currently anticipate significant capital expenditures for at least the next 12 months, primarily for the construction and development of manufacturing facilities. In addition to our existing manufacturing facility in Incheon, South Korea, we commenced construction in the first quarter of 2002 of a new manufacturing facility consisting of at least 10,000 square feet on a parcel of land that we lease in Pyoung-taek, South Korea. Upon the completion of this offering, we intend to commence construction of an additional manufacturing facility consisting of approximately 100,000 square feet on this same parcel. We also currently intend to build-out our leased facility in Pinellas County, Florida to provide research, development, and testing capabilities, as well as possible prototype manufacturing capabilities. We anticipate that our capital expenditures will be approximately $25 to $30 million over the next 12 months, and approximately $35 to $45 million through the end of 2003, for the construction and equipping of our manufacturing facilities. This amount is subject to change, however, depending upon the nature and amount of the orders that we actually receive from customers.

Our capital requirements during the next 12 months will depend on numerous factors, including the success of our existing products, the development of new applications for Liquidmetal alloys, and the resources we devote to develop and support our amorphous alloy products. During the next 12 months, we expect to devote substantial capital to expand our sales and marketing capabilities, to expand our research and development activities, to develop or acquire additional manufacturing facilities, and for working capital and other general corporate purposes. These additional expenses and capital expenditures will consume a material amount of our cash resources, including a portion of the net proceeds of this offering. We believe that the net proceeds from this offering, together with our existing cash balances, will be sufficient to fund these liquidity requirements for at least the next twelve months. We may, however, need

to raise additional capital, which may not be available on terms acceptable to us, if at all. Any future financing may be dilutive in ownership, preferences, rights, or privileges to our shareholders. Our liquidity is not dependent upon the use of off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities.

In the period after the next 12 months, we intend to continue to develop our manufacturing resources and capabilities. Additionally, we anticipate significant growth in our working capital requirements from our expanding bulk amorphous alloy business. However, the amount of these requirements will depend on the nature and amount of orders we receive for the purchase of our bulk amorphous alloy products. We believe the net proceeds from this offering, together with our anticipated cash flows from our bulk amorphous alloy business, will be sufficient to fund our long-term liquidity requirements. We may, however, need to raise additional funds through private or public debt or equity financings. However, there is no guarantee that additional capital will be available or, if available, will be on terms acceptable to us. Any such financing may be dilutive in ownership, preferences, rights, or privileges to our shareholders.

Our management believes that we will have adequate cash resources. In the absence of this initial public offering, we would seek alternative financing arrangements or reduce certain capital expenditures and other expenses through the reduction of staff and certain other operating expenses to further decrease future cash needs.

Critical Accounting Policies and Estimates

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

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

- We have accounted for our retail golf business as a discontinued operation. In calculating the loss on disposal of our retail golf business, we made certain estimates with regard to the valuation of the assets and liabilities of the retail golf business. Estimates were made for the collectability of accounts receivables, the liquidation value of inventories, the liquidation of certain other operating assets, and the estimated future losses of the retail golf business through the estimated disposal date of April 30, 2002. Also included in the loss on disposal is our estimate of stock option compensation expense attributable to an endorsement contract. The estimated stock option expense is based in part on an estimated future common stock price. If the market price of our common stock fluctuates from our estimate over the remaining life of the endorsement contract, the estimated stock option expense may be subject to significant volatility. To the degree actual results vary from any of these estimates or management adjusts the estimates, the accounting of the loss of disposal of discontinued operations may increase or decrease and cash received from the liquidation of these assets may not meet our estimates. In December 2001, the Company recorded a $5.6 million reduction to the estimated loss on disposal of the discontinued retail golf segment due to a change in the estimated stock option value attributable to options granted pursuant to an endorsement agreement. The change in the estimated stock option value was due to a change in the estimated fair market value of the underlying common stock.

- We have recorded stock-based compensation expense related to the issuance of stock options to non-employees. To the extent that these non-employees have not completed the services

required to earn the options, we are required to value these option grants based on their fair market value, which is based in part on the underlying market price of our common stock at the time the financial statements are presented. If the market price of our common stock increases over the period in which the non-employees earn the stock option awards, the expense attributable to these stock options increases and is charged against income. Due to the number of options issued to non-employees, material amounts could be charged against earnings and could cause significant volatility in future earnings if the market price of our common stock increases.

- Our earnings and cash flows are subject to fluctuations due to changes in non-U.S. currency exchange rates. We are exposed to non-U.S. exchange rate fluctuations as the financial results of non-U.S. subsidiaries are translated into U.S. dollars in consideration. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact overall expected profitability. The cumulative translation effects for subsidiaries using functional currencies other than the U.S. dollar are included in accumulated foreign exchange translation in shareholders' equity. Movements in non-U.S. currency exchange rates may affect our competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors.

- We value our purchased inventory at the lower of cost or market determined using the first-in, first-out (FIFO) method. We value our manufactured inventory using the standard cost method. As we carry more manufactured inventory, estimates made of the costs to manufacture this inventory will be critical to the standard cost valuation. In the event in future periods these capitalized costs are determined to exceed the lower of cost or market value for the inventory, the inventory valuation would be written down and a loss charged to income.

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

- We have capitalized certain costs relating to our initial public offering, as allowed by generally accepted accounting principles. If our initial public offering is not completed on a timely basis, these capitalized amounts will result in a loss charged to income.

Qualitative and Quantitative Disclosures About Market Risk

We are exposed to various market risks as a part of our operations, and we anticipate that this exposure will increase as a result of our planned growth. In an effort to mitigate losses associated with these risks, we may at times enter into derivative financial instruments, although we have not historically done so. These may take the form of forward sales contracts, option contracts, foreign currency exchange contracts, and interest rate swaps. We have not, and do not intend to, engage in the practice of trading derivative securities for profit.

Interest Rates. We are exposed to market risks relating to changes in interest rates. Some of the proceeds of this offering may be invested in short-term, interest-bearing, investment grade securities. The value of these securities will be subject to interest rate risk and could fall in value if interest rates rise.

Commodity Prices. We are exposed to price risk related to anticipated purchases of certain commodities used as raw materials by our businesses, including titanium and zirconium. Although we do not currently enter into commodity future, forward, and option contracts to manage the fluctuations in prices of anticipated purchases, we may enter into such contacts in the future as our business grows and as our purchases of these raw materials increases.

Foreign Exchange Rates. As a result of our operation of a manufacturing facility in South Korea, a substantial portion of our costs will be denominated in the South Korean won. Consequently, fluctuations in the exchange rates of the South Korean won to the U.S. dollar will affect our costs of goods sold and operating margins and could result in exchange losses. Although we do not currently enter into foreign exchange hedge transactions, we may do so in the future as our business grows.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board, or FASB, issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 133, as later amended, establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for changes in the fair value of a derivative depends upon the intended use of the derivative and resulting designation. We adopted SFAS No. 133 on January 1, 2001. The adoption of SFAS No. 133 did not have a material effect on our financial position or results of operations.

In June 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets.* SFAS No. 141 requires that all business combinations be accounted for under the purchase method and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. SFAS No. 142 requires that ratable amortization of goodwill and intangible assets with indefinite lives be replaced with periodic tests of the goodwill's impairment and that intangible assets with finite lives other than goodwill should be amortized over their useful lives. Implementation of SFAS No. 141 and SFAS No. 142 is required for fiscal year 2002. Adoption of SFAS No. 141 and 142 is not expected to have a material impact on our financial condition or results of operations.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations.* SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which such liabilities are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs should be capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. Adoption of SFAS No. 143 is not expected to have a material impact on our financial statements.

Issued in October 2001, SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, replaces SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.* The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, *Reporting Results of Operations — Reporting the Effects of Disposal of a Segment of a Business*, for the disposal of segments of a business. SFAS No. 144 requires that those long-lived assets be measured at the lower of the carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. We have elected not to early adopt SFAS No. 144. Adoption of SFAS No. 144 is not expected to have a material impact on our consolidated financial statements.

BUSINESS

Overview

We are the leading developer of products made from amorphous alloys. We have the exclusive right to develop, manufacture, and sell what we believe are the only commercially available bulk amorphous alloys. Our amorphous alloys, or Liquidmetal alloys, possess a combination of performance, processing, and cost advantages that we believe makes them preferable to other materials in a variety of applications. Bulk Liquidmetal alloys offer processing characteristics typically associated with plastics, combined with performance characteristics exhibited by high-performance metals and alloys.

We market and sell Liquidmetal alloy industrial coatings and make products from bulk Liquidmetal alloys that can be incorporated into the finished goods of our customers across a variety of industries. Additionally, we are exploring new product applications for Liquidmetal alloys and are expanding our manufacturing facilities and capabilities. We believe that we are the only commercial enterprise dedicated to the development, manufacturing, and marketing of products made from amorphous alloys.

Since our inception in 1987, we have marketed and sold industrial coatings made of our proprietary alloys. In 1993, we acquired an exclusive license to commercialize what we believe is the world's first commercially viable bulk amorphous alloy, and we began selling products made from this alloy in 1997. Since 1997, we have made significant advances in the composition and processing of Liquidmetal alloys. We believe that these advances have improved the performance, processing, and cost advantages of our alloys, and through our ongoing research and development programs, we believe that we will continue to enhance and improve our amorphous alloy technology.

Industry Background

During the past century, advances in materials science have resulted in the introduction of new technologies, enhancements to industrial processes, and improvements in the quality of everyday life. From time to time, fundamental research has resulted in the introduction of entirely new classes of materials that offer improved performance and cost characteristics. The adoption of new classes of materials in substitution for incumbent materials generally has been driven by commercial and economic considerations.

The development of plastics and the commercialization of titanium are examples of major advances in materials science that have realized commercial success. Plastics, developed in the early 1900s, are synthetic materials based on the mixing of various chemical compounds. When heated, plastic can be processed in a number of different ways into various objects, films, or shapes. Plastic's ability to be shaped into a variety of forms at relatively low costs has led to its widespread use today. The processing and cost advantages of plastic have enabled it to supplant, for example, wood, glass, or iron in numerous applications. However, plastics are relatively weak materials and are therefore not viable in many applications that require high strength characteristics.

The development of high-strength titanium alloys in the 1950s resulted in a variety of new commercially viable uses for titanium. Titanium alloy's strength and durability characteristics make it desirable in applications that require high performance and low failure rates, such as aerospace, marine, military, and specialized industrial uses. However, titanium is relatively difficult to process, and therefore, products made from it can be expensive to produce.

We believe that bulk Liquidmetal alloys are unique in that they offer in one material the relative advantages of plastics and high-performance alloys, like titanium. Bulk Liquidmetal alloys resolve the limitations of these materials by combining the processing and cost advantages of plastics with performance characteristics that exceed in many respects those of titanium alloys. While bulk Liquidmetal alloys may not be able to replace plastics in applications in which high strength is not important or replace high-performance alloys in applications, such as internal engine components, that are subject to high temperatures, we believe that the combination of performance, processing, and cost advantages of bulk Liquidmetal alloys will result in them replacing plastics, titanium, and other materials in a variety of

applications. Moreover, we believe that these advantages will facilitate the introduction of entirely new products and applications that are not possible or commercially viable with existing materials.

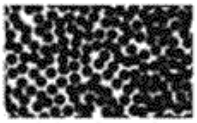
Our Technology

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

Unique Atomic Structure

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

Depiction of crystalline atomic structure



Depiction of amorphous atomic structure

Prior to 1993, commercially viable amorphous alloys could be created only in thin forms. However, in 1993, researchers at Caltech developed the first commercially viable amorphous alloy in a bulk form. We have the right to commercialize bulk amorphous alloy technology through an exclusive license agreement with Caltech and other patents that we own.

Proprietary Material Composition

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

Advantages of Liquidmetal Alloys

Liquidmetal alloys possess a unique combination of performance, processing, and cost advantages that we believe make them superior in many ways to other commercially available materials.

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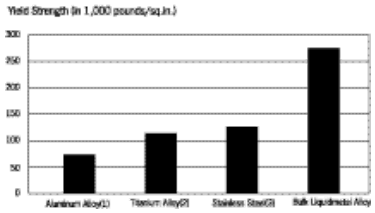
Performance Advantages

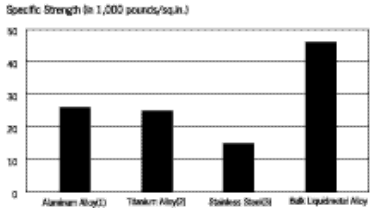
Liquidmetal alloys provide several distinct advantages over other materials in applications that require high strength, strength-to-weight ratio, elasticity, and hardness. The following graphs compare the typical strength, strength-to-weight ratio, elasticity, and hardness properties of our primary bulk alloy composition against those of several other alloys that are widely used today in commercial applications.

Strength



[Bar graph comparing the yield strength of bulk Liquidmetal alloy to aluminum alloy, titanium alloy, and stainless steel as measured in yield strength in pounds per square inch.]

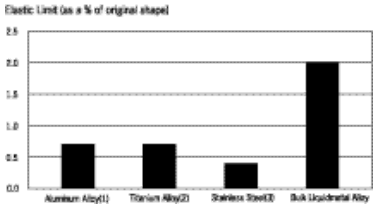
Strength-to-Weight Ratio



[Bar graph comparing the strength-to-weight ratio of bulk Liquidmetal alloy to aluminum alloy, titanium alloy, and stainless steel as measured in specific strength in pounds per square inch.]

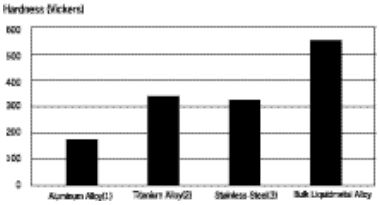
The strength of a material is frequently measured in terms of yield strength, which is the stress at which definite damage or deformation occurs to the material with little or no increase in load. Yield strength is an important performance measure in many structural applications where the potential cost of damage is high, such as orthopedic devices.
A material's strength-to-weight ratio, or specific strength, can be defined as its yield strength divided by its specific gravity. A high strength-to-weight ratio is particularly important in applications in which the damage costs are high and weight is a consideration, such as protective casings for electronic devices.

Elasticity



[Bar graph comparing the elasticity of bulk Liquidmetal alloy to aluminum alloy, titanium alloy, and stainless steel as measured in elastic limit as a percentage of original shape.]

Hardness



[Bar graph comparing the hardness of bulk Liquidmetal alloy to aluminum alloy, titanium alloy, and stainless steel as measured by the Vickers hardness test.]

Elasticity is a measure of a material's ability to return to its original shape after being stretched or forced out of shape. The elastic strain limit, or elastic limit, of a material is the point at which permanent damage or deformation starts. Elasticity is an important performance measurement in applications that need to resist permanent damage from impact to protect aesthetics or in applications where energy transfer is important, such as golf club heads.
Hardness measures a material's ability to resist penetration and wear by another material. In the widely-used Vickers hardness test, a diamond point is pressed slowly against the surface of the material with a known force applied. The area of the dent is measured to yield the Vickers hardness number. Hardness is important in applications that are subjected to heavy wear or penetration and applications in which an ability to penetrate is important, such as munitions.

Data Source: http://www.matweb.com (other than data relating to bulk Liquidmetal alloys). This online database contains comprehensive information regarding the properties of various materials.

(1) The aluminum alloy being compared here is 7075-T6, a widely used high-strength aluminum alloy. This alloy is used in aerospace, automotive, defense, and other applications.

(2) The titanium alloy being compared here is a type of Ti-6Al-4V, a widely used titanium alloy particularly known for its high strength. This alloy is commonly used in structural, aircraft, biomedical, and other applications. The properties being shown here are the properties exhibited by the cast form of the material.

(3) The alloy being compared here is a type of corrosion-resistant cast steel heat-treated to 5528 C, similar to the alloy known in the steel industry as 17-4 stainless, a widely used premium stainless steel. This alloy is utilized in industrial, aerospace, aircraft, and other applications.

In addition, bulk Liquidmetal alloys have other performance features that may make them desirable in specific applications. For example, very low coefficients of friction have been measured in certain applications of bulk Liquidmetal alloys, such as applications in which bulk Liquidmetal alloys wear against themselves. Moreover, bulk Liquidmetal alloys have demonstrated high resistance to erosion and corrosion in saline and caustic environments. For example, our bulk Liquidmetal alloys showed no signs of corrosion in an industry standard saline corrosion test performed by an independent testing laboratory. These characteristics, combined with bulk Liquidmetal alloys' high strength and hardness, could yield a material that demonstrates high resistance to wear.

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

Processing Advantages

The processing of a material generally refers to how a material is shaped, formed, or combined with other materials to create a finished product. Bulk Liquidmetal alloys possess processing characteristics that we believe make them preferable to other materials in a wide variety of applications. In particular, our alloys are amenable to processing options that are typically associated with plastics and not readily available for other metals and alloys. The following is a description of some of the processing advantages offered by our alloys:

- *Net-Shape Casting Capability.* Casting is the process of injecting molten material into a mold so that it solidifies into a desired shape. Net-shape casting is a type of casting that permits the creation of highly finished products that do not require costly and difficult post-finishing processing or machining. Bulk Liquidmetal alloys have superior net-shape casting capabilities because of their relatively low melting point and low thermal expansion levels. Other alloys crystallize too quickly for effective net-shape casting. However, bulk Liquidmetal alloys remain relatively fluid during cooling, which allows our alloys to be distributed readily throughout a mold and shaped into near final form before solidifying. As a result, unlike titanium and other high-performance alloys, our bulk amorphous alloys can be cast into intricate, sophisticated, engineered designs without costly post-finishing processes.

- *Thermoplastic Molding Capability.* Thermoplastic molding consists of heating a solid piece of material until it is transformed into a moldable, although not yet molten, state and then introducing it into a mold. Thermoplastic molding is beneficial and economical because it requires less energy than casting, resulting in lower direct energy costs, less shrinkage and lends itself more readily to continuous processing. Unlike other metals and alloys, but similar to plastics, bulk Liquidmetal alloys can be thermoplastically molded in bulk form because they are relatively fluid during heating and cooling. The thermoplastic molding capabilities of our bulk alloys will make them desirable as a substitute for plastics in applications where greater durability and strength are needed.

- *Creation of Composites.* A composite is a material that is made from two or more different types of materials. In general, the ability to create composites is beneficial because constituent

materials can be combined with one another to optimize the material's performance characteristics for different applications. In other metals and alloys, the high temperatures required for processing could damage some of the composite's constituent materials and therefore limit their utility. However, the relatively low melting temperatures of bulk Liquidmetal alloys allow mild processing conditions that eliminate or limit damage to the constituent materials when creating composites. We can create composites that may increase fatigue resistance, reduce density while retaining strength, vary stiffness, and modify other characteristics.

- *Retention of Properties in Cast Form.* Casting undermines the performance characteristics of most other metals and alloys. We believe this shortcoming serves as an effective cost barrier to the processing and fabrication of intricate and sophisticated designs. Unlike other metals and alloys, bulk Liquidmetal alloys completely retain their performance characteristics (including strength and hardness) in cast form, which enables them to be cast into sophisticated designs that exhibit great strength and hardness.

- *Multiple Finished Form Possibilities.* In addition to the processing alternatives that are available for the bulk form of our alloys, Liquidmetal alloys may be processed into a variety of other finished forms, including a coating or a foam. Most other metals and alloys cannot be processed into these forms.

The beneficial processing features of our bulk alloys are made possible in part by the alloys' relatively low melting temperatures. Although a relatively low melting temperature is a beneficial characteristic for processing purposes, it renders our current bulk alloy compositions unsuitable for various high-temperature applications, such as jet engine exhaust components.

Prior to the discovery of our initial bulk alloy composition in 1993, amorphous alloys could only be created in very thin forms, such as coatings, powders, and films. However, bulk Liquidmetal alloys can be formed into objects that are up to one inch thick, and we are not aware of any other commercially available amorphous alloys that can achieve this thickness. Although we can join together multiple amorphous alloy objects to create a larger product, the current thickness limitation renders our alloys unsuitable for use as structural materials in large-scale applications, such as load-bearing beams in building construction. We are currently engaged in research and development with the goal of developing processing technology and new alloy compositions that will enable our bulk alloys to be formed into thicker objects. There is no limit on the possible length or width of objects made from bulk Liquidmetal alloys, except for size limitations imposed by currently available processing machinery.

Cost Advantages

Liquidmetal alloys can provide significant cost advantages over other metals and alloys in certain applications. These advantages may allow us to provide our customers with an opportunity to reduce the cost of their finished goods, while maintaining or improving the performance of such products. We believe our cost advantages will facilitate and accelerate the introduction of bulk Liquidmetal alloys into existing and new applications. The following is a description of some of the potential cost advantages offered by bulk Liquidmetal alloys:

- *Lower Processing Requirements.* Bulk Liquidmetal alloys have processing characteristics similar to plastics, which allow them to be shaped efficiently into intricate, sophisticated, engineered products in a substantially finished form. This capability eliminates or reduces certain finishing steps, such as grinding, shaping or forming and therefore significantly reduces processing costs associated with making high fidelity parts in high volume. With other metals and alloys, the cost of a finished product increases significantly with intricacy of design.

- *Lower Capital Requirements.* Because of their reduced processing requirements, bulk Liquidmetal alloys allow us substantial flexibility in the selection of equipment to fabricate our products. In contrast, capital-intensive heavy industrial equipment generally is required in

foundry and forging operations to make products from other metals and alloys. Furthermore, the absence of heavy industrial equipment provides for a smaller machinery footprint, which enables more efficient siting of facilities and reduces permitting and regulatory costs.

- *Scalability Advantages.* We believe that the processing advantages and lower capital costs associated with the production of our products will enable us to scale up production more efficiently and quickly as compared to foundry and forging operations for other metals and alloys. In other metal processing operations, the scaling up of production often involves the addition of new production lines or the costly reconfiguration of existing production lines. This can be extremely time-consuming and expensive, especially when it necessitates significant production down-time and facility expansion. In contrast, we anticipate that the scaling-up of our production to meet increased demand will be modular in nature and will involve primarily the replication of existing machinery. Because we believe that the addition of new machinery can be accomplished relatively quickly and with lower capital and space requirements, we believe that we can rapidly and efficiently increase our productivity.

Our Strategy

Our goal is to use our leadership position in amorphous alloy technology to develop and commercialize a wide variety of product applications. The key elements of our strategy include:

- *Identifying and Developing New Applications for Our Liquidmetal Alloy Technology.* We intend to identify and develop new applications that will benefit from the performance, processing, and cost advantages of Liquidmetal alloys. To this end, we plan to continue to enter into relationships with existing and potential customers that allow us to identify and develop new application opportunities.

- *Focusing on Major Industries Characterized by High Unit Volumes.* We are focusing our commercialization efforts on applications for bulk Liquidmetal alloy products with relatively high unit volumes that are sold in major industries. For example, we have targeted the cellular phone casing market because of its potential for very high unit volumes. Manufacturing products made from bulk Liquidmetal alloys in high volumes should enable us to facilitate revenue growth and enable us to improve manufacturing and processing efficiencies associated with our products.

- *Developing Internal Manufacturing Capability and Efficiencies.* We intend to internally manufacture substantially all of the products we develop using our bulk Liquidmetal alloys, including products that we jointly develop with our customers. We believe that expanding our manufacturing skills and capabilities should provide us with numerous benefits, such as the ability to maintain quality control over our products, to focus on improvements to the processing of our alloys, and to better protect our intellectual property.

- *Establishing the Liquidmetal Brand.* We believe that building our corporate brand will foster continued adoption of our technology. Our goal is to position Liquidmetal alloys as a superior substitute for materials currently used in a variety of products across a range of industries. Furthermore, we seek to establish Liquidmetal alloys as an enabling technology that will facilitate the creation of a broad range of commercially viable new products. To enhance industry awareness of our company and increase demand for Liquidmetal alloys, we intend to pursue a brand development strategy through targeted advertising, conference and trade show appearances, promotions, public relations, and other means.

- *Enhancing Our Competitive Position by Aggressively Developing, Exploiting, and Protecting Both Existing and Future Advances in Amorphous Alloy Technology.* We intend to invest significant resources toward developing and acquiring new technologies that will enhance and expand our existing technology position. In particular, we aggressively will seek to develop and acquire technologies that relate to the composition, processing, and application of amorphous

alloy technologies. Our efforts will include intensive research and development activities aimed at decreasing the manufacturing cost and improving the performance characteristics and processing flexibility of Liquidmetal alloys. To aid in our research and development efforts, we plan to continue to establish cooperative research relationships with leading academic institutions. We intend to vigorously defend our proprietary technology position by aggressively pursuing any potential infringements on our technology.

- *Pursuing Acquisitions, Joint Ventures, and Other Strategic Transactions.* We intend to pursue acquisitions, joint ventures, and other strategic transactions to gain access to new technologies, products, markets, and manufacturing capabilities. In particular, we may engage in acquisitions and other strategic transactions to gain access to technologies that will enhance or complement the composition, processing, and application of our alloys. Upon the completion of this offering, we intend to focus our acquisition efforts on companies and facilities that will expand or enhance our manufacturing capabilities.

Initial Applications

We have identified the following initial market opportunities to allow us to execute our strategy. We believe that these opportunities are consistent with our strategy in terms of market size, building brand recognition, and providing an opportunity to develop and refine our processing capabilities.

Casings for Electronic Products

We produce casing components for electronic devices. We targeted this market because of its high product volume and potential branding opportunities. For example, the market for cellular phones is projected to reach nearly 672 million units in 2005, according to IDC. Liquidmetal alloys can be used for each of the structural components of a cellular phone, including the shield, face plate, back plate, side plates, and the clam shell, which is the plate that flips open on some cellular phone models.

To date, we have produced cellular phone casing components for several cellular phone manufacturers. We are currently manufacturing prototype casing parts for Samsung and LG Electronics. We are also working with Motorola to develop Motorola cellular phone components, and we have received orders from Motorola for limited quantities of prototype casing components. We are also producing pilot quantities of cellular phone casing components for other leading cellular phone manufacturers.

Bulk Liquidmetal alloys also have potential application as a casing material in a variety of other electronic devices. For example, we recently received a purchase order from Samsung for production quantities of casing components for personal digital assistants, or PDAs, to be used in military applications. We also have a purchase order from Samsung for production quantities of camera casings. Furthermore, we recently received a purchase order from Jascom Co., Ltd., a South Korean electronics manufacturer, for production quantities of casing components for a combination MP3/CD player.

We believe the continuing miniaturization of, and the introduction of advanced features to, electronic devices is the primary driver of growth, market share, and profits in this industry, particularly with respect to cellular phones and PDAs. For example, the introduction of larger screens into smaller casings has been a significant challenge confronting electronics manufacturers attempting to take advantage of new wireless technology. In particular, normal usage of smaller and thinner devices may result in accidental damage to the display screens and internal electronic components. The high strength-to-weight ratio and elastic limit of bulk Liquidmetal alloys enable the production of smaller, but stronger, casings that protect the screens and miniature electronic circuits of electronic devices better than materials currently in use, such as plastic and magnesium. Additionally, we believe that the strength characteristics of our alloys could facilitate the creation of a new generation of electronic devices, which currently may not be viable because of the strength limitations of these materials. We also believe that our alloys offer style and design flexibility, such as shiny metallic finishes, to accommodate the changing tastes of the consumer.

Sporting Goods and Leisure Products

We are developing and marketing a variety of applications for bulk Liquidmetal alloys in the sporting goods and leisure products industry. Possible applications include products associated with golf, skiing, tennis, and diving products. We believe that the high strength, hardness, and elasticity of our alloys will enhance product performance. We have entered into product development agreements with Head Sport AG and Rawlings, Inc., sporting goods manufacturers, to test and develop components for use in their products.

Using our bulk Liquidmetal alloys, we have manufactured prototypes of various golf club components, including club head components for irons and drivers. We intend to manufacture golf club components for established golf equipment manufacturers that will use our components in golf clubs marketed and sold under their respective brand names. We recently entered into a development agreement with Ping, Inc., a leading golf club manufacturer, for the development of golf club heads made from bulk Liquidmetal alloys. We believe that the experience, knowledge, and recognition that we gained through our discontinued retail golf club business will assist us in developing this component manufacturing business.

We also believe that bulk Liquidmetal alloys can be used to efficiently produce premium watchcases and other similar intricately engineered designs with high-quality finishes. We believe that the advantages of our bulk alloys will enable us to reduce the number of separate operations required for the manufacture of a metal watchcase. We have produced prototype watchcases with bulk Liquidmetal alloys, and we have recently entered into a development agreement with TAG Heuer S.A., a high-quality Swiss watchmaker, to develop bulk Liquidmetal alloy watchcases for use in TAG Heuer watches. We have also entered into an agreement with Casio Computer Co., Ltd. to develop bulk Liquidmetal alloy watchcases for Casio watches.

Medical Devices

We are developing and manufacturing prototypes of various medical devices made from Liquidmetal alloys. We believe that Liquidmetal alloys are well-suited for these devices because the strength, hardness, and corrosion resistance of our alloys, together with the ability of our bulk alloys to be formed into complex shapes with a high quality finish. We believe that these qualities will provide improved performance, longer life, and lower production costs than the materials currently being used.

We are producing scalpel blades for eye surgeries and phacoemulsification tips, which are instruments used to remove cataracts, in limited quantities for testing by potential customers. In addition, we entered into an agreement with St. Luke’s Cataract and Laser Institute, a leader in ophthalmology and cataract surgeries, to market and endorse a line of Liquidmetal alloy ophthalmic instruments.

We also have identified orthopedic devices as an additional initial application for Liquidmetal alloys and have made prototypes of certain orthopedic devices from bulk Liquidmetal alloys. Orthopedic devices include artificial joints, trauma devices, and spinal implants. Worldwide sales of orthopedic devices were approximately $9.1 billion and $8.3 billion in 2000 and 1999, respectively, according to Dorland’s Medical and Healthcare Marketplace Guide. We believe that Liquidmetal alloys represent a superior alternative to the titanium alloys, cobalt chromium alloys, and stainless steel currently used in many orthopedic devices. Titanium alloys are strong, but they do not move well against other materials and are therefore not used in devices with parts that move against each other, such as ball-and-socket hip joints. Cobalt chromium alloys wear well, but they are comparatively heavy. Stainless steel corrodes relatively quickly. In contrast, we believe that Liquidmetal alloy orthopedic devices will be stronger and produce less friction than titanium orthopedic devices, have a greater strength-to-weight ratio than cobalt chromium orthopedic devices, and have better corrosion resistance than stainless steel orthopedic devices. We have completed initial studies relating to the biological compatibility of our alloys for purposes of developing our orthopedic applications, and the results of these studies have been favorable.

Additionally, we are working with Glidewell Laboratories to develop dental devices made from Liquidmetal alloys. Glidewell Laboratories, which produces crowns, bridges, and full and partial dentures, is the largest dental laboratory in the world.

Industrial Coatings and Powders

We market and sell industrial coatings and powders made of Liquidmetal alloys. Our coatings are used primarily as a protective coating for industrial machinery and equipment. We believe that the high degree of hardness and low coefficient of friction of our coatings, combined with their strong adhesion properties, reduce the wear and consequent failure of the machinery and equipment on which they are used.

Our coatings are widely used in the oil drilling industry as a protective coating on drill pipe and casings. Drill pipe consists of metal pipe, usually about six inches in diameter, that is threaded on both ends and attached to other segments of drill pipe to provide the rotary torque to turn the oil drill bit. A casing is a metal pipe that is lowered into an oil well to surround and protect the drill pipe and other drilling equipment. Horizontal drilling places tremendous stress on pipes and casings as the drill changes direction from vertical to horizontal. Both drill pipe and casing experience excessive wear, which leads to higher replacement costs and greater failure rates. Liquidmetal alloys are used to provide a protective coating or hard band around the outside of the drill pipe and the inside of casings to reduce wear and failure rates, and accordingly reduce operating costs. Our coatings customers currently include Grant Prideco, Inc., TAFA, Inc., and Smith International, Inc. We estimate that our coatings represented about 80% of worldwide sales of hard band coatings for oil drill pipe in 2001.

Our coatings are used to coat boiler tubes in coal burning power plants in order to extend the lives of these tubes. These boiler tubes are subject to high heat, erosion, and corrosion and often require costly replacement, both in terms of replacement parts and length of downtime for installation. Additionally, residue build-up in boiler tubes of coal burning power plants create operating inefficiencies. Tests on Liquidmetal alloy coatings have indicated that our coatings extend the life of these boilers tubes by three to five times their current average life based on the specific environment. In addition, tests on our coatings have indicated that our coatings reduce the build-up of residue on these tubes, helping to improve the efficiencies of the boilers.

We believe that Liquidmetal alloy powders can be used as a binding agent in industrial applications, such as in drill bits in the oil industry and in agricultural blades. Initial testing by third parties suggests that our powders offer high erosion resistance in these applications and could serve as a superior substitute for cobalt, which is the primary metal binding agent used in high-performance industrial drilling, milling, and cutting instruments.

Defense Applications

We have produced prototype rods for kinetic energy penetrators for use in military applications. Kinetic energy penetrators, or KEPs, are armor piercing munitions. The most sophisticated KEP rods currently are made from depleted uranium. One of the features that makes a depleted uranium KEP rod desirable is that it sharpens as it penetrates.

We believe that Liquidmetal alloys represent a superior alternative to depleted uranium in KEP rods. KEP rods made from Liquidmetal alloys sharpen as they penetrate, do not emit low level radiation and have superior strength characteristics as compared to depleted uranium KEP rods. We recently completed a two-year study sponsored by the U.S. Department of Defense Small Business Innovative Research Program relating to Liquidmetal alloy KEP rods. The initial results of this study indicate that Liquidmetal alloy is a possible substitute for current materials, such as depleted uranium, used in KEP rods. Subsequently, we recently were awarded a contract by DARPA for funding of up to $2 million to test Liquidmetal alloy rods in actual munitions. Additionally, preliminary results of live-fire ballistic tests conducted by the Army Research Laboratory have demonstrated that tungsten KEPs perform better whenever Liquidmetal alloy is combined with the tungsten to create a composite material.

We are working with a number of Department of Defense research and development agencies to identify additional military applications that may benefit from using Liquidmetal alloys. We have also entered into discussions with major defense companies to jointly fund internal research and development programs to pursue the application of Liquidmetal alloy technology for specific defense products.

Liquidmetal Golf

Beginning in 1997, we engaged in the retail marketing and sale of golf clubs through our majority owned subsidiary, Liquidmetal Golf. On September 29, 2001, our board of directors voted to sell or otherwise discontinue Liquidmetal Golf's retail golf club business, and this business is treated as a discontinued operation in our consolidated financial statements. Our board of directors decided to discontinue the retail golf business to conform our business operations to our strategy of incorporating components and products that we manufacture into the finished goods of our customers.

Historically, Liquidmetal Golf's retail golf club business consisted of the marketing and sale of golf clubs that were designed by Liquidmetal Golf and that carried the Liquidmetal Golf brand name. These clubs, which were manufactured by a third party, were marketed and sold by Liquidmetal Golf directly to retail outlets and consumers. Although the retail golf club business is being discontinued, Liquidmetal Golf will be engaged in the business of manufacturing and selling golf club components to golf original equipment manufacturers who will integrate these components into their own clubs and then sell them under their respective brand names. Liquidmetal Technologies owns 79.19% of the outstanding equity interest in Liquidmetal Golf.

Consistent with our decision to discontinue our retail golf business, we are winding down our retail golf operations and liquidating our inventory of Liquidmetal Golf brand clubs. We have discounted the price of remaining inventory for immediate sale. We have reduced the staff of our retail golf operations and are negotiating the cancellation of contracts and agreements relating to the operations. In 2001, we entered into an endorsement agreement with Paul Azinger, a professional golfer, under which Mr. Azinger endorses the Liquidmetal Golf brand of clubs. We expect that we will exercise our right under the agreement to terminate the agreement as of January 1, 2003, and we intend to complete our obligations under the contract through the termination date.

Our Liquidmetal Golf subsidiary has the exclusive right and license to utilize our bulk Liquidmetal alloy technology for purposes of golf equipment applications, although our retail golf business has been discontinued. This right and license is set forth in an intercompany license agreement between Liquidmetal Technologies and Liquidmetal Golf. This license agreement provides that Liquidmetal Golf has a perpetual and exclusive license to use Liquidmetal alloy technology for the purpose of manufacturing, marketing, and selling golf club components and other products used in the sport of golf. In consideration of this license, Liquidmetal Golf has issued 4,500,000 shares of Liquidmetal Golf common stock to Liquidmetal Technologies. In addition, Liquidmetal Technologies and Liquidmetal Golf are parties to a services agreement under which Liquidmetal Technologies provides Liquidmetal Golf with various goods and services, including operating facilities, research and development, sales and marketing, manufacturing, management support, and other support services. Under the services agreement, Liquidmetal Golf pays Liquidmetal Technology a service fee equal to Liquidmetal Golf's allocated share of Liquidmetal Technologies' operating costs based on actual time and resources expended in providing the services.

Our Intellectual Property

Our intellectual property consists of patents, trade secrets, know-how, and trademarks. Protection of our intellectual property is a strategic priority for our business, and we intend to vigorously protect our patents and other intellectual property. Our intellectual property portfolio includes 20 owned or licensed U.S. patents and various patent applications relating to the composition, processing, and application of our alloys, as well as various foreign counterpart patents and patent applications.

Our initial bulk amorphous alloy technology was developed by researchers at Caltech. We have the exclusive right to commercialize this alloy and other amorphous alloy technology through a license agreement with Caltech. Under the Caltech license agreement, we have the exclusive worldwide right to make, use, and sell products from all of Caltech's inventions, proprietary information, know-how, and other technology relating to amorphous alloys and existing as of September 1, 2001. We also have an exclusive worldwide license to eight patents and five patent applications held by Caltech relating to amorphous alloy technology, as well as all related foreign counterpart patents and patent applications. Furthermore, the license agreement gives us the exclusive right to make, use, and sell products from substantially all related amorphous alloy technology that is developed in Professor William Johnson's Caltech laboratory during the period September 1, 2001 through August 31, 2005. All fees and other amounts payable by us for these rights and licenses have been paid in full, and no further royalties, license fees, or other amounts will be payable in the future under this license agreement.

Our rights under the license agreement are perpetual in duration. However, Caltech has the right to convert the license to a non-exclusive license if we fail to utilize the licensed technology for a period of 18 or more consecutive months, provided that Caltech must give us 180-days advance written notice of the conversion and we may cure the failure at any time during the 180-day notice period. If we cure the failure, then the license will not be converted into a non-exclusive license.

Under the license agreement, we have the right to sublicense any of the licensed technology or patents. The license agreement also provides that Caltech reserves the right to use the licensed technology and patents for noncommercial educational and research purposes. The patents and patent applications that we license from Caltech relate primarily to the composition and processing of our alloys. The currently issued U.S. patents covered by the license agreement will expire between 2013 and 2017.

Under the Caltech license agreement, the parties are obligated to provide reasonable cooperation to each other in connection with any threatened or actual infringement of the licensed technology by third parties. We have the right to commence an action for infringement of any of the licensed technology, and although Caltech is not obligated to bring suit or take action against infringers, Caltech is obligated to join in any such lawsuit upon our request.

In addition to the patents and patent applications that we license from Caltech, we are building a portfolio of our own patents to expand and enhance our technology position. We currently hold 12 patents and numerous pending patent applications in the United States, as well as 29 foreign counterparts to these patents outside of the United States. These patents and patent applications primarily relate to various applications of our bulk amorphous alloys and the composition of our coatings and powders. Our policy is to seek patent protection for all technology, inventions, and improvements that are of commercial importance to the development of our business, except to the extent that we believe it is advisable to maintain such technology or invention as a trade secret.

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

Research and Development

Objectives

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

- *Enhance the Processing Efficiencies.* We plan to continue research and development of processes and compositions that will decrease our cost of making products from Liquidmetal alloys. Because our bulk alloys can be formed in a manner similar to plastics, in contrast to the more extensive and energy-intensive processes required to form other metals and alloys, we are seeking ways to decrease the cost of end-products by reducing the requirements for processing.

- *Improve Performance Characteristics.* We plan to continue research and development on new compositions of Liquidmetal alloys to generate a broader class of amorphous alloys with a wider range of specialized performance characteristics.

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

Conduct of Research and Development

We conduct our research and development programs internally and also through strategic relationships that we enter into with third parties. Our internal research and development efforts are currently focused on product and process development. Our internal research and development efforts are conducted by a team of ten scientists and researchers who are employed by us or engaged by us as consultants. Included among these scientists and researchers is Professor Johnson, who discovered our initial bulk amorphous alloy at Caltech in 1993, and his graduate student at the time, Atakan Peker, who is employed as our chief scientist. Professor Johnson joined our company as an employee as of October 1, 2001 and is also a member of our board of directors and Technology Advisory Board. We intend to hire additional scientists and engineers to expand our internal research and development program.

In addition to our internal research and development efforts, we enter into cooperative research and development relationships with leading academic institutions. Professor Johnson continues to supervise a laboratory at Caltech, and through our license agreement with Caltech, we have a continuing relationship with the other researchers in Professor Johnson's Caltech laboratory. We have also entered into research relationships with several other institutions, including the University of Florida, Louisiana State University, and Washington State University, for the conduct of research relating to the properties and characteristics of our alloys.

We also enter into development relationships with other companies for the purpose of identifying new applications for our alloys and establishing customer relationships with such companies. For example, we have entered into product development agreements with Head Sport, TAG Heuer, Rawlings, and Ping for the development of various products made from our alloys. Some of our product development programs are partially funded by our customers. We are also engaged in negotiations with a number of other potential customers regarding possible product development relationships. Our research and development expenses for the years ended December 31, 2001, 2000 and 1999 were $1.7 million, $0.5 million, and $0.3 million, respectively.

Technology Advisory Board

To assist us in our research and development efforts, we have assembled a Technology Advisory Board composed of leading researchers and scientists in the field of materials science. The members of our Technology Advisory Board are from leading academic and research institutions in the field of materials science, such as the Massachusetts Institute of Technology and Cambridge University. Our Technology Advisory Board meets on a semi-annual basis to discuss issues related to the advancement and application

of our technology and the progress of our research and development programs, although our Technology Advisory Board may also be convened at other times on an as-needed basis. Additionally, we occasionally consult with individual members of our Technology Advisory Board on various issues relating to our technology.

Manufacturing

We have historically outsourced all of our manufacturing requirements, but we are developing our own manufacturing facilities to enable us to internally manufacture substantially all of our bulk amorphous alloy products. We currently operate a manufacturing facility in Incheon, South Korea, and we believe that this facility will meet our anticipated manufacturing needs through the third quarter of 2002. To expand our manufacturing capabilities in South Korea, we recently leased a parcel of land in a light industrial park in Pyoung-taek, South Korea. This parcel of land consists of approximately four acres, and we currently intend to construct two manufacturing facilities on this parcel with the proceeds from this offering. We broke ground on the first such facility in the first quarter of 2002, and we expect that this facility, which will consist of at least 10,000 square feet, will be operational by the second or third quarter of 2002. We expect to commence construction of a larger facility, consisting of approximately 100,000 square feet, on the Pyoung-taek parcel immediately upon the completion of this offering. We expect that the second facility will be operational in the third quarter of 2002.

We currently expect that our South Korean facilities will meet our anticipated manufacturing needs through the end of 2004, although these needs may change depending upon the actual and forecasted orders we receive for our products. We also recently entered into a lease for 12,000 square feet of space in a research and light industrial facility in Pinellas County, Florida, and we intend to develop and equip this space for use as a research, development, and testing facility, as well as for possible prototype manufacturing. We currently intend to develop or acquire additional manufacturing facilities and capabilities elsewhere, including the United States, for purposes of meeting our long-term manufacturing needs.

Raw Materials

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

Customers

For the past three years, three of our customers have accounted for more than 10% of our revenues from continuing operations. Revenues from Grant Prideco, Inc. represented approximately 22%, 19%, and 19% of revenue from continuing operations for the years ended December 31, 2001, 2000, and 1999, respectively. Revenues from TAFA, Inc. represented approximately 14%, 13% and 20% of revenue from continuing operations for the years ended December 31, 2001, 2000 and 1999, respectively. Revenue from Smith International, Inc. represented approximately 16% of revenue from continuing operations for the year ended December 31, 2001. Each of these three customers have purchased solely industrial coatings from us. We expect that a significant portion of our revenues may continue to be concentrated in a limited number of customers, even as our bulk Liquidmetal alloy business grows.

Competition

We are not aware of any other company or business that manufactures, markets, distributes, or sells bulk amorphous alloys or products made from bulk amorphous alloys. We believe it would be difficult to develop a competitive bulk amorphous alloy without infringing our patents. However, we expect that our bulk Liquidmetal alloys will face competition from other materials, including metals, alloys, and plastics, that are currently used in the commercial applications that we pursue. Our alloys could also face

competition from new materials that may be developed in the future, including new materials that could render our alloys obsolete.

Our Liquidmetal alloy coatings face competition from industrial coatings currently manufactured or sold by other companies. At present, the primary competitors of our coatings business are Grant Prideco, Inc., Varco International, Inc., and Arnco Technology Trust, Limited. Although we believe, based on market data gathered by us, that our coatings compete favorably with these companies' products and that we continue to maintain the dominant market share with respect to protective coatings for oil drill pipe and casings, these competitors are larger well-established businesses that have substantially greater financial, marketing, and other resources than we do.

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

Backlog

We typically ship our coating products shortly after receipt of an order. Accordingly, we do not maintain a significant backlog. Also, the backlog as of any particular date gives no indication of actual sales for any succeeding period.

Sales and Marketing

We direct our marketing efforts towards customers that will incorporate our components and products into their finished goods. To that end, we will continue to hire business development personnel, who in conjunction with engineers and scientists, will actively identify potential customers that may be able to benefit from the introduction of Liquidmetal alloys to their products. In some cases, we will develop applications in conjunction with existing or potential customers. By adopting this strategy, we intend to take advantage of the sales and marketing forces and distribution channels of our customers to facilitate the commercialization of our alloys.

Employees

As of April 1, 2002, we had 84 full-time employees. None of our employees is represented by labor unions or covered by collective bargaining agreements. We have not experienced any work stoppages, and we consider our employee relations to be good.

Properties

Our principal executive office is located in Tampa, Florida and consists of approximately 14,000 square feet. This office is occupied pursuant to a lease agreement that expires in February 2006. Our principal research and development office is located in Lake Forest, California and consists of approximately 30,000 square feet. This office is occupied pursuant to a lease agreement that expires in June 2007. We also lease an office and warehouse facility in Houston, Texas for our coatings business, and this facility, which is approximately 5,500 square feet, is leased through October 2003.

Our manufacturing facility in Incheon, South Korea consists of approximately 9,000 square feet and is leased through July 2002. We currently intend to renew this lease for an additional one-year term. We believe that our Incheon facility will meet our anticipated manufacturing needs through the third quarter of 2002. The first manufacturing facility that we are constructing in Pyoung-taek, South Korea will consist of at least 10,000 feet. The parcel of land on which we are constructing this facility consists of approximately four acres and is leased through 2022. We currently expect that these two facilities, together with our second anticipated manufacturing facility on the Pyoung-taek parcel, will meet our anticipated manufacturing needs through the end of 2004.

We recently entered into a lease for 12,000 square feet of space in a research and light industrial facility in Pinellas County, Florida. This lease expires in May 2007. We currently intend to develop and equip this space for use as a research, development, and testing facility, as well for possible prototype manufacturing. We anticipate that we will begin developing and equipping this space in the second quarter of 2002 and currently expect that we will begin utilizing the space in the third quarter of 2002.

Governmental Regulation

Precision ophthalmic instruments that we make from our Liquidmetal alloys, such as scalpel blades and phacoemulsification tips, will be subject to regulation in the United States by the Food and Drug Administration, or FDA and corresponding state and foreign regulatory agencies. Any orthopedic devices that we develop will be regulated in a similar manner. Medical device manufacturers to whom we intend to sell our products may need to obtain FDA approval before marketing their medical devices that incorporate our products. Medical device manufacturers may need to obtain similar approvals before marketing these medical device products in foreign countries.

Because we intend to sell our medical device products to medical device manufacturers, we do not believe that we will need to obtain FDA approval or similar foreign approvals before selling products to medical device manufacturers. Nonetheless, as a manufacturer of medical device components, we are subject to quality control and record keeping requirements of FDA and other federal and state statutes and regulations, as well as similar regulations in foreign countries.

The process of obtaining and maintaining required FDA and foreign regulatory approvals for medical devices that incorporate our products could be lengthy, expensive, and uncertain for our customers. Additionally, regulatory agencies can delay or prevent product introductions. Generally, before a medical device manufacturer can market a product incorporating one of our products, our customer must obtain for their finished product marketing clearance through a 510(k) premarket notification or approval of a premarket approval application, or PMA. The FDA will typically grant a 510(k) clearance if the applicant can establish that the device is substantially equivalent to a predicate device. It generally takes a number of months from the date of a 510(k) submission to obtain clearance, but it may take longer, particularly if a clinical trial is required.

The FDA may find that a 510(k) is not appropriate for a medical device that incorporates our product or that substantial equivalence has not been shown and as a result will require a PMA. A PMA application must be submitted if a proposed medical device does not qualify for a 510(k) premarket clearance procedure. PMA applications must be supported by valid scientific evidence to demonstrate the safety and effectiveness of the device, typically including the results of clinical trials, bench tests, and laboratory and animal studies. The PMA process can be expensive, uncertain and lengthy, requires detailed and comprehensive data, and generally takes significantly longer than the 510(k) process. Additionally, the FDA may never approve the PMA.

Similar regulations in foreign countries vary significantly from country to country and with respect to the nature of the particular medical device. The time required to obtain these foreign approvals to market our products may be longer or shorter than that required in the United States, and requirements for such approval may differ from FDA requirements.

Legal Proceedings

We are not a party to any material legal proceedings.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of April 1, 2002:

Name	Age	Position
John Kang	39	Chief Executive Officer, President, and Director
James Kang	41	Chairman of the Board of Directors
William Johnson, Ph.D.	53	Vice Chairman of the Board of Directors
Neil Paton, Ph.D.	61	Chief Technology Officer
Scott Wiggins	38	Executive Vice President, Corporate Development and Operations
Brian McDougall	39	Chief Financial Officer and Executive Vice President
John Grant	58	Executive Vice President, Government and Community Affairs
Ricardo Salas	38	Director
Jack Chitayat	38	Director
Shekhar Chitnis	43	Director
Tjoa Thian Song	37	Director
Henri Tchen	55	Director
Jeffrey Oster	60	Director
Betsy Atkins	46	Director
David Browne	42	Director

John Kang has been our Chief Executive Officer and President since June 2001 and has been one of our directors since 1994. From December 1994 to December 2000, he served as Chairman of our board of directors in a non-employee capacity, and from December 2000 to June 2001, he served as Chairman of our board of directors in an employee capacity. From July 1996 to September 2000, Mr. Kang served variously as Chief Executive Officer, President and a director of Medical Manager Corporation, a public company traded on the Nasdaq National Market until its sale in September 2000 to WebMD Corporation. From 1988 to 1995, he was Chairman of the board of directors of Clayton Group, Inc., a private company engaged in the distribution of waterworks equipment. Mr. Kang received a B.A. degree in Economics from Harvard College in 1985. Mr. Kang is the brother of James Kang, the Chairman of our board of directors.

James Kang has served as one of our directors since December 1994 and as the Chairman of our board of directors since June 2001. From December 1994 to June 2001, he served variously as our Chief Executive Officer and President. Mr. Kang received a B.A. degree in Marketing from the University of Illinois in 1983, and an M.B.A. degree from the Kellogg School of Management at Northwestern University in 1985. Mr. Kang is the brother of John Kang, our Chief Executive Officer and President.

William Johnson, Ph.D., has served as the Vice Chairman of our board of directors since June 2000 and has been our Vice Chairman of Technology since October 2001. Since 1997, Professor Johnson has been the Mettler Professor of Engineering and Applied Physics at Caltech. He held a Visiting Professor appointment at the Metal Physics Institute in Gottingen, Germany (1983) and received a Von Humbolt Distinguished Scientist Fellowship in Gottingen (1988). He is the 1995 recipient of the TMS/AIME Hume Rothery Award for his experimental work. He received a B.A. degree in Physics from Hamilton College and a Ph.D. degree in Applied Physics from Caltech. He spent two years at IBM's Research Center (1975-1977). At Caltech, Professor Johnson directed the research that led to the discovery of our bulk Liquidmetal alloy.

Neil Paton, Ph.D. has been our Chief Technology Officer since March 2002. He also serves as the Chairman of our Technology Advisory Board and, prior to becoming our Chief Technology Officer, was a consultant to us since August 2001. From 1990 to September 2001, Dr. Paton served as Vice President, Technology, for Howmet Corporation and President of Howmet Research Corporation, where he was responsible for development of new products, manufacturing processes, and materials for gas turbines. Dr. Paton also worked 20 years for Rockwell International, where he held various positions in materials development and advanced engineering. He has authored or co-authored over 80 technical publications and given more than 60 technical presentations based on his research. He also holds 15 patents. Dr. Paton was awarded a Titanium Metal Corporation of America Fellowship (1965 to 1968) and the Rockwell International Engineer of the Year Award (1976). He was a member of the Solid State Sciences Committee of the National Academy of Sciences (1974-1979). He has been a member of the Minerals, Metals and Materials Society, the American Institute of Mining Metallurgical and Petroleum Engineers, and ASM, a materials information society. He was elected Fellow ASM International in November 1992. He received a B.S. degree and M.S. degree in Mechanical Engineering both from the University of Auckland, New Zealand, and a Ph.D. in Materials Science from the Massachusetts Institute of Technology.

Scott Wiggins has been an Executive Vice President of our company since December 2000. From 1993 to 2000, Mr. Wiggins was employed by Merrill Lynch & Co. Global Markets & Investment Banking where he was responsible for financing domestic and international infrastructure projects. Mr. Wiggins received a B.S. degree in Engineering with high honors in 1985 and an M.S. degree in Engineering in 1987, both from the University of Florida. In 1991, Mr. Wiggins received his M.B.A. degree with concentrations in management, strategy and marketing from the Kellogg Graduate School of Management at Northwestern University. Mr. Wiggins is a registered professional engineer.

Brian McDougall has been our Chief Financial Officer and Executive Vice President since May 2001. From March 1996 to May 2001 Mr. McDougall held various positions, including Vice President of Financial Operations, Chief Information Officer, and Chief Financial Officer at Sage Best Software. Mr. McDougall's focus at Sage Best was to build an efficient financial and systems operating environment that supported the company's growth as well as change from private to public ownership leading ultimately to an acquisition in February 2000. Mr. McDougall received his B.A. degree in Finance in 1984 and an M.B.A. degree in 1993 from the University of South Florida.

John Grant has been an Executive Vice President of our company since August 2001. From 2000 to 2001, Mr. Grant served as Executive Director of the Florida Office of Public Guardian, which is a part of the Executive Office of the Governor of the State of Florida. From 1989 to 2000, Mr. Grant worked as a partner in the Tampa, Florida law firm of Harris Barrett Mann & Dew. From 1986 to 2000, Mr. Grant served as a state senator in the Florida Senate, where he chaired the Senate committees on Commerce, Banking and Insurance, Education, and Judiciary. Mr. Grant also currently serves as an adjunct professor for the University of South Florida's Department of Political Science. He has served on numerous public and private charitable and corporate boards and is currently a director of Insurance Management Solutions Group, Inc. Mr. Grant received a B.A. degree in Political Science in 1964 from the University of South Florida and an M.S. degree in Government in 1965 from Florida State University. He received a J.D. degree in 1968 from Stetson University. Mr. Grant also holds an Honorary Doctor of Humane Letters from Trinity College of Florida and Florida Metropolitan University.

Ricardo Salas has served as one of our directors since April 1995 and was our Secretary from March 2001 to March 2002. Since January 2000, he has served as Chief Executive Officer of iLIANT Corporation, an information technology and outsourcing service firm in the health care industry. Since June 1997 he has been Vice President of J. Holdsworth Capital LTD, a private investment firm. From June 1999 to January 2000, Mr. Salas was a vice president of Medical Manager Corporation and from April 1994 to February 1997 he also served as vice president of National Medical Systems, Inc. Mr. Salas received a B.A. degree in Economics from Harvard College in 1986.

Jack Chitayat has served as one of our directors since April 1995. Mr. Chitayat was a founder and Managing Director of Atlantic Holding Company, S.A., a company specializing in the principal investment, acquisition, syndication and management of over 1.5 million square feet of U.S. commercial real estate since April 1991. Additionally, Mr. Chitayat is Vice President of J. Holdsworth Capital Ltd., a private investment and management group engaged in the acquisition and subsequent operation of middle market manufacturing, distribution, and service businesses, as well as venture-backed start-ups since January 1987. Mr. Chitayat has a B.A. degree in Economics and International Relations from Tufts University.

Shekhar Chitnis has served as one our directors since September 1998. Mr. Chitnis previously served as our Chief Operating Officer from September 1997 to November 15, 2001. From October to July 1993, Mr. Chitnis was employed by Ford Motor Company (USA) in Product Development and Program Management. From August 1993 through August 1997, he was the Director of Marketing and Product Development of Ford Motor Company of Japan. Mr. Chitnis received a B.S. degree in Electrical and Mechanical Engineering from the University of Bhopal (India) in 1980 and an M.B.A. degree in Marketing and Finance from the University of Chicago in 1985.

Tjoa Thian Song has served as one of our directors since 1996. Mr. Tjoa since 1995 has been the Executive Director of Greatland Company Pte. Ltd., a Singapore-based distributor and manufacturer of tobacco products. Since 1972, Greatland Company has been the international distributor for P.T. Gudang Garam, an Indonesian cigarette manufacturer listed on the Jakarta Stock Exchange. Mr. Tjoa received his B.S. degree in Electrical Engineering from the University of Texas at Austin in 1986 and also received an M.B.A. degree from the National University of Singapore.

Henri Tchen has served as one of our directors since March 2002. Since October 1998, he has served as Vice President and co-founder of Synapse Capital, LLC, which is engaged in venture capital investing and private wealth management. From August 1994 to September 1998, he served as the Chief Financial Officer of Kingston Technology Corporation, where he negotiated the ultimate sale of a majority of the company for approximately $1.5 billion. Mr. Tchen received his M.B.A. degree in Finance, Marketing, and Accounting from Columbia University Graduate School of Business in 1973, and a B.S. degree in Applied Economics from the University of Brussels in 1971.

Jeffrey Oster has served as one of our directors since March 2002. In 1998, he retired as a Lieutenant General from the United States Marine Corps, having served almost 35 years of active duty. General Oster has provided independent consulting services in defense related matters since his retirement in 1998. From July 1993 until his retirement in 1998, he served as the Deputy Chief of Staff for Programs and Resources where he was responsible for all aspects of financial management for the United States Marine Corps, including development, implementation, and execution of the strategic financial plan and the annual $17.5 billion budget. General Oster had a lead role in defining, supporting, and defending the United States Marine Corps resource requirements in the Department of Defense, the Office of Management and Budget, the White House, and before Congress. General Oster received his B.S. degree in Geology in 1963 and an M.B.A. degree in 1975, both from the University of Wisconsin.

Betsy Atkins has served as one of our directors since March 2002. Since 1994, she has served as Chief Executive Officer of Operating Group of Accordiant Ventures, which is engaged in early stage venture funding and investing. Ms. Atkins was a founder and director of Ascend Communications Corporation, and from 1989 to 1998, she was its founding Vice President of Marketing and Sales International and customer service. Ms. Atkins is also a director of Lucent Technologies, Polycom, Inc.,

and Wilmington Trust. In September 2001, she was appointed by the U.S. President as a director of the Pension Benefit Guaranty Corporation. Ms. Atkins received her B.A. from the University of Massachusetts and a scholarship from Trinity College Oxford.

David Browne has served as one of our directors since March 2002. Mr. Browne served as President and Chief Executive Officer of LensCrafters, Inc. from 1990 to 1999. From 1998 to 1999, he also served on the Board of Directors and as Co-Chief Executive Officer of Luxottica Group, an Italy-based optical frame manufacturer and the parent company of LensCrafters, Inc., where he led the acquisition of Bausch & Lomb's Ray-Ban Division. Mr. Browne is also a director of Athletes In Action, an international Christian sports ministry, the National Underground Railroad Freedom Center, and a former member of the board of directors of the Points of Light Foundation in Washington, D.C., where he was actively involved in the President's Summit on Volunteerism. Mr. Browne received his B.S. degree in Economics from University of Pennsylvania in 1981.

Technology Advisory Board

To assist us in our research and development efforts, we have assembled a Technology Advisory Board. The following individuals serve as members of our Technology Advisory Board, together with William Johnson and Neil Paton, who serve also as the Vice Chairman of our board of directors and our Chief Technology Officer, respectively. We believe that the members of our Technology Advisory Board are among the world's leading materials scientists in the area of Metallurgy. Each of the members of our Technology Advisory Board have signed agreements with us under which the members have agreed to serve on the board through 2004 and have agreed to assign to us all technology and intellectual property arising in connection with their service on the board. The Technology Advisory Board is scheduled to meet semi-annually to discuss issues related to the advancement and application of our technology and the progress of our research and development programs, although the Technology Advisory Board may also be convened at other times on an as-needed basis.

Michael Ashby, Ph.D. is a retired member of the Cambridge University Engineering Department since 1973 where he holds the post of Royal Society Research Professor. He received a Ph.D. and B.A. in Natural Sciences at the University of Cambridge and then joined the Institute for Metal Physics at the University of Göttingen, Germany from 1962 to 1965 and held the post of Professor of Applied Physics at Harvard University from 1966 to 1973. He is a member of the Royal Society, the Royal Academy of Engineering and the U.S. National Academy of Engineering.

Merton Flemings, Ph.D. is a professor at the Massachusetts Institute of Technology since 1956. He is engaged in research in the broad field of solidification and solidification processing, including casting, composite materials, crystal growing, ingot solidification, rapid solidification, continuous casting, and semi-solid processing. His current work includes studies on semi-solid forming, spray casting, super cooling of metals, metal-matrix composites, and inclusion formation in steel. Professor Flemings is an Administrative Director of the Singapore-MIT Alliance. He received a Ph.D. in Metallurgy in 1954 and an M.S. in 1952 from MIT.

William Nix, Ph.D. is a Professor at Stanford University. Dr. Nix's special interests are imperfections in crystalline solids and their relation to the mechanical properties of bulk and thin film materials. Current projects focus on the development of experimental techniques for the study of mechanical properties of interconnect thin films and on modeling the processes. He was awarded the ASM Gold Medal from ASM International in 1998 and the Educator Award from The Metallurgical Society in 1995. He received a Ph.D. in Materials Science in 1963 and a M.S. in 1960 from Stanford University.

Akihisa Inoue, Ph.D. has been a Professor at the Institute for Materials Research at Tohoku University in Japan since 1990. Mr. Inoue earned his Bachelor of Engineering degree in Metallurgical Engineering from the Himeji Institute of Technology in 1970. He earned a M.S. degree in Engineering in Materials Science and his Doctor of Engineering in Materials Science from Tohoku University in 1972 and 1975 respectively. Mr. Inoue has received many honors and awards, among them the Japan Institute of Metals Best Paper Award eight times and the Japan Institute of Metals Engineering Development

Award six times. In 2000, he was awarded the Japan Institute of Metals Distinguished Service Award and the ISI Citation Classic Award.

Board of Directors

In accordance with our bylaws, our board of directors consists of between nine and seventeen members as fixed by resolution of the board. Currently, our board consists of eleven members. Each member of our board of directors serves a one-year term and until his or her successor is elected and qualified or upon the earlier resignation or removal.

Upon our becoming a "listed corporation" within the meaning of Section 301.5 of the Corporations Code of California, our board of directors will automatically be divided into three classes, with each director serving a three year term and one class being elected at each year's annual meeting of the shareholders. John Kang, Tjoa Thian Song, Ricardo A. Salas, and William Johnson will be in the class of directors whose initial term expires at the annual meeting of shareholders to be held in 2002. Jack Chitayat, Shekhar Chitnis, Henri Tchen, and Jeff Oster will be in the class of directors whose initial term expires at the annual meeting of shareholders to be held in 2003. James Kang, David Browne, and Betsy Atkins will be in the class of directors whose initial term expires at the annual meeting of shareholders to be held in 2004.

Committees of the Board of Directors

Our board of directors has authority to appoint committees to perform certain management or administrative functions. In April 2002, our board of directors established two committees:

Audit Committee. Our audit committee consists of David Browne, Jeff Oster, and Jack Chitayat. Our audit committee is responsible for monitoring the integrity of our financial statements, our compliance with legal and regulatory requirements, and the independence and performance of our internal and external auditors.

Compensation Committee. Our compensation committee consists of Ricardo Salas, Betsy Atkins, and Henri Tchen. Our compensation committee makes recommendations to the board of directors concerning executive compensation and administers our equity-based incentive plans.

Directors' Compensation

Our non-employee directors receive an annual fee of $10,000 for their service to our board and are reimbursed for expenses incurred in attending board or committee meetings. Non-employee directors are also entitled to receive a $10,000 annual cash stipend for serving on either our audit committee or our compensation committee. Additionally, each non-employee director is entitled to receive a per-meeting fee of $1,000 for each meeting of the board of directors attended in person.

We also have a 2002 Non-employee Director Stock Option Plan pursuant to which our non-employee directors are entitled to receive stock options. When they are first elected or appointed to our board of directors, the non-employee directors are entitled to receive an initial stock option grant to purchase 50,000 shares of our common stock, and on the first business day of January of each year in which they continue to serve as a member of our board an annual stock option grant to purchase 10,000 shares of our common stock, in each case at an exercise price equal to the fair market value of our common stock on the date of the grant. These stock options have a 10-year term, vest and are exercisable pursuant to an equal 5-year vesting schedule, and remain exercisable for certain periods of time after a person is no longer a director.

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

Compensation Committee Interlocks and Insider Participation

Prior to April 2002, we did not have a compensation committee. Our board of directors made all decisions concerning executive compensation prior to April 2002. None of our executive officers serves as a member of the board of directors or compensation committee of an entity that has an executive officer serving as a member of our board of directors.

Executive Compensation

The following table sets forth certain information for the years ended December 31, 2001, 2000, and 1999 concerning compensation earned for service rendered to us in all capacities by our Chief Executive Officer and the other most highly compensated executive officers whose compensation, as such term is defined by the Commission, exceeded $100,000 for the year ended December 31, 2001.

In accordance with the rules of the Commission, the compensation described in the table below does not include medical, group life insurance or other benefits which are available generally to all of our salaried employees and certain perquisites and other personal benefits received which do not exceed the lesser of $50,000 or 10% of any officer's salary and bonus disclosed in the table below.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Securities Underlying Options	All Other Compensation
James Kang(1)	2001	$193,338	—	—	2,580,646	—
Chairman of the	2000	$116,477	—	—	—	—
Board of Directors	1999	$116,441	—	—	—	—
John Kang(2)	2001	$200,000	—	—	—	—
Chief Executive Officer	2000	—	—	—	1,612,904	—
and President	1999	—	—	—	—	—
Shekhar Chitnis(3)	2001	$200,005	—	—	—	$150,000
Chief Operating Officer	2000	$156,039	—	—	516,130	—
	1999	$107,465	—	—	—	—
Scott Wiggins	2001	$175,000	—	—	—	—
Executive Vice President	2000	—	—	—	161,291	—
	1999	—	—	—	—	—
Brian McDougall	2001	$108,145	—	—	161,291	—
Chief Financial Officer	2000	—	—	—	—	—
and Executive Vice	1999	—	—	—	—	—
President						

(1) As of June 28, 2001, James Kang became the Chairman of our board of directors and ceased to be our Chief Executive Officer.

(2) As of June 28, 2001, John Kang became our Chief Executive Officer and ceased to be the Chairman of our board of directors.

(3) As of November 15, 2001, Mr. Chitnis no longer serves as an officer of the company. He continues to serve as one of our directors. The amount listed under "All Other Compensation" constitutes accrued severance payments.

The following table sets forth information with respect to grants of stock options during 2001 to the executive officers named in the Summary Compensation Table above.

Options Granted Last Year

	Individual Grants					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees in 2001	Exercise or Base Price ($/Share)	Market Price of Underlying Security on Date of Grant	Expiration Date	5%	10%
James Kang	2,580,646	83%	$6.20	$6.20	April 30, 2011	$10,062,814	$11,303,377
John Kang	—	—	—	—	—	—	—
Shekhar Chitnis	—	—	—	—	—	—	—
Scott Wiggins	—	—	—	—	—	—	—
Brian McDougall	161,291	5%	$4.65	$6.20	May 21, 2011	471,671	529,846

The following table sets forth information with respect to the aggregate stock option exercises by the executive officers named in the Summary Compensation Table during 2001 and the year-end value of unexercised options held by such executive officers:

Aggregate Option Exercises in Last Year and Year-End Values

			Number of Unexercised Options at Year End		Value of Unexercised in-the-Money Options at Year End(1)	
Name	Shares Acquired on Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
James Kang	1,483,873	$8,650,000	290,323	2,741,936	$ 3,970,161	$27,495,968
John Kang	—	—	1,612,904	—	18,306,452	—
Shekhar Chitnis	161,292	1,750,000	258,065	258,065	3,409,032	3,409,032
Scott Wiggins	—	—	161,291	—	1,830,653	—
Brian McDougall	—	—	32,258	129,033	366,128	1,464,525

(1) Based upon a value of $16.00 per share as of December 31, 2001.

Employment Agreements

James Kang. On May 1, 2001, we entered into an employment agreement with James Kang that, as amended, provides for his employment as Chairman of our board of directors. Mr. Kang's employment agreement expires on May 1, 2006. Mr. Kang receives an annual base salary equal to $300,000 per year, and his employment will terminate upon the earlier of his death, resignation, disability, or termination by the board of directors for any reason. If we terminate Mr. Kang's employment without cause, or if Mr. Kang terminates his own employment upon a change of control of our company or for other good reason, as defined in the agreement, we are responsible for paying Mr. Kang severance benefits equal to a lump-sum cash payment equal to 200% of Mr. Kang's annual base salary plus the average cash bonus during the two full fiscal years of the Company immediately preceding the termination. Pursuant to the agreement, Mr. Kang was issued options to purchase 2,580,646 shares of our common stock at an exercise price of $6.20 per share. The options expire on April 30, 2011 and vest at a rate of 33% per year for three years, with the first 33% vesting on May 21, 2002 and an additional 33% on May 21, 2003 and 2004. In addition, Mr. Kang is prohibited, during his employment with us and for two years after he is no longer employed by us, from soliciting any of our employees or customers.

John Kang. On December 31, 2000, we entered into an employment agreement with John Kang that, as amended, provides for his employment as our Chief Executive Officer and President. Mr. Kang's employment agreement expires on December 31, 2005. Mr. Kang receives an annual base salary equal to

$200,000 per year, and his employment will terminate upon the earlier of his death, resignation, disability, or termination by the board of directors for any reason. If we terminate Mr. Kang's employment without cause, or if Mr. Kang terminates his own employment upon a change of control of our company or for other good reason, as defined in the agreement, we are responsible for paying Mr. Kang a lump-sum cash payment equal to 200% of Mr. Kang's annual base salary plus the average cash bonus during the two full fiscal years of the Company immediately preceding the termination. Pursuant to the agreement, Mr. Kang was issued options to purchase 1,612,904 shares of our common stock at an exercise price of $4.65 per share. The options expire on December 31, 2010 and vested immediately upon grant. In addition, Mr. Kang is prohibited, during his employment with us and for one year after he is no longer employed by us, from soliciting any of our employees or competing with us in any manner.

T. Scott Wiggins. On December 31, 2000, we entered into an employment agreement with T. Scott Wiggins that provides for his employment as an Executive Vice President. Mr. Wiggins' employment agreement expires on December 31, 2003. Mr. Wiggins receives an annual base salary equal to $175,000 per year, and his employment will terminate upon the earlier of his death, resignation, disability, or termination by the board of directors for any reason. If we terminate Mr. Wiggins' employment without cause, or if Mr. Wiggins terminates his own employment upon a change of control of our company or for other good reason, as defined in the agreement, we are responsible for paying Mr. Wiggins a lump-sum cash payment equal to 100% of Mr. Wiggins' annual base salary. Pursuant to the agreement, Mr. Wiggins was issued options to purchase 161,291 shares of our common stock at an exercise price of $4.65 per share. The options expire on December 31, 2010 and vested immediately upon grant. In addition, Mr. Wiggins is prohibited, during his employment with us and for one year after he is no longer employed by us, from soliciting any of our employees or competing with us in any manner.

Brian McDougall. On May 21, 2001, we entered into an employment agreement with Brian McDougall that provides for his employment as our Chief Financial Officer. Mr. McDougall's employment agreement expires on May 21, 2006. Mr. McDougall receives an annual base salary equal to $175,000 per year, and his employment will terminate upon the earlier of his death, resignation, disability, or termination by the board of directors for any reason. If we terminate Mr. McDougall's employment without cause, we are responsible for paying Mr. McDougall his annual base salary for two years following the effective date of the termination, in addition to continuing certain benefits as provided in the agreement. Pursuant to the agreement, Mr. McDougall was issued options under our 1996 Stock Option Plan to purchase 161,291 shares of our common stock at an exercise price of $4.65 per share. The options expire on May 21, 2011 and vest at a rate of 20% per year for five years. In addition, Mr. McDougall is prohibited, during his employment with us and for two years after he is no longer employed by us, from soliciting any of our employees or competing with us in any manner.

Shekhar Chitnis. As of November 15, 2001, Mr. Chitnis ceased to be an officer of our company but continues to serve as a member of our board of directors. On November 15, 2001, we entered into a separation agreement and a consulting agreement with Mr. Chitnis. Under the separation agreement, Mr. Chitnis ceased to be an employee and officer of our company, and we agreed to continue paying Mr. Chitnis his $150,000 annual base salary through December 31, 2002, in addition to continuing certain benefits as provided in the agreement. Under the consulting agreement, we agreed to engage Chitnis Consulting, Inc., which is 100% owned by Mr. Chitnis, as a consultant on an as-needed basis through December 31, 2005 and will pay Chitnis Consulting consulting fees of $50,000 per year through December 31, 2005. In addition, Mr. Chitnis and Chitnis Consulting are prohibited, during the term of the consulting agreement and for two years after the consulting agreement expires or is terminated, from soliciting any of our employees or customers.

Each of these employment agreements and Mr. Chitnis' consulting agreement contains provisions requiring the employee or consultant to protect the confidentiality of our propriety and confidential information. Each employee and consultant is also required to assign to us any invention developed by him during his employment or consulting engagement.

2002 Equity Incentive Plan

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

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

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

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

Any incentive stock options granted to an optionee which, when combined with all other incentive stock options becoming exercisable for the first time in any calendar year that are held by that person, would have an aggregate fair market value in excess of $100,000, shall automatically be treated as nonstatutory stock options.

The plan may be amended, altered, suspended or terminated by our board of directors at any time, but no such amendment, alteration, suspension or termination may adversely affect the terms of any option previously granted without the consent of the affected optionee. Unless terminated sooner, the plan will terminate automatically in April 2012.

Currently, there are no outstanding options or stock awards of any kind under the plan.

1996 Stock Option Plan

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

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

As of December 31, 2001, options to purchase 1,579,149 shares of common stock were outstanding and exercisable at a weighted average price of $2.84 per share under the 1996 Stock Option Plan. As of December 31, 2001, 1,338,715 shares had been issued upon exercise of options under the plan.

2002 Non-employee Director Stock Option Plan

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

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

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

The plan will terminate in March 2012, unless our board of directors terminates it sooner.

401(k) Savings Plan

We have adopted a tax-qualified employee savings and retirement plan, or 401(k) plan, that covers all of our employees. Pursuant to our 401(k) plan, participants may elect to reduce their current compensation, on a pre-tax basis, by up to 15% of their taxable compensation or of the statutorily prescribed annual limit, whichever is lower, and have the amount of the reduction contributed to the 401(k) plan. The 401(k) plan permits us, in our sole discretion, to make additional employer contributions to the 401(k) plan. However, we do not currently make employer contributions to the 401(k) plan and

may not do so in the future. As such, contributions by employees or by us to the 401(k) plan, and the income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) plan, and we can deduct our contributions, if any, at the time they are made.

Indemnification of Directors and Executive Officers and Limitation of Liability

As allowed by the California Corporations Code, we have adopted provisions in our articles of incorporation and bylaws that provide that the liability of directors of the company for monetary damages shall be eliminated to the fullest extent permissible under California law. Furthermore, our articles of incorporation provide that we are authorized to provide indemnification of agents (including directors and executive officers) through bylaw provisions, agreements, approval of shareholders or disinterested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the company and its shareholders. Our bylaws provide that agents of the company shall be indemnified against expenses actually and reasonably incurred by them in connection with the successful defense on the merits in any proceeding that they are a party to by reason of the fact that they were agents of the corporation, but only if they acted in good faith, in a manner that they believed to be in the best interests of the corporation, and with such care as a reasonably prudent person in a like position would use under similar circumstances.

If an agent is not successful on the merits in any such proceeding, then the corporation will only indemnify the agent if it is determined that the agent has satisfied the foregoing standard of conduct, and such determination is made by:

- a majority vote of a quorum of directors who are not parties to the proceeding,
- approval by the affirmative vote of the majority of the company's shares entitled to vote of a duly held meeting at which a quorum is present or by written consent of the holders of a majority of shares entitled to vote, or
- the court in which the proceeding was pending.

However, our bylaws provide that, in the case of an action by or in the right of the company, no indemnification will be permitted:

- if the agent is adjudged to be liable in the performance of the agent's duty to the company, unless and only to the extent that the court determines that, in view of all the circumstances of the case, the agent is fairly and reasonably entitled to indemnity for the expenses which the court shall determine,
- for amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval, and
- for expenses incurred in defending a threatened or pending action that is settled or otherwise disposed of with or without court approval.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors or officers pursuant to the foregoing provisions, or otherwise, in the opinion of the Commission, this indemnification is against public policy as expressed in the Securities Act of 1933, and is therefore unenforceable. In the event that a claim for indemnification for these liabilities, other than the payment by the company of expenses incurred or paid by a director or officer in the successful defense of any action, suit or proceeding, is asserted by a director or officer, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question as to whether this indemnification is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of the issue.

There is no pending litigation or proceeding involving any of our directors, officers, employees or other agents as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director, officer, employee or other agent.

CERTAIN TRANSACTIONS

As of April 3, 2002, we owed $1.4 million plus accrued interest of $143,511 to John Kang and Rick Salas under a subordinated, unsecured promissory note that is due on December 31, 2002. John Kang is our chief executive officer, president, and a director, and Rick Salas is a director. This note bears interest at 8.5% per annum, with interest being payable at maturity. The note may be prepaid by our company only with the written consent of Mr. Kang and Mr. Salas. In connection with the issuance of this note, we issued to Mr. Kang and Mr. Salas a warrant to purchase shares of our common stock. The number of shares issuable under this warrant is equal to the original principal amount of the note ($1.5 million) divided by the per share exercise price of the warrant, which is $4.65. This warrant expires on December 31, 2005, and as of September 30, 2001, no portion of this warrant has been exercised.

As of April 3, 2002, we owed John Kang $2.75 million plus accrued interest of $24,287 under two additional subordinated, unsecured promissory notes. These notes bear interest, payable at maturity, of 8.0% per annum. $2.0 million in principal amount under these notes becomes due on May 1, 2003, or, if earlier, upon the closing of an initial underwritten public offering, and $0.75 million in principal amount under these notes becomes due upon the earlier of July 1, 2003 or the closing of an initial public offering.

In March 2001, we issued 1,294,358 shares of our common stock to Mr. Kang and Mr. Salas as a result of the conversion by Mr. Kang and Mr. Salas of a separate $2.0 million convertible subordinated promissory note held by them jointly. This note provided for conversion at a value of $1.55 per share.

As of April 3, 2002, we owed $1.5 million plus accrued interest of $148,691 to Tjoa Thian Song, a director of our company, under a subordinated, unsecured promissory note that is due on December 31, 2002. The amount outstanding under the note bears interest, payable at maturity, at 8.5% per annum. This note may be prepaid with the written consent of Mr. Tjoa. In connection with the issuance of this note, we issued to Mr. Tjoa a warrant to purchase shares of our common stock. The number of shares issuable under this warrant is equal to the original principal amount of the note ($1.5 million) divided by the per share exercise price of the warrant, which is $4.65. This warrant expires on December 31, 2005, and as of September 30, 2001, no portion of this warrant has been exercised.

As of April 3, 2002, we also owed Mr. Tjoa $1.75 million plus accrued interest of $38,054 under two additional subordinated, unsecured promissory notes. These notes bear interest, payable at maturity, of 8.0% per annum. $1.0 million in principal amount under these notes becomes due on December 31, 2002, or, if earlier, upon the closing of an initial underwritten public offering or a significant funding transaction, and $0.75 million in principal amount under these notes becomes due upon the earlier of July 1, 2003 or the closing of an initial public offering. These notes may be prepaid by us at any time without penalty.

On November 30, 2001, we issued 45,500 shares of our common stock to Mr. Tjoa pursuant to an agreement under which Mr. Tjoa agreed to accept such shares as payment in full for an unsecured promissory note payable to Mr. Tjoa by our company. On November 30, 2001, the outstanding balance on this note was $0.5 million in principal plus accrued interest of $64,212.

On January 31, 2001, we issued 215,054 shares of our common stock to Synapse Fund I, LLC. These shares were issued in exchange for the transfer to our company of a $1.0 million promissory note previously issued by our Liquidmetal Golf subsidiary to Synapse Fund I. Also on January 31, 2001, we issued 215,054 shares of our common stock to Synapse Fund II, LLC. These shares were issued in exchange for the transfer to our company of a separate $1.0 million promissory note previously issued by our Liquidmetal Golf subsidiary to Synapse Fund II. Henri Tchen, a member of our board of directors, is the director of both Synapse Fund I and Synapse Fund II.

On September 1, 2001, we entered into an amended and restated license agreement with Caltech. William Johnson, Ph.D., the Vice Chairman of our board of directors, is a professor at Caltech, and substantially all of the amorphous alloy technology licensed to us under the Caltech license agreement was developed in Professor Johnson’s Caltech laboratory. Under the Caltech license agreement, we have a fully paid, exclusive license to make, use, and sell products from inventions, proprietary information, know-how, and other rights relating to amorphous alloys owned by Caltech and existing as of September 1, 2001. The

license agreement also gives us the exclusive right to make, use, and sell products derived from substantially all amorphous alloy technology developed in Professor Johnson's Caltech laboratory during the period September 1, 2001 through August 31, 2005. We agreed to pay Caltech a one-time fee of $150,000 in connection with this agreement. In May 2000, we issued 96,774 shares of our common stock to Caltech pursuant to a prior license agreement.

On December 31, 2000, we entered into an employment agreement with John Kang, who is our Chief Executive Officer and who serves as one of our directors. The employment agreement provides that John Kang will be employed as our president and chief executive officer for a term that expires on December 31, 2005. Under this employment agreement, John Kang is paid a base salary of $200,000 per year. For more information regarding John Kang's employment agreement, see "Management — Employment Agreements."

On May 1, 2001, we entered into an employment agreement with James Kang under which he serves as the Chairman of our board of directors. The employment agreement provides for an annual base salary of $300,000 per year, and the agreement expires on April 30, 2005. For more information regarding James Kang's employment agreement, see "Management — Employment Agreements."

On October 1, 2001, we entered into an employment agreement with William Johnson, Ph.D., a member of our board of directors. The employment agreement provides that Professor Johnson will be employed as the Vice Chairman of our board of directors for a term that expires on September 30, 2003. Under this employment agreement, Professor Johnson is paid a base salary of $300,000 per year.

On November 15, 2001 we entered into separation and consulting agreements with Shekhar Chitnis, a member of our board of directors and a former executive officer. Under these agreements, Mr Chitnis ceased to be an employee and officer of our company, and we agreed to pay Mr. Chitnis a $150,000 annual base salary through December 31, 2002. The agreements further provide that we will engage Chitnis Consulting, Inc., which is owned 100% by Mr. Chitnis, as a consultant on an as-needed basis through December 31, 2004 and will pay Chitnis Consulting consulting fees of $50,000 per year through December 31, 2005. For more information regarding these agreements, see "Management — Employment Agreements."

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of April 1, 2002 by:

- each person that beneficially owns more than 5% of our outstanding common stock,
- each of our directors and executive officers identified in the Summary Compensation Table, and
- all directors and executive officers as a group.

Beneficial ownership is determined under the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Unless otherwise indicated, each of the shareholders has sole voting and investment power with respect to the shares beneficially owned, subject to applicable community property laws. Unless otherwise noted in the footnotes, the address for each principal shareholder is c/o Liquidmetal Technologies, 25800 Commercentre Dr., Suite 100, Lake Forest, California 92630.

As of April 1, 2002, there were 239 holders of record of our common stock. For purposes of calculating amounts beneficially owned by a shareholder before the offering, the number of shares deemed outstanding includes 35,275,129 shares of common stock outstanding as of April 1, 2002. In addition, shares of common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of April 1, 2002 are deemed to be outstanding and to be beneficially owned by the person holding the options or warrants for the purpose of computing the beneficial ownership of that person but are not treated as outstanding for the purpose of computing the beneficial ownership of any other person. The percentage of beneficial ownership after this offering is based on 40,731,986 shares of common stock, assuming no exercise of the underwriters' overallotment option. For purposes of calculating the percentage beneficially owned after the offering, the number of shares deemed outstanding includes all shares deemed to be outstanding before the offering, all shares being sold in the offering, and 456,857 shares of common stock issuable pursuant to the automatic conversion of our Series A convertible preferred stock upon the completion of this offering.

Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percent of Common Stock Beneficially Owned	
		Before Offering	After Offering
ATI Holdings, LLC	16,386,465	46.5%	40.2%
John Kang(1)	19,307,172	51.9%	45.3%
James Kang(2)	1,816,591	5.0%	4.3%
William Johnson(3)	1,317,743	3.7%	3.2%
Scott Wiggins(4)	290,324	0.8%	0.7%
Brian McDougall(5)	64,518	0.2%	0.2%
Ricardo A. Salas(6)	1,392,353	3.9%	3.4%
Shekhar Chitnis(7)	779,521	2.2%	1.9%
Jack Chitayat(8)	555,194	1.6%	1.4%
Tjoa Thian Song(9)	4,197,166	11.7%	10.1%
Henri Tchen(10)	1,146,956	3.3%	2.8%
Jeffrey Oster	—	—	—
Betsy Atkins	—	—	—
David Browne	40,323	0.1%	0.1%
All directors and executive officers as a group (11 persons)	29,617,538	74.5%	65.5%

* Less than 1.0%

(1) Includes:

(a) 16,386,465 shares held of record by ATI Holdings, LLC. Mr. Kang has the power to direct the voting and disposition of such shares as the sole manager of J. Holdsworth Capital Management, LLC, which is the sole manager of ATI Holdings, LLC. Mr. Kang disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in ATI Holdings, LLC.;

(b) 48,388 shares held of record by Cook Street, LLC. Mr. Kang has the sole power to direct the voting and disposition of such shares as the sole manager of Cook Street, LLC. Mr. Kang disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in Cook Street, LLC.;

(c) 483,871 shares held of record by J. Holdsworth Capital, Ltd. Mr. Kang is the president and a 25% shareholder of J. Holdsworth Capital, Ltd. Mr. Kang disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in J. Holdsworth Capital, Ltd.;

(d) 322,581 shares issuable pursuant to a warrant held jointly by Mr. Kang and Ricardo Salas that is currently exercisable; and

(e) 1,612,904 shares issuable pursuant to options that are currently exercisable or that are exercisable within sixty days.

(2) Includes 1,156,989 shares issuable pursuant to options that are currently exercisable or that are exercisable within sixty days. Also includes 969 shares held by James Kang's minor children.

(3) Includes 161,291 shares issuable pursuant to options that are currently exercisable or that are exercisable within sixty days.

(4) Includes 129,033 shares held in a partnership in which Mr. Wiggins is a general partner, and also includes 161,291 shares issuable pursuant to options that are currently exercisable or that are exercisable within sixty days.

(5) All of these shares issuable pursuant to options that are currently exercisable or that are exercisable within sixty days.

(6) Includes 483,871 shares held of record by J. Holdsworth Capital, Ltd., in which Mr. Salas is a 25% shareholder. Mr. Salas disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in J. Holdsworth Capital, Ltd. Also includes 322,581 shares issuable pursuant to a warrant held jointly by Mr. Salas and John Kang that is currently exercisable and 161,291 shares held by Mr. Salas as trustee of a grantor trust.

(7) Includes 11,590 shares held by Mr. Chitnis' minor children. Also includes 402,581 shares issuable to Mr. Chitnis pursuant to stock options that are currently exercisable or that are exercisable within sixty days.

(8) Includes 483,871 shares held of record by J. Holdsworth Capital, Ltd., in which Mr. Chitayat is a 25% shareholder. Mr. Chitayat disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in J. Holdsworth Capital, Ltd.

(9) Includes 322,581 shares issuable pursuant to options that are currently exercisable or that are exercisable within sixty days. Also, includes 322,581 shares issuable pursuant under a currently exercisable warrant.

(10) All of these shares are held of record by Synapse Fund I, LLC and Synapse Fund II, LLC. Mr. Tchen is the vice president of Synapse Capital, LLC, which is the sole manager of both of these funds.

DESCRIPTION OF CAPITAL STOCK

General

We are authorized to issue up to 200,000,000 shares of common stock, no par value, of which 35,275,129 shares were issued and outstanding as of April 1, 2002. We are also authorized to issue up to 10,000,000 shares of preferred stock, no par value, of which 456,857 shares designated as Series A convertible preferred stock were issued and outstanding as of April 1, 2002. Unless otherwise specifically noted, all share data in this prospectus has been adjusted to reflect a one-for-3.1 reverse stock split of our outstanding common stock and preferred stock on April 4, 2002.

Common Stock

Holders of our common stock are entitled to one vote per share on all matters to be voted upon by shareholders. In accordance with California law, the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders. However, upon a shareholder giving notice prior to the voting as required by law, shareholders may cumulate their votes in the election of directors. This means that the shareholders would be entitled to a number of votes equal to the number of their shares multiplied by the number of directors to be elected. A shareholder would then be entitled to cast all of the shareholder's votes for any director or for any two or more directors as the shareholder would choose. However, in accordance with our bylaws and California law, upon the completion of this offering, shareholders will no longer have the right to cumulate their votes in elections for directors.

Shares of our common stock have no preemptive rights, no redemption or sinking fund provisions, and are not liable for further call or assessment. The holders of such common stock are entitled to receive dividends when and as declared by our board of directors out of funds legally available for dividends. Our board of directors has never declared or paid any cash dividends, and our board of directors does not currently anticipate paying any cash dividends in the foreseeable future.

Upon a liquidation of our company, our creditors and any holders of our preferred stock with preferential liquidation rights will be paid before any distribution to holders of common stock. The holders of common stock would be entitled to receive a pro rata distribution per share of any excess amount. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

Preferred Stock

Our articles of incorporation empower our board of directors to issue up to 10,000,000 shares of preferred stock from time to time in one or more series. Our board also may fix the rights, preferences, privileges, and restrictions of those shares, including dividend rights, conversion rights, voting rights, redemption rights, terms of sinking funds, liquidation preferences, and the number of shares constituting any series or the designation of the series. Any preferred stock terms selected by our board of directors could decrease the amount of earnings and assets available for distribution to holders of our common stock or adversely affect the rights and power, including voting rights, of the holders of our common stock without any further vote or action by the shareholders. The rights of holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued by us in the future. The issuance of preferred stock could also have the effect of delaying or preventing a change in control of our company or make removal of management more difficult.

As of April 1, 2002, 456,857 shares of preferred stock were outstanding. All of these shares are designated as Series A convertible preferred stock. The holders of our Series A convertible preferred stock are entitled to one vote per share and vote together with the common stock as a single class on all matters to be voted upon by the shareholders, except for matters on which California law entitles the holders of

preferred stock to vote as a separate class and except for any amendment to our articles of incorporation that materially and adversely changes the rights of the holders of Series A convertible preferred stock. The holders of our Series A convertible preferred stock are entitled to dividends whenever dividends are declared on our common stock, in which case the holders of Series A convertible preferred stock will participate equally, share for share, in the dividend with the common stock. Upon the dissolution, liquidation, or winding up of the company, the holders of Series A convertible preferred stock will be entitled to receive, before any payment or distribution to the common stock, a preferred distribution of $12.40 per share. The holders of Series A convertible preferred stock are also entitled to anti-dilution rights in the event that we issue additional shares of common stock at less than $12.40 per share. Each share of Series A convertible preferred stock is convertible into a share of common stock at any time at the option of the holder. If the per share offering price in this offering is at least $15.00 per share, however, all shares of Series A convertible preferred stock will convert automatically into common stock upon the consummation of this offering, and no shares of preferred stock will remain outstanding.

Warrants and Special Options

On February 21, 2001, we issued a warrant to purchase shares of our common stock jointly to John Kang and Ricardo Salas. This warrant was issued in connection with the issuance to Mr. Kang and Mr. Salas of a $1,500,000 subordinated, unsecured promissory note that is due on December 31, 2002. 322,581 shares are issuable under this warrant at an exercise price of $4.65 per share. This warrant expires on December 31, 2005, and as of December 31, 2001, no portion of this warrant has been exercised.

On February 21, 2001, we issued a warrant to purchase shares of our common stock to Tjoa Thian Song. This warrant was issued in connection with the issuance to Mr. Tjoa of a $1,500,000 subordinated, unsecured promissory note that is due on December 31, 2002. 322,581 shares are issuable under this warrant at an exercise price equal to $4.65 per share. This warrant expires on December 31, 2005, and as of December 31, 2001, no portion of this warrant has been exercised.

On January 1, 2001, we granted Paul Azinger a non-qualified stock option to purchase up to 1,021,507 shares of our common stock at an exercise price of $1.1625 per share. This option was granted to Mr. Azinger in consideration of Mr. Azinger entering into an endorsement agreement with our Liquidmetal Golf subsidiary. Under the option agreement, Mr. Azinger's option vests as to 161,291 shares on December 31, 2001 and 215,054 shares on each of December 31, 2002, 2003, 2004, and 2005. This option expires on December 31, 2010 or the fifth anniversary of the date on which Mr. Azinger's endorsement agreement terminates, whichever occurs first. The option agreement provides that if Liquidmetal Golf terminates the endorsement agreement prior to December 31, 2002, then the option will become immediately vested as to 376,345 shares, and the unvested portion of the option will immediately terminate.

Registration Rights

Following this offering, two shareholders holding a total of 183,492 outstanding shares of our common stock will have piggyback registration rights with respect to these shares. In the event that we propose to register additional shares of common stock under the Securities Act of 1933 for our own account, these shareholders are entitled to receive notice of that registration and to include their shares in the registration, subject to limitations described in the agreements granting these rights. These registration rights will not apply to certain registrations, such as the registration of securities issued under employee benefit plans and a registration incident to a corporate merger or reorganization. In addition, each shareholder holding these rights may only exercise them with respect to two registrations. These registration rights expire on the third anniversary of our initial public offering or, if earlier, on the date on which the holders can sell all of their registrable securities under Rule 144 under the Securities Act of 1933 during any three-month period.

Additionally, Paul Azinger will have piggyback registration rights with respect to any shares of common stock that Mr. Azinger receives upon the exercise of his stock option. Mr. Azinger's stock option

agreement provides that, if we propose to register additional shares of common stock under the Securities Act of 1933, whether for our own account or the account of another shareholder, Mr. Azinger is entitled to receive notice of that registration and to include his shares in the registration, subject to limitations described in his stock option agreement. These registration rights will not apply to a registration of securities issued under an employee benefit plan or a registration incident to a corporate merger or reorganization. These registration rights expire on the date on which Mr. Azinger can sell all of his registrable securities under Rule 144 under the Securities Act of 1933 without any volume limitations.

All registration rights are subject to conditions and limitations, among them the right of the underwriters of any offering to limit the number of shares of common stock held by these security holders to be included in the registration. We are generally required to bear all of the expenses of all registrations, except underwriting discounts and selling commissions. Registration of the shares of common stock held by security holders with registration rights would result in these shares becoming freely tradeable without restriction under the Securities Act of 1933 immediately upon effectiveness of this registration.

Anti-Takeover Effect

California Law Section 1203 of the California Corporations Code includes provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control or management of our company. First, if an "interested person" makes an offer to purchase the shares of some or all of our existing shareholders, we must obtain an affirmative opinion in writing as to the fairness of the offering price prior to completing the transaction. California law considers a person to be an "interested person" if the person directly or indirectly controls our company, if the person is directly or indirectly controlled by one of the our officers or directors, or if the person is an entity in which one of our officers or directors holds a material financial interest. If after receiving an offer from such an "interested person", we receive a subsequent offer from a neutral third party, then we must notify our shareholders of this offer and afford each of them the opportunity to withdraw their consent to the "interested person" offer. Section 1203 and other provisions of the California Corporations Code could make it more difficult for a third party to acquire a majority of our outstanding voting stock by discouraging a hostile bid, or delaying, preventing or deterring a merger, acquisition or tender offer in which our shareholders could receive a premium for their shares, or effect a proxy contest for control of the company or other changes in our management.

Articles of Incorporation and Bylaw Provisions. Our articles of Incorporation authorize our board of directors, without shareholder approval, to issue up to 10,000,000 shares of "blank check" preferred stock. In addition, our bylaws limit the ability of our shareholders to call a special meeting of the shareholders. These and other provisions contained in our articles of incorporation and bylaws could delay or discourage transactions involving an actual or potential change in control of us or our management, including transactions in which shareholders might otherwise receive a premium for their shares over their current prices. Such provisions could also limit the ability of shareholders to remove current management or approve transactions that shareholders may deem to be in their best interests and could adversely affect the price of our common stock.

Classified Board of Directors. Our bylaws provide that upon our becoming a "listed corporation" within the meaning of Section 301.5 of the Corporations Code of California, our board of directors will automatically be divided into three classes of directors, with each class serving a staggered three-year term. The classification system of electing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us and may maintain the composition of the board of directors, as the classification of the board of directors generally increases the difficulty of replacing a majority of directors. We anticipate that we will qualify as a "listed corporation" immediately upon the completion of this offering.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Co.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market could adversely affect the market price of our common stock. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of certain contractual and legal restrictions on resale, sales of substantial amounts of our common stock in the public market after the restrictions lapse could adversely affect the market price of our common stock and our ability to raise capital in the future.

Upon completion of this offering, we will have outstanding 40,731,986 shares of common stock, assuming no exercise of the underwriters' overallotment option and no exercise of outstanding options or warrants, based on shares outstanding as of April 1, 2002. This includes 456,857 shares of our Series A convertible preferred stock that will be automatically converted into 456,857 shares of our common stock upon the completion of this offering. Of these shares, the 5,000,000 shares of our common stock sold in this offering will be freely tradable, unless shares are purchased by an existing "affiliate." Our affiliates are people or entities that directly or indirectly control our company, are controlled by our company, or are under common control with our company. For instance, our directors, executive officers and principal shareholders are deemed to control our company, and thus are affiliates.

The remaining outstanding shares of common stock will be "restricted" securities within the meaning of Rule 144 under the Securities Act of 1933, as amended, and may not be sold in the absence of registration under the securities laws unless an exemption from registration is available.

One of those exemptions is Rule 144. In general, Rule 144 as currently in effect, allows a shareholder (including an affiliate) who has beneficially owned restricted shares for at least one year to sell within any three-month period a number of shares which do not exceed the greater of (1) 1% of our then outstanding shares of common stock, approximately 40,732 shares immediately after this offering, or (2) the average weekly trading volume of our common stock during the four calendar weeks preceding the date on which notice of the sale is filed with the Commission. Sales under Rule 144 also must be sold through brokers or "market makers," and there must be current public information about the company available. Shares properly sold in reliance on Rule 144 to persons who are not affiliates become freely tradable without restriction or registration under the securities laws. The Rule 144 restrictions are not applicable to a person who has beneficially owned shares for at least two years (including "tacked on" holding periods) and who is not an affiliate of the company.

Another exemption is Rule 701. Subject to certain limitations on the aggregate offering price of a transaction and other conditions, Rule 701 may be relied upon by shareholders with respect to the resale of securities originally purchased by employees, directors, officers and consultants under stock options issued under our stock option plan. To be eligible for resale under Rule 701, shares must have been issued pursuant to written compensatory benefit plans or written contracts relating to the compensation of such persons. In addition, the Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, including exercises after the date of this offering. Securities issued in reliance on Rule 701 are restricted securities. Subject to the contractual restrictions described below, securities may be sold under Rule 701 by affiliates beginning 90 days after the date of this prospectus if they comply with Rule 144, other than the holding period requirement.

All of the executive officers and directors and some shareholders and option holders have signed lock-up agreements in favor of the underwriters which prohibit them from selling or otherwise disposing of any shares of our common stock or securities convertible into shares of our common stock for a period of 180 days after the date of this prospectus. Transfers or dispositions can be made sooner with the prior written consent of Merrill Lynch. However, Merrill Lynch currently has no plans to release any portion of the securities subject to these lock-up agreements.

As of April 1, 2002, options to purchase a total of 8,165,095 shares of our common stock were outstanding. Following the completion of this offering, we intend to file registration statements to register

all 8,165,095 shares of our common stock subject to outstanding options, and an additional 11,000,000 shares of our common stock reserved for issuance under our 2002 incentive stock plans. Accordingly, shares to be registered in this manner will be available for sale in the open market, except to the extent the shares are subject to vesting restrictions or the lock-up agreements. Affiliates will still be required to comply with Rule 144. Following the completion of this offering, 645,162 shares of our common stock will be subject to outstanding warrants. These shares, when issued pursuant to the warrants, will be restricted securities and will be subject to Rule 144.

As a result of Rule 144, Rule 701, the lock-up agreements and our intention to file registration statements covering shares of common stock subject to outstanding stock options under our stock option plan, approximately shares will be eligible for sale in the public market during the 180 days after the date of this prospectus. In addition, approximately shares will become eligible for sale in the public market upon expiration of the lock-up agreements 180 days after the date of this prospectus.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Warburg LLC, and Robert W. Baird & Co. Incorporated are acting as representatives of the underwriters named below. Subject to the terms and conditions described in a purchase agreement between us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally and not jointly have agreed to purchase from us, the number of shares listed opposite their names below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
UBS Warburg LLC	
Robert W. Baird & Co. Incorporated	
Total	5,000,000

Subject to the terms and conditions in the purchase agreement, the underwriters have agreed to purchase all the shares of our common stock being sold pursuant to the purchase agreement if any of these shares of our common stock are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares of our common stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares of our common stock to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount to be paid by us to the underwriters and the proceeds, before expenses, to us. This information assumes either no exercise or full exercise by the underwriters of their overallotment options.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to Liquidmetal Technologies	$	$	$

The expenses of this offering, not including the underwriting discount, are estimated at $1,900,000 and are payable by us.

Overallotment Option

We have granted an option to the underwriters to purchase up to 750,000 additional shares of our common stock at the initial public offering price less the underwriting discount. The underwriters may

exercise this option for 30 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each underwriter will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares of our common stock proportionate to that underwriter's initial amount reflected in the above table.

Reserved Shares

At our request, the underwriters have reserved for sale, at the initial public offering price, up to shares of our common stock offered hereby to be sold as part of the underwritten offering to certain individuals and entities designated by us. We have reserved shares for certain employees and friends. If these individuals and entities purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not orally confirmed for purchase within one day of the pricing of this offering will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

No Sales of Similar Securities

We, our executive officers and directors and certain shareholders have agreed not to sell or transfer any shares of our common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other individuals have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any shares of our common stock;
- sell any option or contract to purchase any shares of our common stock;
- purchase any option or contract to sell any shares of our common stock;
- grant any option, right or warrant for the sale of any shares of our common stock;
- lend or otherwise dispose of or transfer any shares of our common stock;
- request or demand that we file a registration statement related to any shares of our common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequences of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to shares of our common stock and to securities convertible into, or exchangeable or exercisable for, or repayable with, shares of our common stock. It also applies to shares of our common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and Merrill Lynch. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us;
- our financial information;
- the history of, and the prospects for, our company and the industry in which we compete;
- an assessment of our management, its past and present operation, and the prospects for, and timing of, our future revenues;

- the present state of our development; and

- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares of our common stock may not develop. It is possible that after this offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares of our common stock in the aggregate to accounts over which they exercise discretionary authority.

Electronic Distribution

Merrill Lynch will be facilitating Internet distribution for this offering to certain of its Internet subscription customers. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet Web site maintained by Merrill Lynch. Other than the prospectus in electronic format, the information on the Merrill Lynch Web site is not a part of this prospectus.

Quotation in the Nasdaq National Market

Application has been made for quotation of the shares on the Nasdaq National Market under the symbol “LQMT.”

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares of our common stock is completed, rules of the Securities and Exchange Commission may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may make short sales of our common stock. Short sales involve the sale by the underwriters at the time of the offering of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the overallotment option. The underwriters may close out any covered short position by either exercising their overallotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the public offering price at which they may purchase the shares through the overallotment option.

Naked short sales are sales in excess of the overallotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the purchases by the underwriters to cover syndicate short positions may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than it would otherwise be in the absence of these transactions.

The representatives may also impose a penalty bid on underwriters and selling group members. This means that if the representatives purchase shares of our common stock in the open market to reduce an underwriter’s short position or to stabilize the purchase of such shares, they may reclaim the amount of the selling commission from the underwriters and selling group members who sold those shares. The imposition of a penalty bid may also affect the price of the shares of our common stock in that it discourages resales of those shares.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

LEGAL MATTERS

The validity of the shares of common stock issued in this offering will be passed upon for us by the law firm of Foley & Lardner, Tampa, Florida. Certain legal matters in connection with this offering will be passed upon for the underwriters by the law firm of Sidley Austin Brown & Wood LLP, New York, New York.

EXPERTS

The consolidated financial statements as of December 31, 2001 and 2000, and for each of the three years in the period ended December 31, 2001, included in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein and elsewhere in the registration statement, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a Registration Statement (of which this prospectus is a part) on Form S-1 under the Securities Act of 1933, as amended, relating to the common stock we are offering. This prospectus does not contain all the information that is in the Registration Statement. Certain portions of the Registration Statement have been omitted as allowed by the rules and regulations of the Securities and Exchange Commission. Statements in this prospectus which summarize documents are not necessarily complete, and in each case you should refer to the copy of the document filed as an exhibit to the Registration Statement. For further information regarding our company and our common stock, please see the Registration Statement and its exhibits and schedules. You may examine the Registration Statement free of charge at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional office of the Commission at Suite 1400, 500 West Madison Street, Chicago, Illinois. Copies of the Registration Statement may also be obtained from the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, or by calling the Commission at 1-800-SEC-0330, at prescribed rates. In addition, the Registration Statement and other public filings can be obtained from the Commission's Internet site at http://www.sec.gov.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, will file periodic reports, proxy statements and other information with the Commission. Such periodic reports, proxy statements and other information will be available for inspection and copying at the Commission's public reference rooms and the Internet site of the SEC referred to above. Our Internet site address is www.liquidmetal.com. Information on our Internet site does not constitute a part of this prospectus.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders

Liquidmetal Technologies
Tampa, Florida

We have audited the accompanying consolidated balance sheets of Liquidmetal Technologies and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of operations and comprehensive loss, shareholders' equity (deficiency), and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Liquidmetal Technologies and subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Certified Public Accountants

Tampa, Florida

April 4, 2002

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Pro Forma December 31, 2001	December 31, 2001	December 31, 2000
	(unaudited)	(in thousands, except share data)	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 2,230	$ 124
Accounts receivable (net of allowance for doubtful accounts of $30 for 2001 and $30 for 2000)		911	785
Inventories		503	192
Prepaid expenses		967	57
Total current assets		4,611	1,158
PROPERTY, PLANT AND EQUIPMENT, NET		1,163	162
INTANGIBLE ASSETS, NET		723	597
OTHER ASSETS		183	28
Total assets		$ 6,680	$ 1,945
LIABILITIES AND SHAREHOLDERS' EQUITY AND DEFICIENCY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses		$ 2,706	$ 575
Net liabilities of discontinued operations		7,492	1,627
Deferred revenue		830	830
Accrued severance		167	87
Current portion of notes payable to shareholders		2,988	2,006
Total current liabilities		14,183	5,125
NOTES PAYABLE TO SHAREHOLDERS, LESS CURRENT PORTION		—	500
Total liabilities		14,183	5,625
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY (DEFICIENCY):			
Preferred stock, no par value; 10,000,000 shares authorized and 456,857 issued and outstanding at December 31, 2001; none issued and outstanding in 2000	$ —	5,577	—
Common stock, no par value; 200,000,000 shares authorized 35,480,372 issued and outstanding pro forma 2001; and 35,023,515 issued and outstanding at December 31, 2001, 30,884,042 issued and outstanding in 2000	35,329	29,752	19,305
Paid in capital	22,401	22,401	12,421
Unamortized stock-based compensation	(6,717)	(6,717)	—
Accumulated deficit	(58,588)	(58,588)	(35,502)
Accumulated foreign exchange translation gain	72	72	96
Total shareholders' equity (deficiency)	(7,503)	(7,503)	(3,680)
Total liabilities and shareholders' equity (deficiency)	$ 6,680	$ 6,680	$ 1,945

See notes to consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Year Ended December 31,		
	2001	2000	1999
	(in thousands, except per share data)		
REVENUE	$ 3,882	$ 4,200	$ 2,012
COST OF SALES	1,924	1,983	805
Gross profit	1,958	2,217	1,207
OPERATING EXPENSES:			
Selling	827	527	403
General and administrative	3,475	922	444
Research and development	1,725	455	333
Total expenses	6,027	1,904	1,180
INCOME (LOSS) BEFORE INTEREST EXPENSE AND DISCONTINUED OPERATIONS	(4,069)	313	27
Interest expense, net	(1,095)	(188)	(190)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(5,164)	125	(163)
DISCONTINUED OPERATIONS:			
Loss from operations of discontinued retail golf segment, net	(5,973)	(8,938)	(7,977)
Loss from disposal of discontinued retail golf segment, net	(11,949)	—	—
NET LOSS	(23,086)	(8,813)	(8,140)
Foreign exchange translation (loss) gain	(24)	96	—
COMPREHENSIVE LOSS	$(23,110)	$(8,717)	$(8,140)
PER COMMON SHARE BASIC:			
Income (loss) from continuing operations	$ (0.15)	$ 0.00	$ (0.01)
Loss from discontinued operations	$ (0.54)	$ (0.30)	$ (0.30)
Net loss	$ (0.69)	$ (0.29)	$ (0.30)
PER COMMON SHARE DILUTED:			
Income (loss) from continuing operations	$ (0.15)	$ 0.00	$ (0.01)
Loss from discontinued operations	$ (0.54)	$ (0.27)	$ (0.30)
Net loss	$ (0.69)	$ (0.26)	$ (0.30)

See notes to consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)

For the Years Ended December 31, 2001, 2000 and 1999

	Preferred Shares	Preferred Stock	Common Shares	Common Stock	Paid in Capital	Unamortized Stock-Based Compensation	Accumulated Deficit	Accumulated Foreign Exchange Translation Gain	Total
				(in thousands, except per share data)					
Balance, December 31, 1998	—	$ —	25,525,261	$12,700	$ 7,875	$ —	$(18,542)	$ —	$ 2,033
Common stock issued	—	—	3,584,230	1,989	—	—	—	—	1,989
Conversion of note payable	—	—	346,774	538	—	—	—	—	538
Stock-based compensation	—	—	—	—	266	—	—	—	266
Dilution gain on common stock issued by subsidiaries	—	—	—	—	853	—	—	—	853
Discount on convertible notes payable of subsidiaries	—	—	—	—	1,000	—	—	—	1,000
Net loss	—	—	—	—	—	—	(8,140)	—	(8,140)
Balance, December 31, 1999	—	—	29,456,265	15,227	9,994	—	(26,682)	—	(1,461)
Common stock issued	—	—	1,358,422	3,970	—	—	—	—	3,970
Conversion of note payable	—	—	69,355	108	—	—	—	—	108
Stock-based compensation	—	—	—	—	852	—	—	—	852
Dilution gain on common stock issued by subsidiaries	—	—	—	—	500	—	—	—	500
Conversion of note payable of subsidiaries	—	—	—	—	1,075	—	—	—	1,075
Foreign exchange translation gain	—	—	—	—	—	—	—	96	96
Other	—	—	—	—	—	—	(7)	—	(7)
Net loss	—	—	—	—	—	—	(8,813)	—	(8,813)
Balance, December 31, 2000	—	—	30,884,042	19,305	12,421	—	(35,502)	96	(3,680)
Preferred stock issued	456,857	5,665	—	—	—	—	—	—	5,665
Commission expense on sale of preferred stock	—	(88)	—	—	—	—	—	—	(88)
Common stock issued	—	—	977,034	5,477	—	—	—	—	5,477
Stock options exercised	—	—	1,822,581	2,400	—	—	—	—	2,400
Conversion of notes payable	—	—	1,339,858	2,570	—	—	—	—	2,570
Discounts on notes payable	—	—	—	—	1,692	—	—	—	1,692
Stock-based compensation	—	—	—	—	8,301	—	—	—	8,301
Unamortized stock-based compensation	—	—	—	—	—	(6,717)	—	—	(6,717)
Dilution gain on common stock issued by subsidiaries	—	—	—	—	37	—	—	—	37
Purchase of common stock by subsidiaries	—	—	—	—	(50)	—	—	—	(50)
Foreign exchange translation (loss)	—		—	—	—	—	—	(24)	(24)
Net loss	—	—	—	—	—	—	(23,086)	—	(23,086)
Balance, December 31, 2001	456,857	$5,577	35,023,515	$29,752	$22,401	$(6,717)	$(58,588)	$ 72	$ (7,503)

See notes to consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
OPERATING ACTIVITIES:			
Net loss	$(23,086)	$(8,813)	$(8,140)
Loss from operations and loss on disposition of discontinued operations	17,922	8,938	7,977
Income (loss) from continuing operations	(5,164)	125	(163)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	132	131	94
Amortization of debt discount	780	—	—
Stock-based compensation	393	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(126)	(374)	(7)
Inventories	(311)	(57)	378
Prepaid expenses and other assets	(273)	(32)	(23)
Accounts payable and accrued expenses	1,303	363	(60)
Unearned revenue	—	—	(170)
Other liabilities	80	(262)	(262)
Net cash used by continuing operations	(3,186)	(106)	(213)
Net cash used by discontinued operations	(8,866)	(4,752)	(3,714)
Net cash used by operating activities	(12,052)	(4,858)	(3,927)
INVESTING ACTIVITIES:			
Purchases of property and equipment	(1,070)	(62)	(12)
Investment in patents and trademarks	(89)	(59)	(3)
Net cash used by investing activities	(1,159)	(121)	(15)
FINANCING ACTIVITIES:			
Proceeds from borrowings	4,000	1,250	1,310
Repayment of borrowings	(100)	(750)	—
Proceeds from issuance of common stock	3,477	3,700	1,690
Proceeds from issuance of preferred stock, net	5,577	—	—
Stock options exercised	2,400	—	—
Dividends paid	—	(7)	—
Proceeds from issuance (repurchase) of common stock by subsidiaries, net	(13)	500	1,223
Net cash provided by financing activities	15,341	4,693	4,223
EFFECT OF FOREIGN EXCHANGE TRANSLATION	(24)	96	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,106	(190)	281
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	124	314	33
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,230	$ 124	$ 314
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	$ 52	$ 162	$ 157

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

In 2001, 2000 and 1999, respectively, $2,570, $108 and $538 in notes payable and accrued interest were converted to the Company's common stock.

In 2001, Liquidmetal Golf transferred and assigned to the Company two subordinated promissory notes in exchange for the Company's common stock in the amount of $2,000.

In 1999, the Company partially paid down the Kang/Salas 7.5% convertible subordinated promissory note through the issuance of common stock shares to the note holders in lieu of cash of $299.

In 2001, 2000 and 1999, respectively, the Company recorded a net addition to shareholders' deficiency of $1,191, $852 and $1,266 comprised of stock compensation and discounts on convertible notes payable in the discontinued retail golf operations.

In 2001, the Company recorded paid in capital of $1,692 comprised of discounts on notes payable.

In 2001, the Company incurred $792 of costs related to the initial public offering that had not been paid as of December 31, 2001.

As of December 31, 2001, the Company accrued $100 for payments to be made to Caltech in exchange for rights to certain patents (see Note 5). In 2000, the Company issued 96,774 shares of common stock in the amount of $270 to Caltech in exchange for rights to certain patents (see Note 5).

In 2000, a subordinated convertible promissory note in the amount of $1,075, issued by Liquidmetal Golf was converted to Liquidmetal Golf's common stock.

See notes to consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2001, 2000 and 1999
(In Thousands, Except Share Data)

1. Description of Business

Liquidmetal® Technologies ("Liquidmetal Technologies") and its subsidiaries (collectively "the Company") has the exclusive right to develop, manufacture, and sell bulk amorphous alloys. Liquidmetal Technologies markets and sells Liquidmetal alloy industrial coatings and also makes products and components from bulk Liquidmetal alloys that can be incorporated into the finished goods of its customers across a variety of industries. Additionally, Liquidmetal Technologies is exploring new product applications for Liquidmetal alloys and is developing its own manufacturing facilities in Korea for the production of its products.

Liquidmetal Technologies derives substantially all of its revenue from the sale of Liquidmetal alloy coatings. The Company's customers use these amorphous alloys to coat various end-use metallic equipment parts and tools. In the periods presented, the Company derived a majority of its revenue from the operation of its retail golf segment, now accounted for as a discontinued operation. The retail golf segment outsourced the manufacture of and marketed golf clubs made of the Company's Liquidmetal alloys.

2. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Liquidmetal Technologies and its wholly-owned subsidiaries, Amorphous Technologies International (Asia) PTE LTD ("LMT Singapore"), located in Singapore, and Liquidmetal Korea Co., Ltd. ("LMT Korea"), located in Korea, and its majority-owned subsidiary, Liquidmetal Golf and its subsidiaries, which included the retail golf segment, now accounted for as a discontinued operation. Effective in 2001, management closed the Singapore operations which did not result in a significant impact on the financial statements for any of the periods presented. All intercompany balances and transactions have been eliminated. Minority interest is included in the consolidated financial statements, as a component of the loss from operations of the discontinued retail golf segment (see Note 9).

Sales of Stock by Subsidiaries. Gains on sales of stock by Liquidmetal Golf are recognized as components of the Company's shareholders' equity (deficiency).

Financial Condition. The accompanying financial statements reflect net losses for all periods presented, negative working capital of $9,572 and $3,967 as of December 31, 2001 and 2000, respectively, and a shareholders' deficiency of $7,503 and $3,680 at December 31, 2001 and 2000, respectively. Management believes that the Company will continue as a going concern due to the steps it has taken to decrease future cash needs by discontinuing the retail golf segment and raising additional debt and equity financing; however, the Company can not necessarily assure that it will continue to be successful in obtaining financing in the future. Subsequent to December 31, 2001, the Company has obtained additional debt of $3,500 and received $435 through the exercise of stock options. Additionally, if the Company's planned initial public offering of common stock is unsuccessful, the Company will take the necessary steps of reducing incremental employees and other costs to further decrease future cash needs. Management believes that these steps will provide the funds required to fund the Company's currently foreseeable liquidity requirements for at least the next twelve months.

Revenue Recognition. On December 3, 1999, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB 101") that summarizes the staff's views in applying accounting principles generally accepted in the United States of America to revenue recognition in financial statements. The Company's revenue

recognition policy complies with the requirements of SAB 101. Revenue is recognized at the time the Company ships its products, as this is when title passes to the customer. Revenue is deferred and included in liabilities when the Company receives cash in advance for services not yet performed or goods not yet delivered.

Cash and Cash Equivalents. The Company considers all highly liquid investments with maturity dates of three months or less when purchased to be cash equivalents. The Company limits the amount of credit exposure to each individual financial institution and places its temporary cash into investments of high credit quality. There are no significant concentrations of credit risk to the Company associated with cash and cash equivalents.

Accounts Receivable. The Company grants credit to its customers generally in the form of short-term trade accounts receivable. The creditworthiness of customers is evaluated prior to the sale of inventory. There are no significant concentrations of credit risk to the Company associated with accounts receivable.

Inventories. Inventories are accounted for on the first-in, first-out basis and reported at the lower of cost or market. Inventories consist of raw materials and finished goods. The Company records an allowance for obsolescence for inventory when it is deemed that there is impairment of the value of the inventories on hand.

Property, Plant and Equipment. Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Additions and major renewals are capitalized. Repairs and maintenance are charged to expense as incurred. Upon disposal, the related cost and accumulated depreciation are removed from the accounts, with the resulting gain or loss included in operating income. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which range from 2 to 10 years.

Intangible Assets. Intangible assets consist of the costs incurred to purchase patent rights and costs incurred to internally develop patents and trademarks. Intangible assets are reported net of accumulated amortization. Patents and trademarks are amortized using the straight-line method over a period based on their contractual lives ranging from 12 to 17 years.

Impairment of Long-lived Assets. The Company reviews long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may be impaired. An impairment loss is recognized when the estimated fair value of the assets is less than the carrying value of the assets.

Fair Value of Financial Instruments. The estimated fair value of amounts reported in the consolidated financial statements have been determined using available market information and valuation methodologies, as applicable. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and all other current assets and liabilities approximate their fair value because of their short term maturities at December 31, 2001 and 2000, unless otherwise stated. The fair values of non-current assets and liabilities approximate their carrying value unless otherwise stated.

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

Advertising and Promotion Expenses. Advertising and promotion expenses are expensed when incurred. Advertising and promotion expenses were $62, $11 and $24 for the years ended December 31, 2001, 2000 and 1999, respectively.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Debt Discount Amortization. Debt discounts for notes payable are amortized to interest expense, using a method that approximates the interest method over the term of the related debt instruments.

Stock-Based Compensation. As permitted under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, the Company has elected to follow Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, which prescribes the intrinsic value method in accounting for its stock options issued to employees and directors. Stock options issued to non-employees of the Company have been accounted for in accordance with SFAS No. 123 which prescribes the fair value accounting method.

Income Taxes. Income taxes are provided under the asset and liability method as required by SFAS No. 109, *Accounting for Income Taxes*. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect of a tax rate change on deferred taxes is recognized in operations in the period that the change in the rate is enacted. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized.

Translation of Foreign Currency. Upon consolidation of the Company's foreign subsidiaries into the Company's consolidated financial statements, any balances with the subsidiaries denominated in the foreign currency are translated at the exchange rate at year-end. The financial statements of LMT Singapore have been translated based upon Singapore Dollars as the functional currency. The financial statements of LMT Korea have been translated based upon Korean Won as the functional currency. LMT Singapore's and LMT Korea's assets and liabilities were translated using the exchange rate at year end and income and expense items were translated at the average exchange rate for the year. The resulting translation adjustment was included in other comprehensive income (loss).

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

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from those estimates.

Unaudited Pro Forma Shareholders equity/(deficiency). The accompanying pro forma Shareholders equity/(deficiency) assumes conversion of all issued and outstanding preferred stock as of December 31, 2001 to common stock that must occur upon the closing of an underwritten offering to the general public pursuant to a Registration Statement to be filed and declared effective by the Securities and Exchange Commission (a "Qualified Offering").

New Accounting Pronouncements. In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* SFAS No. 133, as later amended, establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends upon the intended use of the derivative and resulting designation. The Company adopted SFAS No. 133 on January 1, 2001. The adoption of SFAS No. 133 did not have a material effect on the Company's financial statements.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In June 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets.* SFAS No. 141 requires that all business combinations be accounted for under the purchase method and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. SFAS No. 142 requires that ratable amortization of goodwill and intangible assets with indefinite lives be replaced with periodic tests of the goodwill's impairment and that intangible assets with finite lives other than goodwill should be amortized over their useful lives. Implementation of SFAS No. 141 and SFAS No. 142 is required for fiscal year 2002. Adoption of SFAS No. 141 and 142 is not expected to have a material impact on the Company's financial statements.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which such liabilities are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs should be capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. Adoption of SFAS No. 143 is not expected to have a material impact on the Company's financial statements.

Issued in October 2001, SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, replaces SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.* The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, *Reporting Results of Operations — Reporting the Effects of Disposal of a Segment of a Business*, for the disposal of segments of a business. SFAS No. 144 requires that those long-lived assets be measured at the lower of the carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. The Company has elected not to early adopt SFAS No. 144. Adoption of SFAS No. 144 is not expected to have a material impact on the Company's financial statements.

3. Inventories

Inventories of continuing operations consisted of the following:

	December 31,	
	2001	2000
Raw materials	$186	$ —
Finished goods	317	192
Total inventories	$503	$192

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	December 31,	
	2001	2000
Machinery and equipment	$ 234	$ 234
Computer equipment	126	66
Office equipment, furnishings and improvements	253	53
Construction in process of machinery and equipment	808	—
Total	1,421	353
Accumulated depreciation	(258)	(191)
Total property, plant and equipment, net	$1,163	$ 162

Depreciation expense was approximately $69, $74 and $72 for the years ended December 31, 2001, 2000, and 1999, respectively.

5. Intangible Assets

Intangible assets consisted of the following:

	December 31,	
	2001	2000
Purchased patent rights	$ 420	$ 270
Internally developed patents	506	493
Trademarks	66	40
Total	992	803
Accumulated amortization	(269)	(206)
Total intangible assets, net	$ 723	$ 597

Purchased patent rights represent the exclusive right to commercialize the bulk amorphous alloys and other amorphous alloy technology acquired from California Institute of Technology (“Caltech”), a shareholder, through a license agreement with Caltech (“License Agreement”). Under the License Agreement, the Company has the exclusive right to make, use, and sell products from all of Caltech’s inventions, proprietary information, know-how, and other technology relating to amorphous alloys in existence as of September 1, 2001. The Company also has an exclusive license to 8 patents and 5 patent applications held by Caltech relating to amorphous alloy technology, as well as all related foreign counterpart patents and patent applications. Of the patents currently issued to Caltech and licensed by the Company, the earliest expiration date is 2011 and the latest expiration date is 2017. Furthermore, the license agreement gives the Company the exclusive right to make, use, and sell products from substantially all amorphous alloy technology that is developed in Professor William Johnson’s Caltech laboratory during the period September 1, 2001 through August 31, 2005. All fees and other amounts payable by the Company for these rights and licenses have been paid or accrued in full, and no further royalties, license fees or other amounts will be payable in the future under the License Agreements.

In addition to the patents and patent applications under the License Agreement with Caltech, the Company has internally developed patents. Internally developed patents include legal and registration costs incurred to obtain the respective patents. The Company currently holds various patents and numerous

pending patent applications in the United States, as well as numerous foreign counterparts to these patents outside of the United States.

Amortization expense was approximately $63, $57 and $22 in December 31, 2001, 2000, and 1999, respectively.

6. Notes Payable to Shareholders

Notes payable at December 31, 2001 and 2000 were comprised of the following:

	December 31,	
	2001	2000
Kang/ Salas 8.5%, principal $1,500, due December 31, 2002	$ 1,400	$ —
Tjoa 8.5%, principal $1,500, due December 31, 2002	1,500	—
Tjoa 7.5%, principal $500	—	500
Kang/ Salas 7.5%, principal $3,900	—	2,006
Tjoa 8.0%, principal $1,000, due December 31, 2002	1,000	—
	3,900	2,506
Less debt discount	(912)	—
	2,988	2,506
Less current portion	(2,988)	(2,006)
Notes payable less current portion, net of discounts	$ —	$ 500

Kang/ Salas 8.5% and Tjoa 8.5% — In conjunction with the issuance of these subordinated promissory notes, the Company issued detachable warrants for each of these notes for the purchase of 322,581 common stock shares of the Company at an exercise price of $4.65 per share (the fair value at the date of grant), as adjusted for the stock split and reverse stock split (see Note 7). The warrants expire on December 31, 2005. As of December 31, 2001, none of the detachable warrants had been exercised. The warrants are detachable from the note and therefore each warrant was allocated a portion of the proceeds in the amount of approximately $846, based on their estimated relative fair values at the time they were issued.

Tjoa 7.5% — On November 30, 2001, in lieu of cash repayment of this note, the Company converted the entire $564 of principal and accrued interest into common stock for 45,500 shares of the Company's common stock at $12.40 per share, based on the fair value of the Company's common stock at the date of the conversion.

Kang/ Salas 7.5% — In March 2001, the holders of the note converted the remaining principal balance of the note to 1,294,358 common stock shares at $1.55 per share, based on the fair value of the Company's common stock at the time of issuance of the note, as adjusted for the stock split and reverse stock split (see Note 7).

Anstalt 7.5% — On January 26, 2000, Anstalt converted the entire $108 of principal and accrued interest into common stock for 69,354 shares of the Company's common stock at $1.55 per share, based on the fair value of the Company's common stock at the time of issuance of the note, as adjusted for the stock split and reverse stock split (see Note 7).

On March 12, 2002, the Company borrowed an additional $2,000 on an unsecured basis from Mr. John Kang that bears interest at 8.0%, annually, and is due on the earlier of May 1, 2003 or the closing of an initial public offering.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On April 3, 2002, the Company borrowed an additional $750 from both, Mr. Tjoa and Mr. John Kang that bears interest at 8%, annually, and each of these subordinated unsecured promissory notes are due on the earlier of July 1, 2003 or the closing of an initial public offering.

Total interest expense including the debt discount amortization on the notes payable to shareholders was $1,103, $200 and $190 for the years ended December 31, 2001, 2000 and 1999, respectively.

7. Shareholders' Equity (Deficiency)

Stock Split. On June 29, 2001 the Company declared a ten-for-one stock split to its common shareholders of record on June 29, 2001. This stock split was effected through the issuance of a stock dividend. On April 4, 2002, the Company declared a one-for-3.1 reverse stock split to its common shareholders of record on April 4, 2002. The consolidated financial statements and accompanying notes have been retroactively adjusted to reflect the effect of the split and reverse split.

Preferred Stock. As of December 31, 2001, the Company received net proceeds of $5,577 from the sale of the preferred stock at a per share price of $12.40, as adjusted for the revised stock split. Each share of preferred stock is convertible into one share of Class A common stock automatically if a price of at least $15 per share is attained at the time the Company completes an initial public offering of its common stock or at the option of the holder, at any time. The Series A Preferred Stock shareholders will share equally with common stock shareholders any dividends that may be declared by the Company. Upon any liquidation of the Company, the preferred stock holders will be entitled to receive in preference to the holders of the Company's common stock an amount of $12.40, as adjusted for the revised stock split per share. The holders of the shares of preferred stock are entitled to one vote per share and have the right to vote on all matters submitted to a vote of the common stock shareholders.

8. Stock Compensation Plan

Under the Company's 1996 Stock Option Plan ("1996 Company Plan") the Company could grant to employees, directors or consultants options to purchase up to 12,903,226 shares of common stock as adjusted for the reverse stock split. The stock options are exercisable over a period determined by the Board of Directors or the Compensation Committee, but no longer than 10 years. At December 31, 2001, there were 6,612,865 options available to be granted under the 1996 Company Plan.

Subsequent to December 31, 2001, the Company granted an additional 250,006 options under the 1996 Company Plan. Additionally, subsequent to December 31, 2001 154,839 options at an exercise price of $2.33 were exercised that were not granted under the 1996 Company Plan and 96,775 options at an exercise price of $0.78 were exercised that were granted under the 1996 Company Plan. Additionally in March, 2002, certain consultants of the Company were hired as employees. In connection with this change in status, a new measurement date for their respective stock options was established and the Company recorded additional stock-based compensation expense in 2002.

On April 4, 2002, our board of directors terminated the 1996 Company Plan. The termination will not affect any outstanding options under the 1996 Company Plan and all such options will continue to remain outstanding and be governed by the Plan. No additional options may be granted under the 1996 Company Plan.

On April 4, 2002, our shareholders and board of directors adopted the 2002 Incentive Equity Plan ("2002 Equity Plan"). The 2002 Equity Plan provides for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries. In addition, the plan permits the granting of stock appreciation rights, with or independently of options, as well as stock bonuses and rights to purchase

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

restricted stock. A total of 10,000,000 shares of our common stock may be granted under the 2002 Equity Plan. Currently, there are no options on stock awards of any kind outstanding under the 2002 Equity Plan.

On April 4, 2002, our shareholders and board of directors adopted the 2002 Non-employee Director Stock Option Plan ("2002 Director Plan"). Only non-employee directors are eligible for grants under the 2002 Director Plan. A total of 1,000,000 shares of the Company's Common Stock may be granted under the 2002 Director Plan. Currently, there are no option or stock awards of any kind outstanding under the 2002 Equity Plan.

The Company applies APB Opinion No. 25, SFAS No. 123 and related interpretations in accounting for incentive stock plans. Compensation cost of approximately $61 has been recognized in accordance with APB Opinion No. 25 during the year ended December 31, 2001 for options awarded under the 1996 Company Plan because the exercise price of options granted to certain employees was less than the fair value of the underlying stock on the date of grant. Compensation cost of approximately $332 was recognized during the year ended December 31, 2001 in accordance with SFAS No. 123 for options issued to consultants who performed services for the Company during 2001. The total stock-based compensation expense of $393 from continuing operations is included in general and administrative expenses in the accompanying 2001 consolidated statement of operations.

Additionally, the Company has 3,064,519 options outstanding at December 31, 2001 which were granted outside the 1996 Company Plan. Included in these options are options granted during the period ended December 31, 2001 of 1,021,507 to Paul Azinger who was contracted to perform services for the retail golf segment. The expense pertaining to these options was recorded in the discontinued retail golf segment (see Note 9).

Had the Company determined compensation cost based on the fair value at the grant date for stock options consistent with the method of SFAS No. 123, the Company's income (loss) from continuing operations and basic and diluted income (loss) per share from continuing operations would have been as follows (in thousands, except loss per share information):

	Years Ended December 31,		
	2001	2000	1999
Income (loss) from continuing operations:			
As reported	$ (5,164)	$ 125	$ (163)
Pro forma	(11,411)	(7,056)	(758)
Basic income (loss) per share from continuing operations:			
As reported	(0.15)	0.00	(0.01)
Pro forma	(0.34)	(0.23)	(0.03)
Diluted income (loss) from continuing operations per share:			
As reported	(0.15)	0.00	(0.01)
Pro forma	(0.34)	(0.23)	(0.03)

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants for the fiscal years ended December 31, 2001, 2000, and 1999, respectively: expected volatility of 100% for all periods; dividend yield of 0.0% for all periods; expected option life of approximately 5 years; and a risk-free interest rate ranging from 4.5% to 6.2%.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the Company's stock option transactions for the three year period ended December 31, 2001:

	Number of Shares	Weighted Average Price
Options outstanding at December 31, 1998	3,112,915	$1.49
Granted	—	—
Exercised	—	—
Forfeited	—	—
Options outstanding at December 31, 1999	3,112,915	1.49
Granted	2,648,397	4.26
Exercised	—	—
Forfeited	—	—
Options outstanding at December 31, 2000	5,761,312	2.77
Granted	4,308,623	5.46
Exercised	(1,822,586)	1.32
Forfeited	(80,646)	1.55
Options outstanding at December 31, 2001	8,166,703	$4.53

The weighted average fair value of options granted during the years ended December 31, 2001 and 2000, was $3.30 and $5.02, respectively. There were 3,165,171 options with a weighted average exercise price of $3.83 exercisable at December 31, 2001; 4,017,215 options with a weighted average exercise price of $2.77 exercisable at December 31, 2000 and 1,680,652 options with a weighted average exercise price of $1.24 exercisable at December 31, 1999.

Included in the above tables are certain options granted where their exercise prices were below the fair market value of the common stock at the measurement date ("in-the-money"). In-the-money options of 1,214,411 with a weighted average fair value of $4.35 were outstanding at December 31, 2001. There were no in-the-money options at December 31, 2000 and 1999.

The following table summarizes the Company's stock options outstanding and exercisable by the eight different exercise prices as of December 31, 2001:

Exercise Price	Number of Options Outstanding at December 31, 2001	Weighted Average Remaining Contract Life (Years)	Number of Options Exercisable at December 31, 2001
$0.7750	129,034	0.27	129,034
$1.1625	1,021,507	5.00	—
$1.5500	629,036	1.10	503,229
$2.3250	451,613	2.33	290,323
$2.7900	548,389	4.35	274,195
$4.6500	2,261,299	5.03	1,865,163
$6.2000	2,759,683	5.59	22,581
$9.3000	16,130	5.58	—
$12.400	350,012	5.65	80,646
	8,166,703	4.67 years	3,165,171

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Discontinued Operations

On September 29, 2001, the Company's Board of Directors voted to discontinue Liquidmetal Golf's retail golf operations. Management currently expects to terminate the operations of the retail golf segment by April 30, 2002, by means of liquidating the retail golf assets and liabilities. Previously, management expected to terminate the operations of the retail golf segment by December 31, 2001; however, after further evaluation, management revised the estimated disposal date to April 30, 2002. In connection with the discontinuance of the retail golf operations, the Company incurred an estimated loss on disposal of $11,949. The estimated loss on disposal is comprised of an accrual for estimated operating losses of $1,688 during the phase-out period, $1,847 related to inventory adjustments, $4,947 of accrued stock compensation costs, $2,438 in fees to be paid to Paul Azinger prior to the termination of the endorsement agreement, $930 due to other asset writedowns and $100 in severance and other disposal expenses. The disposition of the golf retail operations represents the disposal of a business segment. Accordingly, the accompanying consolidated financial statements reflect the retail golf segment as a discontinued operation for all periods presented.

In December 2001, the Company recorded a $5,619 reduction to the estimated loss on disposal of the retail golf segment due to a change in the estimated fair value of the Azinger stock options at December 31, 2001. The change in the estimated fair value of such options was due to a change in the estimated fair value of the underlying common stock at December 31, 2001. Additionally, in December 2001, the estimated loss on disposal of the retail golf segment was affected by changes in estimates of $218 for changes in expected losses to be incurred during the phase-out period, severance expenses, and disposal expenses.

Net liabilities of the discontinued operations of the retail golf segment have been segregated on the balance sheets presented, the components of which are as follows:

	December 31,	
	2001	2000
Assets:		
Cash and cash equivalents	$ 317	$ 237
Accounts receivable, net	321	471
Inventories	1,468	2,686
Other assets	—	43
Property and equipment, net	78	191
Total assets	2,184	3,628
Liabilities:		
Current liabilities	9,676	3,255
Notes payable to shareholders (current and non-current portion)	—	2,000
Total liabilities	9,676	5,255
Net liabilities of discontinued operations	$(7,492)	$(1,627)

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The results of operations for all periods presented have been restated for discontinued operations. The operating results of the discontinued operations are as follows:

	Years Ended December 31,		
	2001	2000	1999
Net sales	$ 3,333	$ 6,707	$ 5,930
Cost of sales	2,185	4,683	5,259
Gross profit	1,148	2,024	671
Operating expenses	7,121	10,962	9,018
Loss from operations	(5,973)	(8,938)	(8,347)
Minority interest in losses of retail golf subsidiary	—	—	370
Loss on disposal	(11,949)	—	—
Net loss	(17,922)	(8,938)	(7,977)
Foreign exchange translation gain during the period	2	96	—
Comprehensive loss	$(17,920)	$ (8,842)	$(7,977)

Translation of Foreign Currency. Upon consolidation of the Company's foreign subsidiary into the Company's consolidated financial statements, any balances with the subsidiary denominated in the foreign currency are translated at the exchange rate at year-end. The financial statements of Liquidmetal Golf include the financial statements of its wholly-owned subsidiary, Liquidmetal Golf Europe Inc., which have been translated based upon United Kingdom Pounds as the functional currency. Liquidmetal Golf Europe, Inc.'s assets and liabilities were translated using the exchange rate at year end and income and expense items were translated at the average exchange rate for the year. The resulting translation adjustment is recorded directly as a separate component of shareholders' equity (deficiency) and included in other comprehensive income (loss).

Accounts Receivable. Liquidmetal Golf has a factoring agreement that provides for the sale and transfer of a substantial portion of the accounts receivable of the retail golf operations. Liquidmetal Golf accounts for a portion of the factored receivable balances as a sale when the factor assumes the risk of collection for certain approved accounts. At December 31, 2000, Liquidmetal Golf had $150 due from the factor. For certain accounts that the factor does not assume the risk of collection, Liquidmetal Golf accounts for these factored receivables as a financing arrangement and records a liability for this portion of the factored receivable balances. At December 31, 2001 and 2000, Liquidmetal Golf had a payable to the factor of $79 and $109, respectively. At December 31, 2001 and 2000, Liquidmetal Golf had an allowance for doubtful accounts of $1,401 and $299, respectively.

Notes Payable to Shareholders. Notes payable of Liquidmetal Golf at December 31, 2001 and 2000 were comprised of the following (in thousands):

	December 31,	
	2001	2000
Synapse I 7.5%, principal $1,000	$ —	$1,000
Synapse II 7.5%, principal $1,000	—	1,000
Total notes payable to shareholders	$ —	$2,000

Synapse I 7.5% and Synapse II 7.5% — The notes were each transferred and assigned to Liquidmetal Technologies on July 19, 2001 in exchange for 215,055 shares of the Liquidmetal Technologies' common stock at $4.65 per share based on the fair value of the Company's common stock.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Liquidmetal Golf's total interest expense including the amortized debt discount on the notes payable to shareholders was $37, $145 and $1,513 for the years ended December 31, 2001, 2000 and 1999, respectively.

Stock Compensation Plan. Historically, Liquidmetal Golf granted its own options to employees, directors and consultants under a stock option plan ("1997 Golf Plan") approved by Liquidmetal Golf's Board of Directors pursuant to which Liquidmetal Golf could have granted stock options exercisable over a period determined by the Board of Directors to purchase up to 500,000 shares of common stock of Liquidmetal Golf. In connection with the Company's plan to discontinue the retail golf operations, the Company does not intend to issue additional options under the 1997 Golf Plan.

Liquidmetal Golf applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, Liquidmetal Golf recognized compensation when the exercise price of the options was less than the fair value of the underlying stock on the date of grant. Liquidmetal Golf recognized stock compensation expense for options granted to employees of $81, $852 and $266 for the years ended December 31, 2001, 2000 and 1999, respectively. The compensation expense for these options has been fully charged to operations as of December 31, 2001.

Additionally, Liquidmetal Technologies recorded stock option based compensation and an addition to paid in capital of $5,733 related to options issued in 2001 to Paul Azinger for shares of common stock of Liquidmetal Technologies. As the endorsement services related to this option grant provided a benefit to Liquidmetal Golf, the stock compensation expense was recorded by Liquidmetal Golf. Prior to the discontinuance of the retail golf operations, Liquidmetal Golf had recorded stock compensation expense of $786 for services received during 2001. Additionally, the loss on disposal includes $4,947 of estimated stock compensation expense to be incurred prior to the planned termination of the endorsement agreement. The unearned portion of this amount, $4,633, is included in the net liabilities of the discontinued retail golf segment and is recorded as unamortized stock compensation (a contra-equity account) as of December 31, 2001.

Had compensation cost been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, Liquidmetal Golf's net loss would have been as follows:

	Year Ended December 31,		
	2001	2000	1999
As reported	$(17,922)	$(8,938)	$(7,977)
Pro forma	(18,154)	(9,346)	(8,366)

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants for the fiscal years ended December 31, 2001, 2000, and 1999: expected volatility of 100% for all periods; dividend yield of 0.0% for all periods; expected option life of approximately 5 years; and a risk-free interest rate ranging from 5.2% to 6.2%, as appropriate.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes Liquidmetal Golf's stock option transactions for the three year period ended December 31, 2001:

	Number of Shares	Weighted Average Price
Options outstanding at December 31, 1998	420,000	$ 7.98
Granted	147,500	8.00
Exercised	—	—
Forfeited	(176,250)	15,61
Options outstanding at December 31, 1999	391,250	4.55
Granted	75,755	0.01
Exercised	—	—
Forfeited	(8,500)	8.00
Options outstanding at December 31, 2000	458,505	3.74
Granted	—	—
Exercised	(148,255)	0.25
Forfeited	—	—
Options outstanding at December 31, 2001	310,250	$ 5.41

The weighted average fair value of options granted during the years ended December 31, 2000 and 1999 was $7.99 and $6.17, respectively. There were 235,625 options with a weighted average exercise price of $4.04 exercisable at December 31, 2001; 213,688 options with a weighted average exercise price of $2.93 exercisable at December 31, 2000 and 118,000 options with a weighted average exercise price of $1.68 exercisable at December 31, 1999.

The following table summarizes Liquidmetal Golf's stock options outstanding and exercisable by the five different exercise prices at December 31, 2001:

Exercise Price	Number of Options Outstanding at December 31, 2000	Weighted Average Remaining Contract Life (Years)	Number of Options Exercisable at December 31, 2000
$ 0.50	146,250	0.33	145,000
$ 8.00	129,500	2.77	64,750
$16.00	32,500	1.33	24,000
$24.00	2,000	1.58	1,875
	310,250	1.46	235,625

Included in the above tables are certain options granted where their exercise prices were below the fair market value of the common stock at the grant date ("in-the-money"). In-the-money options of 146,250, 294,505 and 218,750 with weighted average fair values of $5.74, $6.32, and $5.74 were outstanding at December 31, 2001, 2000 and 1999, respectively.

Endorsement Agreements. The Company has entered into various endorsement agreements with professional golfers to promote Liquidmetal Golf's line of golf equipment products, whereby, the Company pays the professional golfers annual compensation and win incentives based on specific performance criteria in each agreement. The expense associated with these contracts is recorded as a selling expense. The compensation incurred under these agreements was $1,137, $60 and $150 during the years ended December 31, 2001, 2000 and 1999, excluding the stock option based compensation expense associated

with the Paul Azinger contract of $5,732 and additional fees to be paid under this contract prior to termination of $2,438 which are included in the loss from disposal of the discontinued retail golf segment. The majority of these agreements expired on December 31, 2001. The Paul Azinger agreement expires on December 31, 2005; however, the Company plans on terminating the contract on or prior to January 1, 2003. The entire amount of compensation expense expected to be incurred through the expected termination of the contract is included in the loss from disposal of discontinued retail golf segment.

10. Income Taxes

For all of the financial statement periods presented, there was no provision for taxes.

The significant components of deferred taxes were as follows:

	Years Ended December 31,		
	2001	2000	1999
Non-employee stock compensation	$ 2,642	$ 240	$ —
Inventory reserves	941	340	304
Allowance for bad debt	565	136	20
Loss on discontinued operations	1,077	—	—
Loss carry forwards	15,300	11,369	8,618
Other	233	40	144
Total deferred tax asset	20,758	12,125	9,086
Valuation allowance	(20,758)	(12,125)	(9,086)
Total net deferred tax assets	$ —	$ —	$ —

The following table accounts for the differences between the actual tax provision and the amounts obtained by applying the statutory U.S. Federal income tax rate of 34% to income (loss) before income taxes:

	Years Ended December 31,		
	2001	2000	1999
Federal tax expense	(34.00)%	(34.00)%	(34.00)%
State tax expense, net	(5.56)%	(5.37)%	(4.26)%
Stock compensation	0.21%	1.06%	1.27%
Debt discount amortization	0.00%	0.26%	6.74%
Other	0.07%	0.52%	1.03%
Increase in valuation allowance	39.28%	37.53%	29.22%
Total tax provision	0.00%	0.00%	0.00%

As of December 31, 2001, the Company had approximately $38,700 of net operating loss (“NOL”) carry forwards for U.S. federal income tax purposes. In addition, the Company has state NOL carry forwards of approximately $23,500 expiring in 2001 through 2011. The Company and Liquidmetal Golf elected to file on a separate company basis for both federal and state income tax purposes. Accordingly, the NOL carry forwards of one legal entity are not available to offset income of the other. At December 31, 2001, Liquidmetal Technologies had approximately $11,500 in federal NOL carry forwards, expiring in 2003 through 2011. Additionally, Liquidmetal Technologies had approximately $2,900 in state NOL carry forwards, expiring in 2002 through 2011. Liquidmetal Golf had approximately $27,200 of federal NOL carry forwards, expiring in 2012 through 2021. Further, Liquidmetal Golf also had state

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOL carry forwards of $20,600 expiring in 2005 through 2011. Additionally, as of December 31, 2001, the Company also has foreign NOL carry forwards in Singapore and the United Kingdom of approximately $280 and $2,455 respectively, which carry forward indefinitely.

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

The ability to realize the tax benefits associated with deferred tax assets and NOL's is principally dependent upon the Company's ability to generate future taxable income from operations and/or to effectuate successful tax planning strategies. The Company has provided a full valuation allowance for its net deferred tax assets resulting from the Company's net operating losses, because management cannot conclude that it is more likely than not that the Company will realize any benefit.

11. Income (Loss) Per Common Share

Basic EPS is computed by dividing earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding for the periods. Diluted EPS reflects the potential dilution of securities that could share in the earnings. A reconciliation of the number of common shares used in calculation of basic and diluted EPS is presented below:

	December 31,		
	2001	2000	1999
Weighted average basic shares	33,323,217	30,233,065	26,787,858
Effect of dilutive securities:			
Stock options	—	1,752,197	—
Conversion of notes payable	—	1,299,298	—
Diluted shares	33,323,217	33,284,560	26,787,858

The conversion of preferred stock to common stock was not included in the computation of diluted EPS for the year ended December 31, 2001 as the inclusion would be antidilutive. Options to purchase approximately 8,166,667 shares of common stock at prices ranging from $0.775 to $12.40 per share were outstanding at December 31, 2001, but were not included in the computation of diluted EPS for the same period because the inclusion would have been antidilutive. Options to purchase approximately 3,112,903 shares of common stock at prices ranging from $0.775 to $2.325 per share were outstanding at December 31, 1999, but were not included in the computation of diluted EPS for the same period because the inclusion would have been antidilutive.

Warrants to purchase 645,161 shares of common stock at $4.65 per share were outstanding at December 31, 2001 but were not included in the computation of diluted EPS for the same period because the inclusion would have been antidilutive. Shares issuable pursuant to convertible promissory notes of 1,363,710 at $1.55 per share were outstanding at December 31, 1999 but were not included in the computation of diluted EPS for the same period because the inclusion would have been antidilutive.

12. Commitments and Contingencies

In 1996, Liquidmetal Technologies entered into a distribution agreement (the "Distribution Agreement") whereby Liquidmetal Technologies granted a third party company exclusive rights to market and sell golf products incorporating Liquidmetal technology to Japanese sporting equipment companies.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company is not restricted to selling only the Liquidmetal Golf club or other brand-name Liquidmetal Golf products to other companies under this agreement. If the Company begins to market its golf club components into Japan to finished goods manufacturers, the Company is obligated to sell its Liquidmetal inserts under this distribution agreement. The third party company paid Liquidmetal Technologies a $1,000 distribution fee as part of the Distribution Agreement. A portion of this fee is subject to refund according to a formula based on the gross profit earned by the third party under the agreement. In the twelve months ended December 31, 1999, Liquidmetal Technologies recognized $170 of the distribution fee upon the shipment of product to the third party company, which is the amount no longer subject to refund as a result of these shipments. At December 31, 2001 and 2000, $830 was unearned and recorded as deferred revenue as the distribution agreement does not terminate until March 2006.

Lease Commitments

The Company leases its offices and warehouse facilities under various lease agreements, certain of which are subject to escalations based upon increases in specified operating expenses or increases in the Consumer Price Index. The approximate future minimum rentals under non-cancelable operating leases during subsequent years are as follows:

December 31,	Minimum Rentals
2002	$ 514
2003	903
2004	913
2005	924
2006	948
Thereafter	343
Total	$4,545

Rent expense was $322, $128 and $81 for the years ended December 31, 2001, 2000 and 1999, respectively.

On January 21, 2002, the Company entered into a five year facilities lease agreement commencing on May 1, 2002 for warehouse and manufacturing space. Monthly rent will be $10 escalating 3% on each anniversary day of the lease commencement.

13. 401(k) Savings Plan

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

14. Segment Reporting

During the years ended December 31, 2001, 2000 and 1999, the Company’s operations were classified into two reportable segments: coatings and retail golf. The coatings segment has historically derived revenues through the sale of amorphous alloy coatings to a number of different industries. On September 29, 2001, the Company’s Board of Directors voted to discontinue Liquidmetal Golf’s retail golf

operations. Management expects to terminate the operations of the retail golf segment by April 30, 2002, by means of liquidating the retail golf assets and liabilities. Accordingly, the revenues, costs and expenses, assets and liabilities, and cash flows of Liquidmetal Golf have been segregated in the accompanying consolidated financial statements. The Company's historical reportable segments offered different products and were managed separately based on fundamental differences in their operations.

Certain customers in the Company's coatings segment accounted for more than 10% of revenues from continuing operations as follows:

	Year Ended December 31,		
	2001	2000	1999
Grant Prideco, Inc.	22%	19%	19%
TAFA, Inc.	14%	13%	20%
Smith International, Inc.	16%	9%	5%

The principal markets for the Company's products from continuing operations have been in the United States. Export sales to foreign countries were generated only in the discontinued retail golf segment.

Long-lived assets, which include net property, plant, and equipment, located in the United States amounted to $1,078 and $759 at December 31, 2001 and 2000. The Company had long-lived assets of $808 located in Korea at December 31, 2001. Long-lived assets located in foreign countries at December 31, 2000 were not significant.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management has evaluated the historical segments' performances based upon profit or loss from operations before interest and income taxes.

15. Related Party Transactions

Related party transactions include subordinated promissory notes issued to certain shareholders, the related interest incurred on such notes (see Note 6), and amounts paid and accrued to Caltech, a shareholder, for purchased patent rights (see Note 5). Additionally, two of the holders of the shareholder promissory notes (see Note 6) are directors and one such note holder is an officer of the Company. During 2001, certain shareholders and officers provided a total of $250 in short-term advances to Liquidmetal Korea that were fully repaid by December 31, 2001.

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Through and including , 2002 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

5,000,000 Shares

Common Stock

PROSPECTUS

Merrill Lynch & Co.

UBS Warburg

Robert W. Baird & Co.

, 2002

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution.***

The following table sets forth the costs and expenses, other than underwriting discount and commissions, payable by the registrant in connection with the sale of our common stock being registered. All amounts are estimates, except for the Securities and Exchange Commission registration fee, the NASD filing fee and the Nasdaq National Market listing application fee. All of these costs and expenses will be borne by the registrant.

Securities and Exchange Commission filing fee	$ 30,000
NASD filing fee	12,500
Nasdaq National Market listing application fee	125,000
Blue Sky fees and expenses	5,000
Printing and engraving expenses	300,000
Legal fees and expenses	700,000
Accountants' fees and expenses	500,000
Transfer agent and registrar expenses and fees	3,500
Miscellaneous	224,000
Total	$1,900,000

* to be supplied by amendment.

Item 14. ***Indemnification of Directors and Officers.***

Section 317 of the California Corporations Code authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers who are parties or are threatened to be made parties to any proceeding (with certain exceptions) by reason of the fact that the person is or was an agent of the corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with the proceeding if that person acted in good faith and in a manner the person reasonably believed to be in the best interests of the corporation. Section 204 of the California Corporations Code provides that this limitation on liability has no effect on a director's liability (a) for acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (b) for acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (c) for any transaction from which a director derived an improper personal benefit, (d) for acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of a serious injury to the corporation or its shareholders, (e) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, (f) under Section 310 of the law (concerning contracts or transactions between the corporation and a director), or (g) under Section 316 of the law (directors' liability for improper dividends, loans and guarantees). Section 317 does not extend to acts or omissions of a director in his capacity as an officer. Further, Section 317 has no effect on claims arising under federal or state securities laws and does not affect the availability of injunctions and other equitable remedies available to our shareholders for any violation of a director's fiduciary duty to us or our shareholders. Although the validity and scope of the legislation underlying Section 317 have not yet been interpreted to any significant extent by the California courts, Section 317 may relieve directors of monetary liability to us for grossly negligent conduct, including conduct in situations involving attempted takeovers of our company.

In accordance with Section 317, our articles of incorporation eliminate the liability of each of our directors for monetary damages to the fullest extent permissible under California law. Our articles further authorize us to provide indemnification to our agents (including our officers and directors), subject to the limitations set forth above. The articles and bylaws further provide for indemnification of our corporate agents to the maximum extent permitted by California law. Additionally, we maintain insurance policies which insure our officers and directors against certain liabilities. Finally, reference is made to the indemnification and contribution provisions of the Underwriting Agreement filed as an exhibit to this Registration Statement.

The foregoing summaries are necessarily subject to the complete text of the California Corporations Code, our articles, our bylaws and the agreements referred to above and are qualified in their entirety by reference thereto.

Item 15. ***Recent Sales of Unregistered Securities.***

Within the past three years, the registrant has issued the following securities which were not registered under the Securities Act of 1933. All share and dollar numbers are adjusted for the registrant's June 29, 2001 ten-for-one stock dividend, as described below and the registrant's April 4, 2002 one-for-3.1 reverse stock split.

1. On August 31, 1999, the registrant issued 135,803 shares its common stock to Caltech as payment in lieu of accrued royalties that were owing to Caltech by the registrant as of such date. These royalties arose under a prior license agreement between Caltech and the registrant. This transaction was exempt pursuant to Section 4(2) under the Securities Act of 1933 as a transaction by an issuer not involving a public offering where Caltech received or had access to adequate information about the registrant.

2. In November 1999, the registrant issued 358,422 shares to Synapse Fund I, LLC. The purchase and sale was exempt pursuant to Section 4(2) under the Securities Act of 1933 as a transaction by an issuer not involving a public offering where the purchaser received or had access to adequate information about the registrant. The purchase was made for cash.

3. Between July 1, 1999 and December 9, 1999, the registrant issued 3,090,003 shares of its common stock to 23 accredited investors who were all existing shareholders of the registrant for aggregate consideration of approximately $1,000,000. The purchases and sales were exempt pursuant to Rule 505 of Regulation D. All of the purchases were made for cash. Additionally, in 2000, the registrant issued 346,774 shares of its common stock to Mr. Tjoa Thian Song pursuant to the conversion of a certain promissory note, dated November 27, 1998, in the amount of $500,000 held by Mr. Tjoa, along with accrued interest of $8,000. The purchase and sale of the note and the issuance of the shares of common stock upon its conversion was exempt pursuant to Section 4(2) under the Securities Act of 1933 as a transaction by an issuer not involving a public offering where the purchaser received or had access to adequate information about the registrant.

4. Between April 12, 2000 and August 24, 2000, the registrant issued an aggregate of 1,164,867 shares of its common stock to eight investors in the respective amounts of 358,422 shares to Synapse Fund II, LLC, 107,525 shares to Chang Ki Cho, 143,367 shares to Yeon Woo Industry Co., Ltd., 179,209 shares to Yeon Woo Engineering Ltd., 268,819 shares to HSBC Private Banking Nominee 1(Jersey) LTD 137001301, and 107,525 shares to Mi Sook Lee, for aggregate consideration of approximately $4,249,983. The purchases and sales were exempt pursuant to Section 4(2) under the Securities Act of 1933 as transactions by an issuer not involving a public offering where the purchasers received or had access to adequate information about the registrant. All of the purchases were made for cash.

5. On May 12, 2000, the registrant issued 96,774 shares of its common stock to Caltech pursuant to an amendment to a license agreement between the registrant and Caltech. This

transaction was exempt pursuant to Section 4(2) under the Securities Act of 1933 as a transaction by an issuer not involving a public offering where Caltech received or had access to adequate information about the registrant. The issuance to Caltech was in consideration of additional license rights granted by Caltech under the amendment to the license agreement.

6. Additionally, in 2000, the registrant issued 346,774 shares of its common stock to Mr. Tjoa Thian Song pursuant to the conversion of a certain promissory note, dated November 27, 1998, in the amount of $500,000 held by Mr. Tjoa, along with accrued interest of $8,000. On January 26, 2000, the registrant issued 69,354 shares of its common stock to Notara Ansalt pursuant to the conversion of a certain promissory note, dated January 26, 1999, in the amount of $100,000 held by Notara Ansalt, along with accrued interest of $7,500. The purchase and sale of the note and the issuance of the shares of common stock upon its conversion was exempt pursuant to Section 4(2) under the Securities Act of 1933 as a transaction by an issuer not involving a public offering where the purchaser received or had access to adequate information about the registrant.

7. Between October 16, 2000 and December 8, 2000, the registrant issued an aggregate of 96,777 shares of its common stock to four investors in the respective amounts of 21,506 shares to Ha Yun Song, 21,506 shares to YIMI Limited, 21,506 shares to Soon Jae Kwon, and 32,258 shares to Jin Sung Cook, for aggregate consideration of approximately $450,000. The purchases and sales were exempt pursuant to Section 4(2) under the Securities Act of 1933 as transactions by an issuer not involving a public offering where the purchasers received or had access to adequate information about the registrant. All of the purchases were made for cash.

8. As of January 1, 2001, the registrant issued an option to purchase 1,021,507 shares of common stock with an exercise price of $1.1625 per share to a professional golfer, Paul Azinger, as consideration for Mr. Azinger's obligations under an endorsement agreement between Mr. Azinger and the registrant's Liquidmetal Golf subsidiary. This option vested as to 161,291 shares on December 31, 2001, and vests as to 215,054 shares on each of December 31, 2002, 2003, 2004, and 2005. The issuance of this option was exempt pursuant to Section 4(2) under the Securities Act of 1933 as a transaction by an issuer not involving a public offering where Mr. Azinger had access to adequate information about the registrant.

9. As of January 31, 2001, the registrant issued 215,054 shares of its common stock to Synapse Fund I, LLC, a California limited liability company, and 215,054 shares of its common stock to Synapse Fund II, LLC, a California limited liability company. These issuances were made pursuant to a Note Exchange Agreement, dated January 31, 2001, among the registrant, Synapse Fund I, and Synapse Fund II. As of the date of the Note Exchange Agreement, each of Synapse Fund I and Synapse Fund II held a promissory note payable by Liquidmetal Golf, a majority owned subsidiary of the registrant, in the principal amount of $1,000,000 per note. Under the Note Exchange Agreement, both promissory notes were exchanged for shares of registrant common stock in the amount of one share per each $1.50 of principal amount. These issuances were exempt pursuant to Section 4(2) under the Securities Act of 1933 as transactions by an issuer not involving a public offering where the noteholders received or had access to adequate information about the registrant. All of the purchases were made for cash.

10. As of February 21, 2001 the registrant issued a warrant to purchase 322,580 shares of common stock with an exercise price of $4.65 per share jointly to John Kang and Ricardo Salas, in connection with the issuance to Mr. Kang and Mr. Salas of a $1,500,000 subordinated, unsecured promissory note that is due on December 31, 2002. This warrant expires on December 31, 2005. On that same date, the registrant issued a warrant to purchase 322,580 shares of common stock with an exercise price of $4.65 per share to Tjoa Thian Song, in connection with the issuance to Mr. Tjoa of a $1,500,000 subordinated, unsecured promissory note that is due on December 31, 2002. This warrant expires on December 31,

2005. The purchases and sales of the notes and the warrants were exempt pursuant to Section 4(2) under the Securities Act of 1933 as transactions by an issuer not involving a public offering where the purchasers received or had access to adequate information about the registrant. All of the purchases were made for cash.

11. Between April 18, 2001 and June 25, 2001, the registrant issued 546,806 shares of its common stock to 22 accredited investors for aggregate consideration of approximately $3,535,000. The purchases and sales were exempt pursuant to Rule 506 of Regulation D. All of the purchases were made for cash, except for the issuance of 46,249 shares of common stock to Alloy Ventures, LLP pursuant to an Exchange Agreement between the registrant and Alloy Ventures. Under the Exchange Agreement, Alloy Ventures exchanged 54,030 shares of Series A convertible preferred stock that it held in Liquidmetal Golf, a majority owned subsidiary of the registrant, for 46,249 shares of the registrant's common stock.

12. In March, 2001, the registrant issued 1,294,358 shares of its common stock to Mr. John Kang and Mr. Ricardo Salas pursuant to the conversion of a certain convertible subordinated promissory note, dated March 31, 1999, in the amount of $2,006,255 held jointly by Mr. Kang and Mr. Salas. The purchase and sale of the note and the issuance of the shares of common stock upon its conversion were exempt pursuant to Section 4(2) under the Securities Act of 1933 as transactions by an issuer not involving a public offering where the purchasers received or had access to adequate information about the registrant. All of the purchases were made for cash.

13. On June 29, 2001, the registrant effected a ten-for-one stock split of its common stock by issuing a stock dividend. The issuance of common stock pursuant to the stock dividend did not require registration under the Securities Act of 1933 because it does not fall within the definition of "sale" under Section 5 of the Securities Act of 1933.

14. During September through November, 2001 the registrant issued 456,846 shares of its Series A convertible preferred stock to 15 accredited investors for aggregate consideration of approximately $5,664,900. The purchases and sales were exempt pursuant to Rule 506 of Regulation D. All of the purchases were made for cash.

15. Since January 1, 1999, the registrant granted stock options to purchase 7,207,026 shares of common stock with exercise prices ranging from $1.1625 to $16.00 per share, to employees, directors, and consultants. These options generally vest over a period of 5 years from the date of grant. The grant of these options did not require registration under the Securities Act of 1933 because they do not fall within the definition of "sale" under Section 5 of the Securities Act of 1933. Since January 1, 1999, 2,074,200 options have been exercised for an aggregate consideration of $2,910,010. The issuance of common stock upon exercise of the options was exempt either pursuant to Rule 701, as a transaction pursuant to a compensatory benefit plan, or pursuant to Section 4(2) under the Securities Act of 1933 as a transaction by an issuer not involving a public offering.

16. On November 30, 2001, the registrant issued 45,500 shares of its common stock to Tjoa Thian Song pursuant to an agreement under which Mr. Tjoa agreed to accept such shares as payment in full for an unsecured promissory note payable to Mr. Tjoa by the registrant. The outstanding principal and accrued but unpaid interest under this note was $564,212 on November 30, 2001. The issuance of common stock to Mr. Tjoa under this agreement was exempt pursuant to Regulation S under the Securities Act of 1933.

No underwriters were employed in any of the above transactions.

Item 16. ***Exhibits and Financial Statement Schedules.***

Exhibit Number		Description of Document
1.1**	—	Form of Underwriting Agreement.
3.1	—	Amended and Restated Articles of Incorporation.
3.2	—	Amended and Restated Bylaws.
4.1	—	Reference is made to Exhibits 3.1 and 3.2.
4.2**	—	Form of Common Stock Certificate.
4.3*	—	Investor Rights and Shareholder Agreement, dated April 18, 2001, among Liquidmetal Technologies, ATI Holdings, LLC, Alloy Investors, Inc., and Alloy Ventures, LLP.
4.4*	—	Registration Rights Agreement, dated November 7, 2001 between Liquidmetal Technologies and Alloy Ventures II, LLLP, as amended.
5.1	—	Opinion of Foley & Lardner.
10.1*	—	Amended and Restated License Agreement, dated September 1, 2001, between Liquidmetal Technologies and California Institute of Technology.
10.2*	—	Contract, dated September 17, 2001, between the Army Research Office (as agent for the Defense Advanced Research Projects Agency) and Liquidmetal Technologies.
10.3*	—	Standard Sublease, dated December 18, 2000, between The L.L. Knickerbocker Company, Inc., and Liquidmetal Technologies.
10.4*	—	Lease, dated October 4, 2001, between Plaza IV Associates, Ltd. and Liquidmetal Technologies.
10.5*	—	Standard Lease, dated May 27, 2001, between Investors Equity Fund, Inc. and Amorphous Technologies International.
10.6*	—	Lease Agreement, dated July 2, 2001, between Liquidmetal Technologies and KeumKwang Inc.
10.7*	—	1996 Stock Option Plan, as amended, together with form of Stock Option Agreement.
10.8*	—	Employment Agreement, dated December 31, 2000, between Liquidmetal Technologies and John Kang, as amended by Amendment No. 1 to Employment Agreement, dated June 28, 2001.
10.9	—	Employment Agreement, dated May 1, 2001, between Liquidmetal Technologies and James Kang, as amended by Amendment No. 1 to Employment Agreement, dated June 28, 2001.
10.10*	—	Employment Agreement, dated October 1, 2001, between Liquidmetal Technologies and William Johnson, Ph.D.
10.11*	—	Employment Agreement, dated December 31, 2000, between Liquidmetal Technologies and T. Scott Wiggins.
10.12*	—	Employment Agreement, dated May 21, 2001, between Liquidmetal Technologies and Brian McDougall.
10.13*	—	Employment Agreement, dated August 1, 2001, between Liquidmetal Technologies and John A. Grant, Jr.
10.14	—	Separation Agreement, dated November 15, 2001, between Liquidmetal Technologies and Shekhar Chitnis, together with Consulting Agreement attached as Exhibit A.
10.15*	—	Subordinated Promissory Note, dated February 21, 2001, of Liquidmetal Technologies payable to John Kang and Ricardo Salas.
10.16*	—	Subordinated Promissory Note, dated February 21, 2001, of Liquidmetal Technologies payable to Tjoa Thian Song.
10.17	—	Note Conversion Agreement, dated November 30, 2001, between Liquidmetal Technologies and Tjoa Thian Song.
10.18*	—	Warrant for Purchase of Shares of Common Stock, dated February 21, 2001, granted by Liquidmetal Technologies to John Kang and Ricardo Salas.

Exhibit Number		Description of Document
10.19*	—	Warrant for Purchase of Shares of Common Stock, dated February 21, 2001, granted by Liquidmetal Technologies to Tjoa Thian Song.
10.20*	—	Non-Qualified Stock Option Agreement, dated January 1, 2001, between Liquidmetal Technologies and Paul Azinger.
10.21	—	Lease Agreement, dated January 21, 2002, between Liquidmetal Technologies and the Pinellas County Industrial Authority.
10.22	—	Foreign Corporation Lease Zone Occupancy (Lease) Agreement, dated March 5, 2002, between Kyonggi Local Corporation and Liquidmetal Korea Co., Ltd.
10.23	—	2002 Equity Incentive Plan.
10.24	—	2002 Non-Employee Director Stock Option Plan.
10.25	—	Subordinated Promissory Note, dated March 12, 2002, of Liquidmetal Technologies payable to John Kang.
10.26	—	Subordinated Promissory Note, dated November 16, 2001, of Liquidmetal Technologies payable to Tjoa Thian Song.
10.27	—	Subordinated Promissory Note, dated April 3, 2002, of Liquidmetal Technologies payable to John Kang.
10.28	—	Subordinated Promissory Note, dated April 3, 2002, of Liquidmetal Technologies payable to Tjoa Thian Song.
21	—	Subsidiaries of the Registrant.
23.1	—	Consent of Deloitte & Touche LLP.
23.2	—	Consent of Foley & Lardner (reference is made to Exhibit 5.1).
24.1	—	Power of Attorney (reference is made to the signature page(s) of this Registration Statement).

* Previously filed.

** To be filed by amendment.

All financial statement schedules have been omitted because they are inapplicable or not required and because the information is included elsewhere in the consolidated financial statements or notes thereto.

Item 17. ***Undertakings.***

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt deliver to each purchaser.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

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

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In

the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Tampa, State of Florida, on the 4th day of April, 2002.

LIQUIDMETAL TECHNOLOGIES

BY: /s/JOHN KANG

John Kang
President and Chief Executive Officer

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

Signature	Title	Date
/s/ JOHN KANG John Kang	Chief Executive Officer, President, and Director (Principal Executive Officer)	April 4, 2002
/s/ * Brian McDougall	Chief Financial Officer (Principal Financial and Accounting Officer)	April 4, 2002
/s/ * James Kang	Chairman of the Board of Directors	April 4, 2002
/s/ * William Johnson	Vice Chairman of the Board of Directors	April 4, 2002
/s/ * Shekhar Chitnis	Director	April 4, 2002
/s/ * Ricardo A. Salas	Director	April 4, 2002

Signature	Title	Date
/s/ *	Director	April 4, 2002
Jack Chitayat		
/s/ *	Director	April 4, 2002
Tjoa Thian Song		
/s/ JEFFREY OSTER	Director	April 4, 2002
Jeffrey Oster		
/s/ HENRI TCHEN	Director	April 4, 2002
Henri Tchen		
/s/ BETSY ATKINS	Director	April 4, 2002
Betsy Atkins		
/s/ DAVID BROWNE	Director	April 4, 2002
David Browne		
*By: /s/ JOHN KANG		
John Kang, Attorney-in-Fact		

EXHIBITS

Exhibit Number		Description of Document
1.1**	—	Form of Underwriting Agreement.
3.1	—	Amended and Restated Articles of Incorporation
3.2	—	Amended and Restated Bylaws.
4.1	—	Reference is made to Exhibits 3.1 and 3.2.
4.2**	—	Form of Common Stock Certificate.
4.3*	—	Investor Rights and Shareholder Agreement, dated April 18, 2001, among Liquidmetal Technologies, ATI Holdings, LLC, Alloy Investors, Inc., and Alloy Ventures, LLP.
4.4*	—	Registration Rights Agreement, dated November 7, 2001 between Liquidmetal Technologies and Alloy Ventures II, LLLP, as amended.
5.1	—	Opinion of Foley & Lardner.
10.1*	—	Amended and Restated License Agreement, dated September 1, 2001, between Liquidmetal Technologies and California Institute of Technology.
10.2*	—	Contract, dated September 17, 2001, between the Army Research Office (as agent for the Defense Advanced Research Projects Agency) and Liquidmetal Technologies.
10.3*	—	Standard Sublease, dated December 18, 2000, between The L.L. Knickerbocker Company, Inc., and Liquidmetal Technologies.
10.4*	—	Lease, dated October 4, 2001, between Plaza IV Associates, Ltd. and Liquidmetal Technologies.
10.5*	—	Standard Lease, dated May 27, 2001, between Investors Equity Fund, Inc. and Amorphous Technologies International.
10.6*	—	Lease Agreement, dated July 2, 2001, between Liquidmetal Technologies and KeumKwang Inc.
10.7*	—	1996 Stock Option Plan, as amended, together with form of Stock Option Agreement.
10.8*	—	Employment Agreement, dated December 31, 2000, between Liquidmetal Technologies and John Kang, as amended by Amendment No. 1 to Employment Agreement, dated June 28, 2001.
10.9	—	Employment Agreement, dated May 1, 2001, between Liquidmetal Technologies and James Kang, as amended by Amendment No. 1 to Employment Agreement, dated June 28, 2001.
10.10*	—	Employment Agreement, dated October 1, 2001, between Liquidmetal Technologies and William Johnson, Ph.D.
10.11*	—	Employment Agreement, dated December 31, 2000, between Liquidmetal Technologies and T. Scott Wiggins.
10.12*	—	Employment Agreement, dated May 21, 2001, between Liquidmetal Technologies and Brian McDougall.
10.13*	—	Employment Agreement, dated August 1, 2001, between Liquidmetal Technologies and John A. Grant, Jr.
10.14	—	Separation and Consulting Agreement, dated November 15, 2001, between Liquidmetal Technologies and Shekhar Chitnis, together with Consulting Agreement attached as Exhibit A.
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23.1	—	Consent of Deloitte & Touche LLP.
23.2	—	Consent of Foley & Lardner (reference is made to Exhibit 5.1).
24.1	—	Power of Attorney (reference is made to the signature page(s) of this Registration Statement).

* Previously filed.

** To be filed by amendment.

EXHIBIT 3.1

CERTIFICATE OF AMENDMENT
OF
THE AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
LIQUIDMETAL TECHNOLOGIES

John Kang and Brian McDougall hereby certify that:

1. They are the Chief Executive Officer and Secretary, respectively, of Liquidmetal Technologies, a California corporation (the "Corporation").

2. The Articles of Incorporation of the Corporation are hereby amended and restated in full to read as follows:

I.

The name of the Corporation is Liquidmetal Technologies.

II.

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California, other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III.

This Corporation is authorized to issue two classes of shares to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares of Common Stock which the Corporation is authorized to issue is two hundred million (200,000,000). The total number of shares of Preferred Stock which the Corporation shall have the authority to issue is ten million (10,000,000), five million (5,000,000) of which are to be designated "Series A Convertible Preferred Stock", no par value (the "Series A Preferred"), and the remainder of which shall initially be undesignated. The undesignated Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (the "Board of Directors") is authorized to fix the number of shares of any series of Preferred Stock and to determine the designation of any such series. The Board of Directors is also authorized, subject to the provisions of the California Corporations Code, to determine or alter the

rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series subsequent to the issuance of shares of such series.

Upon the filing of these Amended and Restated Articles of Incorporation (the "Effective Date"), each three and one-tenth (3.1) shares of Common Stock then issued and outstanding shall automatically be converted into one (1) share of fully paid and nonassessable Common Stock of the Corporation, and each three and one-tenth (3.1) shares of Series A Convertible Preferred Stock then issued and outstanding shall automatically be converted into one (1) share of fully paid and nonassessable Series A Convertible Preferred Stock of the Corporation. The number of authorized shares of Common Stock and Preferred Stock shall remain unchanged. In lieu of any fractional shares to which a holder of Common Stock or Series A Convertible Preferred Stock would otherwise be entitled, the number of shares to which a holder of Common Stock or Series A Convertible Preferred Stock is entitled shall be rounded up to the next whole number.

IV.

The rights, preferences, privileges and restrictions granted to or imposed upon the Series A Preferred or the holders thereof are as follows:

1. DIVIDENDS. When and as dividends and distributions, whether in cash or property or in securities of the Corporation (or subscription or other rights to purchase or acquire securities of the Corporation) may be declared, paid or made on shares of the Common Stock then outstanding, the Board of Directors shall also declare a dividend or distribution at the same rate and in like kind upon the shares of Series A Preferred then outstanding, so that the Series A Preferred will participate equally with the Common Stock, share for share, in such dividend or distribution. In connection therewith, each share of Series A Preferred shall be deemed to be that number of shares of Common Stock into which it is then convertible, rounded to the nearest one-tenth of a share.

2. LIQUIDATION PREFERENCE.

a. Preferential Amount to Series A Preferred. In the event of any liquidation, dissolution or winding up of the Corporation (a "Liquidation Event"), either voluntarily or involuntarily, the holders of the Series A Preferred shall be entitled to receive, prior and in preference to any payment or distribution to the holders of Common Stock or any other shares of capital stock ranking junior as to liquidation, dissolution or winding up to the Series A Preferred, an amount equal to $12.40 (as adjusted for any stock dividends, combinations or splits with respect to the Series A Preferred occurring after the Effective Date) for each share of Series A Preferred then so held. If upon the occurrence of a Liquidation Event, the assets and funds of the Corporation are insufficient to permit the full payment of the liquidation preference to the holders of the Series A Preferred, then the entire assets of the Corporation legally available for distribution shall be distributed ratably among the holders of Series A Preferred in proportion to the amount of Series A Preferred owned by each such holder.

b. Distribution of Remaining Assets. Upon a Liquidation Event and the completion of the distribution required by subsection (a), the remaining assets of the Corporation legally available for distribution shall be distributed ratably among the holders of Series A Preferred and Common Stock based on the number of shares of Common Stock owned by each such holder (assuming conversion of all Series A Preferred).

c. Non-cash Distribution. If any of the assets of the Corporation are to be distributed to shareholders other than in cash under this Section 2 or for any purpose, the value of the asset to be distributed will be deemed to be its fair market value. With respect to any securities to be distributed to the shareholders (including shares of Common Stock), the fair market value of such securities shall be determined as follows:

i. If traded on a securities exchange or on the Nasdaq National Market, the value shall be deemed to be

the average of the closing sale prices of the securities on such exchange or the Nasdaq National Market over the thirty (30) day period ending three (3) business days prior to the closing of the transaction;

ii. If actively traded over-the-counter (but not on the Nasdaq National Market), the value shall be deemed to be the average of the closing bid prices over the thirty (30) day period ending three (3) business days prior to the closing of the transaction; and

iii. If there is no active public market for the securities, the value shall be the fair market value thereof, as determined by the Board of Directors in good faith and on a reasonable basis, which determination shall be final and conclusive.

3. VOTING RIGHTS.

a. Number of Votes. Except as otherwise required by law and the provisions of this Section 3, the holders of Series A Preferred and the holders of the Common Stock shall be entitled to notice of any stockholders' meeting and to vote together as a single class of capital stock upon any matter submitted to a stockholder for a vote, on the following basis:

i. Holders of Common Stock shall have one vote per share; and

ii. Holders of Series A Preferred Stock shall have that number of votes per share as is equal to the number of shares of Common Stock into which each such share of Series A Preferred Stock held by such holder is convertible at the time of such vote, rounded to the nearest one-tenth of a share.

b. Quorums. Except as otherwise required by law, the presence in person, by teleconference, or by proxy of the holders of shares constituting more than fifty percent (50%) of the votes entitled to vote thereat, calculated in accordance with Section 3(a) hereof, shall constitute a quorum for the purpose of the transaction of business at all meetings of stockholders.

4. CONVERSION. The holders of the Series A Preferred have conversion rights as follows:

a. Right to Convert into Common Stock. Each share of Series A Preferred shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Corporation, into such number of shares of Common Stock as is determined by dividing $12.40 by the Conversion Price in effect at the time of conversion. The "Conversion Price" shall initially be $12.40 and shall be subject to adjustment as provided below.

b. Automatic Conversion. Each share of Series A Preferred shall be converted automatically into the number of shares of Common Stock into which such shares of Series A Preferred are convertible pursuant to this Section 4, without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent, upon the earliest to occur of the following events: (i) immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Corporation to the public at a price (before underwriters' discounts and commissions) of at least $15.00 per share of Common Stock (as adjusted for any stock dividends, combinations or splits with respect to the Common Stock occurring after the Effective Date); (ii) immediately prior to the closing of a merger, acquisition or similar transaction in which the Corporation is valued at an amount equivalent to at least $15.00 per share of Common Stock on a fully diluted basis (as adjusted for any stock dividends, combinations, or splits with respect

to the Common Stock occurring after the Effective Date); or (iii) upon the closing of a sale of all or substantially all of the assets of the Corporation for an aggregate purchase price that is equivalent to at least $15.00 per share of Common Stock on a fully diluted basis (as adjusted for any stock dividends, combinations, or splits with respect to the Common Stock occurring after the Effective Date).

c. Mechanics of Conversion. No fractional shares of Common Stock shall be issued or delivered upon conversion of Series A Preferred. The Corporation shall round up fractional shares to which the holder would otherwise be entitled to the nearest whole number. Before any holder of Series A Preferred shall be entitled to convert such shares into shares of Common Stock and receive certificates therefor, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation and shall give written notice to the Corporation at such office that it elects to convert the same. The Corporation shall issue and/or deliver at such office to such holder of Series A Preferred a certificate or certificates for the number of shares of Common Stock to which the holder shall be entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred, and the person or persons entitled to receive the shares of Common Stock deliverable upon such conversion shall be treated for all purposes as the record holder or holders of such shares on such date.

d. Reservation of Common Stock Issuable upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized and unissued shares of Common Stock, free from preemptive or other preferential rights, restrictions, reservations, dedications, allocations, options, other warrants and other rights under any stock option, conversion option or similar agreement, solely for the purpose of effecting the conversion of the shares of the Series A Preferred, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Preferred.

e. Anti-Dilution Adjustments.

i. For purposes of this Section 4.e., the following definitions shall apply:

(1) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or deemed to be issued) by the Corporation after the Effective Date, other than:

(a) shares of Common Stock issued upon conversion of the Series A Preferred;

(b) shares of Common Stock issued in connection with the acquisition (including an acquisition by merger) by the Corporation or its subsidiaries of stock or other equity interests in, or assets of, another business or business entity (including shares of Common Stock issued pursuant to Options or Convertible Securities issued in connection with any such acquisitions);

(c) shares of Common Stock issued to a third party in connection with the organization of a joint venture, strategic alliance, or licensing arrangement with such third party;

(d) shares of Common Stock issued pursuant to a stock dividend, split or other similar transaction;

(e) shares of Common Stock, Options, or Convertible Securities issued pursuant to employee benefit plans (including, without limitation, stock options plans, stock purchase plans, and other equity incentive plans

approved by the Board of Directors) to employees, consultants, officers, and directors of the Corporation;

(f) shares of Common Stock issued pursuant to any warrants, Options, notes, Convertible Securities, subscription agreements, or other rights outstanding as of the Effective Date;

(g) shares of Common Stock issued in a public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended; and

(h) shares of Common Stock issued in connection with loan agreements, real or personal property lease agreements, commercial credit arrangements, equipment financing, debt financing transactions, and other similar transactions.

(2) "Convertible Securities" shall mean any evidences of indebtedness, shares (other than Series A Preferred outstanding on the Effective Date) or other securities directly or indirectly convertible into or exchangeable for Common Stock.

(3) "Options" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Common Stock or Convertible Securities.

ii. No Adjustment of Conversion Price. No adjustment in the Conversion Price of the Series A Preferred shall be made in respect of the issuance of Additional Shares of Common Stock unless the consideration per share for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the applicable Conversion Price in effect on the date of and immediately prior to such issue.

iii. Deemed Issue of Additional Shares of Common Stock. In the event the Corporation at any time or from time to time after the Effective Date shall issue any Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number that would result in an adjustment pursuant to clause (2) below) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, or the exercise of such Options therefor, shall be deemed to be Additional Shares of Common Stock issued as of the time of the issue of such Options or Convertible Securities or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to subsection 4.e.v. hereof) of such Additional Shares of Common Stock would be less than the applicable Conversion Price of the Series A Preferred in effect on the date of and immediately prior to such issue, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(1) No further adjustment in the Conversion Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(2) Notwithstanding anything to the contrary set forth herein, if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Corporation, or increase or decrease in the

number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(3) Upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:

(a) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued were shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually

received by the Corporation upon such conversion or exchange, and

(b) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Corporation upon the issue of the Convertible Securities with respect to which such Options were actually exercised;

(4) In the case of any Options which expire by their terms not more than thirty (30) days after the date of issue thereof, no adjustment of the Conversion Price shall be made until the earlier of the conversion of any shares of Preferred Stock or the expiration or exercise of all such Options, whereupon such adjustment shall be made in the manner provided in clause (3) above.

iv. Adjustment of Conversion Price of Series A Preferred upon Issuance of Additional Shares of Common Stock. In the event that after the Effective Date the Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to subsection 4.e.iii.) without consideration or for a consideration per share less than the Conversion Price of the Series A Preferred in effect on the date of and immediately prior to such issue, then such Conversion Price of the Series A Preferred shall be reduced,

concurrently with such issue, to a price (calculated to the nearest one tenth (1/10) of a cent) determined by multiplying such Conversion Price of the Series A Preferred by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares of Common Stock which the aggregate consideration received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such Conversion Price; and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; and provided further that, for the purposes of this subsection 4.e.iv., all shares of Common Stock issuable upon conversion of outstanding Series A Preferred and outstanding Convertible Securities or exercise of outstanding Options shall be deemed to be outstanding, and immediately after any Additional Shares of Common Stock are deemed issued, such Additional Shares of Common Stock shall be deemed to be outstanding.

v. Determination of Consideration. For purposes of this Section 4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(1) Cash and Property. Except as provided in clause (2) below, such consideration shall:

(a) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation;

(b) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(c) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both such Additional Shares of Common Stock and such other shares or securities or other assets, be the proportion of such consideration so received with respect to such Additional Shares of Common Stock as determined in good faith by the Board of Directors.

(2) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 4.iii, relating to Options under Plans and Convertible Securities, shall be determined by dividing:

(a) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(b) the maximum number of shares of Common Stock (as set forth in the

instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

vi. Adjustments for Stock Dividends, Subdivisions, Combinations or Consolidations. In the event the outstanding shares of Common Stock shall be subdivided (by stock dividends, splits, or otherwise) into a greater number of shares of Common Stock, the Conversion Price then in effect shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, the Conversion Price then in effect shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

vii. Adjustments for Reclassification, Exchange and Substitution. If the Common Stock issuable and/or deliverable upon conversion of the Series A Preferred shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), then and in each such event the holder of each share of Series A Preferred shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reorganization or reclassification or other change by holders of the number of shares of Common Stock that would have been subject to receipt by the holders upon conversion of the Series A Preferred immediately before that change, all subject to further adjustment as provided herein.

viii. Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to Section 4, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series A Preferred, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock which at the time would be received upon the conversion of Series A Preferred.

5. PROTECTIVE PROVISIONS. In addition to any other rights provided by law, so long as the Series A Preferred shall be outstanding, the Corporation shall not, without first obtaining the affirmative vote or written consent of the holders of a majority of the outstanding shares of Series A Preferred, voting separately as a single class, add, amend or repeal any provision of the Corporation's Articles of Incorporation if such action, amendment or repeal would materially and adversely alter or change the rights, preferences, or privileges of the Series A Preferred.

V.

The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

The Corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with agents, approval of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporation Code, subject only to the

applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the Corporation and its shareholders.

Any repeal or modification of this Article shall be prospective and shall not affect the rights under this Article in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the Board of Directors of the Corporation.

4. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the required vote of the shareholders of the Corporation in accordance with Sections 902 and 903 of the California Corporations Code. The total number of outstanding shares of Common Stock of the Corporation is 109,352,533 shares, and the total number of outstanding shares of Series A Preferred of the Corporation is 1,416,225 shares (both of which amounts being determined before giving effect to the reverse stock split described in Article III of the foregoing Amended and Restated Articles of Incorporation). The number of shares voting in favor of the amendment and restatement equaled or exceeded the vote required. The percentage vote required was more than 50%.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATED: April 3, 2002

/s/ John Kang

John Kang, Chief Executive Officer

/s/ Brian McDougall

Brian McDougall, Secretary

AMENDED AND RESTATED BYLAWS
OF
LIQUIDMETAL TECHNOLOGIES

(EFFECTIVE APRIL 3, 2002)

ARTICLE I

OFFICES

Section 1. PRINCIPAL OFFICES.

The board of directors shall fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside this state, and the corporation has one or more business offices in this state, the board of directors shall fix and designate a principal business office in the State of California.

Section 2. OTHER OFFICES.

The board of directors or officers of the corporation may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. PLACE OF MEETINGS.

Meetings of shareholders shall be held at any place within or outside the State of California designated by the board of directors. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the corporation.

Section 2. ANNUAL MEETING.

The annual meeting of shareholders shall be held each year on a date and at a time designated by the board of directors. At each annual meeting directors shall be elected, and any other proper business may be transacted.

Section 3. SPECIAL MEETING.

A special meeting of the shareholders may be called at any time by the board of directors, or by the chairman of the board, or by the president, or by one or more shareholders holding shares in the aggregate entitled to cast not less than l0% of the votes at that meeting. If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president, or

the secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote, in accordance with the provisions of Sections 4 and 5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 3 shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the board of directors may be held.

Section 4. NOTICE OF SHAREHOLDERS' MEETINGS.

All notices of meetings of shareholders shall be sent or otherwise given in accordance with Section 5 of this Article II not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the shareholders. The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, management intends to present for election.

If action is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code of California, (ii) an amendment of the articles of incorporation, pursuant to Section 902 of that Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of that Code, (iv) a voluntary dissolution of the corporation, pursuant to Section 1900 of that Code or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, the notice shall also state the general nature of that proposal.

Section 5. MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE.

Notice of any meeting of shareholders shall be given either personally or by first-class mail or telegraphic or other written communication, charges prepaid, addressed to the shareholder at the address of that shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that shareholder by first-class mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication. If any notice addressed to a shareholder at the address of that shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the shareholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the shareholder on written demand of the shareholder at the principal executive office of the corporation for a period of one (1) year from the date of the giving of the notice. An affidavit of the mailing or other means of

giving any notice of any shareholders' meeting shall be executed by the secretary, assistant secretary, or any transfer agent of the corporation giving the notice, and shall be filed and maintained in the minute book of the corporation.

Section 6. QUORUM.

The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of shareholders shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 7. ADJOURNED MEETING; NOTICE.

Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 6 of this Article II. When any meeting of shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the board of directors shall set a new record date. Notice of any such adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 4 and 5 of this Article II. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

Section 8. VOTING.

The shareholders entitled to vote at any meeting of shareholders shall be determined in accordance with the provisions of Section 11 of this Article II, subject to the provisions of Sections 702 to 704, inclusive, of the Corporations Code of California (relating to voting shares held by a fiduciary, in the name of a corporation, or in joint ownership). The shareholders' vote may be by voice vote or by ballot; provided, however, that any election for directors must be by ballot if demanded by any shareholder before the voting has begun. On any matter other than elections of directors, any shareholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares that the shareholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter (other than the election of directors) shall be the act of the shareholders, unless the vote of a greater number of voting by classes is required by California General Corporation Law or by the articles of incorporation.

At a shareholders' meeting at which directors are to be elected, no shareholder shall be entitled to cumulate votes (i.e., cast for any one or more candidates a number of votes greater than the number of shareholder's shares) unless the candidates' names have been placed in nomination prior to commencement of the voting and a shareholder has given notice prior to commencement of the voting of the shareholder's intention to cumulate votes. If any shareholder has given such a notice, then every shareholder entitled to vote may cumulate votes for candidates in nomination and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among any or all of the candidates, as the shareholder thinks fit. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

No shareholder shall be entitled to cumulate votes when the corporation becomes a listed corporation within the meaning of Section 301.5 of the Corporations Code of California.

Section 9. WAIVER OF NOTICE OR CONSENT BY ABSENT SHAREHOLDERS.

The transactions of any meeting of shareholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to a holding of the meeting, or an approval of the minutes. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of Section 4 of this Article II, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting.

Section 10. SHAREHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted. In the case of election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors; provided, however, that a director may be elected at any time to fill a vacancy on the board of directors that has not been filled by the directors, by the written

consent of the holders of a majority of the outstanding shares entitled to vote for the election of directors. All such consents shall be filed with the secretary of the corporation and shall be maintained in the corporate records. Any shareholder giving a written consent, or the shareholder's proxy holders, or a transferee of the shares or a personal representative of the shareholder or their respective proxy holders, may revoke the consent by a writing received by the secretary of the corporation before written consents of the number of shares required to authorize the proposed action have been filed with the secretary.

If the consents of all shareholders entitled to vote have not been solicited in writing, and if the unanimous written consent of all such shareholders shall not have been received, the secretary shall give prompt notice of the corporate action approved by the shareholders without a meeting. This notice shall be given in the manner specified in Section 5 of this Article II. In the case of approval of (i) contracts or transactions in which a director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code of California, (ii) indemnification of agents of the corporation, pursuant to Section 317 of that Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of that Code, or (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, the notice shall be given at least ten (10) days before the consummation of any action authorized by that approval.

Section 11. RECORD DATE FOR SHAREHOLDER NOTICE, VOTING, AND GIVING CONSENTS.

For purposes of determining the shareholders entitled to notice of any meeting or to vote or entitled to give consent to corporate action without a meeting, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting, and in this event only shareholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the California General Corporation Law.

If the board of directors does not so fix a record date:

(a) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(b) The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting (i) when no prior action by the board has been taken, shall be the date on which the first written consent is given, or (ii) when prior action of the board has been taken, shall be at the close of business on the date on which the board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of such action, whichever is later.

Section 12. PROXIES.

Every person entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation. A proxy shall be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the shareholder or the shareholder's attorney-in-fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy, or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the Corporations Code of California.

Section 13. INSPECTORS OF ELECTION.

Before any meeting of shareholders, the board of directors may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the chairman of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one (l) or three (3). If inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares or their proxies present at the meeting shall determine whether one (l) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the chairman of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy.

These inspectors shall:

(a) determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(b) receive votes, ballots, or consents;

(c) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) count and tabulate all votes or consents;

(e) determine when the polls shall close;

(f) determine the result; and

(g) do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

Section 14. NOMINATIONS FOR DIRECTOR; SHAREHOLDER PROPOSALS.

(a) Nomination of Directors. Nominations for election of members of the board of directors may be made by the board of directors or by any shareholder of any outstanding class of voting stock of the corporation entitled to vote for the election of directors in accordance with this Section 14.

(b) Other Proposals. Any shareholder of the corporation entitled to vote at any annual or special meeting of shareholders may make nominations for the election of directors and other proposals for inclusion on the agenda of any such meeting provided such shareholder complies with the timely notice provisions set forth in this Section 14 (as well as any additional requirements under any applicable law or regulation).

(c) Timely Notice by Shareholders. A shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation (i) in the case of any special meeting and of the first annual meeting held after the effective date of these Amended and Restated Bylaws, not less than thirty (30) days nor more than sixty (60) days prior to the meeting date specified in the notice of such meeting; provided, however, that if less than forty (40) days' notice or prior public disclosure of the date of such meeting is given or made to shareholders, notice by shareholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of such meeting was mailed or such public disclosure was made, and (ii) in the case of any subsequent annual meeting, not less than ninety (90) days prior to the day and month on which, in the immediately preceding year, the annual meeting for such year had been held. Such shareholder's notice shall set forth: (A) as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, the class and number of shares of the corporation which are beneficially owned by such person that are required to be disclosed in solicitations of the proxies with respect to nominees for election as directors, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including, without limitation, such person's written consent to being named in the proxy statement as a nominee and to serving as a director, if elected); (B) as to each action item required to be included on the agenda, a description, in sufficient detail, of the purpose and effect of the proposal to the extent necessary to properly inform all shareholders entitled to vote thereon prior to any such vote; and (C) as to the shareholder giving the notice, (i) the name and address, as they appear on the corporation's books, of such shareholder and (ii) the class and number of shares of the corporation which are beneficially owned by such shareholder.

(d) Failure to Provide Timely Notice, Etc. No person nominated by a shareholder shall be elected as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 14. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination or other proposal by a shareholder was not properly brought before the meeting, and, if the Chairman shall so determine, s/he shall so declare to the meeting and such nomination or other proposal shall be disregarded.

ARTICLE III

DIRECTORS

Section 1. POWERS.

Subject to the provisions of the California General Corporation Law and any limitations in the articles of incorporation and these bylaws relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

Without prejudice to these general powers, and subject to the same limitations, the directors shall have the power to:

(a) Select and remove all officers, agents, and employees of the corporation; prescribe any powers and duties for them that are consistent with law, with the articles of incorporation, and with these bylaws; fix their compensation; and require from them security for faithful service.

(b) Change the principal executive office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency, or country and conduct business within or without the State of California; and designate any place within or without the State of California for the holding of any shareholders' meeting, or meetings, including annual meetings.

(c) Adopt, make and use a corporate seal; prescribe the forms of certificates of stock; and alter the form of the seal and certificates.

(d) Authorize the issuance of shares of stock of the corporation on any lawful terms, in consideration of money paid, labor done, services actually rendered, debts or securities canceled, or tangible or intangible property actually received.

(e) Borrow money and incur indebtedness on behalf of the corporation, and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

Section 2. NUMBER OF DIRECTORS.

(a) The authorized number of directors shall be not less than nine (9) nor more than seventeen (17). The exact number of directors shall be fixed from time to time by resolution of the board of directors, except that in the absence of any such designation, such number shall be nine (9).

(b) The maximum or minimum authorized number of directors may only be changed by an amendment of this Section approved by the vote or written consent of a majority of the outstanding shares entitled to vote; provided, however, that an amendment reducing the

minimum number to a number less than five shall not be adopted if the votes cast against its adoption at a meeting (or the shares not consenting in the case of action by written consent) exceed 16-2/3% of such outstanding shares; and provided further, that in no case shall the stated maximum authorized number of directors exceed two times the stated minimum number of authorized directors minus one.

Section 3. ELECTION AND TERM OF OFFICE OF DIRECTORS.

Directors shall be elected at each annual meeting of the shareholders to hold office until the next annual meeting. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Effective only when the corporation becomes a listed corporation within the meaning of Section 301.5 of the Corporations Code of California, the directors shall be classified, with respect to the time for which they severally hold office, into three (3) classes, Class I, Class II and Class III, each of which shall be as nearly equal in number as possible. Class I shall be established for a term expiring at the annual meeting of shareholders to be held in 2002 and shall consist initially of four (4) directors. Class II shall be established for a term expiring at the annual meeting of shareholders to be held in 2003 and shall consist initially of four (4) directors. Class III shall be established for a term expiring at the annual meeting of shareholders to be held in 2004 and shall consist initially of three (3) directors. Each director shall hold office until his or her successors are elected and qualified, or until such director's earlier death, resignation or removal as hereinafter provided. At each annual meeting of the shareholders of the corporation, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third (3rd) year following the year of their election. Unless otherwise provided in the articles of incorporation when the number of directors of the corporation is changed, the board of directors shall determine the class or classes to which the increased or decreased number of directors shall be apportioned; provided, however, that no decrease in the number of directors shall affect the term of any director then in office.

Section 4. VACANCIES.

Vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, except that a vacancy created by the removal of a director by the vote or written consent of the shareholders or by court order may be filled only by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of holders of a majority of the outstanding shares entitled to vote. Each director so elected shall hold office until the next annual meeting of the shareholders and until a successor has been elected and qualified.

A vacancy or vacancies in the board of directors shall be deemed to exist in the event of the death, resignation or removal of any director, or if the board of directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of a court or convicted of a felony, or if the authorized number of directors is increased, or if the

shareholders fail, at any meeting of shareholders at which any director or directors are elected, to elect the number of directors to be voted for at that meeting.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, but any such election by written consent shall require the consent of a majority of the outstanding shares entitled to vote.

Any director may resign effective upon the giving of written notice to the chairman of the board, the president, the secretary, or the board of directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 5. PLACE OF MEETING AND MEETINGS BY TELEPHONE.

Regular meetings of the board of directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board shall be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at the meeting.

Section 6. ANNUAL MEETING.

Immediately following each annual meeting of shareholders, the board of directors shall hold a regular meeting for the purpose of organization, any desired election of officers, and the transaction of other business. Notice of this meeting shall not be required.

Section 7. OTHER REGULAR MEETINGS.

Other regular meetings of the board of directors shall be held without call at such time as shall from time to time be fixed by the board of directors. Such regular meetings may be held without notice.

Section 8. SPECIAL MEETINGS.

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board or the president or any vice president or the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally, by telephone, by facsimile, or by electronic mail to each director or sent by first-class mail or

telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. In case the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, by telephone, by telegram, by facsimile, or by electronic mail, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office or residence of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting nor the place if the meeting is to be held at the principal executive office of the corporation.

Section 9. QUORUM.

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 11 of this Article III. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of Section 310 of the Corporations Code of California (as to approval of contracts or transactions in which a director has a direct or indirect material financial interest), Section 311 of that Code (as to appointment of committees), and Section 317(e) of that Code (as to indemnification of directors). A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 10. WAIVER OF NOTICE.

The transaction of any meeting of the board of directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting, before or at its commencement, the lack of notice to that director.

Section 11. ADJOURNMENT.

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

Section 12. NOTICE OF ADJOURNMENT.

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, in the manner specified in Section 8 of this Article III, to the directors who were not present at the time of the adjournment.

Section 13. ACTION WITHOUT MEETING.

Any action required or permitted to be taken by the board of directors may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent or consents shall be filed with the minutes of the proceedings of the board of directors.

Section 14. FEES AND COMPENSATION OF DIRECTORS.

Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the board of directors. This Section 14 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for those services.

ARTICLE IV

COMMITTEES

Section 1. COMMITTEES OF DIRECTORS.

The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the board. The board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except with respect to:

(a) the approval of any action which, under the General Corporation Law of California, also requires shareholder approval or approval of the outstanding shares;

(b) the filling of vacancies on the board of directors or in any committee;

(c) the fixing of compensation of the directors for serving on the board of directors or on any committee;

(d) the amendment or repeal of bylaws or the adoption of new bylaws;

(e) the amendment or repeal of any resolution of the board of directors which by its express terms is not so amendable or repealable;

(f) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the board of directors; or

(g) the appointment of any other committees of the board of directors or the members of those committees.

Section 2. MEETINGS AND ACTION OF COMMITTEES.

Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Sections 5 (place of meetings), 7 (regular meetings), 8 (special meetings), 9 (quorum), 10 (waiver of notice), 11 (adjournment), 12 (notice of adjournment), and 13 (action without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members, except that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee; special meetings of the committees may also be called by resolution of the board of directors; and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS AND EMPLOYEES

Section 1. OFFICERS.

The officers of the corporation shall be a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more vice presidents, one or more assistant secretaries, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Any number of offices may be held by the same person.

Section 2. ELECTION OF OFFICERS.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article V, shall be chosen by the board of directors, and each shall serve at the pleasure of the board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. SUBORDINATE OFFICERS.

The board of directors may appoint, and may empower the president to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the bylaws or as a board of directors may from time to time determine.

Section 4. REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the board of directors, at any regular or special meeting of the board, or, except in case of an officer chosen by the board of directors, by an officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

Section 5. VACANCIES IN OFFICES.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

Section 6. CHAIRMAN OF THE BOARD.

The chairman of the board, if such an officer be elected, shall preside at meetings of the board of directors and exercise and perform such other powers and duties as from time to time may be assigned to him/her by the board of directors or prescribed by these bylaws. If there is no president, the chairman of the board shall in addition be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 7 of this Article V.

Section 7. PRESIDENT.

Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, the president shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction and control of the business and the officers of the corporation. S/He shall preside at all meetings of the shareholders and, in the absence of the chairman of the board, or if there be none, at all meetings of the board of directors. S/He shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or the bylaws.

Section 8. VICE PRESIDENTS.

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, the chairman of the board, the president or the bylaws.

Section 9. SECRETARY.

The secretary shall keep or cause to be kept, at the principal executive office or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and shareholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at

directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings.

The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the board of directors required by the bylaws or by law to be given, and s/he shall keep the seal of the corporation if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by the bylaws.

Section 10. CHIEF FINANCIAL OFFICER.

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any director or directors. The chief financial officer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the board of directors. S/He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or the bylaws.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

Section 1. AGENTS, PROCEEDINGS AND EXPENSES.

For the purposes of this Article VI, "agent" means any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a director, officer, employee, or agent of a foreign or domestic corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes, without limitation, attorneys' fees and any expenses of establishing a right to indemnification under Section 4 or Section 5(c) of this Article VI.

Section 2. ACTIONS OTHER THAN BY THE CORPORATION.

Subject to the provisions of Section 5, Section 8 and Section 9 of this Article VI, the corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding (other than an action by or in the right of the corporation) by reason of the fact that such person is or was an agent of the corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if that person acted in good faith and in a manner that that person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of that person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

Section 3. ACTIONS BY THE CORPORATION.

Subject to the provisions of Section 5, Section 8 and Section 9 of this Article VI, the corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that that person is or was an agent of the corporation, against expenses actually and reasonably incurred by that person in connection with the defense or settlement of that action if that person acted in good faith, in a manner that that person reasonably believed to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this Section 3:

(a) in respect of any claim, issue or matter as to which that person shall have been adjudged to be liable to the corporation in the performance of that person's duty to the corporation, unless and only to the extent that the court in which that action was brought shall determine upon application that, in view of all the circumstances of the case, that person is fairly and reasonably entitled to indemnity for the expenses which the court shall determine;

(b) of amounts paid in settling or otherwise disposing of a threatened or pending action, without court approval; or

(c) of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

Section 4. SUCCESSFUL DEFENSE BY AGENT.

To the extent that an agent of this corporation has been successful on the merits in defense of any proceeding referred to in Sections 2 or 3 of this Article VI, or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

Section 5. REQUIRED APPROVAL.

Except as provided in Section 4 of this Article VI, any indemnification under this Article VI shall be made by the corporation only if authorized in the specific case on a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Sections 2 or 3 of this Article VI, by:

(a) a majority vote of a quorum consisting of directors who are not parties to the proceeding;

(b) approval by the affirmative vote of a majority of the shares of the corporation entitled to vote represented at a duly held meeting at which a quorum is present or by the written consent of holders of a majority of the outstanding shares entitled to vote. For this purpose, the shares owned by the person to be indemnified shall not be considered outstanding or entitled to vote thereon; or

(c) the court in which the proceeding is or was pending, on application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the corporation.

Section 6. ADVANCE OF EXPENSES.

Expenses incurred in defending any proceeding may be advanced by the corporation before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount if it shall be determined ultimately that the agent is not entitled to be indemnified as authorized in this Article VI.

Section 7. OTHER CONTRACTUAL RIGHTS.

Nothing contained in this Article VI shall affect any right to indemnification to which persons other than directors and officers of the corporation or any subsidiary hereof may be entitled by contract or otherwise.

Section 8. LIMITATIONS.

No indemnification or advance shall be made under this Article VI, except as provided in Section 4 or Section 5(c), in any circumstance where it appears:

(a) that it would be inconsistent with a provision of the articles of incorporation, a resolution of the shareholders, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) that it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 9. INSURANCE.

Upon and in the event of a determination by the board of directors of the corporation to purchase such insurance, this corporation shall purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or insured by the agent in such capacity or arising out of the agent's status as such whether or not the corporation would have the power to indemnify the agent against that liability under the provisions of this Article VI.

Section 10. FIDUCIARIES OF CORPORATION EMPLOYEE BENEFIT PLAN.

This Article VI does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in that person's capacity as such, even though that person may also be an agent of the corporation as defined in Section 1 of this Article VI. Nothing contained in this Article VI shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law other than this Article VI.

ARTICLE VII

RECORDS AND REPORTS

Section 1. MAINTENANCE AND INSPECTION OF SHARE REGISTER.

The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the board of directors, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each shareholder.

A shareholder or shareholders of the corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation or who hold at least one percent (1%) of those voting shares and have filed a Schedule 14A with the United States Securities and Exchange Commission, may (i) inspect and copy the records of shareholders' names and addresses and shareholdings during usual business hours on five (5) business days prior written demand on the corporation and (ii) obtain from the transfer agent of the corporation, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the shareholders' names and addresses, who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. This list shall be made available to any such shareholder(s) by the transfer agent on or before the later of five (5) business days after the demand is received or the date specified in the demand as the date as of which the list is to be compiled. The record of shareholders shall also be open to inspection on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. Any inspection and copying under this Section 1 may be made in person or by an agent or attorney of the shareholder or holder of a voting trust certificate making the demand.

Section 2. MAINTENANCE AND INSPECTION OF BYLAWS.

The corporation shall keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state, the original or a copy of the bylaws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside the State of California and the corporation has no principal business office in this state, the Secretary shall, upon the written request of any shareholder, furnish to that shareholder a copy of the bylaws as amended to date.

Section 3. MAINTENANCE AND INSPECTION OF OTHER CORPORATE RECORDS.

The accounting books and records and minutes of proceedings of the shareholders and the board of directors and any committee or committees of the board of directors shall be kept at such place or places designated by the board of directors, or, in the absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

Section 4. INSPECTION BY DIRECTORS.

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 5. ANNUAL REPORT TO SHAREHOLDERS.

The directors shall cause to be sent to the shareholders not later than 120 days after the close of the fiscal year, an annual report which shall include a balance sheet as of the closing date of the last fiscal year, and an income statement of changes in financial position for said fiscal year. Said annual report shall be accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation. This annual report is hereby waived whenever the corporation shall have less than 100 shareholders as defined in Section 605 of the California General Corporation Law. Except when said waiver applies, the annual report shall be sent to the shareholders at least fifteen (15) (or if sent by third-class mail, thirty-five (35)) days prior to the date of the annual meeting. The annual report may be sent by third-class mail only if the corporation has outstanding shares held by 500 or more persons (as determined by the provisions of Section 605 of the California

General Corporation Law) on the record date for the shareholders' meeting. In addition to the financial statements included in the annual report, the annual report of the corporation, if it has more than 100 shareholders as defined in Section 605 of the California General Corporation Law and if it is not subject to the reporting requirements of Section 13 of the Securities and Exchange Act of 1934, as amended, or exempt from such registration by Section 12(g)(2) of said act, shall also describe briefly: (i) Any transaction (excluding compensation of officers and directors) during the previous fiscal year involving an amount in excess of forty thousand dollars ($40,000) (other than contracts let at competitive bids or services rendered at prices regulated by law) to which the corporation or its parent or subsidiary was a party and in which any director or officer of the corporation or of a subsidiary or (if known to the corporation or its parent or subsidiary) any holder of more than ten percent (10%) of the outstanding voting shares of the corporation had a direct or indirect material interest, naming such person and stating such person's relationship to the corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; provided, that in the case of a transaction with a partnership of which such person is a partner, only the interest of the partnership need be stated; and provided further that no such report need be made in the case of transactions approved by the shareholders under subdivision (a) of Section 310 of the California General Corporation Law; and (ii) The amount and circumstances of any indemnification or advances aggregating more than ten thousand dollars ($10,000) paid during the fiscal year to any officer or director of the corporation pursuant to Section 317 of the California General Corporation Law, provided, that no such report need be made in the case of indemnification approved by the shareholders under paragraph (2) of subdivision (e) of Section 317 of the California General Corporation Law.

Section 6. FINANCIAL STATEMENTS.

A copy of any annual financial statement and any income statement of the corporation for each quarterly period of each fiscal year, and any accompanying balance sheet of the corporation as of the end of each period, that has been prepared by the corporation shall be kept on file in the principal executive office of the corporation for twelve (12) months and each such statement shall be exhibited at all reasonable times to any shareholder demanding an examination of any such statement or a copy shall be mailed to any such shareholder. If a shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of stock of the corporation makes a written request to the corporation for an income statement of the corporation for the three-month, six-month or nine-month period of the then current fiscal year ended more than thirty (30) days before the date of the request, and a balance sheet of the corporation as of the end of that period, the chief financial officer shall cause that statement to be prepared, if not already prepared, and shall deliver personally or mail that statement or statements to the person making the request within thirty (30) days after the receipt of the request. If the corporation has not sent to the shareholders its annual report for the last fiscal year, this report shall likewise be delivered or mailed to the shareholder or shareholders within thirty (30) days after the request.

The corporation shall also, on the written request of any shareholder, mail to the shareholder a copy of the last annual, semi-annual, or quarterly income statement which it has prepared, and a balance sheet as of the end of that period.

The quarterly income statements and balance sheets referred to in this section shall be accompanied by the report, if any, of any independent accountants engaged by the corporation or the certificate of an authorized officer of the corporation that the financial statements were prepared without audit from the books and records of the corporation.

Section 7. ANNUAL STATEMENT OF GENERAL INFORMATION.

The corporation shall, within the statutorily required time period, file with the Secretary of State of the State of California, on the prescribed form, a statement setting forth the authorized number of directors, the names and complete business or residence addresses of all incumbent directors, the names and complete business or residence addresses of the chief executive officer, secretary, and chief financial officer, the street address of its principal executive office or principal business office in this state, and the general type of business constituting the principal business activity of the corporation, together with a designation of the agent of the corporation for the purpose of service of process, all in compliance with Section 1502 of the Corporations Code of California.

ARTICLE VIII

GENERAL CORPORATE MATTERS

Section 1. RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING.

For purposes of determining the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action (other than action by shareholders by written consent without a meeting), the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only shareholders of record on the date so fixed are entitled to receive the dividend, distribution, or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the California General Corporation Law. If the board of directors does not so fix a record date, the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

Section 2. CHECKS, DRAFTS, EVIDENCES OF INDEBTEDNESS.

All checks, drafts, or other orders for payment of money, notes, or other evidences of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the board of directors.

Section 3. CORPORATION CONTRACTS AND INSTRUMENTS; HOW EXECUTED.

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the

name of and on behalf of the corporation, and this authority may be general or confined to specific instances; and, unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent, or employee shall have the power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 4. CERTIFICATES FOR SHARES.

A certificate or certificates for shares of the capital stock of the corporation shall be issued to each shareholder when any of these shares are fully paid, and the board of directors may authorize the issuance of certificates or shares as partly paid provided that these certificates shall state the amount of the consideration to be paid for them and the amount paid. All certificates shall be signed in the name of the corporation by the chairman of the board or vice chairman of the board or the president or vice president and by the chief financial officer or an assistant treasurer or the secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent, or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent, or registrar at the date of issuance.

Section 5. LOST CERTIFICATES.

Except as provided in this Section 5, no new certificates for shares shall be issued to replace an old certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may, in case any share certificate or certificate for any other security is lost, stolen, or destroyed, authorize the issuance of a replacement certificate on such terms and conditions as the board may require, including provision for indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft, or destruction of the certificate or the issuance of the replacement certificate.

Section 6. REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

The chairman of the board, the president, or any vice president, or any other person authorized by resolution of the board of directors or by any of the foregoing designated officers, is authorized to vote on behalf of the corporation any and all shares of any other corporation or corporations, foreign or domestic, standing in the name of the corporation. The authority granted to these officers to vote or represent on behalf of the corporation any and all shares held by the corporation in any other corporation or corporations may be exercised by any of these officers in person or by any person authorized to do so by a proxy duly executed by these officers.

Section 7. CONSTRUCTION AND DEFINITIONS.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California General Corporation Law shall govern the construction of these

bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

ARTICLE IX

AMENDMENTS

Section 1. AMENDMENT BY SHAREHOLDERS.

New bylaws may be adopted or these bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote except as otherwise provided by law or by the articles of incorporation.

Section 2. AMENDMENT BY DIRECTORS.

Subject to the rights of the shareholders as provided in Section 1 of this Article IX, bylaws, other than a bylaw or an amendment of a bylaw changing the authorized number of directors, may be adopted, amended, or repealed by the board of directors.

EXHIBIT 5.1

[LETTERHEAD OF FOLEY & LARDNER]

April 3, 2002

Liquidmetal Technologies
100 N. Tampa Street, Suite 3150
Tampa, Florida 33602

Gentlemen:

You have requested our opinion with respect to certain matters in connection with the filing by Liquidmetal Technologies (the "Company") of a Registration Statement on Form S-1 (the "Registration Statement"), with the Securities and Exchange Commission (the "Commission"), including a related prospectus to be filed with the Commission pursuant to Rule 424(b) of Regulation C (the "Prospectus") under the Securities Act of 1933, as amended, and the public offering of up to 5,750,000 shares of the Company's Common Stock including: (i) 5,000,000 underwritten shares and (ii) up to 750,000 shares for which the underwriters have been granted an over-allotment option (collectively, the "Shares").

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

The opinions set forth in this letter are limited solely to the laws of the State of Florida and the federal laws of the United States of America, and we express no opinion as to the laws of any other jurisdiction. This letter has been prepared and is to be construed in accordance with the Reports on Standards for Opinions of Florida Legal Counsel for Business and Real Estate Transactions (September 1998) (the "Report") and the Report is incorporated by reference in this letter.

Based upon the foregoing, and in reliance thereon, we are of the opinion that the Shares, when sold and issued in accordance with the Registration Statement and related Prospectus, will be validly issued, fully paid and nonassessable. We consent to the reference to our firm under the caption "Legal Matters" in the Prospectus included in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

FOLEY & LARDNER

By:

Steven W. Vazquez

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into effective as of May 1, 2001 (the "Effective Date"), by and between LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), and JAMES KANG (the "Employee").

RECITALS

WHEREAS, the Employee desires to be employed by the Company upon the terms and conditions set forth in this Agreement; and

WHEREAS, the Company desires to assure itself of the Employee's continued employment in the capacities set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the parties hereto covenant and agree as follows:

1. EMPLOYMENT. The Company hereby employs Employee, and the Employee hereby accepts such employment, upon the terms and conditions set forth in this Agreement.

2. TERM. Subject to the terms and conditions of this Agreement, including, but not limited to, the provisions for termination set forth in Section 5 hereof, the employment of the Employee under this Agreement shall commence on the Effective Date and shall continue through the close of business on May 1, 2006 (the "Initial Term"). Upon the expiration of the Initial Term, the Employee's employment with the Company will continue on an "at-will" basis and may be terminated by Employee or the Company for any reason and at any time, provided that the terminating party shall provide at least thirty (30) days prior written notice of the termination to the other party (unless the termination is With Cause as defined in this Agreement, in which case the Employee's employment may be terminated immediately). Notwithstanding the expiration of the Initial Term of this Agreement, the provisions of this Agreement other than those of Sections 1, 4, and 5, Term, Compensation, and Termination, respectively, shall remain in full force and effect. All other provisions of this Agreement, including but without limitation, Sections 2, 6, and 7, entitled Employment, Nonsolicitation and Nondisclosure Covenants, and Employee Inventions, respectively, shall survive the expiration of the Initial Term. Notwithstanding the expiration of the this Agreement or the termination of employment by any means by any party, Sections 2, 6, and 7, entitled Term, Nonsolicitation and Nondisclosure Covenants, and Employee Inventions, respectively, shall survive and remain fully enforceable.

3. DUTIES. Employee will initially serve as the President and Chief Executive Officer of the Company. The Employee will use the Employee's best efforts to promote the success of the Company's business, and will cooperate fully with the Board of Directors in the advancement of the best interests of the Company. Furthermore, the Employee shall assume and competently perform such reasonable responsibilities and duties as may be assigned to the Employee from time to time by the Board of Directors. To the extent that the Company shall

have any parent company, subsidiaries, affiliated corporations, partnerships, or joint ventures (collectively "Related Entities"), the Employee shall perform such duties to promote these entities and to promote and protect their respective interests to the same extent as the interests of the Company without additional compensation. The Company acknowledges and agrees that the Employee is involved with business enterprises and business interests other than the Company and that the Employee will continue to be involved with, and will continue to devote time and attention to, other business enterprises and interests during the term of his employment with the Company. Nothing set forth in this Agreement shall be construed as prohibiting the Employee from engaging in or being involved with such other business and interests during Employee's employment by the Company.

4. COMPENSATION.

(a) Annual Base Salary. As compensation for Employee's services and in consideration for the Employee's covenants contained in this Agreement, the Company shall pay the Employee an annual base salary of Three Hundred Thousand and No/100 Dollars ($300,000). Such annual base salary shall be payable in equal or as nearly equal as practicable installments in accordance with the policy then prevailing for the Company's salaried employees generally, and the annual base salary shall be subject to any tax and other withholdings or deductions required by applicable laws and regulations. The Employee's annual base salary will be reviewed by the Board of Directors or Chief Executive Officer of the Company not less frequently than annually, and the annual base salary may be adjusted upward or downward in the sole discretion of the Board of Directors or Chief Executive Officer. For purposes of this Agreement, the term "Salary Year" means the one year, 365-day period (or 366 day period for a leap year) that begins on the Effective Date and each successive one year period thereafter.

(b) Bonuses. In addition to the Employee's annual base salary, during the term of the Employee's employment hereunder, the Employee shall be entitled to only such bonuses or additional compensation as may be granted to the Employee by the Board of Directors or Chief Executive Officer of the Company, in their sole discretion.

(c) Other Benefits. During the term of the Employee's employment hereunder, the Employee shall be eligible to participate in such pension, life insurance, health insurance, disability insurance and other benefits plans, if any, which the Company may from time to time make available to similar-level employees.

(d) Vacation. The Employee shall be entitled to four (4) weeks paid vacation during each Salary Year during the term of the Employee's employment hereunder. Vacation shall be taken at such times and with such notice so as to not disrupt or interfere with the business of the Company. Unused vacation from a particular Salary Year will not carry over to succeeding Salary Years, and the Employee will not be paid for any unused vacation.

(e) Reimbursement of Expenses. The Employee shall be reimbursed for all reasonable and customary travel and other business expenses incurred by Employee in the performance of Employee's duties hereunder, provided that such reimbursement shall be

subject to, and in accordance with, any expense reimbursement policies and/or expense documentation requirements of the Company that may be in effect from time to time.

(f) Option Grant. In addition to the foregoing, in consideration of the execution of this Agreement by the Employee, the Company shall, on or before June 1, 2001, grant to the Employee an option to purchase up to eight hundred thousand (800,000) shares of the Company's common stock at an exercise price equal to the greater of (i) $20.00 per share, or (ii) the per share fair market value of the Company's common stock on the date of grant. Such option shall be evidenced by one or more stock option agreements in substantially the form set forth as Exhibit A hereto.

5. TERMINATION.

(a) Death. The Employee's employment under this Agreement shall terminate immediately upon Employee's death. In the event of a termination pursuant to this Section 5(a), the Employee's estate shall be entitled to receive any unpaid base salary owing to Employee up through and including the date of the Employee's death.

(b) Disability. If, during the term of the Employee's employment hereunder, the Employee becomes physically or mentally disabled in the determination of a physician appointed or selected by the Company, or, if due to any physical or mental condition, the Employee becomes unable for a period of more than sixty (60) days during any six-month period to perform Employee's duties hereunder on substantially a full-time basis as determined a physician selected by the Company, the Company may, at its option, terminate the Employee's employment upon not less than thirty (30) days written notice. In the event of a termination pursuant to this Section 5(b), the Employee shall be entitled to receive any unpaid base salary owing to Employee up through and including the effective date of Termination.

(c) Termination By Company Without Cause. In addition to the other termination provisions of this Agreement, the Company may terminate the Employee's employment at any time without cause (a "Termination Without Cause"). In the event of a Termination Without Cause, the Employee shall be entitled to receive the severance payment described in Section 5(f) below.

(d) Termination By Company With Cause. The Company may terminate the Employee's employment at any time with Cause. As used in this Agreement, "Cause" shall include the following: (1) the Employee's failure or inability to perform Employee's duties under this Agreement; (2) dishonesty or other serious misconduct, (3) the commission of an unlawful act material to Employee's employment, (4) a material violation of the Company's policies or practices which reasonably justifies immediate termination; (5) committing, pleading guilty, nolo contendre or no contest (or their equivalent) to, entering into a pretrial intervention or diversion program regarding, or conviction of, a felony or any crime or act involving moral turpitude, fraud, dishonesty, or misrepresentation; (6) the commission by the Employee of any act which could reasonably affect or impact to a material degree the interests of the Company or Related Entities or in some manner injure the reputation, business, or

business relationships of the Company or Related Entities; (7) the Employee's inability to perform an essential function of Employee's position; or (8) any material breach by Employee of this Agreement. The Company may terminate this Agreement for Cause at any time without notice. In the event of a termination for Cause, the Company shall be relieved of all its obligations to the Employee provided for by this Agreement as of the effective date of termination, and all payments to the Employee hereunder shall immediately cease and terminate as of such date, except that Employee shall be entitled to the annual base salary hereunder up to and including the effective date of termination, provided, however, that the Employee's obligations under Sections 6 and 7 shall survive such a Termination for Cause and any liabilities or obligations which have accrued and are owed by the Employee to the Company shall not be extinguished or released thereby.

(e) Termination by Employee for Good Reason. The Employee may terminate this Agreement at any time for Good Reason. For purposes of this Agreement, "Good Reason" means any of the following: (1) the Employer's breach of this Agreement; (2) the assignment of the Employee to a position, responsibilities or duties of a materially lesser status or degree of responsibility than his position, responsibilities, or duties at the Effective Date; (3) the relocation of the Company's principal executive offices to a place outside the metropolitan Los Angeles area, except that the relocation of the Company's principal executive offices to the Tampa Bay metropolitan area will not constitute "Good Reason" (if the principal executive offices are moved to the Tampa Bay metropolitan area after the Effective Date, then relocation of the principal executive offices to a place outside the Tampa Bay metropolitan area will then constitute "Good Reason"); (4) the requirement by the Company that the Employee be based anywhere outside the Los Angeles metropolitan area; or (5) the occurrence of a Change in Control of the Company. for this purpose, a "Change in Control" shall be deemed to have occurred upon the happening of any one of the following events:

(i) any person, entity, or group thereof acting in concert (a "Person") (other than (A) the Employee, John Kang, ATI Holdings, LLC, or any "affiliate" (as defined in Rule 12b-2 of the Securities Exchange Act of 1934) of any of the foregoing, (B) the Company or any of its subsidiaries, (C) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (D) an underwriter temporarily holding securities pursuant to an offering of such securities or (E) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) being or becoming the "beneficial owner" (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company which, together with securities previously owned, confer upon such Person the combined voting power, on any matters brought to a vote of shareholders, of fifteen percent (15%) or more of the then outstanding shares of voting securities of the Company; or

(ii) the sale, assignment or transfer of assets of the Company or any subsidiary or subsidiaries, in a transaction or series of transactions, if

the aggregate consideration received or to be received by the Company or any such subsidiary in connection with such sale, assignment or transfer is greater than fifty percent (50%) of the book value, determined by the Company in accordance with generally accepted accounting principles, of the Company's assets determined on a consolidated basis immediately before such transaction or the first of such transactions; or

(iii) the merger, consolidation, share exchange or reorganization of the Company (or one or more direct or indirect subsidiaries of the Company) as a result of which the holders of all of the shares of capital stock of the Company as a group would receive fifty percent (50%) or less of the combined voting power of the voting securities of the Company or such surviving or resulting entity or any parent thereof immediately after such merger, consolidation, share exchange or reorganization; or

(iv) the adoption of a plan of complete liquidation or the approval of the dissolution of the Company; or

(v) the commencement (within the meaning of Rule 13e-4 under the Securities Exchange Act of 1934) of a tender or exchange offer which, if successful, would result in a Change of Control of the Company; or

(vi) a determination by the Board of Directors of the Company, in view of the then current circumstances or impending events, that a Change of Control of the Company has occurred or is imminent, which determination shall be made for the specific purpose of triggering the operative provisions of this Agreement.

(f) Severance Payments. In the event that the Company terminates the Employee's employment hereunder other than specifically pursuant to Section 5(a), Section 5(d), or the second sentence of Section 2 above, or in the event that the Employee terminates his own employment for Good Reason, the Employee shall receive, as severance compensation, a lump-sum cash payment equal to two (2) times the sum of (i) the annual base salary that is in effect on the effective date of termination, plus (ii) the Employee's average cash bonus during the two full fiscal years of the Company immediately preceding the effective date of termination (the "Severance Payment"). The Severance Payment shall be due and payable to the Employee within five (5) calendar days of the effective date of the termination, and if the Severance Payment is not timely paid, the Severance Payment will, upon the expiration of such five-day period, begin accruing interest daily at a rate equal to ten percent (10%) per annum. Additionally, if the Severance Payment is not timely made, all obligations of the Employee pursuant to Section 6 of this Agreement will automatically and immediately terminate and be of no further force and effect as of the expiration of such five-day period.

6. NONSOLICITATION AND NONDISCLOSURE COVENANTS.

(a) Rationale for Restrictions. Employee acknowledges that Employee's services hereunder are of a special, unique, and extraordinary character, and Employee's position with the Company places Employee in a position of confidence and trust with customers, suppliers, and other persons and entities with whom the Company and its Related Entities have a business relationship. The Employee further acknowledges that the rendering of services under this Agreement will likely require the disclosure to Employee of Confidential Information (as defined below) including Trade Secrets of the Company relating to the Company and/or Related Entities. As a consequence, the Employee agrees that it is reasonable and necessary for the protection of the goodwill and legitimate business interests of the Company and Related Entities that the Employee make the covenants contained in this Section 6, that such covenants are a material inducement for the Company to employ the Employee and to enter into this Agreement, and that the covenants are given as an integral part of and incident to this Agreement.

(b) Nonsolicitation Covenants. As used herein, the term "Restrictive Period" means the time period commencing on the Effective Date of this Agreement and ending on the second (2nd) anniversary of the date on which the Employee's employment by the Company (or any Related Entity) expires or is terminated for any reason, including both a termination by the Company for Cause and Not for Cause. In addition, the term "Covered Business" means any business which is the same as, or similar to, any business conducted by the Company or any of the Related Entities at any time during the Restrictive Period. The Employee agrees that the Employee will not engage in any of the following acts anywhere in the world during the Restrictive Period:

(i) directly or indirectly assist, promote or encourage any existing or potential employees, customers, clients, or vendors of the Company or any Related Entity, as well as any other parties which have a business relationship with the Company or a Related Entity, to terminate, discontinue, or reduce the extent of their relationship with the Company or a Related Entity;

(ii) directly or indirectly solicit business of the same or similar type as a Covered Business, from any person or entity known by the Employee to be a customer or client of the Company, whether or not the Employee had contact with such person or entity during the Employee's employment with the Company;

(iii) disparage the Company, any Related Entities, and/or any shareholder, director, officer, employee, or agent of the Company or any Related Entity; and/or

(iv) engage in any practice the purpose of which is to evade the provisions of this Section 6 or commit any act which adversely affects the Company, any Related Entity, or their respective businesses.

Employee acknowledges that Employee's services hereunder are of a special, unique, and extraordinary character, and Employee's position with the Company places Employee in a position of confidence and trust with customers, suppliers, and other persons and entities with whom the Company and its Related Entities have a business relationship. The Employee further acknowledges that the rendering of services under this Agreement will likely require the disclosure to Employee of Confidential Information (as defined below) and Trade Secrets (as defined below) of the Company relating to the Company and/or Related Entities. As a consequence, the Employee agrees that it is reasonable and necessary for the protection of the goodwill and legitimate business interests of the Company and Related Entities that the Employee make the covenants contained in this Section 6, that such covenants are a material inducement for the Company to employ the Employee and to enter into this Agreement, and that the covenants are given as an integral part of and incident to this Agreement. Accordingly, the Employee agrees that the geographic scope of the above covenants is a reasonable means of protecting the Company's (and the Related Entities') legitimate business interests. Notwithstanding the foregoing covenants, nothing set forth in this Agreement shall prohibit the Employee from owning the securities of (i) corporations which are listed on a national securities exchange or traded in the national over-the-counter market in an amount which shall not exceed 5% of the outstanding shares of any such corporation or (ii) any corporation, partnership, firm or other form of business organization which does not compete with, is not engaged in, and does not carry on any aspect of, either directly or indirectly through a subsidiary or otherwise, any Covered Business.

(c) Disclosure of Confidential Information. The Employee acknowledges that the inventions, innovations, software, Trade Secrets, business plans, financial strategies, finances, and all other confidential or proprietary information with respect to the business and operations of the Company and Related Entities are valuable, special, and unique assets of the Company. Accordingly, the Employee agrees not to, at any time whatsoever either during or after the Employee's term of employment with the Company, disclose, directly or indirectly, to any person or entity, or use or authorize any person or entity to use, any confidential or proprietary information with respect to the Company or Related Entities without the prior written consent of the Company, including, without limitation, information as to the financial condition, results of operations, identities of clients or prospective clients, products under development, acquisition strategies or acquisitions under consideration, pricing or cost information, marketing strategies, passwords or codes or any other information relating to the Company or any of the Related Entities which could be reasonably regarded as confidential (collectively referred to as "Confidential Information"). However, the term "Confidential Information" does not include any information which is or shall become generally available to the public other than as a result of disclosure by the Employee or by any person or entity which the Employee knows (or which the Employee reasonably should know) has a duty of confidentiality to the Company or a Related Entity with respect to such information. In addition to the foregoing, Company will be fully entitled to all of the protections and benefits afforded by the California Uniform Trade Secrets Acts and any other applicable law. Trade Secret shall mean information, including a formula, pattern, compilation, program, device, method technique, or process that derives independent economic value, actual or potential, from being not generally known to, and not being readily ascertainable by proper means by,

other persons who can derive economic value from its disclosure or use, including but not limited to the patented information and processes as well as the unpatented information and processes comprising, underlying, arising from, and associated with Liquidmetal Alloy and Liquidmetal Coatings used by the Company.

(d) Prevention of Premature Disclosure of Confidential Information and Trade Secrets. The Employee agrees and acknowledges that, because the success of the Company is heavily dependent upon maintaining the secrecy of the Company's Confidential Information and Trade Secrets and preventing the premature public disclosure of the Company's proprietary information and technology including its Confidential Information and Trade Secrets, the Employee agrees to use the Employee's best efforts and his or her highest degree of care, diligence, and prudence to ensure that no Confidential Information or Trade Secret prematurely leaks or otherwise prematurely makes its way into the public domain or any public forum, including, without limitation, into any trade publications, internet chat rooms, or other similar forums. In the event that the Employee becomes aware of any premature leak of Confidential Information or Trade Secret or becomes aware of any circumstances creating a risk of such a leak, the Employee shall immediately inform the Board of Directors, the Chief Executive Officer, or the Employee's supervisor of such leak or of such circumstances.

(e) Removal and Return of Proprietary Items. The Employee will not remove from the Company's premises (except to the extent such removal is for purposes of the performance of the Employee's duties at home or while traveling, and under such conditions and restrictions as are specifically authorized and/or required by the Company) or transmit by any means, electronic or otherwise, any document, record, notebook, plan, model, component, device, computer software or code, or Confidential Information or Trade Secret whether embodied in a disk or in any other form, including electronic form (collectively, the "Proprietary Items"). The Employee recognizes that, as between the Company and the Employee, all of the Proprietary Items, whether or not developed by the Employee, are the exclusive property of the Company. Upon termination of Employee's employment with the Company by either party (regardless of the reason for termination), or upon the request of the Company during the term of employment, the Employee will return to the Company all of the Proprietary Items in the Employee's possession or subject to the Employee's control, and the Employee shall not retain any copies, abstracts, sketches, or other physical embodiment of any of the Proprietary Items, Confidential Information, Trade Secret or any part thereof.

(f) Enforcement and Remedies. In the event of any breach of any of the covenants set forth in this Section 6, the Employee recognizes that the remedies at law will be inadequate and that in addition to any relief at law which may be available to the Company for such violation or breach and regardless of any other provision contained in this Agreement, the Company shall be entitled to equitable remedies (including an injunction) and such other relief as a court may grant after considering the intent of this Section 6. Additionally, the period of time applicable to any covenant set forth in this Section 6 will be extended by the duration of any violation by Employee of such covenant. In the event a court of competent jurisdiction determines that any of the covenants set forth in this Section 6 are excessively broad as to duration, geographic scope, prohibited activities or otherwise, the parties agree

that this covenant shall be reduced or curtailed to the extent, but only to the extent, necessary to render it enforceable.

7. EMPLOYEE INVENTIONS.

(a) Definition. For purposes of this Agreement, "Employee Invention" means any idea, invention, technique, modification, process, or improvement (whether patentable or not), any industrial design (whether registerable or not), any mask work, however fixed or encoded, that is suitable to be fixed, embedded or programmed in a semiconductor product (whether recordable or not), and any work of authorship (whether or not copyright protection may be obtained for it) created, conceived, or developed by the Employee, either solely or in conjunction with others, during the Employee's employment with the Company or during the twenty four (24) month period following such employment, that relates in any way to, or is useful in any manner in, the businesses then being conducted or proposed to be conducted by the Company or any Related Entity.

(b) Ownership of Employee Inventions. Employee agrees and acknowledges that all Employee Inventions will belong exclusively to the Company and that all Employee Inventions are works made for hire and the property of the Company, including any copyrights, patents, semiconductor mask protection, or other intellectual property rights pertaining thereto. If it is determined that any such works are not works made for hire, the Employee hereby assigns to the Company all of the Company's right, title, and interest, including all rights of copyright, patent, semiconductor mask protection, and other intellectual property rights, to or in such Employee Inventions. The Employee covenants that the Employee will promptly:

(i) disclose to the Company in writing any Employee Invention;

(ii) assign to the Company or to a party designated by the Company, at the Company's request and without additional compensation, all of the Employee's right to the Employee Invention for the United States and all foreign jurisdictions;

(iii) execute and deliver to the Company such applications, assignments, and other documents as the Company may request in order to apply for and obtain patents or other registrations with respect to any Employee Invention in the United States and any foreign jurisdictions;

(iv) sign all other papers necessary to carry out the above obligations; and

(v) give testimony and render any other assistance in support of the Company's rights to any Employee Invention.

8. ESSENTIAL AND INDEPENDENT COVENANTS. The Employee's covenants in Sections 6 and 7 of this Agreement are independent covenants, and the existence of any claim by the Employee against the Company under this Agreement or otherwise will not excuse the Employee's breach of any covenant in Section 6 or 7. The covenants of Sections 6 and 7 shall

survive the termination, extinguishment, or lapse of this Agreement under any circumstances, even if this Agreement is terminated by either party, whether for Cause or Not for Cause.

9. REPRESENTATIONS AND WARRANTIES BY THE EMPLOYEE. The Employee represents and warrants to the Company that the execution and delivery by the Employee of this Agreement do not, and the performance by the Employee of the Employee's obligations hereunder will not, with or without the giving of notice or the passage of time, or both: (a) violate any judgment, writ, injunction, or order of any court, arbitrator, or governmental agency applicable to the Employee, or (b) conflict with, result in the breach of any provisions of or the termination of, or constitute a default under, any agreement to which the Employee is a party or by which the Employee is or may be bound, including, without limitation, any noncompetition agreement or similar agreement. Employee further represents and warrants that he fully and completely understands this Agreement and that he has engaged in negotiations with the Company and has either consulted with an attorney of his choice or has had ample opportunity to do so and is fully satisfied with the opportunity he has had.

10. NOTICES. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when hand-delivered, sent by facsimile transmission (as long as receipt is acknowledged), or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the address or facsimile number for each party set forth on the signature page hereto, or to such other address or facsimile number as either party may have furnished to the other in writing in accordance herewith, except that a notice of change of address shall be effective only upon receipt.

11. MISCELLANEOUS. No provision of this Agreement may be modified or waived unless such waiver or modification is agreed to in writing signed by both of the parties hereto. No waiver by any party hereto of any breach by any other party hereto shall be deemed a waiver of any similar or dissimilar term or condition at the same or at any prior or subsequent time. This Agreement is the entire agreement between the parties hereto with respect to the Employee's employment by the Company, and there are no agreements or representations, oral or otherwise, expressed or implied, with respect to or related to the employment of the Employee which are not set forth in this Agreement. This Agreement shall be binding upon, and inure to the benefit of, the Company, its respective successors and assigns, and the Employee and Employee's heirs, executors, administrators and legal representatives. The duties and covenants of the Employee under this Agreement, being personal, may not be delegated or assigned by the Employee without the prior written consent of the Company, and any attempted delegation or assignment without such prior written consent shall be null and void and without legal effect. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, the Agreement shall be construed with the invalid or inoperative provision deleted and the rights and obligations of the parties shall be construed and enforced accordingly. This Agreement may be assigned by the Company without the consent of the Employee, provided, however, that the Employee is given notice of the assignment.

12. GOVERNING LAW; RESOLUTION OF DISPUTES. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Florida without regard to principles of choice of law or conflicts of law thereunder. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against either of the parties in the courts of the State of Florida, County of Hillsborough, or, if it has or can acquire jurisdiction, in the United States District Court located in Hillsborough County, Florida, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on either party anywhere in the world. THE PARTIES HEREBY WAIVE A JURY TRIAL IN ANY LITIGATION ARISING UNDER OR RELATING TO THIS AGREEMENT OR THE EMPLOYMENT OF THE EMPLOYEE WITH THE COMPANY. This Agreement shall not be construed against either party but shall be construed without regard to the participation of either party in the drafting of this Agreement or any part thereof.

13. COUNTERPARTS; FACSIMILE SIGNATURES. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be effective upon the execution and delivery by any party hereto of facsimile copies of signature pages hereto duly executed by such party; provided, however, that any party delivering a facsimile signature page covenants and agrees to deliver promptly after the date hereof two (2) original copies to the other party hereto.

14. MODIFICATION BY THE COURT. In the event that any provision or Section of this Agreement violates any law of the state of California or is for some other reason unenforceable as written in the state of California, the Employee and the Company agree that the unenforceable provision or Section should not cause the entire Agreement to become unenforceable unless it is caused to fail in its essential purpose. In the event that any provision or Section of this Agreement violates any law of the state of California or is for some other reason unenforceable as written in the state of California, the Employee agrees that the provision should be reduced in scope or length or otherwise modified by the Court, if possible under the law, to cause the provision or Section of the Agreement to be legal and enforceable but to still provide to the Company the maximum protection available to it under the law.

15. TERMINATION OF PRIOR EMPLOYMENT AGREEMENT. The Employee and the Company agree and acknowledge that this Employment Agreement supercedes and replaces that certain Employment Agreement, dated May 1, 2000, between the Employee and the Company (the "Prior Employment Agreement"). Accordingly, the Employee and the Company agree and acknowledge that the Prior Employment Agreement is terminated as of the Effective Date and that neither Employee nor the Company shall have any further rights, obligations, or duties thereunder as of the Effective Date. Employee further agrees and acknowledges that he has received all salary, bonus, and other amounts or compensation due or payable to Employee under the Prior Employment Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

LIQUIDMETAL TECHNOLOGIES

By: /s/ John Kang
John Kang, Chairman of the Board of Directors

Liquidmetal Technologies
25800 Commercentre Drive, Suite 100
Lake Forest, California 92630

EMPLOYEE

By: /s/ James Kang
James Kang, individually

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This is Amendment No. 1, dated June 28, 2001,(the "Amendment No. 1"), to an Employment Agreement dated May 1, 2000 (the "Employment Agreement"), between Liquidmetal Technologies, a California corporation (the "Company"), and James Kang (the "Employee").

BACKGROUND

WHEREAS, pursuant to the terms of the Employment Agreement, Employee is employed as President and Chief Executive Officer of the Company; and

WHEREAS, effective as of the date hereof, the Board of Directors of the Company has appointed Employee as Chairman of the Board of Directors, and Employee will no longer serve as President and Chief Executive Officer; and

WHEREAS, the Company and the Employee desire to amend the Employment Agreement to reflect the foregoing change in offices.

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

TERMS

1. The foregoing recitals are true and correct and incorporated herein by reference. Any capitalized terms used but not defined herein shall have the same meaning ascribed to them in the Employment Agreement.

2. Section 2 of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

> 2. DUTIES. Employee will initially serve as the Company's Chairman of the Board. The Employee will use the Employee's best efforts to promote the success of the Company's business, and will cooperate fully with the Board of Directors in the advancement of the best interests of the Company. Furthermore, the Employee shall assume and competently perform such reasonable responsibilities and duties as may be assigned to the Employee from time to time by the Board of Directors. To the extent that the Company shall have any parent company, subsidiaries, affiliated corporations, partnerships, or joint ventures (collectively "Related Entities"), the Employee shall perform such duties to promote these entities and to promote and protect their respective interests to the same extent as the interests of the Company without additional compensation. The Company acknowledges and agrees that the Employee is involved with business enterprises and business interests other than the Company and that the Employee will continue to be involved with, and will continue to devote time and attention to, other business enterprises and interests

during the term of his employment with the Company. Nothing set forth in this Agreement shall be construed as prohibiting the Employee from engaging in or being involved with such other business and interests during Employee's employment by the Company.

3. This Amendment No. 1 may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one document.

4. This Amendment No. 1, together with the Employment Agreement, contains the final, complete, and exclusive expression of the parties' understanding and agreement concerning the matters contemplated herein and supersedes any prior or contemporaneous agreement of representation, oral or written, among them.

5. This instrument shall be binding upon, and shall inure to the benefit of, each of the parties' respective personal representatives, heirs, successors, and assigns.

6. This instrument shall be governed by, and construed and enforced in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 on the day and year first written above.

LIQUIDMETAL TECHNOLOGIES

By: /s/ Brian McDougall
Brian McDougall, Chief Financial Officer

EMPLOYEE

By: /s/ James Kang
James Kang, individually

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (this "Agreement") is made and entered into as of the 15th day of November, 2001, by and between LIQUIDMETAL TECHNOLOGIES, a California corporation ("Company"), and SHEKHAR CHITNIS, an individual ("Employee").

RECITALS:

A. Pursuant to that certain Employment Agreement, dated May 2, 2000, between Company and Employee (the "Employment Agreement"), Employee was employed by Company as Executive Vice President and Chief Operating Officer of Company.

B. Employee wishes to cease his employment with Company.

C. Employee and Company have reached agreement on the terms of Employee's departure, and both parties view their separation as amicable.

NOW, THEREFORE, in consideration of the premises and covenants contained in this Agreement, the parties hereto, intending to be legally bound, agree as follows:

1. RECITALS. The above recitals are true and correct and are made a part hereof.

2. TERMINATION OF EMPLOYMENT AGREEMENT. Company and Employee hereby agree that, except as specifically provided in Section 5 below, the Employment Agreement is terminated effective as of November 15, 2001 (the "Separation Date") and that neither Company nor Employee shall have any further rights, obligations, or duties under the Employment Agreement as of the Separation Date.

3. SEPARATION PAYMENTS. In consideration of Employee's agreement to the terms of this Agreement, for the period beginning on the Separation Date and continuing until December 31, 2002 (the "Post-Employment Period"), Company will continue to pay Employee a salary equal to $150,000 per year, pro rated on a daily basis in the case of partial years (the "Separation Payments"). The Separation Payments shall be paid in accordance with the prevailing payroll schedule for Company executives.

4. HEALTH INSURANCE COVERAGE. During the Post-Employment Period, Company shall continue to provide Employee with the same (or substantially similar) health insurance coverage that is being provided to Employee by Company as of the date of this Agreement; provided, however, that in the event that Employee obtains full-time employment prior to the expiration of the Post-Employment Period, then Company's obligation to provide such benefits shall terminate upon the first day on which Employee would be eligible to receive health insurance coverage from his new employer.

5. SURVIVAL OF CERTAIN PROVISIONS OF EMPLOYMENT AGREEMENT. Notwithstanding anything to the contrary set forth in this Agreement, Section 9 of the Employment Agreement shall continue to remain in full force and effect in accordance with the terms thereof at all times hereafter, and Employee shall continue to be bound by the terms thereof (as well as by any other terms of the Employment Agreement relating to the enforceability and construction of said

Section 9. In the event that Employee breaches any of the provisions of Section 9 of the Employment Agreement, the Company's obligation to make the Separation Payments shall immediately terminate.

6. WAIVER AND RELEASE. In consideration of the obligations and duties of Company set forth herein, Employee agrees as follows:

a. Employee hereby knowingly and voluntarily waives, releases and forever discharges the Company and its officers, directors, employees, shareholders, and affiliates from any and all claims, demands, damages, lawsuits, obligations, promises, and causes of action of any kind whatsoever, both known and unknown, at law or in equity, that he may have had or has against them at any time from the beginning of time up to and including the Separation Date, including, but not limited to, all matters relating to or arising out of Employee's employment with Company, the Employment Agreement, compensation by Company, or separation of employment from Company. This waiver and release covers, without limitation, any suits under Title VII of the Civil Rights Act of 1964, as amended; the Rehabilitation Act of 1973, as amended; the Equal Pay Act of 1963, as amended; the Age Discrimination in Employment Act of 1967, as amended; the Older Workers Benefit Protection Act; the Americans with Disabilities Act; the Civil Rights Act of 1991; Section 1981 of the Civil Rights Act of 1866; the Florida Human Rights Act; the Florida Civil Rights Act of 1992; and any applicable Florida state employment laws. This waiver and release also covers administrative charges, actions and suits under the National Labor Relations Act, as amended; the Fair Labor Standards Act of 1938, as amended; the Employee Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act; any other federal or state law or municipal ordinance; and any lawsuits founded in tort (including negligence), contract (oral, written or implied) or any other common law or equitable basis of action.

b. Employee shall not disclose, either directly or indirectly, any information whatsoever regarding any of the terms or the existence of this Agreement to any person or organization, including but not limited to members of the press and media, present and former employees of Company, and persons or companies who do business with Company.

c. In addition to the other provisions in this Agreement, Employee acknowledges that the information in the following paragraphs is included for the express purpose of complying with the Older Workers' Benefits Protection Act, 29 U.S.C.Section626(f):

i. The Employee acknowledges that he was over 40 years of age as of the Separation Date and when he signed this Agreement. Employee realizes there are many laws and regulations prohibiting employment discrimination or otherwise regulating employment or claims related to employment under which he may have rights or claims, including the Age Discrimination in Employment Act of 1967, as amended (the "ADEA"). Employee hereby waives and releases any rights or claims he may have under the ADEA.

ii. By signing this Agreement, Employee states that he is receiving consideration to which he was not otherwise entitled. Employee is waiving and releasing all claims against the Company that he may have based on his age, although Employee is not

waiving any claim or action under the ADEA based upon rights or claims that may arise after the date he signs this Agreement.

iii. Employee is being given continued compensation as specified in Section 3 hereof in exchange for the release and waiver of all claims that he is agreeing to herein. A portion of this continued compensation is in addition to anything of value to which the Employee is already entitled to in that the Employee is receiving a portion of this consideration without having to perform services of an equal value.

iv. The Employee acknowledges that he was informed in writing that he could consult with an attorney before signing this Agreement. Employee acknowledges that he was given the opportunity to consider this Agreement for twenty-one (21) days before signing it, and, if he signs it, he has the right to revoke it for a period of seven (7) days thereafter. Regardless of when the Employee signs this Agreement, he acknowledges that his seven-day period will not be waived. No payments will be made to Employee until after the seven-day revocation period expires. In the event that the Employee revokes this Agreement within such seven (7) day period, this Agreement will be of no force and effect, and neither party shall have any obligations hereunder.

d. The Employee agrees that neither the Employee nor or any person, organization, or other entity acting on the Employee's behalf will file a lawsuit or administrative proceeding seeking legal, equitable, administrative, or other relief asserting any claims or causes of action released by this Agreement. If any such claim or cause of action is asserted, the Employee agrees that he will indemnify and hold harmless each of the persons and entities against whom the Employee has released claims and causes of action hereunder from and against any and all losses, costs, damages, expenses, and attorneys' fees incurred as a result of his attempt to assert such claims or cause of action.

7. RESIGNATION FROM OFFICES. Employee hereby resigns, effective as of the date hereof, from all offices which Employee holds with Company and any subsidiary or affiliate of Company, provided that Employee does not resign as a member of the Board of Directors of the Company.

8. CONSULTING ENGAGEMENT. Effective as of the Separation Date, Company will engage Chitnis Consulting, Inc. as a consultant pursuant to a Consulting Agreement in the form attached hereto as Exhibit A.

9. STOCK OPTIONS. Company and Employee acknowledge that Employee has been granted an Option to Purchase Common Stock, dated May 1, 2000 (the "Option Agreement"), under the Company's 1996 Stock Option Plan (the "Plan"). The Option Agreement provides for a grant of options (the "Options") to purchase a total of 1,600,000 shares of common stock (as adjusted for the Company's June 19, 2001 stock dividend) of the Company upon the terms and conditions set forth in the Plan and the Option Agreement. Employee and Company agree and acknowledge that, as of the Separation Date, 800,000 of the Options were vested (the "Vested Options") and 800,000 of the Options were unvested (the "Unvested Options"). Company and Employee hereby further agree as follows:

a. The Vested Options shall remain vested and shall be exercisable in accordance with the terms of the Option Agreement and the Plan.

b. With respect to the 400,000 Unvested Options that are scheduled to vest on May 1, 2002, such Unvested Options shall still be eligible for vesting on May 1, 2002 and shall be exercisable thereafter in accordance with the Option Agreement and the Plan, unless such Unvested Options terminate earlier pursuant to the provisions of the Option Agreement or the Plan.

c. With respect to the 400,000 Unvested Options that are scheduled to vest on May 1, 2003, such Unvested Options shall terminate as of the Separation Date and no longer be exercisable thereafter, except for 48,000 of such Unvested Options (the "Surviving Options"). The Surviving Options shall vest on May 1, 2002 and be exercisable thereafter in accordance with the terms and provisions of the Plan, unless such Unvested Options terminate earlier pursuant to the provisions of the Operating Agreement or the Plan.

d. The Options shall no longer qualify as "incentive stock options" under Section 422 of the Internal Revenue Code of 1986, as amended, and Employee acknowledges that this may have certain adverse Federal income tax consequences to Employee.

e. This Section 9 shall be deemed to be an amendment to the Option Agreement. Except as specifically set forth in this Section 9, the Option Agreement shall continue to remain in full force and effect in accordance with the terms thereof, and the Option Agreement shall continue to be subject to the terms and conditions of the Plan, including the termination provisions set forth in Sections 6(f), (g), and (h) of the Plan. The Company acknowledges that, because Employee has been engaged as a consultant pursuant to the Consulting Agreement, Employee's "Continuous Status as an Employee, Director or Consultant" (as defined in the Plan) has not terminated under Section 6(f) of the Plan by reason of this Agreement. However, Employee acknowledges that Employee's "Continuous Status as an Employee, Director or Consultant" will terminate on the later of (i) the date on which Employee ceases to be a consultant to the Company, or (ii) the date on which Employee ceases to be a director of the Company.

10. MISCELLANEOUS.

a. In the event any provision of this Agreement is found to be unenforceable, void, invalid or unreasonable in scope, such provision shall be modified to the extent necessary to make it enforceable, and as so modified, this Agreement shall remain in full force and effect.

b. The paragraph headings in this Agreement are for convenience only and do not form any part of or affect the interpretation of this Agreement.

c. This Agreement may be executed in counterparts, each of which shall be deemed an original of this Agreement and all of which, when taken together, shall be deemed to constitute one and the same Agreement.

d. The waiver by any party of a breach of any condition of this Agreement by the other party shall not be construed as a waiver of any subsequent breach. No waiver of any right

hereunder shall be effective unless in writing and signed by the party against whom the waiver is sought to be enforced.

e. The rights and obligations of the parties under this Agreement shall inure to the benefit of, and shall be binding upon, their respective heirs, executors, administrators, successors, assigns, subsidiaries, affiliates, directors, officers, employees, representatives and agents, as applicable.

f. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any previous employment agreements or contracts, whether written or oral, between Company and Employee.

g. This Agreement shall be construed under, and governed by, the laws of the State of California.

h. Employee and Company acknowledge that each has had the opportunity to read, study, consider and deliberate upon this Agreement, and to consult with legal counsel, and both parties fully understand and are in complete agreement with all of the terms of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

COMPANY:	EMPLOYEE:
LIQUIDMETAL TECHNOLOGIES	SHEKHAR CHITNIS
By: /s/ John Kang --- John Kang, President and Chief Executive Officer	/s/ Shekhar Chitnis --- Shekhar Chitnis, individually

Exhibit A

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement") is made and entered into effective as of November 15, 2001 (the "Effective Date"), by and among LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), CHITNIS CONSULTING, INC., a California corporation (the "Consultant"), and SHEKHAR CHITNIS, an individual ("Chitnis").

RECITALS

WHEREAS, Chitnis owns all of the issued and outstanding common stock of Consultant;

WHERAS, effective as of the date hereof, Consultant and Chitnis entered into a Separation Agreement pursuant to which Chitnis ceased to be an employee of the Company (the "Separation Agreement");

WHEREAS, this Agreement is being entered into pursuant to Section 8 of the Separation Agreement;

WHEREAS, upon the terms and conditions set forth in this Agreement, the Company desires to engage the Consultant to provide consulting services to the Company; and

WHEREAS, the Consultant desires to provide consulting services to the Company upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the parties hereto covenant and agree as follows:

1. CONSULTING ENGAGEMENT. The Company hereby engages the Consultant to provide consulting services to the Company, and the Consultant hereby accepts such engagement, upon the terms and conditions set forth in this Agreement. The consulting services to be provided by the Consultant hereunder will be provided on an as needed basis (as requested by the Company, in its discretion), and such consulting services will consist of the provision of advice, information, and consultation regarding the development, manufacture, fabrication, marketing, distribution, and sale of amorphous metal alloys (collectively, the "Consulting Services"). Under this Agreement, Consultant will be required to provide a maximum of twenty (20) hours of Consulting Services during each calendar month, as requested by the Company on an as-needed basis. To the extent that the Company shall have any parent company, subsidiaries, affiliated corporations, partnerships, or joint ventures (collectively "Related Entities"), the Consultant shall, without additional compensation, perform the Consulting Services for these entities to the same extent as for the Company. Consultant agrees that all Consulting Services shall be provided individually by Chitnis, as agent for Consultant. Additionally, because Chitnis is the sole owner, sole board member, and sole officer of Consultant, and because this Agreement and the Consulting Fee hereunder

will result in substantial benefits to Chitnis, Chitnis shall be deemed a "Consultant" under the Company's 1996 Stock Option Plan at all times during the Consulting Term.

2. TERM. Subject to the terms and conditions of this Agreement, including, but not limited to, the provisions for early termination set forth in Section 5 hereof, the consulting engagement of the Consultant under this Agreement shall commence on the Effective Date and shall continue through December 31, 2005 (the "Consulting Term").

3. INDEPENDENT CONTRACTOR. At all times during the Consultant's engagement, the Consultant will act as an independent contractor. Moreover, it is expressly agreed by the parties that no agency relationship is, or will be deemed to have been, created by this Agreement, and no party will by reason of this Agreement have the power or authority to bind any other party contractually or otherwise. The Consultant will be solely responsible for the payment and reporting of any and all federal and state taxes and withholdings due on amounts paid hereunder, and Company will not withhold any amounts for federal, state or local income taxes or taxes, assessments or withholding liabilities, and the Consultant will indemnify and hold Company harmless from and against any costs, damages or liabilities relating to any such taxes, assessments or withholdings. In addition to the foregoing, nothing set forth in this Agreement shall be construed as creating a partnership or joint venture between the Consultant and the Company.

4. CONSULTING FEE.

(a) Fee. As compensation for Consultant's services and in consideration for the Consultant's covenants contained in this Agreement, the Company shall pay the Consultant a consulting fee of fifty thousand dollars (US$50,000) per year (pro rated on a daily basis in the event of partial years) during the Consulting Term (the "Consulting Fee"). The Consulting Fee shall be payable monthly in arrears.

(b) Reimbursement of Expenses. The Consultant shall be reimbursed for all reasonable and customary travel and other business expenses incurred by the Consultant and approved by the Company in connection with the performance of Consultant's duties hereunder, provided that such reimbursement shall be subject to, and in accordance with, any travel policies, expense reimbursement policies and/or expense documentation requirements of the Company that may be in effect from time to time.

(cc) SUPPLEMENTAL CONSULTING FEE. BEGINNING ON THE DATE ON WHICH CHITNIS CEASES TO RECEIVE HEALTH BENEFITS FROM THE COMPANY AND CONTINUING AT ALL TIMES THEREAFTER DURING THE CONSULTING TERM, THE CONSULTANT SHALL RECEIVE A SUPPLEMENTAL CONSULTING FEE OF $600 PER MONTH DURING THE PERIOD OF TIME THAT CHITNIS CONTINUES TO BE ELIGIBLE FOR COBRA COVERAGE UNDER THE COMPANY'S HEALTH PLAN AND $400 PER MONTH THEREAFTER.

5. TERMINATION.

(a) Death. The Consulting Term shall terminate early immediately upon Consultant's death. In the event of a termination pursuant to this Section 5(a), the

Consultant's estate shall be entitled to receive any unpaid Consulting Fees owing to Consultant up through and including the date of the Consultant's death.

(b) Termination By Consultant. Consultant may, prior to the scheduled expiration of the Consulting Term, terminate the Consulting Term at any time without cause and without penalty, provided that at least thirty (30) days' prior written notice of termination is provided by the Consultant to the Company. In the event of a termination pursuant to this Section 5(b), the Consultant shall be entitled to receive any unpaid Consulting Fees owing to Consultant up through and including the effective date of the termination of the Consulting Term.

(c) Termination By Company With Cause. The Company may terminate the Consulting Term at any time with Cause. As used in this Agreement, "Cause" shall include any of the following acts or omissions by Consultant or Chitnis: (1) the Consultant's failure or inability to perform Consultant's duties under this Agreement; (2) dishonesty or other serious misconduct, (3) the commission of an unlawful act material to Consultant's engagement hereunder, (4) a material violation of the Company's policies or practices which reasonably justifies immediate termination; (5) committing, pleading guilty, nolo contendre or no contest (or their equivalent) to, entering into a pretrial intervention or diversion program regarding, or conviction of, a felony or any crime or act involving moral turpitude, fraud, dishonesty, or misrepresentation; (6) the commission by the Consultant of any act which could reasonably affect or impact to a material degree the interests of the Company or Related Entities or in some manner injure the reputation, business, or business relationships of the Company or Related Entities; or (7) any material breach by the Consultant of this Agreement. The Company may terminate the Consulting Term for Cause at any time without notice. In the event of a termination for Cause, the Company shall be relieved of all its obligations to the Consultant provided for by this Agreement as of the effective date of termination, and all payments to the Consultant hereunder shall immediately cease and terminate as of such date, except that Consultant shall be entitled to the Consulting Fee hereunder up to and including the effective date of termination.

(d) Survival of Certain Provisions. The provisions set forth in Sections 6 through 13 of this Agreement shall survive the expiration or termination of the Consulting Term, regardless of the reason for termination and regardless of which party causes the termination.

6. NONSOLICITATION AND NONDISCLOSURE COVENANTS.

(a) Rationale for Restrictions. Consultant and Chitnis acknowledge that the Consulting Services to be provided hereunder are of a special, unique, and extraordinary character, and Consultant's engagement by the Company places Consultant and Chitnis in a position of confidence and trust with customers, suppliers, and other persons and entities with whom the Company and its Related Entities have a business relationship. The Consultant and Chitnis further acknowledge that the rendering of services under this Agreement will likely require the disclosure to Consultant of Confidential Information (as defined below) relating to the Company and/or Related Entities. As a consequence, the Consultant and Chitnis agrees that it is reasonable and necessary for the protection of the goodwill and legitimate business interests of the Company and Related Entities that the Consultant and Chitnis make the covenants contained in this Section 6, that such covenants are a material inducement for the Company to engage the Consultant and to enter into this Agreement, and that the covenants are given as an integral part of and incident to this Agreement.

(b) Nonsolicitation Covenants. As used herein, the term "Restrictive Period" means the time period commencing on the Effective Date of this Agreement and ending on the second (2nd) anniversary of the date on which the Consulting Term expires or is terminated. In addition, the term "Covered Business" means any business which is the same as, or similar to, any business conducted by the Company or any of the Related Entities at any time during the Restrictive Period. The Consultant and Chitnis agree that the Consultant and Chitnis will not engage in any of the following acts anywhere in the world during the Restrictive Period:

(i) directly or indirectly assist, promote or encourage any existing or potential employees, customers, clients, or vendors of the Company or any Related Entity, as well as any other parties which have a business relationship with the Company or a Related Entity, to terminate, discontinue, or reduce the extent of their relationship with the Company or a Related Entity;

(ii) directly or indirectly solicit business of the same or similar type as a Covered Business, from any person or entity known by the Consultant or Chitnis to be a customer or client of the Company, whether or not the Consultant had contact with such person or entity during the Consultant's engagement by the Company;

(iii) disparage the Company, any Related Entities, and/or any shareholder, director, officer, employee, or agent of the Company or any Related Entity; and/or

(iv) engage in any practice the purpose of which is to evade the provisions of this Section 6 or commit any act which adversely affects the Company, any Related Entity, or their respective businesses.

The Consultant and Chitnis acknowledge and agrees that, in light of the unique nature of the Company's business, the Company will market its products on a worldwide basis and will compete with various companies and businesses across and world. Accordingly, the Consultant and Chitnis agree that the geographic scope of the above covenants is a reasonable means of protecting the Company's (and the Related Entities') legitimate business interests.

(c) Disclosure of Confidential Information. The Consultant and Chitnis acknowledge that the inventions, innovations, software, trade secrets, business plans, financial strategies, finances, and all other confidential or proprietary information with respect to the business and operations of the Company and Related Entities are valuable, special, and unique assets of the Company. Accordingly, the Consultant and Chitnis agree not to, at any time whatsoever either during or after the Consulting Term, disclose, directly or indirectly, to any person or entity, or use or authorize any person or entity to use, any confidential or proprietary information with respect to the Company or Related Entities without the prior written consent of the Company, including, without limitation, information as to the financial condition, results of operations, identities of clients or prospective clients, products under development, acquisition strategies or acquisitions under consideration, pricing or cost information, marketing strategies or any other information relating to the Company or any of the Related Entities which could be reasonably regarded as confidential (collectively referred to as "Confidential Information"). However, the term "Confidential Information" does not include any information which is or shall become generally available to the public other than as a result of disclosure by the Consultant, Chitnis, or by any person or entity which the Consultant or Chitnis knows (or which they reasonably should know) has a duty of confidentiality to the Company or a Related Entity with respect to such information. In addition to the foregoing, Company will be fully entitled to all of the protections and benefits afforded by the California Uniform Trade Secrets Act and other applicable law.

(d) Prevention of Premature Disclosure of Information. The Consultant and Chitnis agree and acknowledge that, because the success of the Company is heavily dependent upon maintaining the secrecy of the Company's Confidential Information and preventing the premature public disclosure of the Company's proprietary information and technology, they agree to use their best efforts and highest degree of care, diligence, and prudence to ensure that no Confidential Information prematurely leaks or otherwise prematurely makes its way into the public domain or any public forum, including, without limitation, into any trade publications, internet chat rooms, or other similar forums. In the event that the Consultant or Chitnis becomes aware of any premature leak of Confidential Information or becomes aware of any circumstances creating a risk of such a leak, the Consultant or Chitnis shall immediately inform the Company of such leak or of such circumstances.

(e) Removal and Return of Proprietary Items. The Consultant and Chitnis will not remove from the Company's premises (except to the extent such removal is for purposes of the performance of the Consulting Services at home or while traveling, or except as otherwise specifically authorized by the Company) any document, record, notebook, plan, model, component, device, or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). The Consultant and Chitnis recognize

that, as between the Company and the Consultant, all of the Proprietary Items, whether or not developed by the Consultant, are the exclusive property of the Company. Upon expiration or termination of the Consulting Term, or upon the request of the Company during the Consulting Term, the Consultant will return to the Company all of the Proprietary Items in the Consultant's possession or subject to the Consultant's control, and the Consultant shall not retain any copies, abstracts, sketches, or other physical embodiment of any of the Proprietary Items.

(f) Enforcement and Remedies. In the event of any breach of any of the covenants set forth in this Section 6, the Consultant and Chitnis recognize that the remedies at law will be inadequate and that in addition to any relief at law which may be available to the Company for such violation or breach and regardless of any other provision contained in this Agreement, the Company shall be entitled to equitable remedies (including an injunction) and such other relief as a court may grant after considering the intent of this Section 6. Additionally, the period of time applicable to any covenant set forth in this Section 6 will be extended by the duration of any violation by the Consultant or Chitnis of such covenant. In the event a court of competent jurisdiction determines that any of the covenants set forth in this Section 6 are excessively broad as to duration, geographic scope, prohibited activities or otherwise, the parties agree that this covenant shall be reduced or curtailed to the extent, but only to the extent, necessary to render it enforceable.

7. WORK PRODUCT.

(a) Definition. For purposes of this Agreement, "Work Product" means any idea, invention, technique, modification, process, or improvement (whether patentable or not), any industrial design (whether registerable or not), any mask work, however fixed or encoded, that is suitable to be fixed, embedded or programmed in a semiconductor product (whether recordable or not), and any work of authorship (whether or not copyright protection may be obtained for it) created, conceived, or developed by the Consultant or Chitnis, either solely or in conjunction with others, during the Consulting Term or during the six (6) month period following the Consulting Term, that relates in any way to amorphous alloys (or composites containing amorphous alloys), including the composition, processing, application, or marketing of amorphous alloys (or composites containing amorphous alloys).

(b) Ownership of Work Product. Consultant and Chitnis agree and acknowledge that all Work Product will belong exclusively to the Company and that all items of Work Product are works made for hire and the property of the Company, including any copyrights, patents, semiconductor mask protection, or other intellectual property rights pertaining thereto. If it is determined that any such works are not works made for hire, the Consultant and Chitnis hereby assign to the Company all of their right, title, and interest, including all rights of copyright, patent, semiconductor mask protection, and other intellectual property rights, to or in such Work Product. The Consultant and Chitnis covenant that they will promptly:

(i) disclose to the Company in writing any Work Product;

(ii) assign to the Company or to a party designated by the Company, at the Company's request and without additional compensation, all of the Consultant's and Chitnis' right to the Work Product for the United States and all foreign jurisdictions;

(iii) execute and deliver to the Company such applications, assignments, and other documents as the Company may request in order to apply for and obtain patents or other registrations with respect to any Work Product in the United States and any foreign jurisdictions;

(iv) sign all other papers necessary to carry out the above obligations; and

(v) give testimony and render any other assistance in support of the Company's rights to any Work Product.

8. ESSENTIAL AND INDEPENDENT COVENANTS. The Consultant's and Chitnis' covenants in Sections 6 and 7 of this Agreement are independent covenants, and the existence of any claim by the Consultant against the Company under this Agreement or otherwise will not excuse the Consultant's breach of any covenant in Section 6 or 7.

9. REPRESENTATIONS AND WARRANTIES BY THE CONSULTANT. The Consultant and Chitnis represent and warrant to the Company that the execution and delivery by the Consultant of this Agreement do not, and the performance by the Consultant of the Consultant's obligations hereunder will not, with or without the giving of notice or the passage of time, or both: (a) violate any judgment, writ, injunction, or order of any court, arbitrator, or governmental agency applicable to the Consultant, or (b) conflict with, result in the breach of any provisions of or the termination of, or constitute a default under, any agreement to which the Consultant or Chitnis is a party or by which the Consultant or Chitnis is or may be bound, including, without limitation, any noncompetition agreement or similar agreement.

10. NOTICES. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when hand-delivered, sent by facsimile transmission (as long as receipt is acknowledged), or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the address or facsimile number for each party set forth on the signature page hereto, or to such other address or facsimile number as any party may have furnished to the other in writing in accordance herewith, except that a notice of change of address shall be effective only upon receipt.

11. MISCELLANEOUS. No provision of this Agreement may be modified or waived unless such waiver or modification is agreed to in writing signed by any of the parties hereto. No waiver by any party hereto of any breach by any other party hereto shall be deemed a waiver of any similar or dissimilar term or condition at the same or at any prior or subsequent time. This Agreement is the entire agreement between the parties hereto with respect to the Consultant's engagement by the Company, and there are no agreements or representations, oral or otherwise, expressed or implied, with respect to or related to the engagement of the

Consultant which are not set forth in this Agreement. This Agreement shall be binding upon, and inure to the benefit of, the Company and Consultant, and their respective successors and assigns, and the Chitnis and Chitnis' heirs, executors, administrators and legal representatives. The duties and covenants of the Consultant and Chitnis under this Agreement, being personal, may not be delegated or assigned by the Consultant or Chitnis without the prior written consent of the Company, and any attempted delegation or assignment without such prior written consent shall be null and void and without legal effect. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, the Agreement shall be construed with the invalid or inoperative provision deleted and the rights and obligations of the parties shall be construed and enforced accordingly.

12. GOVERNING LAW; RESOLUTION OF DISPUTES. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Florida without regard to principles of choice of law or conflicts of law thereunder. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties in the courts of the State of Florida, County of Hillsborough, or, if it has or can acquire jurisdiction, in the United States District Court located in Hillsborough County, Florida, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world. THE PARTIES HEREBY WAIVE A JURY TRIAL IN ANY LITIGATION ARISING UNDER OR RELATING TO THIS AGREEMENT.

13. COUNTERPARTS; FACSIMILE SIGNATURES. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be effective upon the execution and delivery by any party hereto of facsimile copies of signature pages hereto duly executed by such party; provided, however, that any party delivering a facsimile signature page covenants and agrees to deliver promptly after the date hereof two (2) original copies to the other party hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

LIQUIDMETAL TECHNOLOGIES

By: /s/ John Kang
John Kang, President and Chief Executive Officer

Liquidmetal Technologies
100 North Tampa St., Suite 3150

Tampa, Florida 33602
Facsimile Number: (813) 314-0270

CHITNIS CONSULTING, INC.

/s/ Shekhar Chitnis
Shekhar Chitnis, President

SHEKHAR CHITNIS

/s/ Shekhar Chitnis
Shekhar Chitnis, individually

Exhibit 10.17

NOTE CONVERSION AGREEMENT

THIS NOTE CONVERSION AGREEMENT (the "Agreement") is made and entered into as of November 30, 2001, by and between LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), and THOA THIAN SONG, an individual residing in Singapore ("Holder").

RECITALS

A. Holder is the holder of a Subordinated Promissory Note, dated March 15, 2000, in the original principal amount of $500,000, payable by the Company (the "Note").

B. Holder desires to convert the Note into common stock, no par value, of the Company ("Common Stock") in full and complete satisfaction of the Note.

NOW, THEREFORE, in consideration of the foregoing recitals, and of the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows.

1. NOTE EXCHANGE

Holder and the Company hereby agree that, as of the date hereof, the Note (and all unpaid principal and accrued but unpaid interest thereunder) shall be converted 141,053 fully paid and nonassessable shares of Common Stock issued by the Company (the "Payment Shares"). Holder and Company agree that, as of the date hereof, the Note has an outstanding balance of US $564,212.00, consisting of US $500,000.00 in unpaid principal and US $64,212.00 in accrued but unpaid interest. Holder and Company further agree that the outstanding balance of the Note is being converted into Common Stock at a rate of US $4.00 per share. Upon the surrender and cancellation of the Note by Holder, the Company shall issue and deliver to Holder one or more certificates representing the Payment Shares. Holder agrees that the conversion of the Note pursuant to this Agreement constitutes the full and complete payment of the Note, and Holder hereby waives and releases any and all claims, rights, and causes of action that he may have arising under or relating to the Note.

2. REPRESENTATIONS AND WARRANTIES

Holder hereby makes the following representations and warranties to the Company as of the date hereof, which representations and warranties shall survive the closing of this transaction:

(a) Regulation S. The Holder understands that the Payment Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on an exemption contained in Regulation S promulgated under the Securities Act ("Regulation S"), and that the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of Holder set forth herein in

order to determine the applicability of such exemptions and the Holder's suitability to acquire the Payment Shares.

(b) Non-U.S. Person. The Holder is not a "U.S. person" as defined in Regulation S under the Securities Act. The Holder is not, and at the time of the issuance and delivery of the Payment Shares will not be, acquiring the Payment Shares for the benefit of a "U.S. person" as defined in Regulation S under the Securities Act. Upon the issuance of the Payment Shares, the Holder will be the sole beneficial owner of the Payment Shares, and the Holder has not pre-arranged any sale with any purchaser or purchasers in the United States. For purposes of this Agreement, a "U.S. person" includes, without limitation, any natural person resident in the United States, any partnership or corporation organized or incorporated under the laws of the United States (other than certain branches of non-U.S. banks or insurance companies), any estate of which any executor or administrator is a U.S. person or any trust of which any trustee is a U.S. person (with certain exceptions) and any agency or branch of a foreign entity located in the United States, but does not include a natural person not resident in the United States. The "United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

(c) Outside the U.S. The Holder is outside the United States as of the date of the execution and delivery of this Agreement and the delivery of the Payment Shares.

(d) Limitation on Transfer. The Holder understands that the Payment Shares cannot be offered for sale, sold or otherwise transferred unless in accordance with the provisions of Regulation S of the Securities Act, and the certificates representing the Payment Shares will bear a legend to such effect. The Holder has no present intention to sell or otherwise transfer the Payment Shares, except in accordance with the provisions of Regulation S of the Securities Act, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration under the Securities Act. The Holder understands that the Company is required, under Rule 903 of Regulation S, to refuse to register the transfer of any Payment Shares to the extent that the same are not transferred pursuant to a registration statement under the Securities Act, in compliance with Regulation S under the Securities Act or otherwise pursuant to an available exemption from registration.

(e) No Short Position. The Holder covenants that the Holder will not, directly or indirectly, or through one or more intermediaries, maintain any short position in the Common Stock during the Distribution Compliance Period, as defined in Regulation S.

(f) No Hedging Transactions. The Holder hereby agrees not to engage in hedging transactions with regard to the Payment Shares unless in compliance with the provisions of Regulation S, pursuant to registration under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

(g) Limitations on Resale. The Holder will resell the Payment Shares only in accordance with the provisions of Regulation S of the Securities Act, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration under the Securities Act.

(h) Receipt and Review of Certain Information. The Holder has had a thorough and adequate opportunity to ask questions of the Company, or a person or persons acting on its behalf, concerning the Company and the terms and conditions of this investment in the Payment Shares, and all such questions have been answered to the full satisfaction of the Holder. The Holder has also had the opportunity to review any documents relating to the Company that he has requested and to otherwise conduct due diligence, and such due diligence review has been fully satisfactory to the Holder. The Holder understands and acknowledges that the Company cannot provide assurances with respect to any predictions as to the future business or financial performance of the Company.

(i) Risk Associated with Investment. The Holder recognizes that an investment in the Payment Shares involves a high degree of risk for an indefinite period of time, and he has taken full cognizance of and understands all of the risks related thereto. The Holder has the financial ability to bear the economic risk of this investment, including a total loss of the investment, and has adequate means for providing for his current needs and personal contingencies and has no need for liquidity with respect to his investment. The Holder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Payment Shares.

3. MISCELLANEOUS

This Agreement represents the entire contract between the parties with respect to the subject matter hereof and supersede all offers, proposals, statements, representations and agreements with respect to the subject matter hereof. This Agreement may not be amended except by action of each of the parties hereto set forth in an instrument in writing signed on behalf of each of the parties hereto. This Agreement and all other documents given in connection herewith shall be construed in accordance with the laws of the State of Florida, U.S.A., without regard to the principles of conflicts of laws. This Agreement may be executed in any number of counterparts, each of which shall be considered an original but all of which shall constitute but one and the same Agreement by and among the parties. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and the Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. Furthermore, upon the request of any party hereto, the parties to this Agreement shall add, in lieu of such invalid or unenforceable provisions, provisions as similar in terms to such invalid or unenforceable provisions as may be possible and legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

LIQUIDMETAL TECHNOLOGIES

By: /s/ John Kang
John Kang, President

Liquidmetal Technologies
100 North Tampa St., Suite 3150
Tampa, Florida 33602

TJOA THIAN SONG

/s/ Tjoa Thian Song
Tjoa Thian Song, individually

61A Branksome Road
Singapore

EXHIBIT 10.21

LEASE AGREEMENT

THIS LEASE AGREEMENT is made this 21 day of January, 2002 between PINELLAS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, a Special District created pursuant to Part III, Chapter 159, Florida Statutes, d/b/a PINELLAS COUNTY ECONOMIC DEVELOPMENT AUTHORITY, hereinafter referred to as "LESSOR," and LIQUIDMETAL(TM) TECHNOLOGIES, a California corporation, hereinafter referred to as "LESSEE."

WITNESSETH:

1. PREMISES: In consideration of the rent hereinafter agreed to be paid by LESSEE to LESSOR, and in consideration of the covenants of the respective parties hereto, each to the other to be performed by them at the time and in the manner hereinafter provided, LESSOR does hereby lease and let unto the LESSEE, and LESSEE does hereby hire from LESSOR, those certain Premises at 7887 Bryan Dairy Road, Largo, Pinellas County, Florida 33777, as described in Exhibit "A" attached hereto and made a part hereof.

2. TERM AND RENTAL: This Lease shall be for an initial term of five (5) years commencing upon the later of (i) May 1, 2002 or (ii) the completion of the Premises to allow Tenant the functional usage of the Premises, but in no event later than July 1, 2002, with rent accruing thereupon and ending on the 5th Year Anniversary, 2007. LESSEE shall have the right to terminate this Lease for any reason upon sixty (60) days' written notice. In the event of such termination, LESSEE shall reimburse LESSOR for the prorated share of LESSEE's Improvement Allowance (as defined below) as a full remedy for LESSEE's early termination. For example, if LESSEE terminates this Lease on the 3rd anniversary of this Lease, LESSEE shall reimburse to LESSOR 2/5 of LESSEE's Improvement Allowance (i.e., 2/5 X $62,000.00 = $24,800.00). The rental payment rates are outlined in Exhibit "A", and are due and payable without notice on or before the first day of each month of the Lease term. All payments, rental or otherwise, required to be made to the LESSOR hereunder shall bear interest at the rate of

six percent (6%) per year from the date due to date of payment. Said interest shall be calculated on a daily basis and shall be due and payable when billed, said payment shall be due as "additional rent" and is to compensate LESSOR administratively for having to receive and handle monies untimely paid. However, in no case shall the late payment charge be less than $30.00.

LESSOR grants to LESSEE the right and option to renew this Lease for one (1) term of five (5) years ("Extended Term"), at a rental determined as provided hereinafter, and otherwise subject to and on all terms and conditions herein contained except that there shall be no further right to renew this Lease beyond the Extended Term. LESSEE shall exercise this option for an Extended Term by notifying LESSOR in writing at least six (6) months prior to the expiration of the current term. Upon such exercise, this Lease shall be deemed extended without the execution of any further lease or other instrument. Any reference herein to the term hereof shall include, in addition to the initial term, the Extended Term as to which LESSEE exercises its option.

3. RENT ADJUSTMENTS: The rent to be paid by LESSEE hereunder shall be subject to an annual increase of three percent (3%) from the previous year's rental rate for the rental facility space per Exhibit "A". In the event LESSEE exercises its option to renew pursuant to Paragraph 2 hereof, then the rent shall continue to increase annually by three percent (3%) from the previous year's rental rate for the rental facility space per Exhibit "A".

4. USE: This Lease is made on the express condition that the Premises shall be used for any manufacturing or office use permitted by law in conformance with all applicable Federal, State; and local laws, statutes, rules, regulations, and ordinances, and for no other purpose or purposes, without the prior written consent of the LESSOR. All rights of LESSEE hereunder may be terminated by the LESSOR in the event of any deviations thereof.

5. POSSESSION, COMMON AREAS, & ACCESS TO THE PREMISES: LESSEE shall be granted the right to access to the Premises immediately upon the execution of this Lease for the purpose of completing LESSEE's improvements to the Premises.

LESSEE acknowledges that at the commencement of this Lease, LESSOR has other tenants currently or expected to be occupying the site of which the Premises are a part. LESSEE will be occupying common ingress and egress and some common parking areas with the other tenants. LESSOR may restrict LESSEE ~ from certain common areas from time to time, which shall not affect access to or occupancy of the Premises.

This Lease is subject to all outstanding easements and rights of way over, across, in, and upon the Premises, or any portion thereof, and to the right of the LESSOR to grant such additional easements and rights of way over, across, in, and upon the Premises as the LESSOR shall determine to be in the public interest or as required to be granted to the DEPARTMENT OF ENERGY (the "DOE") pursuant to 42 U.S.C. ss.9620(h)(3), provided that any such additional easement or right of way shall not unreasonably interfere with LESSEE's right of peaceful occupancy or access. There is hereby reserved to the holders of such easements and rights of way as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair, or replacement of facilities located thereon, to operations under any Federal Contract, and to any Federal, State, or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over the Premises as shall be necessary for the performance of their duties with regard to such facilities. The LESSOR makes no representation of the capability of any right of way or easement for any purpose.

6. ASSIGNMENT AND SUBLETTING: LESSEE shall not assign or sub lease this Lease without LESSOR's consent, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, LESSEE may sublease to ALCOA, HEAD SPORTS or GENERAL DYNAMICS. LESSEE shall not make or permit any offensive or unlawful use of the

Premises; and LESSEE shall quit and deliver up the Premises at the end of said term in as good condition as they now are, ordinary wear and tear as occasioned by use of the Premises and damage by the elements expected.

7. ALTERATIONS: LESSEE shall make no structural change or alteration to the Premises or any part thereof without prior written consent of the LESSOR, which consent shall not be unreasonably withheld, conditioned or delayed, and LESSEE shall be responsible for any damages caused by LESSEE to the Premises except ordinary wear and tear as previously described in Section 6. Upon the commencement of this Lease, LESSOR shall establish an Escrow Account for $62,000.00 to be used for facility capital investments as described in Exhibit "H" ("LESSEE Improvement Allowance"). LESSEE shall pay for all other charges for labor, services and materials used in connection with any alterations, improvements, or repairs to the Premises, undertaken by LESSEE and shall not cause construction or other liens to attach to the Premises. Modifications made prior to occupancy and paid for by LESSEE, or any improvements made during the lease term shall become property of LESSOR upon termination of this Lease unless said improvements can be removed without damage or injury to the Premises and the Premises restored to the same condition as existed prior to the alterations.

8. OPERATING, PASS-THROUGH CHARGES, MAINTENANCE RATES AND UTILITIES: In addition to its rental payments, LESSEE must pay operating, passthrough and maintenance charges; along with utilities, which includes water, sanitary sewer services, natural gas, diesel fuel and electricity Lessee shall pay according to the schedule attached hereto and made a part hereof in Exhibit "A". If such charges are not so paid on due date , then LESSEE shall be deemed to be in default of LESSEE's obligation. LESSOR shall not be liable in any manner for damages to LESSEE, or for any other claim by LESSEE, resulting from any interruption in utility services, unless the interruption is solely caused by the LESSOR. LESSEE will provide and pay for its own trash collection and janitorial service. Waste storage areas are designated for each lease facility. All material not deposited in dumpsters will be stacked and

organized in a manner that is not unsightly or interferes with other operations on site. Waste removal and dumpsters are LESSEE's responsibility, as well as disposal of hazardous waste as required by law, and must meet local regulatory requirements. LESSEE will pay for its own telephone and other communications medium installation and services. Utilities, operating and maintenance, and other services to be provided by LESSOR and the charges for them may be adjusted from time to time during the terms of this Lease, as LESSOR's actual costs for such services increase. Adjustments will be based on a number of factors including apportionment of plant maintenance costs, energy, indexes; and plant utility contract changes, etc. LESSOR agrees to provide LESSEE written notice thirty (30) days prior to the effective date of any adjustment of factors and calculations.

Notwithstanding and in modification of the foregoing, LESSEE may terminate this Lease in whole or in part if LESSOR supplied utilities, maintenance and other services are not being adequately supplied to all or any part of the Premises. No such termination shall be allowed if the lack of supply is for any less than forty-eight (48) consecutive hours, and no termination shall be allowed if the cut-off of utilities is the fault of LESSEE, or is deemed to be caused by utility supplier, an act of God, war or strike. In addition to this and other termination rights in this Lease, LESSEE shall have the option to terminate this Lease Agreement if the interruption of utilities, or other services provided to LESSEE by LESSOR, are interrupted for four (4) consecutive months, unless such interruption is caused in whole or in part by LESSEE.

9. MAINTENANCE AND SERVICES: LESSOR at its own expense, shall provide maintenance services at the level associated with facilities in a long-term reserve state. These services are limited to the minimum maintenance measures necessary to preserve the exterior superstructure of all buildings in' their present condition, as noted in Exhibit "F." Additionally, LESSOR, at its own expense shall maintain, repair and replace as necessary all common areas and common means of ingress or egress within the installation and shall repair or

replace the HVAC system, if needed. LESSEE at its own expense shall maintain, and repair the Premises, that the same will at all times be kept in at feast as good condition as when received hereunder, subject, however, to ordinary wear and tear and loss or damage for which LESSEE is not liable hereunder. At all times LESSEE shall maintain insurance coverage as provided in Sections 12, 13, and Exhibit "G" of this Lease. LESSEE shall keep the Premises free of all trash and rubbish and maintain the same in a clean, neat, orderly and sanitary condition. LESSOR shall be responsible for all "preventive", maintenance as described in the Basic Maintenance Description in Exhibit "E" attached hereto and made a part hereof.

LESSEE will provide pest control service for the Premises on a periodic basis.

LESSOR will provide applicable life safety code requirements and maintenance including emergency lighting, illuminated exit signs at proper locations, panic hardware, and installation and maintenance of fire extinguishers, subject to notification by LESSEE if any of these items are out of compliance.

LESSEE shall immediately give LESSOR oral or written notice of any defects or need for repairs, after which LESSOR shall have a reasonable opportunity to repair or cure defect.

The parties acknowledge that the condition of the Premises at the commencement of the Lease is set forth in Exhibit "F" attached hereto and made a part hereof.

LESSEE acknowledges that the Premises have been used by the DOE and its contractor in its production of nuclear components, and accordingly has required super adequate ventilation, lighting and monitoring equipment. DOE has retained the responsibility for bringing its leased premises, which include the Premises hereunder, up to federal and state environmental standards. Some of the processes, materials, and substances to be used by LESSEE were also used by DOE on the site of the Premises. LESSOR or DOE shall be responsible for all remediation required and for bringing the Premises into compliance with all environmental standards, for all conditions which existed prior to LESSEE's occupancy of the Premises.

10. TAXES: LESSEE covenants and agrees to pay and discharge before delinquency thereof and before penalties shall accrue thereon, any and all tangible and intangible ad valorem taxes and assessments on Premises, including improvements thereof, due and payable during the term of lease and any renewals or extensions thereof. LESSEE will be provided with a copy of the Tax Collector's bill, following receipt by LESSOR, with a proration of the taxes that are attributed to, and LESSEE is responsible for paying. Payment shall be received by LESSOR within 5 working days prior to the end of the month as stated on the Tax Collector's bill, at the then due amount, and thereafter will be subjected to the late six percent (6%) per year payment as referred to in Section 2. In addition, LESSEE agrees to pay any monthly sales or use tax imposed by virtue of this Lease, with said tax payment being due and payable with the monthly rental payment, including sales or use tax on the LESSEE's share of ad valorem tax reimbursement.

11. SIGNS: LESSEE may, with LESSOR's prior approval in writing, install signage at LESSEE's expense, consistent with the Pinellas STAR Center Master Plan, subject to any and all applicable sign ordinances and/or regulations. Upon termination of Lease, LESSEE will remove signage at LESSEE's expense and repair any damages to building caused by signage, if any. Notwithstanding the foregoing, LESSEE shall have the right to exterior signage of not more than twenty-four feet (24') in total linear width. See Exhibit "D".

12. INSURANCE: LESSEE shall provide LESSOR with evidence of required insurance coverage at the commencement of the Lease and as the insurance is renewed during the lease term or any extensions thereof. The minimum insurance coverage required is set forth in Exhibit "G" attached hereto and made a part hereof.

13. INDEMNIFICATION: LESSEE agrees to indemnify and hold harmless the LESSOR from and against all loss or expense (including costs and attorney's fees) by reason of liability imposed by law upon LESSOR for damages (including, any strict or statutory liability and any liability under Worker's Compensation Laws) because -of bodily injury, including death, at the

time therefrom, sustained by any person or persons, or damage to property, including loss of use thereof, arising out of or in consequence of the LESSEE's use of the Premises, whether such injuries to person or damage to property is due or claimed to be due to the negligence of the LESSEE, its agents, employees, and subcontractors, the LESSOR and/or PINELLAS COUNTY, its Authority, and/or Board members, officers and employees, except only such injury or damage as shall have been occasioned by the sole negligence of the LESSOR. In addition, LESSEE agrees to indemnify and hold harmless the LESSOR, the United States of America by and through the DOE, from and against any loss, expense, claim, and penalty imposed by virtue of LESSEE's failure to comply with any environmental requirement or law, or to comply with any environmental permit listed in Exhibit "B" (as they may be amended or replaced from time to time) or any environmental limitation set forth in Exhibit "C." LESSEE also agrees to indemnify and hold harmless LESSOR and DOE, with respect to any and all claims, demands, causes of action, proceedings, judgments or suits, and all liabilities, losses, damages, costs or expenses (including without limitation technical consultation fees and reasonable attorney's fees) which may arise from or be incidental to (i) any "release" as defined in Section 101(22) of Comprehensive Environmental Response Compensation and Liability Act (1980) (CERCLA) of any "hazardous substance" as defined in Section 101(14) of CERCLA or petroleum (including crude oil or any fraction thereof) caused by LESSEE onto or from the Premises at any time while this Lease is in effect; (ii) failure of LESSEE to comply with applicable environmental laws and (iii) the transportation, deposit, storage, or disposal by LESSEE of hazardous substances or petroleum off-site of the Premises.

14. RISK OF LOSS AS TO PERSONAL PROPERTY: All property of any kind that may be on the Premises during the continuance of the Lease, including but not limited to equipment, furniture and furnishings owned by LESSEE or leased to LESSEE from LESSOR, shall be at the sole risk of LESSEE.

15. ACCESS TO PREMISES: LESSOR shall have the right to enter and inspect the Premises and the operation being conducted thereon at any reasonable time after notice and in the presence of LESSEE for the purpose of inspecting, conducting tests upon the same, or for making repairs to the Premises or to any property owned or controlled by LESSOR therein. Such repairs shall not unduly interfere with LESSEE's business except as naturally necessitated by the nature of the repairs being effected. In addition, LESSOR and DOE shall have the right to enter and inspect the Premises and the operation being conducted thereon at any reasonable time in response to any reported or suspected spill or release of hazardous materials. If circumstances allow, such right of entry shall be after notice and in the presence of the LESSEE for the purpose of inspecting, conducting tests upon the same, or commencing cleanup operations in the event of a spill or release. LESSOR hereby expressly acknowledges that the Premises may contain certain confidential secure intellectual property rights. LESSOR agrees to maintain and treat the confidentiality of the intellectual property rights which LESSOR may gain by accessing the Premises.

16. DEFAULT: If either party shall. violate any of the covenants of this Lease or in the event that LESSEE shall file a voluntary petition in bankruptcy, or that proceedings in bankruptcy shall be instituted against him, or that LESSEE is thereafter adjudicated bankrupt pursuant to such proceedings; or that a Court shall take jurisdiction of the LESSEE and his assets pursuant to proceedings brought under the provisions of any Federal reorganization act; or that a receiver of LESSEE's assets shall be appointed; or that LESSEE becomes in default in the performance of any covenant, term, or condition on his part to be performed or fulfilled as provided for in this Lease; or that LESSEE sells or attempts to sell the land leased hereunder or any fixtures or improvements or buildings thereon; then, the other PARTY shall provide written notice to the defaulting party and the defaulting party shall have thirty (30) days from receipt of notice to correct same, or if the default is of such a nature that it cannot be cured within thirty (30) days, then such longer period as is necessary to cure such default with reasonable

diligence. In addition, if LESSEE does not make any monetary payment required under this Lease, then LESSOR shall provide written notice to LESSEE and LESSEE shall have ten (10) days from receipt of notice to correct same. If LESSEE fails to correct any default within said periods, then LESSEE shall become immediately a tenant-at-sufferance in accordance with Florida law, and LESSOR may re-enter and take possession of the Premises, fixtures, and buildings, in which event this Lease shall be terminated, or LESSOR may, at its option, exercise any and all other rights and remedies it may have under the laws of the State of Florida.

If the defaulting party fails to correct default, the other party shall be entitled to any and all remedies available in law and equity.

17. COVENANT AGAINST LIENS: LESSEE shall have no power or authority to create any lien or permit any lien to attach to the present estate, reversion or other estate of LESSOR in the Premises herein demised or on the building or other improvements thereon. LESSEE is hereby charged with the responsibility of notifying all materialmen, contractors, artisans, mechanics and laborers and other persons contracting with LESSEE with respect to the Premises or any part thereof, that such persons must look to LESSEE to secure payment of any bill for work done or material furnished to the LESSEE or for any other purpose during the term of this Lease.

18. WAIVER: One or more waivers of any covenant or condition by either party shall not be construed as a waiver of a subsequent breach of the same covenant or conditions by the other party, and the consent or approval by either party to or of any act by the other party requiring consent 'Or approval shall not be construed a consent or approval to or of any subsequent similar act by the other party.

19. DESTRUCTION OF PREMISES: If the Premises herein shall be partially damaged by fire or other casualty, the damages shall be repaired by and at the expense of LESSOR, unless such fire or other casualty was caused by the act or omission of LESSEE, in which

case such repairs shall be effected by and at the expense of LESSEE. If LESSOR is obligated to effect the repairs, said repairs shall be made promptly except that if LESSOR, special district under the laws of the State of Florida, is unable to obtain budgeted and appropriated funds to effect the repairs, then LESSOR may terminate this Lease without penalty or expense. If LESSEE is obligated to effect the repairs, no penalty shall accrue for reasonable delay, which may arise by reason of adjustment of insurance on the part of LESSEE.

If the Premises are totally damaged or are rendered wholly untenantable by fire or other casualty, LESSOR shall promptly restore or rebuild the same and rent shall abate until restoration or rebuilding are completed. The damages shall be repaired by and at the expense of LESSOR, unless such fire or other casualty was caused by the act or omission of LESSEE, in which case the LESSEE shall promptly restore or rebuild the same at its sole expense and rent shall not abate. However, in the case of LESSOR's obligation to restore or rebuild the Premises, if the Premises are totally damaged or rendered wholly untenantable by fire or said other casualty and the Premises cannot be restored or rebuilt within ninety (90) days, LESSEE shall have the right and option of terminating this Lease as of the date of such casualty or cause within ninety (90) days thereafter by giving written notice to LESSOR, and any rents or other payments shall be prorated as of the effective date of such termination and refunded to LESSEE or paid to LESSOR as the case may be.

20. CONDEMNATION: If the whole or any part of the Premises hereby leased shall be taken by any public authority under the power of eminent domain, then the term of this Lease shall cease on the part so taken from the day the possession of that part shall be required for any public purpose, and the rent shall be paid up to that day, and if such portion of the Premises is so taken as to destroy the usefulness of the Premises for the purpose for which the Premises were leased, in LESSEE's sole discretion, then, from that day LESSEE shall have the right either to terminate this Lease and declare the same null and void or to continue in the possession ~ of the remainder of the same under the terms herein provided, except that

the rent shall be reduced in proportion to the amount of the Premises taken. If LESSEE shall fail to terminate this Lease as aforesaid within thirty (30) days after written notice of said taking, said failure shall be regarded as a waiver of its right to cancel, whereupon this Lease shall continue for the then balance of the term.

21. OBSERVANCE OF LAWS: LESSOR covenants that as of the commencement date of this Lease, the Premises are in compliance with all laws, rules, requirements, orders, directives, codes, ordinances and regulations of any and all governmental authorities or agencies, of all municipal departments, bureaus, boards and officials and insurance carriers. LESSEE agrees to observe, comply with and execute promptly at its expense during the term hereof, all laws, rules, requirements, orders, directives, codes, ordinances and regulations of any and all governmental authorities or agencies, of all municipal departments, bureaus, boards and officials, and of insurance carriers, due to its use or occupancy of the Premises along with all PINELLAS COUNTY and/or the Pinellas STAR Center rules, regulations and requirements. All additions, alterations, installations, partitions, or changes shall be in full compliance with the aforementioned authorities. Renovation by LESSOR will comply with applicable local building codes relative to Tenant's proposed occupancy and use. Such work will take place prior to the commencement of the Lease, to the extent possible, and will be completed in a timely manner after the commencement of the Lease as referenced in Exhibit "H".

22. RELATIONSHIP OF THE PARTIES; CONSTRUCTION OF LEASE TERMS: Nothing contained herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and, agent or of partnership or joint venture between the parties hereto, it being understood and agreed that neither the method of computation of rent, nor any other provision contained herein, shall be deemed to create any relationship between the parties hereto other than the relationship of LESSOR and LESSEE. Whenever herein the singular number is used, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.

23. NOTICES: The checks for rental or other sums accruing hereunder shall be forwarded to the LESSOR at the following address:

Charles K. Hall, Director
Pinellas STAR Center
7887 Bryan Dairy Road, Suite 120
Largo, FL 33777
FAX: (727) 545-6719

until LESSEE is notified otherwise in writing; and all notices given to LESSOR hereunder shall be forwarded to the LESSOR at the foregoing address, by Registered or Certified mail, return receipt requested, until LESSEE is notified otherwise in writing. All notices given to LESSEE hereunder shall be forwarded to LESSEE at the following address:

David Binnie
Senior Vice President
LIQUIDMETALTM TECHNOLOGIES
100 North Tampa Street, Suite 3150
Tampa, FL 33601
FAX: (813) 314-0270

All Notices shall be transmitted by certified first class mail, with copy by facsimile transmission. Any such notice if given by mail shall be deemed to have been received five (5) working days after the date of mail and if given by facsimile transmission to have been received by 1:00 p.m. on the date of transmission, if a working day, or the first working date thereafter, to the foregoing address of the other party.

24. SUBORDINATION: LESSOR reserves the right to sell, assign, transfer, mortgage or convey any and all rights it may have in the building, the Premises or this Lease, and to subject this Lease to the lien of any mortgage now or hereafter placed upon the building or the Premises. However, the subordination of this Lease to any mortgage hereafter placed upon the building or the Premises shall be upon the express condition that this Lease is recognized by LESSOR's mortgagee and that the rights of LESSEE hereunder shall remain in force despite any default in performance of LESSOR, or foreclosure proceedings with respect to any such

mortgage, provided LESSEE is not in default in any of its obligations hereunder. LESSOR shall obtain from any lender a subordination, non-disturbance and attornment agreement in recordable form in a form reasonably acceptable to LESSEE. Upon the request of LESSOR, LESSEE shall execute any and all instruments deemed by LESSOR necessary or advisable to subject and subordinate this Lease, and the rights given LESSEE by this Lease, to such mortgages, as described above. Any sale by LESSOR of the building or LESSOR's interest under this Lease shall release and discharge LESSOR from any and all further obligations under this Lease, provided that the purchaser of the building or LESSOR's interest under this Lease shall recognize this Lease and that the rights of LESSEE hereunder shall remain in force and the obligations of LESSOR shall be assumed in full by the new owner, despite such sale.

25. ESTOPPEL CERTIFICATE: LESSEE shall, at any time and from time to time upon not less than 20 days prior written request from LESSOR, execute, acknowledge and deliver to LESSOR a written certificate stating: (i) Whether this Lease is in full force and effect; (ii) whether this Lease has been modified or amended arid, if so, identifying and describing any such modification or amendment; (iii) the date to which rent has been paid; (iv) whether LESSEE knows of any default on the part of LESSOR and, if so, specifying the nature of such default; and (v) that the improvements have been fully completed by LESSOR in accordance with the plans and specifications approved by LESSEE, and that LESSEE is in full and complete possession thereof.

LESSOR shall, at any time and from time to time upon not less than 20 days prior written request from LESSEE, execute, acknowledge and deliver to LESSEE a written certificate stating: (i) Whether this Lease is in full force and effect; (ii) whether this Lease has been modified or amended and, if so, identifying and describing any such modification or amendment; (iii) the date to which rent has been paid; and (iv) whether LESSOR knows of any default on the part of LESSEE and, if so, specifying the nature of such default.

26. FISCAL FUNDING: In the event funds are not appropriated by or on behalf of the LESSOR in any succeeding fiscal year for purposes described herein, thus preventing the LESSOR from performing its contractual duties, then this Lease shall be deemed to terminate at the expiration of the fiscal year for which funds were appropriated and expended, without penalty or expense to LESSOR. LESSOR agrees to give thirty (30) days notice of such termination to the LESSEE.

27. HAZARDOUS SUBSTANCES: With respect to LESSOR's use of the Premises prior to this Lease, LESSOR represents and warrants to LESSEE that, at the commencement of the Lease, the Premises are in compliance with all federal, state and local laws, regulations and standards relating to the use, occupancy, production, storage, sale, disposal or transportation of any hazardous materials ("Hazardous Substance Laws"), including oil or petroleum products or their derivatives, solvents, PCB's, explosive substances, asbestos, radioactive materials or waste, and any other toxic, ignitable, reactive corrosive, contaminating or polluting materials ("hazardous substances") which are now or in the future subject to any governmental regulations. However, the site upon which the Premises is situated may not be in compliance with the above-referenced laws, and the Premises themselves may be out of compliance with respect to specific environmental issues, due to the activities of LESSOR's predecessor in interest, the DOE. Under 42 U.S.C. ss. 9620(h), the DOE remains responsible for any and all such decontamination and environmental remediation obligations. The extent of storage activities and contamination events known to the DOE at the time of its transfer of the underlying site to LESSOR is disclosed in that certain Contract for Sale and Purchase between those parties dated the 7th day of March, 1995, together with Exhibit "J", the terms of which are incorporated herein by reference. LESSEE acknowledges that it will look to the DOE, and not to LESSOR, for any relief in the event such contamination may affect LESSEE's occupancy of the Premises.

LESSOR shall provide LESSEE with full disclosure and access to all relevant records and documentation related to the testing, cleanup, decontamination, and certification relative to hazardous substances related to the past use by DOE and to work being performed by the LOCKHEED MARTIN COMPANY under contract to the DOE and full disclosure of relevant records and documentation provided to Pinellas County by the independent consultant retained by Pinellas County to review and certify the work. Based on the information disclosed, LESSEE will arrive at an independent evaluation that occupancy of the Premises will not represent a risk to LESSEE's employees or visitors.

LESSOR shall promptly give LESSEE written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Premises and any hazardous substance or environmental law of which LESSOR has actual knowledge, not already disclosed hereinabove. If LESSOR learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any hazardous substance affecting the Premises is necessary, LESSOR shall promptly take all necessary remedial actions, or if applicable, demand that any other tenant of the site take all necessary remedial actions, in accordance with applicable environmental laws. In the event that hazardous substances found on the Premises pose a health risk to LESSEE's employees, in LESSEE's sole judgment, LESSEE shall have the right to terminate this Lease with thirty (30) days written notice to LESSOR.

Likewise, LESSEE shall notify LESSOR of any investigation of the Premises by any governmental agency with respect to air quality and environmental issues. Except with respect to substance or conditions described as exceptions below, LESSEE shall give written notice to.LESSOR within three (3) business days after the date on which LESSEE learns or first has reason to believe that:

(i) There has or will come to be located on or about the Premises any hazardous substance. Notwithstanding this provision, LESSEE shall also comply with the statutorily required 30-day notice under the Federal Clean Air Act to the Florida Department of Environmental Protection and the 30-day notice under the Federal Clean Water Act to the Pinellas County Utilities Department, when materials are brought on site which could impact the release limits of either act, and will also give the same 30-day notice to DOE and to LESSOR.

In the event LESSEE has caused a new release, discharge or emission of any hazardous substance, immediate notification shall be given to LESSOR and DOE telephonically, by facsimile transmission, or in person, followed by a written notification. "Immediate notification" shall be deemed to be within one (1) hour of the LESSEE's discovery of the event or condition.

(ii) Any (a) enforcement, cleanup, removal or other governmental or regulatory action has been threatened or commenced against LESSEE, LESSOR, or any third party or with respect to the Premises pursuant to any: Hazardous Substances Laws; or (b) any claim has been made or threatened by any person or entity against LESSEE, LESSOR or any third party, related to the Premises on account of any alleged loss or injury claimed to result from the alleged presence or release on the Premises of any hazardous substance; or (c) any report, notice; or complaint has been made to or filed with any governmental agency concerning the presence, use or disposal of any hazardous substance on the Premises. Any such notice shall be accompanied by copies of any such claim, report, complaint, notice, warning or other communication that is in the possession of or is reasonably available to the LESSEE.

If either the LESSOR or a tenant of LESSOR's is responsible for the cleanup of any contamination of the Premises, that entity shall carry out and complete, at its own cost and

expense, any repair, closure, detoxification, decontamination, or other cleanup of the Premises required by Hazardous Substance Laws. Should such party fail to implement and diligently pursue any such clean up promptly upon receipt of notice thereof, then LESSEE shall have the right to terminate this Lease, without penalty.

As used in this Section 27, "Hazardous Substances" are those substances defined as toxic or hazardous substances by CERCLA and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this Section 27, "Environmental Law" means federal laws and laws of the jurisdiction where the Premises are located that relate to health, safety or environmental protection, including but not limited to CERCLA, Resource Conservation and Recovery Act of 1976 (RCRA), and the Federal Clean Air and Clean Water Acts.

It is the intent of this Section to place responsibility for contamination clean-up in LESSEE for any contamination occurring on or outside the actual Premises of LESSEE only in the event that said contamination is caused by LESSEE or its agents after the commencement date of this Lease.

28. SURRENDER AT END OF TERM: Upon the expiration of the term hereof or the sooner termination of this Lease, LESSEE agrees to surrender and yield possession of the Premises to LESSOR, peacefully and without notice, and in the same good order and condition as it was delivered, broom clean condition but subject to such ordinary wear and reasonable use thereof, and subject to such damage or destruction or condition as LESSEE is not required to restore or remedy under other terms and conditions of this Lease. Notwithstanding the foregoing, LESSEE shall be permitted to "hold over" for up to six (6) months at one hundred twenty-five percent (125%) of the rent in effect during the last month of the Lease.

29. SUCCESSORS AND ASSIGNS: The covenants, provisions, and agreements herein contained shall in every case be binding upon and inure to the benefit of the parties hereto

respectively and their respective heirs, executors, administrators, successors and assigns, as applicable.

30. RADON GAS: Radon is a natural occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

31. ENTIRE AGREEMENT: The Lease Agreement as hereinabove set forth, including all exhibits and riders, if any, incorporates all covenants, promises, agreements, conditions and understandings between the parties, and no covenant, promise, agreement, condition or understanding, either written or oral, not specifically set forth herein shall be effective to alter the performance or the rights of the parties as hereinbefore stated.

32. RIGHT OF FIRST OFFER. In the event that at any time during the term hereof, additional rental space at the Pinellas STAR Center shall become available (and after the STAR Center's anchor tenant, Raytheon Company, waives first right of refusal), LESSOR shall give written notice of same to LESSEE specifying the location, square footage and price for such space prior to offering such space to any other party. LESSEE shall have fifteen (15) days thereafter in which to amend this Lease on the terms specified by LESSOR to include the extra rental space. If LESSEE shall fail to execute such amended Lease within said fifteen (15) day period, LESSOR shall thereafter be free to lease the space to others. Notwithstanding, this Right of First Offer shall remain in full force and effect with respect to subsequent available rental space at the Pinellas STAR Center.

IN WITNESS WHEREOF, the parties have hereunto executed this Lease Agreement.

ATTEST:

/s/ David Binnie
- ----------

LESSEE:

LIQUIDMETALT"" TECHNOLOGIES,
a California corporation

By: /s/ Brian McDougall
Brian McDougall,
Chief Financial Officer

Date: 1/21/02

(Corporate Seal)

LESSOR:

PINELLAS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
d/b/a/
PINELLAS COUNTY ECONOMIC DEVELOPMENT AUTHORITY

ATTEST: Karleen F. DeBlaker
Clerk of the Circuit Court

Deputy Clerk

/s/ Barbara Sheen-Todd

Barbara Sheen-Todd, Chairman

Date: 2/21/2002

APPROVED AS TO FORM, OFFICE OF
THE COUNTY ATTORNEY, As to LESSOR

By:

Senior Asidstant County Attorney

EXHIBIT "A"

LIQUIDMETALT"' TECHNOLOGIES

DESCRIPTION OF DEMISED LEASED PREMISES:				EFFECTIVE:	2002
Pinellas STAR Center			SQ. FT.		
Air as_					
Office, Restrooms, etc. Areas 309, 3258 & 327C			4,772		
Manufacturing Areas 325A, 327A & Area 336			7,217		
			11,989		
RATES and PAYMENTS:			SQ. FT.		PER YEAR
Rental Facility Spacer	$2.60				
Plant Maintenance(2)	4.00		11,989		
	$6.60	X		=	$ 79,127.40
Utilities'					
Office	$2.75	X	4,772	=	$ 13,123.00
Light. Manufacturing(4)	$3.25	X	7,217	=	
23.455.25					
		Total Sq.Ft.	11,989		
		$115,705.65			
Per Month:		9,642.14			
Sales Tax - (Currently 7%)		674.95			
TOTAL MONTHLY PAYMENT:		$10,317.09			

NOTES:
(1.) Subject to yearly rental redetermination.
(2.) Subject to adjustment as provided herein.
(3.) Subject to adjustments as provided herein, and upon more intensified usage of area(s), as , determined by STAR Center Facilities Operations.
(4.) Subject to process energy requirements.

EXHIBIT "B"

FACILITY ENVIRONMENTAL PERMITS

PINELLAS PLANT ENVIRONMENTAL PERMITS

PERMIT TITLE	PERMIT NUMBER	EXPIRATION DATE
Industrial Wastewater Discharge (Pinellas County Sewer System)	Permit IE-3002-97/00	09/2003

EXHIBIT "C"

LIMITS OF OPERATION WITHIN LEASED PREMISES

A. Permit Requirements - LESSEE will assign a qualified individual to approve, monitor, and direct operation as necessary to comply with the regulatory agency permit requirements pertaining to LESSEE's operation mandated by the permits listed in Exhibit "B" of this Lease, and any amended or replacement permits obtained by LESSOR or any of LESSOR's tenants. Any permit application fees, regulatory monitoring requirements or any other requirements necessary to comply with permit requirements due to the operation of the LESSEE is the sole responsibility of LESSEE. The LESSEE shall submit to the LESSOR and the Department of Energy (hereinafter "DOE") local government representative the necessary documents to comply with the applicable regulatory requirements. Annually, the LESSEE will certify to LESSOR and the DOE local government representative that all leased operations meet all applicable permit requirements.

B. Tracking Hazardous - LESSEE agrees to limit the types and quantities of hazardous materials used at the Premises, and is required to log and account for all hazardous materials. In the event contamination is identified on the Premises or any common area on site used by LESSEE, these records will be used to assist in determining the responsible tenant. The United States Government has agreed to retain responsibility for cleanup of contaminants identified in the future to the extent there is no evidence that the contaminants resulted from activities conducted by the LESSEE, other tenants on site, or the LESSOR.

C. LESSEE shall remain responsible for complying with all state and federal laws involving tracking and reporting the presence of hazardous materials, including but not limited to Material Safety Data Sheet requirements.

EXHIBIT "D"

[Site Map of Pinellas STAR Center]

EXHIBIT "E"

BASIC MAINTENANCE DESCRIPTION FOR MAIN BUILDING

Structural "Preventive Maintenance" will be provided as part of the agreement or facility equipment and safety systems by LESSOR. Modifications or alterations to any equipment, systems, buildings, or structures (except that which may be required as a result of a repair) will not be performed unless a separate contract is established. Janitorial service internal to the structure will not be provided by LESSOR.

All maintenance external to the building or to the building structure including grounds maintenance, basic roof patching and repair, and basic care of the building surfaces such as basic repair or paint touch up will be performed by LESSOR. Repairs and basic upkeep will be provided for electrical panels and switchgear within the area; however, electrical repairs, connections, modifications or alterations associated with equipment specifically serving the LESSEE will not be included. Electrical repairs to facility-related equipment will be performed as needed within a reasonable time period. Aria lighting will be maintained in good operation condition. Re-tamping will be provided for emergency lighting and critical safety equipment as specified by code and therefore will be properly maintained as a part of the agreement.

Repair and preventive maintenance of mechanical systems such as air handling unfits (interior or exterior to the building structure), smoke ventilation systems, potable waiter piping serving restroom facilities, sprinkler and fire protection systems, and sanitary drainage systems will be provided in order to maintain the equipment in good functional condition by LESSOR. Connections to Industrial drain systems will be provided. No service, pick up, or handling of any material classified as hazardous waste will be provided. Repairs to equipment systems or utilities as a result of misuse or abuse will be accomplished through negotiations with the LESSEE at the cost of the LESSEE if so determined by the LESSOR.

LESSEE is responsible for all routine, non-structural repairs and maintenance for the demised leased premises.

EXHIBIT "F"

FACILITY CONDITION REPORT MAIN BUILDING

LESSEE has examined, knows, and accepts the condition and state of repair of the Premises and the Installation of which it forms a part, and acknowledges that except as set forth herein, LESSOR has made no representation concerning such condition and state of repair, nor any agreement or promise to alter, improve, adapt, repair, or keep in repair the same, or any item thereof, which has not beers fully set forth in this Lease which contains all agreements made and entered into between LESSEE and the LESSOR.

The LESSOR has provided LESSEE with all current information concerning environmental conditions on the Premises. Such information is and has been readily available in the LESSOR's office. The LESSOR makes no representation concerning the environmental condition of the Premises outside the information made available to LESSEE.

EXHIBIT "G"

INSURANCE REQUIREMENTS

The following insurance requirements are included in this Lease:

1. The LESSEE shall procure, pay for and maintain at least the following insurance coverage's and limits. Said insurance shall be evidenced by delivery to the LESSOR of (1) certificates of insurance executed by the insurers listing coverage's and limits, expiration dates and terms of policies and all endorsements whether or not required by the LESSOR, and listing all carriers issuing said policies; and (2) a certified copy of each policy, including all endorsements, (upon request by LESSOR). The insurance requirements shall remain in effect throughout the term of the Lease.

a. Workers' Compensation Limits as required by law; Employers' Liability Insurance of not less than $100,000 for each accident.

b. Comprehensive General Liability Insurance including, but not limited to, Independent Contractor, Contractual, Premises-Operations, and Personal Injury covering the liability assumed under indemnification provisions of this Contract, with limits of liability for personal injury and/or bodily injury, including death of not less than $340,000, each occurrence; and property damage of not less than $100,000, each occurrence. (Combined Single Limits of not less than $1,000,000, each occurrence, will be acceptable unless otherwise stated). Coverage on personal property leased to LESSEE by LESSOR and/or the United States Department of Energy shall be of not lest than the Personal Property Book Value of that property, over and above the personal property coverage cited in this Section above. Coverage shall be on an "occurrence" basis, and the policy shall include Broad Form Property Damage coverage of not less than $50,000 per occurrence, unless otherwise stated by exception herein.

c. Comprehensive Automobile and Truck liability covering owned, hired and, non-owned vehicles with minimum limits of $300,000 each occurrence, and property damage of not less than $100,000, each occurrence. (Combined Single Limits of not less than $500,000 each occurrence, will be acceptable unless otherwise stated.) Coverage shall be on an "occurrence" basis, such insurance to include coverage for loading and unloading hazards.

d. Business Interruption Insurance with a minimum of four (4) months of coverage for utilities, maintenance, and other services provided to the building.

2. Each insurance policy shall include the following conditions by endorsement to the policy:

a. Each policy shall require that thirty (30) days prior to expiration, cancellation, non-renewal or any material change in coverage's or limits, a notice

thereof shall be provided by certified mail to: Pinellas County Risk Management, 400 South Fort Harrison Avenue, Clearwater, FL 33756, with a copy to the Director of the Pinellas STAR Center at 7887 Bryan Dairy Road, Suite 120, Largo, FL 33777. The LESSEE shall also notify the LESSOR, in a like manner, within twenty-four (24) hours after receipt, of any notices of expiration, cancellation, non-renewal or material change in coverage received by the LESSEE from their insurer; and nothing contained herein shall absolve the LESSEE of this requirement to provide notice.

b. Companies issuing the insurance policy, or policies, shall have no recourse against AUTHORITY and/or COUNTY for payment, of premiums or assessments for any deductibles which all are at the sole responsibility and risk of the LESSEE.

c. The AUTHORITY/COUNTY shall be endorsed to the required policy or policies as an additional named insured. The AUTHORITY and the term "AUTHORITY", "COUNTY", and/or "PINELLAS COUNTY" shall include all Authorities, Boards, Bureaus, Commissions, Divisions, Departments and Offices of the County and all individual members, officers, and employees thereof in their official capacities, and/or while acting on behalf of the Authority and/or Pinellas County.

d. The policy clause "Other Insurance" shall not apply to any insurance coverage currently held by the AUTHORITY/COUNTY, to any such future coverage, or to the AUTHORITY/COUNTY's Self-Insured Retentions of whatever nature.

3. The LESSEE hereby waives subrogation rights for loss or damage against the LESSOR.

4. The LESSEE shall indemnify, pay the cost of defense, including attorney's fees and costs, and hold harmless the LESSOR from all suits, actions or claims of any character brought on account of any injuries or damages received or sustained by any person, persons or property by or from the said LESSEE; or by, or in consequence of any neglect in safeguarding the work; or through the use of unacceptable materials in the construction of improvements; or by, or on account of any act or omission; neglect or misconduct of the said LESSEE; or by, or on account of, any claim or amounts recovered under the "Workers' Compensation Law" or of any other laws, by-laws, ordinance, order or decree, .except only such injury or damage as shall have been: occasioned by the sole negligence of the AUTHORITY/ COUNTY.

EXHIBIT "H"

Within thirty (30) days of lease execution, the LESSOR shall establish an escrow account in the amount of Sixty Two Thousand Dollars ($62,000.00) for the LESSEE to draw from for improvements to be made to Premises de scribed in this lease. Prior to monetary draws made against the escrow account by the LESSEE, the LESSOR shall inspect and approve work completed per the scope of work listed in this Exhibit and provide authorization to LES SEE to make the draw. LESSOR shall reimburse LESSEE within 30 days from the date that LESSEE submits an invoice to LESSOR for the completed work.

SCOPE OF WORK and Schedule of Values (as agreed by LESSOR and LESSEE):

Wall Demo in Area 336		$24,800.00
Demo Carpet in Area 325 & 309		335.00
New Acrovyn Surface in rest rooms		1,920.00
Two Hour Fire Separation Wall		1,968.60
Special Fire Proofing		1,500.00
Ceiling Grid/Tile in Area 309		4,800.00
Replace Light Fixture in Area 309		10,586.40
Breakroom Plumbing		1,100.00
Breakroom Counter		900.00
New Electrical Panel		2,600.00
Chemical Drain Plumbing		2,700.00
Fire Sprinkler		195.00
Carpet in Area 309		7,705.00
VCT in Area 325		140.00
Vinyl Base		750.00

	Total	$62,000.00

EXHIBIT "I"

INTENTIONALLY OMMITTED

EXHIBIT "J"

[GRAPHIC OF NOTICE OF FINANCIAL ASSISTANCE AWARD]

Block 19 (continued):

a. Article X - "Liabilities," under Part I - "Scheduled Articles," is removed and replaced with the following language:

ARTICLE X - LIABILITIES

DOE shall defend, hold harmless and indemnify the Participant and its Tenants from any claims by third persons for damages to persons or property arising from the release or threatened release of any hazardous substance (as that term is defined in 42 U.S.C. ss.9601(14)) at the Pinellas Plant as a result of DOE activities at the Pinellas Plant which occurred prior to March 17, 1995 subject to the (allowing conditions:

(1) If any suit or action is filed or any claim is made against the Participant or its Tenants, the Participant or Tenant shaft

(a) Immediately notify the Contracting Officer and promptly furnish copies of all pertinent papers received; and

(b) Authorize Government representatives to collaborate with counsel for the Participant or its Tenants in settling or defending the claim; and

(c) Authorize Government representatives to settle or defend the claim and to represent the Participant or its Tenants in or to take charge of any litigation if required by the Government; and

(d) Obtain the written authorization of the Contracting Officer to defend the claim or to pay any reimbursable costs incurred by the Participant or its Tenants under this Article X -

(2) DOE's duty to defend, hold harmless and indemnify the Participant or its Tenants from any claims, by third persons shall not be asserted by the Participant or its Tenants if the claim results solely from any of the Participant's or Tenant's actions or inactions occurring after March 17, 1995. If the Participant's or Tenant's actions or inactions occurring after March 17, 1995 contributed to any , claims by third persons, the DOE shall defend the Participant or its Tenants, but shall not pay for , those casts (including those costs of litigating and negotiating with claimants as referenced in _ paragraph (4) below) in an amount proportional to the percentage of fault, negligence or . responsibility of the Participant or its Tenants. If there is a dispute regarding whether the Participant's or Tenant's actions or inactions caused or contributed to damages, DOE shall provisionally defend and hold harmless the Participant or its Tenants, provided that, if it is determined in any final judicial or administrative proceeding that the Participant's or its Tenant's actions or inactions caused or contributed to the claim, the Participant or Tenant shall reimburse DOE for the amount of costs paid by DOE in an amount proportional to the percentage of fault, negligence or responsibility allocated to the Participant or Tenant by the judgement, ruling, determination, or settlement.

(3) DOE's duty to defend, hold harmless and indemnify the Participant's Tenants from any claims by third persons shall immediately attach to any Tenant or Participant (or Participant's successors) upon execution by its Tenants of a Lease for space at the former DOE Pinellas Plant. Once such duty attaches, it shall survive any modification or termination of the Lease or change of landlord under the Lease. Any Tenant under such a lease shall be a third-party beneficiary of this Article X - Liabilities .

(d) DOE's duty to defend, hold harmless and indemnify the Participant or its Tenants from any claims by third persons shall include responsibility for aft costs of litigating and negotiating with claimants (including, but not limited to, reasonable attorneys', consultants', accountants', expert witnesses', and stenographers' fees); provided that such costs meet the terms and conditions stated in Part IV, Section B, Clause B of this Agreement, entitled "Allowable Costs/Applicable Cost Principles." For purposes of this Article X - Liabilities, the term "subawardee" used in Clause 8 of this Agreement, entitled "Allowable Costs/Applicable Cost Principles," includes the Participants Tenants.

(5) The Pinellas Plant Environmental Baseline Report (Document Number MMSC-EM- 97013, dated June 1997, hereinafter referred to as the "EBR"), shall be used by the parties as a basis for determining the condition of the Pinellas Plant as of March 17, 1995, and whether the claim for damages directly arises from the release or threatened release of any hazardous substance at the Pinellas Plant as a result of DOE activities at the Pinellas Plant prior to March 17, 1995. The EBR is hereby defined to include all data and reports referenced in its text or in any Exhibit, Appendix, or Attachment to the EBR; any new information (including assessment & remediation reports, and implementation plans) prepared by or for the DOE which augment, supplement, or update the EBR or relate to environmental conditions at the Pinellas Plant prior to March 17, 1995; and any revisions based upon regulatory review comments.

(6) All costs incurred by the Participant or its Tenants pursuant to this Article X - Liabilities must meet the terms and conditions stated in Part IV, Section B, Clause 8 of this Agreement, entitled "Allowable Costs/Applicable Cost Principles" For purposes of this Article X - Liabilities, the term "subawardee" used in Clause 8 of this Agreement, entitled "Allowable Costs/Applicable Cost. Principles," Includes the Participant's Tenants.

(7) DOE's duty to defend, hold harmless and indemnify the Participant and its Tenants is subject to the availability of appropriated funds at the time a claim is submitted to the Contracting Officer. Nothing in this Agreement shall be construed as implying that the Congress will, at a later date, appropriate funds sufficient to meet deficiencies.

(8) Any dispute between the DOE and the Participant's Tenants regarding this Article X - , Liabilities shall be resolved in accordance with Part IV, Section C, Clause 22 of this Agreement, entitled "Disputes and Appeals." For purposes of this Article X - Liabilities, the term "recipient" used in Clause 22 includes the Participant's Tenants.

Except for those damages arising out of the release or threatened release of any hazardous substance as described herein ("OTHER DAMAGES"), DOE shall not be liable for any damages to persons or to Participants and its Tenants' property incurred by the Participant and its Tenants in the performance of work under this Agreement. The Participant shall maintain financial coverage for potential liability for such Other Damages as agreed upon by the Participant and Contracting Officer.

it is understood that the Participant is fully self-insured pursuant to Florida Statute 768.28 for its premises, operations, contractual and automobile exposure.

The Government shall not be liable to the Participant or its Tenants, its employees, Community Reuse Organization (CRO) members, or agents for any consequential losses or damages such as loss of anticipated profits, interest, loss by reason of plant or facility shutdown or non-operation or increased expense of operation of any facility or any equipment.

b. -Ail other terms and conditions remain unchanged.

Exhibit 10.22

FOREIGN CORPORATION LEASE ZONE OCCUPANCY (LEASE) AGREEMENT

REAL ESTATE TO BE LEASED

. Location : Eyon-Hansan Industrial Park (2nd Block), Chungbuk-myon, Pyongtaek-city, Kyonggi Province

. Land area : 13,374 m(2) (4,045 pyongs)

. Use : Industrial facilities

This occupancy (lease) agreement is entered into by and between President, Kyonggi Local Corporation (hereinafter referred to as Party A) to which the Kyonggi Province Governor has entrusted management of the above-said real estate and the following enterprise desiring to lease and move into the above-said real estate (hereinafter referred to as Party B) under the following terms and conditions.

Company name (Corporation)	Liquidmetal Korea	Representative	Sonny Hong
Address (location in case of corporations)	884 Eyon-ri Chungbuk-myon, Pyongtaek-city, Kyonggi-Do, Korea		

Type of business	Metallic glass research and development	Classification No.	26129	Products	Electronics casing, etc.

Building floor area	Manufacturing facilities: 6,500 Section(2), Auxiliary facilities : 1,500 m(2) Total: 8,000 m(2)

Estimated date of construction start	2002.March	Estimated date of completion	2002

ARTICLE 1 (TERM OF LEASE) The term of lease shall be from 5th March, 2002 to 4th of March, 2022 (20 year).

ARTICLE 2 (AREA OF LEASED LAND) (1) The leased land area shall be 13,374 m(2)

(2) If the results of cadastral survey disclose increase or decrease in the leased land area, Party B shall regard such area as the final leased area notwithstanding the provisions of paragraph 1. In such case, rents and lease deposits shall be decided pursuant to the provisions of Article 5 for the increased/reduced land area.

ARTICLE 3 (RENTS) (1) Annual rents shall be 1% of the declared land price.

(2) If case no land price has been announced until this agreement is signed, the annual rents shall be 1% of the construction cost of the land concerned, notwithstanding the provisions of paragraph 1.

(3) In case rents are calculated on a monthly basis, the number of days less than 1 month shall be calculated on a per diem basis.

(4) In case Party B is eligible for rents reduction/exemption pursuant to the provisions of Foreign Investment Promotion Act and Kyonggi Do Public Property Management Ordinances, Party A may allow rents reduction/exemptions if requested by Party B, notwithstanding the provisions of paragraph 1 and paragraph 2.

(5) In case Party B forfeits the reduction/exemption qualifications or fails to comply with the reduction/exemption conditions after decision has been made for the reduction/exemption of rents pursuant to the provisions of paragraph 4, Party A may suspend the rent reduction/exemption, or may additionally collect the reduced/exempted rents.

ARTICLE 4 (PAYMENT OF LEASE DEPOSIT) (1) Upon signing this agreement, Party B shall pay Party A lease deposits in an amount equal to 12 months' rents. Rents shall be paid until the end of the year to which the date of this agreement belong pursuant to the provisions of paragraph 1 and paragraph 3, Article 3.

(2)In case rents are reduced or exempted pursuant to the provisions of paragraph 4, Article 3, Party B shall pay lease deposits in an amount calculated based on the rents which have not been reduced or exempted.

(3) Party B shall pay the rents covering the year following the signing of this agreement to the financial institution designated by Party A between Nov 1 and Dec 1 of the year preceding the year during which the concerned rents were calculated.

(4) If Party B fails to pay lease deposits and rents within the prescribed period, Party B shall pay default charges at an annual interest rate of 15% for the defaulted amount.

ARTICLE 5 (SETTLEMENT OF RENTS) (1) Rents and lease deposits shall be settled based on the leased land area and the price decided at the time of signing this agreement pursuant to the provisions of Article 2.

(2) In case this agreement is signed prior to the approval of the leased land construction project, rents and lease deposits shall be settled in accordance with the provisions of paragraph 8, Article 40, Enforcement Ordinance, Law on Industrial Location and Development, based on the total project cost calculated after the project has been approved.

(3) In case rents are changed pursuant to the provisions of paragraph 2 and due to the change in the land price announced pursuant to the provisions of Article 4, Laws on Land Price Announcement and Land, the difference between the paid lease deposits and the lease deposits calculated based on the changed rents shall be settled during the first rents due date.

(4) In the case of paragraph 1 through 3, no interest shall be imposed between Party A and Party B. However, the provisions of paragraph 4, Article 4 shall apply in case the settlement period has passed.

ARTICLE 6 (OBLIGATIONS OF LESSEE, AND RESTRICTIONS ON CLAIMS) (1) Party B shall pay due care of a good manager, and shall pay all expenses related to the preservation and use of the leased land or to gain benefits therefrom. Party B cannot demand Party A to pay any and all expenses, including the demand for the return of expenses pursuant to the provisions of Article 203 and Article 626, Civil Code.

(2) Party B cannot claim any preemptive rights during the period of lease other than the rights to use the leased land.

ARTICLE 7 (PROHIBITED ACTS REGARDING LEASED LAND) (1) Party B shall not engage in any of the following acts unless prior approval has been obtained from Party A.

1. Changing purpose of use or purpose of benefit

2. Subleasing of the leased land, or disposing of rights

3. Changing the original shape of the leased land

4. Transferring of Party B's facilities installed inside the leased land

(2) Notwithstanding the provisions of paragraph 1, in case approval is obtained from Party A, Party B may change the original shape of the leased land within the range of approval.

ARTICLE 8 (CANCELLATION OF AGREEMENT) (1) In case Party B falls under any of the following, Party A may cancel this agreement.

1. Party B is involved in acts specified in paragraph 1, Article 7.

2. Reasons for cancelling the occupancy agreement have occurred pursuant to the provisions of Article 42, Laws on Industrial Layout and Plant Establishment.

3. Party B has defaulted payment of rents for a period longer than 3 months.

4. Party B cannot be registered as a foreign invested corporation pursuant to the provisions of Article 21, Foreign Investment Promotion Act.

5. the equity of the foreign investor has changed to below the level specified in the Foreign Investment Promotion Act after signing the occupancy agreement.

6. Party B has failed to fulfil or .has violated the occupant selection conditions and the terms of occupancy agreement.

7. Party B has succeeded in leasing the real estate through unfair practice, such as submission of false documents.

8. Party B requests for the cancellation of agreement.

9. Party B has lost ownership of ground properties due to the collection of delinquent tax, compulsory execution or auction.

10. Party B has purchased the subject land after signing this agreement, and title has been transferred.

11. In case Party A considers it necessary to use the land for government and public use, or for public benefits.

(2) In case this agreement is cancelled by Party A due to reasons specified above except item 10 and 11, paragraph 1 above, Party B shall not file claims against Party A even if loss has incurred on the part of Party B due to such cancellation.

(3) The amount of compensation to be paid pursuant to the provisions of paragraph 2 shall be calculated by Party A based on the amount assessed by one (1) appraisal corporation. In case Party B considers the amount of compensation so decided unfair,

Party B may file an objection within 60 days from the date the notice of compensation is received.

(4) In case this agreement is cancelled in accordance with the provisions of paragraph 1, Party A shall return the lease deposits and rents paid by Party B after deducting therefrom expenses related to the restoration of the leased property, and default charges. In case the lease deposits and rents paid by Party B are not enough to cover such expenses and/or default charges, Party A may take necessary action to levy an attachment on Party B's property.

ARTICLE 9 (REQUEST FOR AGREEMENT CANCELLATION) If, due to unavoidable reasons,

Party B desires to cancel this agreement, Party B shall submit a request for cancellation to Party A in which case Party A must cancel the occupancy (lease) agreement within 1 month thereafter.

ARTICLE 10 (CONSTRUCTION OF PLANT) (1) If Party B desires to construct plants and annex buildings required for production work, Party B shall satisfy the plant location standards prescribed by the provisions of Article 8, Laws on Plant Layout and Plant Establishment,

and the range of buildings used for the purposes as prescribed by the provisions of Article 33 of the same laws.

(2) In case Party B desires to construct plants in accordance with the provisions of paragraph 1, Party B shall request Party A for approval on the use of the land, in which case Party A shall issue an approval on the use of the land after taking necessary procedures required for the restoration of the land.

ARTICLE 11 (RECOVERY OF LEASED LAND) (1) If Party B desires to dispose of the leased land prior to the completion of the plant construction, Party A shall cancel this agreement and recover the leased land.

(2) In case the agreement is cancelled due to reasons specified in paragraph 1, Article 7, Party A shall recover the leased land immediately after the occurrence of such reasons.

ARTICLE 12 (COLLECTION OF PENALTIES) (1) In case Party A cancels agreement due to reasons specified in item 1 through 8, paragraph 1, Article 8, or recovers the leased land pursuant to the provisions of paragraph 1, Article 11, Party B shall pay penalties in an

amount equal to 10% of the lease deposits paid by Party B. In such case, penalties shall be paid according to the method specified in paragraph 4, Article 8.

ARTICLE 13 (RESTORATION OF LAND) (2)c Upon termination of the lease period, or if this agreement is terminated or cancelled, Party B shall, at its own expenses, restore the leased property to its original condition within the period designated by Party A, and shall return it in the presence of Party A.

(2) Notwithstanding the provisions of paragraph 1, the following properties may be returned without going through restoration process.

1. In case the facilities installed on the leased land are transferred to new occupants after obtaining approval from Party A.

2. In case the agreement is cancelled due to reasons specified in item 1 through 9, and item 11, Article 8.

3. If Party A considers restoration to the original state is not required.

ARTICLE 14 (EXTENSION OF LEASE PERIOD) (1) In case Party B desires to extend the period of lease upon termination of the lease period, Party B shall submit an application for

continued lease to Party A 3 months prior to the termination of the period, and shall renew this agreement.

(2) In case Party B continues to use the leased land without signing (renewing) lease agreement after termination of the lease period, Party B shall pay compensations pursuant to the provisions of Article 105, Enforcement Ordinance, Local Finance Law.

ARTICLE 15 (RESPONSIBILITY TO COMPENSATE) (1) In case Party B fails to fulfill the terms and conditions of this agreement, or if Party B violates this agreement causing damage to Party A, Party B shall be held liable to pay compensation.

ARTICLE 16 (AMENDMENT TO OCCUPANCY AGREEMENT) (1) In case Party B desires to amend the contents of the occupancy agreement, Party B shall enclose documents proving changes, and business plan relating to the changed items, to the application for amendment to the occupancy agreement, and submit them to Party A in accordance with the provisions of Article 35, Enforcement Regulations, Laws on Plant Layout and Plant Establishment, and sign amended occupancy agreement with Party A.

(2) If any disadvantages occur on the part of Party B due to its failure to fulfill the above-said obligations, Party B shall take full responsibility for such disadvantages.

ARTICLE 17 (RENTS FOR COMMON FACILITIES) (1) In case Party B uses common facilities installed by Party A, Party B shall pay the rents and maintenance charges separately prescribed by Party A.

(2) In case Party B fails to pay the rents or other charges specified in paragraph 1 within the period designated by Party A, Party B shall additionally pay penalties applying the default interest rates for general loans provided by the financial institution (or mutual savings and finance company) designated by Party A.

ARTICLE 18 (RESTRICTION ON USE OF COMMON FACILITIES) (1) In case Party B fails to pay the rents or charges specified in Article 17 for a period exceeding 3 months, Party A may prohibit Party B's use or utilization of such common facilities; and to protect Party A's claims, Party A may take other necessary actions, such as levying an attachment on Party B's property.

(2)e Party B shall not file a protest against the action taken by Party A in accordance with the provisions of paragraph 1.

ARTICLE 19 (ENVIRONMENTAL PROTECTION AND SAFETY MANAGEMENT) (1) In case Party B desires to install discharge facilities pursuant to the provisions of laws related to environmental protection, Party B shall install such facilities after obtaining approval for the installation of discharge facilities, and shall submit copies of such approval to Party A. Same procedure applies when changing the approved items.

(2) Party B shall, pursuant to the provisions of related laws, commission appropriate waste material disposal companies to dispose of the waste materials generated during the process of construction plants or plant operation

(3) To protect environment within the industrial complex, Party B shall provide full cooperation to Party A for the common anti-pollution projects being implemented by Party A.

(4) To ensure safety within the industrial complex, Party B shall comply with the instructions given by Party A in relation to related laws, such as the local reserve force installation act, basic civil defense act, and guidelines on protection of major national facilities.

ARTICLE 20 (TAX AND PUBLIC IMPOSTS) (1) Upon signing occupancy agreement, Party B shall pay all taxes and public imposts levied on the leased land even if such taxes or public imposts are levied in the name of persons other than Party B.

ARTICLE 21 (RELATION WITH OTHER LAWS) Matters not stipulated in this agreement shall be governed by the provisions of Laws on Industrial Layout and Plant Establishment., guidelines on industrial complex management, basic industrial complex management plan, and the occupancy agreement designated by P. Any disputes shall be settled through negotiations between Party A and Party B.

ARTICLE 22 (REPORTS) Party B shall submit to Party A the following documents designated by Party A.

1. Matters pertaining to the registration (changes) of Foreign Invested Corporation pursuant to the provisions of Foreign Investment Promotion Act.

2. Matters pertaining to the construction, extension work, and completion of plants and starting of operation

3. Matters pertaining to the plant operation - production, export and employment

4. Matters pertaining to suspension or closure of business

5. Other matters considered required by Party A.

ARTICLE 23 (OTHER MATTERS) (1) Party B shall independently carry out soil test on the leased land and other works required for construction work.

(2) Party B shall install anti-pollution facilities to protect surrounding environment and prevent water contamination in the neighboring coast.

(2) Party B shall, during the period of plant construction, take appropriate action to prevent damage to the public facilities, such as the existing highway, parks, and water and drainage systems. If any damage occurs, Party B shall repair such damage at its own responsibility.

(3) Party B shall not scout technicians or skilled employees from other companies or supporting institutions engaged in the same or similar business.

ARTICLE 24 (SPECIAL MATTERS AND ADDITIONAL AGREEMENT) (1) If considered necessary by Party A for Party B to effectively perform this agreement, Party A may sign a separate agreement with Party B as an annex to this agreement.

(2) If any change occurs later with respect to type of business or scale, such as the reduction/exemption of rents, Party A may apply such changes.

ARTICLE 25 (COMPETENT COURT)Any lawsuit filed in relation to this agreement shall be handled by the court having jurisdiction over the address of Party A.

To substantiate conclusion of this agreement, this agreement is prepared in 2 copies and each party retains 1 copy respectively after affixing their names and signatures thereto.

2002. 3. 5.

Party A: President (Official seal)

Kyonggi Local Corporation

1246, Kwonson-dong, Kwonsun-gu, Suwon city , Kyonggi Province

Party B: CEO: Sonny Sungteak Hong (Official seal)

Liquidmetal Korea

POSCO Center bldg. West Tower 11th Fl.

892 Daechi4, KangNam, Seoul, Korea

TRANSLATION
CERTIFICATE

The undersigned officer of Liquidmetal Korea, wholly owned subsidiary of Liquidmetal Technologies, hereby certifies that the foregoing is a fair and accurate English translation of the original lease agreement, which is in the Korean language.

Signature: /s/ Goonhee Lee

Name: Goonhee Lee

Title: Vice President

EXHIBIT 10.23

LIQUIDMETAL TECHNOLOGIES

2002 EQUITY INCENTIVE PLAN

(Effective as of April 4, 2002)

SECTION 1. PURPOSE AND DEFINITIONS

(a) Purpose. The purpose of this 2002 Equity Incentive Plan (the "Plan") is to advance the interests of the stockholders of Liquidmetal Technologies by enhancing the Company's ability to attract, retain and motivate persons who make or are expected to make important contributions to the Company and its Subsidiaries, by providing such persons with equity ownership opportunities and performance-based incentives, thereby better aligning the interests of such persons with those of the Company's stockholders.

(b) Definitions. The following terms shall have the following respective meanings unless the context requires otherwise:

(1) The term "Administrator" shall mean the Compensation Committee of the Board or such other committee, individual or individuals appointed or delegated authority pursuant to Section 2(a) to administer the Plan.

(2) The term "Affiliate" or "Affiliates" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(3) The term "Beneficial Owner" shall mean beneficial owner as defined in Rule 13d-3 under the Exchange Act.

(4) The term "Board" shall mean the Board of Directors of the Company.

(5) The term "Code" shall mean the Internal Revenue Code of 1986, or any successor thereto, as the same may be amended and in effect from time to time.

(6) The term "Company" shall mean Liquidmetal Technologies, a California corporation.

(7) The term "Employee" shall mean a person who is employed by the Company or any Subsidiary, including an officer or director of the Company or any Subsidiary who is also an employee of the Company or any Subsidiary.

(8) The term "Exchange Act" shall mean the Securities Exchange Act of 1934, or any successor thereto, as the same may be amended and in effect from time to time.

(9) The term "Fair Market Value" shall mean, with respect to a share of Stock, if the Stock is then listed and traded on a registered national or regional securities exchange, or quoted on The National Association of Securities Dealers' Automated Quotation System (including The Nasdaq Stock Market's National Market), the average closing price of a share of Stock on such exchange or quotation system for the five trading days immediately preceding the date of grant of an Option or Stock Appreciation Right, or, if Fair Market Value is used herein in connection with any event other than the grant of an Option or Stock Appreciation Right, then such average closing price for the five trading days immediately

preceding the date of such event. If the Stock is not traded on a registered securities exchange or quoted in such a quotation system, the Administrator shall determine the Fair Market Value of a share of Stock.

(10) The term "Incentive Stock Option" means an option granted under this Plan and which is an incentive stock option within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute.

(11) The term "Option" or "Options" shall mean the option to purchase Stock in accordance with Section 4 on such terms and conditions as may be prescribed by the Administrator, whether or not such option is an Incentive Stock Option.

(12) The term "Other Stock-Based Awards" shall mean awards of Stock or other rights made in accordance with Section 5 on such terms and conditions as may be prescribed by the Administrator.

(13) The term "Participant" shall mean any eligible person who is granted a Plan Award hereunder.

(14) The term "Performance Goals" shall mean one or more business criteria based on individual, business unit, group, Company or other performance criteria selected by the Administrator.

(15) The term "Plan" shall mean the Liquidmetal Technologies 2002 Equity Incentive Plan, as the same may be amended and in effect from time to time.

(16) The term "Plan Awards" or "Awards" shall mean awards or grants of stock Options and various other rights with respect to shares of Stock.

(17) The term "Stock Appreciation Right" shall mean the right to receive, without payment to the Company, an amount of cash or Stock as determined in accordance with Section 4, based on the amount by which the Fair Market Value of a share of Stock on the relevant valuation date exceeds the grant price.

(18) The term "Stock" shall mean shares of the Company's common stock, no par value.

(19) The term "Subsidiary" shall mean any "subsidiary corporation" within the meaning of Section 424(f) of the Code.

(20) The term "Ten Percent Stockholder" shall mean an individual who owns stock possessing more than ten percent (10%) of the combined voting power of all classes of stock of the Company or of its parent or subsidiary corporations within the meaning of Code Section 422.

SECTION 2. ADMINISTRATION AND PARTICIPANTS

(a) Administration. The Plan shall be administered by the Board of Directors or by any other committee appointed by the Board. If the Company has a class of securities registered under the Exchange Act, then such committee shall consist of not fewer than two members of the Board, each of whom shall qualify (at the time of appointment to the committee and during all periods of service on the committee) in all respects as a "non-employee director" as defined in Rule 16b-3 under the Exchange Act and as an outside director as defined in Section 162(m) of the Code and the regulations thereunder. The Administrator shall administer the Plan and perform such other functions as are assigned to it under the Plan. The Administrator is authorized, subject to the provisions of the Plan, from time to time to establish such rules and regulations as it may deem appropriate for the proper administration of the Plan and to make such determinations under, and such interpretations of, and to take such steps in connection with, the Plan and the Plan Awards as it may deem necessary or advisable, in each case in its sole discretion. The Administrator's decisions and determinations under the Plan need not be uniform and may be made selectively among Participants, whether or not they are similarly situated. Any authority granted to the Administrator may also be exercised by the entire Board. To the extent that any permitted action taken by the Board conflicts with any action taken by the Administrator, the Board action shall control. To the extent permitted by applicable law, the Administrator may delegate any or all of its powers or duties under the Plan, including, but not limited to, its authority to make awards under the Plan, to grant waivers pursuant to Section 7, to such person or persons as it shall appoint, pursuant to such conditions or limitations as the Administrator may establish; provided, however, that the Administrator shall not delegate its authority to amend or modify the Plan pursuant to the provisions of Section 12(b). To the extent of any such delegation, the term "Administrator" when used herein shall mean and include any such delegate.

(b) Eligibility for Participation. Any Employee, director, officer, consultant, or advisor of the Company or its Subsidiaries may be granted Awards under the Plan, provided that consultants or advisors may only be granted Awards under the Plan if they are natural persons that provide bona fide services to the Company or its Subsidiaries. The Administrator shall designate each individual who will become a Participant. The Administrator's designation of a Participant in any year shall not require the Administrator to designate such person to receive a Plan Award in any other year.

SECTION 3. STOCK AVAILABLE FOR PLAN AWARDS

(a) Stock Subject to Plan. The Stock to be subject to or related to Plan Awards may be either authorized and unissued shares or shares held in the treasury of the Company. The maximum number of shares of Stock with respect to which Plan Awards may be granted under the Plan, subject to adjustment in accordance with the provisions of Section 9, shall be ten million (10,000,000) shares.

(b) Computation of Stock Available for Plan Awards. For the purpose of computing the total number of shares of Stock remaining available for Plan Awards under this Plan at any time while the Plan is in effect, the total number of shares determined to be available pursuant to subsections (a) and (c) of this Section 3 shall be reduced by, (1) the maximum number of shares of Stock subject to issuance upon exercise of outstanding Options or outstanding Stock Appreciation Rights granted under this Plan, and (2) the maximum number of shares of Stock related to outstanding Other Stock-Based Awards granted under this Plan, as determined by the Administrator in each case as of the dates on which such Plan Awards were granted.

(c) Terminated, Expired or Forfeited Plan Awards. The shares involved in the unexercised or undistributed portion of any terminated, expired or forfeited Plan Award shall be made available for further Plan Awards.

SECTION 4. OPTIONS AND STOCK APPRECIATION RIGHTS

(a) Grant of Options.

(1) The Administrator, at any time and from time to time while the Plan is in effect, may grant Options to such Employees and other eligible individuals as the Administrator may select, subject to the provisions of this Section 4 and Section 3. Subject to any limitations set forth in the Plan, the Administrator shall have complete discretion in determining: (a) the eligible individuals to be granted an Option; (b) the number of shares of Stock to be subject to the Option; (c) whether the Option is to be an Incentive Stock Option or a nonqualified stock option; provided that, Incentive Stock Options may be granted only to Employees of the Company or a Subsidiary; and (d) any other terms and conditions of the Option as determined by the Administrator in its sole discretion.

(2) Unless otherwise determined by the Administrator, Incentive Stock Options: (a) will be exercisable at a purchase price per share of not less than One Hundred percent (100%) (or, in the case of a Ten Percent Stockholder, one hundred and ten percent (110%)) of the Fair Market Value of the Stock on the date of grant; (b) will be exercisable over not more than ten (10) years (or, in the case of a Ten Percent Stockholder, five (5) years) after the date of grant; (c) will terminate not later than three (3) months after the Participant's termination of employment for any reason other than disability or death; (d) will terminate not later than twelve (12) months after the Participant's termination of employment as a result of a disability (within the meaning of Code Section 424); and (e) will comply in all other respects with the provisions of Code Section 422.

(3) Nonqualified stock options will be exercisable at purchase prices of not less than one hundred percent (100%) of the Fair Market Value of the Stock on the date of grant, unless otherwise determined by the Administrator. Nonqualified stock options will be exercisable during such periods or on such date as determined by the Administrator and shall terminate at such time as the Administrator shall determine. Nonqualified stock options shall be subject to such terms and conditions as are determined by the Administrator; provided that any Option granted to a Section 162(m) Participant shall either have a purchase price of not less than one hundred percent (100%) of the Fair Market Value of the Stock on the date of grant or be

subject to the attainment of such Performance Goals as are established by the Administrator, unless otherwise determined by the Administrator.

(4) Each award agreement evidencing an Incentive Stock Option shall provide that, to the extent that the aggregate Fair Market Value of Stock (as determined on the date of the option grant) that may be purchased by a Participant for the first time during any calendar year pursuant Incentive Stock Options granted under the Plan or any other plan of the Company or its Subsidiaries exceeds $100,000, then such option as to the excess shall be treated as a nonqualified stock option. This limitation shall be applied by taking stock options into account in the order in which they were granted.

(b) Grant of Stock Appreciation Rights.

(1) The Administrator, at any time and from time to time while the Plan is in effect, may grant Stock Appreciation Rights to such Employees and other eligible individuals as it may select, subject to the provisions of this Section 4 and Section 3. Each Stock Appreciation Right may relate to all or a portion of a specific Option granted under the Plan and may be granted concurrently with the Option to which it relates or at any time prior to the exercise, termination or expiration of such Option (a "Tandem SAR"), or may be granted independently of any Option, as determined by the Administrator. If the Stock Appreciation Right is granted independently of an Option, the grant price of such right shall be the Fair Market Value of Stock on the date of grant of such Stock Appreciation Right; provided, however, that the Administrator may, in its discretion, fix a grant price in excess of the Fair Market Value of Stock on such grant date.

(2) Upon exercise of a Stock Appreciation Right, the Participant shall be entitled to receive, without payment to the Company, either (A) that number of shares of Stock determined by dividing (i) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, multiplied by the amount by which the Fair Market Value of a share of Stock on the day the right is exercised exceeds the grant price (such amount being hereinafter referred to as the "Spread"), by (ii) the Fair Market Value of a share of Stock on the exercise date; or (B) cash in an amount determined by multiplying (i) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, by (ii) the amount of the Spread; or (C) a combination of shares of Stock and cash, in amounts determined as set forth in clauses (A) and (B) above, as determined by the Administrator in its sole discretion; provided, however, that, in the case of a Tandem SAR, the total number of shares which may be received upon exercise of a Stock Appreciation Right for Stock shall not exceed the total number of shares subject to the related Option or portion thereof, and the total amount of cash which may be received upon exercise of a Stock Appreciation Right for cash shall not exceed the Fair Market Value on the date of exercise of the total number of shares subject to the related Option or portion thereof.

(c) Terms and Conditions.

(1) Each Option and Stock Appreciation Right granted under the Plan shall be exercisable on such date or dates, during such period, for such number of shares and subject to

such further conditions, including but not limited to the attainment of Performance Goals, as shall be determined by the Administrator in its sole discretion and set forth in the provisions of the award agreement with respect to such Option and Stock Appreciation Right; provided, however, that a Tandem SAR shall not be exercisable prior to or later than the time the related Option could be exercised; and provided, further, that in any event no Option or Stock Appreciation Right shall be exercised beyond ten (10) years from the date of grant.

(2) The Administrator may impose such conditions as it may deem appropriate upon the exercise of an Option or a Stock Appreciation Right, including, without limitation, a condition that the Option or Stock Appreciation Right may be exercised only in accordance with rules and regulations adopted by the Administrator from time to time and consistent with the Plan.

(3) With respect to Options issued with Tandem SARs, the right of a Participant to exercise the Tandem SAR shall be cancelled if and to the extent the related Option is exercised, and the right of a Participant to exercise an Option shall be cancelled if and to the extent that shares covered by such Option are used to calculate shares or cash received upon exercise of the Tandem SAR.

(4) If any fractional share of Stock would otherwise be issued to a Participant upon the exercise of an Option or Stock Appreciation Right, the Participant shall be paid a cash amount equal to the same fraction of the Fair Market Value of the Stock on the date of exercise.

(d) Award Agreement. Each Option and Stock Appreciation Right shall be evidenced by an award agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve.

(e) Payment for Option Shares.

(1) Payment for shares of Stock purchased upon exercise of an Option granted hereunder shall be made in such manner as is provided in the applicable award agreement.

(2) Any payment for shares of Stock purchased upon exercise of an Option granted hereunder shall be made in cash. Notwithstanding the foregoing, if permitted by the Award Agreement or otherwise permitted by the Administrator, the payment may be made by delivery of shares of Stock beneficially owned by the Participant, or attestation by the Participant to the ownership of a sufficient number of shares of Stock, or by a combination of cash and Stock, at the election of the Participant; provided, however, that any shares of Stock so delivered or attested shall have been beneficially owned by the Participant for a period of not less than six (6) months prior to the date of exercise. Any such shares of Stock so delivered or attested shall be valued at their Fair Market Value on the date of such exercise. The Administrator shall determine whether and if so the extent to which actual delivery of share certificates to the Company shall be required. The Administrator also may authorize payment in accordance with a cashless exercise program under which, if so instructed by the Participant, Stock may be issued

directly to the Participant's broker upon receipt of the Option purchase price in cash directly to the broker.

(3) To the extent that the payment of the exercise price for the Stock purchased pursuant to the exercise of an Option is made with shares of Stock as provided in Section 4(e)(2), then, at the discretion of the Administrator, the Participant may be granted a replacement Option under the Plan to purchase a number of shares of Stock equal to the number of shares tendered or attested to as permitted in Section 4(e)(2) hereof, with an exercise price per share equal to the Fair Market Value on the date of grant of such replacement Option and with a term extending to the expiration date of the original Option.

SECTION 5. STOCK AND OTHER STOCK-BASED AND COMBINATION AWARDS

(a) Grants of Other Stock-Based Awards. The Administrator, at any time and from time to time while the Plan is in effect, may grant Other Stock-Based Awards to such Employees or other eligible individuals as it may select. Such Plan Awards pursuant to which Stock is or may in the future be acquired, or Plan Awards valued or determined in whole or part by reference to or otherwise based on Stock, may include, but are not limited to, awards of restricted Stock or Plan Awards denominated in the form of "stock units", grants of so-called "phantom stock" and options containing terms or provisions differing in whole or in part from Options granted pursuant to Section 4. Other Stock-Based Awards may be granted either alone, in addition to, in tandem with or as an alternative to any other kind of Plan Award, grant or benefit granted under the Plan or under any other employee plan of the Company or Subsidiary, including a plan of any acquired entity. Each Other Stock-Based Award shall be evidenced by an award agreement in such form as the Administrator may determine.

(b) Terms and Conditions. Subject to the provisions of the Plan, the Administrator shall have the authority to determine the time or times at which Other Stock-Based Awards shall be made, the number of shares of Stock or stock units and the like to be granted or covered pursuant to such Plan Awards (subject to the provisions of Section 3) and all other terms and conditions of such Plan Awards, including, but not limited to, whether such Plan Awards shall be subject to the attainment of Performance Goals, and whether such Plan Awards shall be payable or paid in cash, Stock or otherwise.

(c) Consideration for Other Stock-Based Awards. In the discretion of the Administrator, any Other Stock-Based Award may be granted as a Stock bonus for no consideration other than services rendered.

(d) Dividend Equivalents on Plan Awards.

(1) The Administrator may determine that a Participant to whom an Other Stock-Based Award is granted shall be entitled to receive payment of the same amount of cash that such Participant would have received as cash dividends if, on each record date during the performance or restriction period relating to such Plan Award, such Participant had been the holder of record of a number of shares of Stock subject to the Award (as adjusted pursuant to Section 9). Any such payment may be made at the same time as a dividend is paid or may be

deferred until such later date as is determined by the Administrator in its sole discretion. Such cash payments are hereinafter called "dividend equivalents".

(2) Notwithstanding the provisions of subsection (d)(1), the Administrator may determine that, in lieu of receiving all or any portion of any such dividend equivalent in cash, a Participant shall receive an award of whole shares of Stock having a Fair Market Value approximately equal to the portion of such dividend equivalent that was not paid in cash. Certificates for shares of Stock so awarded may be issued as of the payment date for the related cash dividend or may be deferred until a later date, and the shares of Stock covered thereby may be subject to the terms and conditions of the Plan Award to which it relates (including but not limited to the attainment of any Performance Goals) and the terms and conditions of the Plan, all as determined by the Administrator in its sole discretion.

SECTION 6. AWARDS TO PARTICIPANTS OUTSIDE OF THE UNITED STATES

In order to facilitate the granting of Plan Awards to Participants who are foreign nationals or who reside or work outside of the United States of America, the Administrator may provide for such special terms and conditions, including without limitation substitutes for Plan Awards, as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Such substitutes for Plan Awards may include a requirement that the Participant receive cash, in such amount as the Administrator may determine in its sole discretion, in lieu of any Plan Award or share of Stock that would otherwise have been granted to or delivered to such Participant under the Plan. The Administrator may approve any supplements to, or amendments, restatements or alternative versions of the Plan as it may consider necessary or appropriate for purposes of this Section 6 without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such documents as having been approved and adopted pursuant to properly delegated authority; provided, however, that no such supplements, amendments, restatements or alternative versions shall include any provision that is inconsistent with the terms of the Plan as then in effect. Participants subject to the laws of a foreign jurisdiction may request copies of, or the right to view, any materials that are required to be provided by the Company pursuant to the laws of such jurisdiction.

SECTION 7. PAYMENT OF PLAN AWARDS AND CONDITIONS THEREON

(a) Issuance of Shares. Certificates for shares of Stock issuable pursuant to a Plan Award shall be issued to and registered in the name of the Participant who received such Award. The Administrator may require that such certificates bear such restrictive legend as the Administrator may specify and be held by the Company in escrow or otherwise pursuant to any form of agreement or instrument that the Administrator may specify. If the Administrator has determined that deferred dividend equivalents shall be payable to a Participant with respect to any Plan Award pursuant to Section 5(d), then concurrently with the issuance of such certificates, the Company shall deliver to such Participant a cash payment or additional shares of Stock in settlement of such dividend equivalents.

(b) Substitution of Shares. Notwithstanding the provisions of this subsection (b) or any other provision of the Plan, the Administrator may specify that a Participant's Plan Award shall not be represented by certificates for shares of Stock but shall be represented by rights approximately equivalent (as determined by the Administrator) to the rights that such Participant would have received if certificates for shares of Stock had been issued in the name of such Participant in accordance with subsection (a) (such rights being called "Stock Equivalents"). Subject to the provisions of Section 9 and the other terms and provisions of the Plan, if the Administrator shall so determine, each Participant who holds Stock Equivalents shall be entitled to receive the same amount of cash that such Participant would have received as dividends if certificates for shares of Stock had been issued in the name of such Participant pursuant to subsection (a) covering the number of shares equal to the number of shares to which such Stock Equivalents relate. Notwithstanding any other provision of the Plan to the contrary, the Stock Equivalents may, at the option of the Administrator, be converted into an equivalent number of shares of Stock or, upon the expiration of any restriction period imposed on such Stock Equivalents, into cash, under such circumstances and in such manner as the Administrator may determine.

(c) Effect of Competitive Activity. Anything contained in the Plan to the contrary notwithstanding, if the employment of any Participant shall terminate, for any reason other than death, while any Plan Award granted to such Participant is outstanding hereunder, and such Participant has not yet received the Stock covered by such Plan Award or otherwise received the full benefit of such Plan Award, such Participant, if otherwise entitled thereto, shall receive such Stock or benefit only if, during the entire period from the date of such Participant's termination to the date of such receipt, such Participant shall have (1) made himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any Subsidiary with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any Subsidiary, and (2) refrained from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any Subsidiary. In the event of a Participant's failure to comply with any condition set forth in this subsection (c), such Participant's rights under any Plan Award shall be forfeited and cancelled forthwith; provided, however, that the failure to comply with such condition may at any time (whether before, at the time of or subsequent to termination of employment) be waived by the Administrator upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

(d) Effect of Adverse Conduct. Anything contained in the Plan to the contrary notwithstanding, all rights of a Participant under any Plan Award shall cease on and as of the date on which it has been determined by the Administrator that such Participant at any time (whether before or subsequent to termination of such Participant's employment) acted in a manner adverse to the best interests of the Company, any Subsidiary or Affiliate thereof.

(e) Tax and Other Withholding. Prior to any distribution of cash, Stock or any other benefit available under a Plan Award (including payments under Section 5(d) and Section 7(b)) to any Participant, appropriate arrangements (consistent with the Plan and any rules

adopted hereunder) shall be made for the payment of any taxes and other amounts required to be withheld by federal, state or local law.

(f) Substitution. The Administrator, in its sole discretion, may substitute a Plan Award for another Plan Award or Plan Awards of the same or different type.

SECTION 8. NON-TRANSFERABILITY OF PLAN AWARDS

(a) Restrictions on Transfer of Awards. Plan Awards shall not be assignable or transferable by the Participant other than by will or by the laws of descent and distribution except that the Participant may, with the consent of the Administrator, transfer, without consideration, Plan Awards that do not constitute Incentive Stock Options to the Participant's children, stepchildren, grandchildren, parent(s), stepparent(s), grandparent(s), spouse, sibling(s), mother-in-law, father-in-law, son(s)-in-law, daughter(s)-in-law, brother(s)-in-law or sister(s)-in-law, and to person's with whom the Participant has an adoptive relationship, (or to one or more trusts for the benefit of any such family members or to one or more partnerships in which any such family members are the only partners).

(b) Attachment and Levy. No Plan Award shall be subject, in whole or in part, to attachment, execution or levy of any kind, and any purported transfer in violation hereof shall be null and void. Without limiting the generality of the foregoing, no domestic relations order purporting to authorize a transfer of a Plan Award, or to grant to any person other than the Participant the authority to exercise or otherwise act with respect to a Plan Award, shall be recognized as valid.

SECTION 9. MERGER, CONSOLIDATION, STOCK DIVIDENDS, ETC.

(a) Adjustments. In the event of any merger, consolidation, reorganization, stock split, reverse stock split, stock dividend, distribution, recapitalization, combination, reclassification or other event affecting Stock, an appropriate adjustment shall be made in the total number of shares available for Plan Awards and in all other provisions of the Plan that include a reference to a number of shares, and in the numbers of shares covered by, and other terms and provisions (including but not limited to the grant or exercise price of any Plan Award) of outstanding Plan Awards.

(b) Administrator Determinations. The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Administrator in its sole discretion. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to a Plan Award.

SECTION 10. ACCELERATION OF PAYMENT OR MODIFICATION OF PLAN AWARDS

The Administrator, in the event of the death of a Participant or in any other circumstance, may accelerate distribution of any Plan Award in its entirety or in a reduced amount, in cash or in

Stock, or modify any Plan Award, in each case on such basis and in such manner as the Administrator may determine in its sole discretion.

SECTION 11. RIGHTS AS A STOCKHOLDER

A Participant shall not have any rights as a stockholder with respect to any share covered by any Plan Award until such Participant shall have become the holder of record of such share.

SECTION 12. TERM, AMENDMENT, MODIFICATION AND TERMINATION OF THE PLAN AND AGREEMENTS

(a) Term. Unless terminated earlier pursuant to subsection (b), the Plan shall terminate on the tenth (10th) anniversary of the effective date of the Plan.

(b) Amendment, Modification and Termination of Plan. The Board may, at any time, amend or modify the Plan or any outstanding Plan Award, including without limitation, to authorize the Administrator to make Plan Awards payable in other securities or other forms of property of a kind to be determined by the Administrator, and such other amendments as may be necessary or desirable to implement such Plan Awards, and may terminate the Plan or any provision thereof; provided, however, that no amendment shall be made without the approval of the stockholders of the Company if such approval would be required by the Code. Subject to the provisions of subsection (c), the Administrator may, at any time and from time to time, amend or modify any outstanding Plan Award to the extent not inconsistent with the terms of the Plan.

(c) Limitation. Subject to the provisions of subsection (e), no amendment to or termination of the Plan or any provision hereof, and no amendment or cancellation of any outstanding Plan Award, by the Board, the Administrator or the stockholders of the Company, shall, without the written consent of the affected Participant, adversely affect any outstanding Plan Award.

(d) Survival. The Administrator's authority to act with respect to any outstanding Plan Award and the Board's authority to amend the Plan shall survive termination of the Plan.

(e) Amendment for Changes in Law. Notwithstanding the foregoing provisions, the Board and Administrator shall have the authority to amend outstanding Plan Awards and the Plan to take into account changes in law and tax and accounting rules as well as other developments, and to grant Plan Awards that qualify for beneficial treatment under such rules, without stockholder approval (unless otherwise required by law or the applicable rules of any securities exchange on which the Stock is then traded) and without Participant consent.

SECTION 13. INDEMNIFICATION AND EXCULPATION

(a) Indemnification. Each person who is or shall have been a member of the Board and the Administrator shall be indemnified and held harmless by the Company against and from any and all loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be or become a party or in which

such person may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof (with the Company's written approval) or paid by such person in satisfaction of a judgment in any such action, suit or proceeding, except a judgment in favor of the Company based upon a finding of such person's lack of good faith; subject, however, to the condition that, upon the institution of any claim, action, suit or proceeding against such person, such person shall in writing give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's behalf. The foregoing right of indemnification shall not be exclusive of any other right to which such person may be entitled as a matter of law or otherwise, or any power that the Company may have to indemnify or hold such person harmless.

(b) Exculpation. Each member of the Board and the Administrator, and each officer and employee of the Company, shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan by any appropriate person or persons other than such person. In no event shall any person who is or shall have been a member of the Board, or the Administrator, or an officer or employee of the Company, be held liable for any determination made or other action taken or any omission to act in reliance upon any such information, or for any action (including the furnishing of information) taken or any failure to act, if in good faith.

SECTION 14. EXPENSES OF PLAN

The entire expense of offering and administering the Plan shall be borne by the Company and its participating Subsidiaries; provided, that the costs and expenses associated with the redemption or exercise of any Plan Award, including but not limited to commissions charged by any agent of the Company, may be charged to the Participants.

SECTION 15. FINALITY OF DETERMINATIONS

Each determination, interpretation, or other action made or taken pursuant to the provisions of the Plan by the Board or the Administrator shall be final and shall be binding and conclusive for all purposes and upon all persons, including, but without limitation thereto, the Company, its Subsidiaries, the stockholders, the Administrator, the directors, officers, and employees of the Company and its Subsidiaries, the Participants, and their respective successors in interest.

SECTION 16. NO RIGHTS TO CONTINUED EMPLOYMENT OR TO PLAN AWARD

(a) No Right to Employment. Nothing contained in this Plan, or in any booklet or document describing or referring to the Plan, shall be deemed to confer on any Participant the right to continue as an employee of the Company or any Subsidiary, whether for the duration of any performance period, restriction period, or vesting period under a Plan Award, or otherwise, or affect the right of the Company or Subsidiary to terminate the employment of any Participant for any reason.

(b) No Right to Award. No Employee or other person shall have any claim or right to be granted a Plan Award under the Plan. Receipt of an Award under the Plan shall not give a Participant or any other person any right to receive any other Plan Award under the Plan. A Participant shall have no rights in any Plan Award, except as set forth herein and in the applicable award agreement.

SECTION 17. GOVERNING LAW AND CONSTRUCTION

The Plan and all actions taken hereunder shall be governed by, and the Plan shall be construed in accordance with, the laws of the State of California without regard to principles of conflict of laws. Titles and headings to Sections are for purposes of reference only, and shall in no way limit, define or otherwise affect the meaning or interpretation of the Plan.

SECTION 18. SECURITIES AND STOCK EXCHANGE REQUIREMENTS

(a) Restrictions on Resale. Notwithstanding any other provision of the Plan, no person who acquires Stock pursuant to the Plan may, during any period of time that such person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities Exchange Commission), sell or otherwise transfer such Stock, unless such offer and sale or transfer is made (1) pursuant to an effective registration statement under the Securities Act of 1933 ("1933 Act"), which is current and includes the Stock to be sold, or (2) pursuant to an appropriate exemption from the registration requirements of the 1933 Act, such as that set forth in Rule 144 promulgated pursuant thereto.

(b) Registration, Listing and Qualification of Shares of Common Stock. Notwithstanding any other provision of the Plan, if at any time the Administrator shall determine that the registration, listing or qualification of the Stock covered by a Plan Award upon any securities exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Plan Award or the purchase or receipt of Stock in connection therewith, no Stock may be purchased, delivered or received pursuant to such Plan Award unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Administrator. Any person receiving or purchasing Stock pursuant to a Plan Award shall make such representations and agreements and furnish such information as the Administrator may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Stock under the Plan prior to the Administrator's determination that all related requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation, or requirement.

EXHIBIT 10.24

LIQUIDMETAL TECHNOLOGIES

2002 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

SECTION 1. ESTABLISHMENT

LIQUIDMETAL TECHNOLOGIES (the "Company") hereby establishes a stock option plan for non-employee directors, as described herein, which shall be known as the "LIQUIDMETAL TECHNOLOGIES 2002 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN" (the "Plan"). It is intended that only nonstatutory stock options may be granted under the Plan.

SECTION 2. PURPOSE

The purpose of the Plan is to promote the long-term growth and financial success of the Company. The Plan is intended to secure for the Company and its shareholders the benefits of the long-term incentives inherent in increased common stock ownership by members of the Board who are not employees of the Company or its Affiliates. It is intended that the Plan will induce and encourage highly experienced and qualified individuals to serve on the Board and assist the Company in promoting a greater identity of interest between the Non-employee Directors and the shareholders of the Company.

SECTION 3. DEFINITIONS

The following terms shall have the respective meanings set forth below, unless the context otherwise requires:

(a) "Affiliate" shall mean any corporation, partnership, joint venture, or other entity in which the Company holds an equity, profit, or voting interest of more than fifty percent (50%).

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(e) "Fair Market Value per Share" shall mean for any day the average of the high and low sales prices for a Share in the over-the-counter market, as reported by the Nasdaq Stock Market on the business day immediately preceding such day, or, if there were no trades of Shares on such business day, on the most recent preceding business day on which there were trades. If Shares are not listed or admitted to trading on the Nasdaq Stock Market when the determination of fair market value is to be made, Fair Market Value per Share shall be the mean between the highest and lowest reported sales prices of Shares on that date on the principal exchange on which the Shares are then listed. If the Shares are not listed on any national

exchange, Fair Market Value per Share shall be the amount determined in good faith by the Board to be the fair market value of a Share at the relevant time.

(f) "Non-employee Director" shall mean a member of the Board who is not an employee or consultant of the Company or any Affiliate.

(g) "Shares" shall mean shares of common stock of the Company, no par value per share, and such other securities or property as may become subject to Options pursuant to an adjustment made under Section 11 of the Plan.

SECTION 4. EFFECTIVE DATE OF THE PLAN

The effective date of the Plan is April 4, 2002, subject to the approval and ratification of the Plan by the shareholders of the Company, and any and all awards made under the Plan prior to such approval shall be subject to such approval.

SECTION 5. SHARES AVAILABLE FOR OPTIONS

Subject to adjustment in accordance with the provisions of Section 11, the number of Shares which may be issued pursuant to the Plan shall not exceed one million (1,000,000). Such Shares may be authorized and unissued Shares or treasury shares. If, after the effective date of the Plan, any Options terminate, expire or are canceled prior to the delivery of all of the Shares issuable thereunder, then the number of Shares counted against the number of Shares available under the Plan in connection with the grant of such Option, to the extent of any such termination, expiration or cancellation, shall again be available for the granting of additional Options under the Plan. If the exercise price of any Option granted under the Plan is satisfied by tendering Shares (by either actual delivery or by attestation), only the number of Shares issued net of the Shares tendered shall be deemed delivered for purposes of determining the maximum number of Shares available for delivery under the Plan.

SECTION 6. PLAN OPERATION

(a) Formula Plan. The Plan is intended to meet the "formula" plan requirements of Rule 16b-3 (or any successor provision thereto), as interpreted, adopted under the Exchange Act and accordingly is intended to be self-governing.

(b) Administration. The Plan shall be administered by the Board. The Board may, by resolution, delegate part or all of its administrative powers with respect to the Plan. The Board shall have all of the powers vested in it by the terms of the Plan, such powers to include the authority, within the limits prescribed herein, to establish the form of the agreement embodying grants of Options made under the Plan. The Board shall, subject to the provisions of the Plan, have the power to construe the Plan, to determine all questions arising thereunder and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable, such administrative decisions of the Board to be final and conclusive. Except to the extent prohibited by applicable law, the Board may authorize any one or more of their number or the Secretary or any other officer of the Company to execute and deliver documents on behalf of the Board.

SECTION 7. NONSTATUTORY STOCK OPTION AWARDS TO NON-EMPLOYEE DIRECTORS

(a) Eligibility. Non-employee Directors shall automatically be granted Options under the Plan in the manner set forth in this Section 7 for no cash consideration. A Non-employee Director may hold more than one Option under the Plan in his or her capacity as a Non-employee Director of the Company, but only on the terms and subject to the conditions set forth herein. All Options granted to Non-employee Directors pursuant to the Plan shall be nonstatutory stock options which do not qualify for special tax treatment under Code Sections 421 or 422.

(b) Grant.

(i) Initial Grant. On the first business day on which a Non-employee Director is first elected or appointed as a Non-employee Director during the existence of the Plan, each newly elected or appointed Non-employee Director shall be granted an Option to purchase fifty thousand (50,000) Shares under the Plan (the "Initial Option"). A Non-employee Director will not be granted an Initial Option if he or she was first elected or appointed to the Board prior to the effective date of the Plan, and a Non-employee Director will not be granted an Initial Option if he or she is identified by Board resolution to the designated successor of a director who was first elected or appointed to the Board prior to the effective date of this Plan.

(ii) Annual Grant. On the first business day of January of each calendar year beginning in January, 2003, each Non-employee Director at such time shall be granted an Option to purchase ten thousand (10,000) Shares under the Plan (the "Annual Option," the Initial Option and the Annual Option being collectively referred to herein as an "Option").

(iii) General. The price per Share of the Company's common stock which may be purchased upon exercise of an Option shall be one hundred percent (100%) of the Fair Market Value per Share on the date the Option is granted. Such exercise price shall be subject to adjustment as provided in Section 11 hereof. The term of each Option granted to a Non-employee Director shall be for ten (10) years from the date of grant, unless terminated earlier pursuant to the provisions of Section 9 hereof.

(c) Option Agreement. Each Option granted under the Plan shall be evidenced by a written agreement in such form as the Board shall from time to time adopt. Each agreement shall be subject to, and incorporate, by reference or otherwise, the applicable terms of the Plan.

(d) Option Period. No Option shall be granted under the Plan after the tenth anniversary of the effective date of the Plan. However, the term of any Option theretofore granted may extend beyond such date. Options shall automatically be granted to Non-employee Directors under the Plan only for so long as the Plan remains in effect and a sufficient number of Shares are available hereunder for the granting of such Options.

(e) Vesting. Except as otherwise provided in Section 9 hereof, an Option is not vested and cannot be exercised prior to the first anniversary of the date of grant, and thereafter shall vest and may only be exercised with respect to twenty percent (20%) of the Option Shares on and after the first anniversary of the date of grant, with respect to forty percent (40%) of the Option Shares on a cumulative basis on and after the second anniversary of the date of grant, with respect to sixty percent (60%) of the Option Shares on a cumulative basis on and after the third anniversary of the date of grant, with respect to eighty percent (80%) of the Option Shares on a cumulative basis on and after the fourth anniversary of the date of grant, and in full on and after the fifth anniversary of the date of grant.

SECTION 8. EXERCISE OF OPTION

An Option may be exercised, subject to limitations on its exercise and the provisions of Section 9, from time to time, only by (i) providing written notice of intent to exercise the Option with respect to a specified number of Shares; and (ii) payment in full to the Company of the exercise price at the time the Option is exercised (except that, in the case of an exercise under paragraph (iii) below, payment may be made as soon as practicable after the exercise). Payment of the exercise price may be made:

(i) in cash or by certified check,

(ii) by delivery to the Company of Shares which shall have been owned for at least six (6) months and have a Fair Market Value per Share on the date of surrender equal to the exercise price, or

(iii) by delivery (including by fax) to the Company or its designated agent of a properly executed exercise notice together with irrevocable instructions to a broker to sell or margin a sufficient portion of the Option Shares and promptly deliver to the Company the sale or margin loan proceeds required to pay the exercise price.

SECTION 9. EFFECT OF TERMINATION OF MEMBERSHIP ON THE BOARD

The right to exercise an Option granted to a Non-employee Director shall be limited as follows, provided the actual date of exercise is in no event after the expiration of the term of the Option:

(a) Involuntary Resignation. If a Non-employee Director ceases being a director of the Company for any reason other than the reason identified in subparagraph (b) of this Section 9, the Non-employee Director may exercise the Options, to the extent they were vested and exercisable at the time of termination, for a period of twelve (12) months after such termination, subject to the condition that no Option shall be exercisable after the expiration of the term of the Option; and

(b) Voluntary Resignation. If a Non-employee Director ceases being a director of the Company due to the director's voluntary decision to resign or voluntary decision not to stand for reelection to the Board, in either case prior to reaching age 70, the Non-employee Director may exercise the Options, to the extent they were vested and exercisable at the time of

termination, for a period of three (3) months after such termination of service, but in no event beyond the expiration of the term of the Options.

SECTION 10. TRANSFERABILITY OF OPTIONS

The Options and rights under the Options are not assignable, alienable, saleable or transferable by a Non-employee Director otherwise than by will or by the laws of descent and distribution, and may be exercised during the lifetime of the Non-employee Director only by such individual or, if permissible under applicable law, by such individual's guardian or legal representative, except that a Non-employee Director may, to the extent allowed by the Board and in a manner specified by the Board, (a) designate in writing a beneficiary to exercise the Option after the Non-employee Director's death; and (b) transfer any Option.

SECTION 11. CAPITAL ADJUSTMENT PROVISIONS

In the event that the Board shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event (individually referred to as "Event" and collectively referred to as "Events") affects the Shares such that an adjustment is determined by the Board to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Board may, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares subject to the Plan and which thereafter may be made the subject of Options under the Plan; (ii) the number and type of Shares subject to outstanding Options; and (iii) the exercise price with respect to any Option (collectively referred to as "Adjustments"); provided, however, that Options subject to grant or previously granted to Non-employee Directors under the Plan at the time of any such Event shall be subject to only such Adjustments as shall be necessary to maintain the proportionate interest of the Non-employee Directors and preserve, without exceeding, the value of such Options.

SECTION 12. AMENDMENT AND TERMINATION OF THE PLAN

The Plan shall terminate on April 4, 2012, unless sooner terminated as herein provided. The Board may at any time amend, alter, suspend, discontinue or terminate the Plan. Termination of the Plan shall not affect the rights of Non-employee Directors with respect to Options previously granted to them, and all unexpired Options shall continue in force and effect after termination of the Plan, except as they may lapse or be terminated by their own terms and conditions. Any amendment to the Plan shall become effective when adopted by the Board, unless specified otherwise. Rights and obligations under any Option granted before any amendment of this Plan shall not be materially and adversely affected by amendment of the Plan, except with the consent of the person who holds the Option, which consent may be obtained in any manner that the Board deems appropriate.

SECTION 13. GENERAL PROVISIONS

(a) Other Compensation. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements for Non-employee Directors, and such arrangements may be either generally applicable or applicable only in specific cases.

(b) Rights of Directors. The grant of an Option to a Non-employee Director pursuant to the Plan shall confer no right on such Non-employee Director to continue as a director of the Company. Except for rights accorded under the Plan, Non-employee Directors shall have no rights as shareholders with respect to Shares covered by any Option until the date of issuance of the stock certificates to the Non-employee Director and only after such Shares are fully paid. No adjustment will be made for dividends or other rights for which the record date is prior to the date such stock is issued.

(c) Securities Laws. Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any Shares under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(d) Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the internal laws of the State of California and applicable federal law.

(e) Miscellaneous. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision hereof.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR THE SECURITIES OR BLUE SKY LAWS OF CALIFORNIA OR ANY OTHER STATE AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE NOTE UNDER THE SECURITIES ACT OF 1933, AND OTHER APPLICABLE SECURITIES OR BLUE SKY LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO LIQUIDMETAL TECHNOLOGIES THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND APPLICABLE STATUTES.

SUBORDINATED PROMISSORY NOTE

$2,000,000.00 Lake Forest, California
March 12, 2002

FOR VALUE RECEIVED, LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Maker"), promises to pay to the order of JOHN KANG or his successors or assigns (the "Holder") at 100 North Tampa St., Suite 3150, Tampa, Florida 33602, or at such other place as the Holder may designate in writing from time to time, in lawful money of the United States of America, the principal sum of TWO MILLION DOLLARS ($2,000,000.00), together with interest thereon as set forth below.

1. Payment.

a. Interest on the unpaid principal balance under this Note shall accrue at the rate of eight percent (8.0%) per annum beginning on the date hereof. No interest shall be due and payable under this Note until the maturity date hereof. If the interest rate hereunder is determined by a court of competent jurisdiction to be usurious or otherwise in violation of California law, the interest rate under this Note shall equal the maximum interest rate allowable by California law. In all cases, interest shall accrue during the actual number of days elapsed and shall be computed on the basis of a 360-day year. The entire principal balance and all accrued but unpaid interest under this Note shall be due and payable on the earliest of (i) May 1, 2003, and (ii) the date on which the Maker receives the proceeds from Maker's initial underwritten public offering of its common stock.

b. The Maker shall be liable for all fees and expenses arising from the interpretation or enforcement of this Note, or from the collection of amounts due hereunder, including but not limited to reasonable legal fees and expenses (collectively, the "Additional Amounts").

2. Subordination. THE RIGHTS OF THE HOLDER OF THIS NOTE TO RECEIVE PAYMENT OF ANY PRINCIPAL HEREOF OR INTEREST HEREON IS SUBJECT AND SUBORDINATE TO THE PRIOR PAYMENT OF THE PRINCIPAL OF AND INTEREST ON ALL OTHER INDEBTEDNESS OF THE MAKER, WHETHER NOW OUTSTANDING OR SUBSEQUENTLY INCURRED, WHETHER SECURED OR UNSECURED, AND ANY DEFERRALS, RENEWALS OR EXTENSIONS OF SUCH INDEBTEDNESS OR ANY DEBENTURES, BONDS OR NOTES EVIDENCING SUCH INDEBTEDNESS (THE "SENIOR INDEBTEDNESS"). UPON ANY RECEIVERSHIP, INSOLVENCY, ASSIGNMENT FOR THE BENEFIT OF CREDITORS, BANKRUPTCY, REORGANIZATION, SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS AND LIABILITIES OF THE MAKER, OR IN THE EVENT THIS NOTE IS DECLARED DUE AND PAYABLE UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, THEN NO AMOUNT SHALL BE PAID BY THE MAKER WITH RESPECT TO PRINCIPAL AND INTEREST HEREON UNLESS AND UNTIL THE PRINCIPAL OF, AND INTEREST ON, ALL SENIOR INDEBTEDNESS THEN OUTSTANDING IS PAID IN FULL.

3. Prepayments. This Note and all accrued interest hereunder may be prepaid by Maker without penalty at any time at Maker's option.

4. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Note:

a. any failure by the Maker to pay principal, accrued but unpaid interest or other amounts when due under this Note, unless such failure is cured in full within ten (10) Business Days after receiving written notice informing the Maker of such failure;

b. any material breach, violation or default (including but not limited to technical and non-monetary defaults) by the Maker with respect to any of its other covenants, obligations or duties under this Note, unless such breach, violation or default is cured in full within sixty (60) Business Days after receiving written notice informing the Maker of such breach, violation or default;

c. the filing against the Maker of any bankruptcy petition that is not dismissed within ninety (90) days after filing or the filing by or on behalf of the Maker of any bankruptcy petition;

d. the appointment of receiver, custodian or trustee to operate or manage the Maker or substantially all of its assets or businesses;

e. the entry of any un-appealed, non-appealable or otherwise final judgment, or series of such judgments within any twelve-month period, against the Maker in an amount, or in an aggregate amount, of $500,000 or more, unless such judgment (or each judgment in such series) is satisfied in full within thirty (30) days after entry without causing an Event of Default;

f. the dissolution or liquidation of the Maker; or

g. any merger involving, consolidation involving, sale of all or substantially all assets by, or share exchange by, the Maker, except in connection with a public offering by the Maker.

5. Rights Remedies and Waivers. The Holder shall have all rights and remedies available at law, in equity or by constitution, statute, rule, regulation or ordinance, including but not limited to rights and remedies granted in this Note with respect to any Event of Default.

Without limiting the generality of the foregoing provisions of this Section, the Holder shall have the right, upon any Event of Default, to declare the entire principal balance and accrued but unpaid interest due from the Maker to be immediately due and payable in full. The Maker shall be liable for Additional Amounts, as defined in Section 1.b. of this Note.

In no event shall a waiver of rights or remedies arise solely from the oral representations of the Holder or from any delay by it in exercising, or any past failures to exercise, rights or remedies. A waiver of rights and remedies by the Holder shall not be effective or binding unless, and then only to the extent that, such waiver appears in this Note, or the Holder signs an express written waiver of rights or remedies and causes such written waiver to be delivered to the Maker.

The Maker, to the maximum extent permitted by law, hereby waives each of the following: (a) the benefit of, and the right to assert, any statute of limitations defenses affecting the Maker's rights, duties or obligations under this Note; (b) presentation, demand, protest, notices of dishonor and protest and the benefits of homestead exemptions; and (c) all defenses and pleas with respect to any extensions of the time for payment under this Note, except as may be granted expressly by the Holder, in its sole discretion, in a written instrument signed by the Holder and delivered to the Maker.

6. Governing Law. The Holder shall be entitled to have all of its claims, causes of action, suits, demands, counterclaims and defenses under this Note interpreted and enforced in accordance with the laws of the State of California, without regard to any conflicts of law provisions or principles thereof to the contrary.

7. Modification. This Note shall not be modified unless, and then only to the extent that, a written modification is executed by the Holder and the Maker, or its respective successors and assigns.

8. Assignment. The Maker shall not assign or delegate, whether in whole or in part, any of its rights, duties or obligations under this Note, and any attempted assignment or delegation in violation of this Note shall be void.

9. Severable Provisions. All provisions in this Note are severable and each valid and enforceable provision shall remain in full force and effect, regardless of any determination that is binding upon the parties hereto and that renders other provisions of this Note invalid or unenforceable To the extent, if any, that a court of competent jurisdiction determines that certain provisions of this Note are invalid or unenforceable, the Maker and the Holder hereby authorize such court to modify such provisions, in a manner consistent with the intent of the Maker and the Holder, as such court deems reasonably necessary to make such provisions valid and enforceable.

10. Terms of Convenience. References to this Note mean this Subordinated Promissory Note, as it may be amended or replaced from time to time. Terms such as "hereof," "herein," "hereto," "hereby," "hereunder" and similar references to this Note shall be deemed to refer to this Note as a whole and not to any particular section or provision of this Note. Captions and headings are used in this Note for convenience only and shall not be construed to affect the meaning of this Note.

IN WITNESS WHEREOF, this Subordinated Promissory Note has been executed as of the first date written above.

MAKER:

LIQUIDMETAL TECHNOLOGIES

By: /s/ James Kang
James Kang,
Chairman of the Board of Directors

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR THE SECURITIES OR BLUE SKY LAWS OF CALIFORNIA OR ANY OTHER STATE AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE NOTE UNDER THE SECURITIES ACT OF 1933, AND OTHER APPLICABLE SECURITIES OR BLUE SKY LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO LIQUIDMETAL TECHNOLOGIES THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND APPLICABLE STATUTES.

SUBORDINATED PROMISSORY NOTE

$1,000,000.00 Lake Forest, California
November 16, 2001

FOR VALUE RECEIVED, LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Maker"), promises to pay to the order of TJOA THIAN SONG or his successors or assigns (the "Holder") at 301A Branksome Road, Singapore, or at such other place as the Holder may designate in writing from time to time, in lawful money of the United States of America, the principal sum of ONE MILLION DOLLARS ($1,000,000.00), together with interest thereon as set forth below.

1. Payment.

a. Interest on the unpaid principal balance under this Note shall accrue at the rate of eight percent (8.0%) per annum beginning on the date hereof. No interest shall be due and payable under this Note until the maturity date hereof. If the interest rate hereunder is determined by a court of competent jurisdiction to be usurious or otherwise in violation of California law, the interest rate under this Note shall equal the maximum interest rate allowable by California law. In all cases, interest shall accrue during the actual number of days elapsed and shall be computed on the basis of a 360-day year. The entire principal balance and all accrued but unpaid interest under this Note shall be due and payable on the earliest of (i) December 31, 2002, (ii) the date on which the Maker receives the proceeds from Maker's initial underwritten public offering of its common stock, and (iii) the closing of a significant funding transaction under which Maker receives sufficient net cash proceeds to both repay this Note and to also have sufficient working capital (as determined in Maker's sole discretion) for its operations following the repayment of the Note.

b. The Maker shall be liable for all fees and expenses arising from the interpretation or enforcement of this Note, or from the collection of amounts due hereunder, including but not limited to reasonable legal fees and expenses (collectively, the "Additional Amounts").

2. Subordination. THE RIGHTS OF THE HOLDER OF THIS NOTE TO RECEIVE PAYMENT OF ANY PRINCIPAL HEREOF OR INTEREST HEREON IS SUBJECT AND SUBORDINATE TO THE PRIOR PAYMENT OF THE PRINCIPAL OF AND INTEREST ON ALL OTHER INDEBTEDNESS OF THE MAKER, WHETHER NOW OUTSTANDING OR SUBSEQUENTLY INCURRED, WHETHER SECURED OR UNSECURED, AND ANY DEFERRALS, RENEWALS OR EXTENSIONS OF SUCH INDEBTEDNESS OR ANY DEBENTURES, BONDS OR NOTES EVIDENCING SUCH INDEBTEDNESS (THE `SENIOR INDEBTEDNESS"). UPON ANY RECEIVERSHIP, INSOLVENCY, ASSIGNMENT FOR THE BENEFIT OF CREDITORS, BANKRUPTCY, REORGANIZATION, SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS AND LIABILITIES OF THE MAKER, OR IN THE EVENT THIS NOTE IS DECLARED DUE AND PAYABLE UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, THEN NO AMOUNT SHALL BE PAID BY THE MAKER WITH RESPECT TO PRINCIPAL AND INTEREST HEREON UNLESS AND UNTIL THE PRINCIPAL OF, AND INTEREST ON, ALL SENIOR INDEBTEDNESS THEN OUTSTANDING IS PAID IN FULL.

3. Prepayments. This Note and all accrued interest hereunder may be prepaid by Maker without penalty at any time at Maker's option.

4. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Note:

a. any failure by the Maker to pay principal, accrued but unpaid interest or other amounts when due under this Note, unless such failure is cured in full within ten (10) Business Days after receiving written notice informing the Maker of such failure;

b. any material breach, violation or default (including but not limited to technical and non-monetary defaults) by the Maker with respect to any of its other covenants, obligations or duties under this Note, unless such breach, violation or default is cured in full within sixty (60) Business Days after receiving written notice informing the Maker of such breach, violation or default;

c. the filing against the Maker of any bankruptcy petition that is not dismissed within ninety (90) days after filing or the filing by or on behalf of the Maker of any bankruptcy petition;

d. the appointment of receiver, custodian or trustee to operate or manage the Maker or substantially all of its assets or businesses;

e. the entry of any un-appealed, non-appealable or otherwise final judgment, or series of such judgments within any twelve-month period, against the Maker in an amount, or in an aggregate amount, of $500,000 or more, unless such judgment (or each judgment in such series) is satisfied in full within thirty (30) days after entry without causing an Event of Default;

f. the dissolution or liquidation of the Maker; or

g. any merger involving, consolidation involving, sale of all or substantially all assets by, or share exchange by, the Maker, except in connection with a public offering by the Maker.

5. Rights Remedies and Waivers. The Holder shall have all rights and remedies available at law, in equity or by constitution, statute, rule, regulation or ordinance, including but not limited to rights and remedies granted in this Note with respect to any Event of Default.

Without limiting the generality of the foregoing provisions of this Section, the Holder shall have the right, upon any Event of Default, to declare the entire principal balance and accrued but unpaid interest due from the Maker to be immediately due and payable in full. The Maker shall be liable for Additional Amounts, as defined in Section 1.b. of this Note.

In no event shall a waiver of rights or remedies arise solely from the oral representations of the Holder or from any delay by it in exercising, or any past failures to exercise, rights or remedies. A waiver of rights and remedies by the Holder shall not be effective or binding unless, and then only to the extent that, such waiver appears in this Note, or the Holder signs an express written waiver of rights or remedies and causes such written waiver to be delivered to the Maker.

The Maker, to the maximum extent permitted by law, hereby waives each of the following: (a) the benefit of, and the right to assert, any statute of limitations defenses affecting the Maker's rights, duties or obligations under this Note; (b) presentation, demand, protest, notices of dishonor and protest and the benefits of homestead exemptions; and (c) all defenses and pleas with respect to any extensions of the time for payment under this Note, except as may be granted expressly by the Holder, in its sole discretion, in a written instrument signed by the Holder and delivered to the Maker.

6. Governing Law. The Holder shall be entitled to have all of its claims, causes of action, suits, demands, counterclaims and defenses under this Note interpreted and enforced in accordance with the laws of the State of California, without regard to any conflicts of law provisions or principles thereof to the contrary.

7. Modification. This Note shall not be modified unless, and then only to the extent that, a written modification is executed by the Holder and the Maker, or its respective successors and assigns.

8. Assignment. The Maker shall not assign or delegate, whether in whole or in part, any of its rights, duties or obligations under this Note, and any attempted assignment or delegation in violation of this Note shall be void.

9. Severable Provisions. All provisions in this Note are severable and each valid and enforceable provision shall remain in full force and effect, regardless of any determination that is binding upon the parties hereto and that renders other provisions of this Note invalid or unenforceable To the extent, if any, that a court of competent jurisdiction determines that certain provisions of this Note are invalid or unenforceable, the Maker and the Holder hereby authorize such court to modify such provisions, in a manner consistent with the intent of the Maker and the Holder, as such court deems reasonably necessary to make such provisions valid and enforceable.

10. Terms of Convenience. References to this Note mean this Subordinated Promissory Note, as it may be amended or replaced from time to time. Terms such as "hereof," "herein," "hereto," "hereby," "hereunder" and similar references to this Note shall be deemed to refer to this Note as a whole and not to any particular section or provision of this Note. Captions and headings are used in this Note for convenience only and shall not be construed to affect the meaning of this Note.

IN WITNESS WHEREOF, this Subordinated Promissory Note has been executed as of the first date written above.

MAKER:

LIQUIDMETAL TECHNOLOGIES

By: /s/ James Kang
James Kang,
Chairman of the Board

EXHIBIT 10.27

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR THE SECURITIES OR BLUE SKY LAWS OF CALIFORNIA OR ANY OTHER STATE AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE NOTE UNDER THE SECURITIES ACT OF 1933, AND OTHER APPLICABLE SECURITIES OR BLUE SKY LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO LIQUIDMETAL TECHNOLOGIES THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND APPLICABLE STATUTES.

SUBORDINATED PROMISSORY NOTE

US $750,000.00 Lake Forest, California
April 3, 2002

FOR VALUE RECEIVED, LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Maker"), promises to pay to the order of JOHN KANG or his successors or assigns (the "Holder") at 100 North Tampa St., Suite 3150, Tampa, Florida 33602, or at such other place as the Holder may designate in writing from time to time, in lawful money of the United States of America, the principal sum of SEVEN HUNDRED FIFTY THOUSAND DOLLARS ($750,000.00), together with interest thereon as set forth below.

1. Payment.

a. Interest on the unpaid principal balance under this Note shall accrue at the rate of eight percent (8.0%) per annum beginning on the date hereof. No interest shall be due and payable under this Note until the maturity date hereof. If the interest rate hereunder is determined by a court of competent jurisdiction to be usurious or otherwise in violation of California law, the interest rate under this Note shall equal the maximum interest rate allowable by California law. In all cases, interest shall accrue during the actual number of days elapsed and shall be computed on the basis of a 360-day year. The entire principal balance and all accrued but unpaid interest under this Note shall be due and payable on the earliest of (i) July 1, 2003, and (ii) the date on which the Maker receives the proceeds from Maker's initial underwritten public offering of its common stock.

b. The Maker shall be liable for all fees and expenses arising from the interpretation or enforcement of this Note, or from the collection of amounts due hereunder, including but not limited to reasonable legal fees and expenses (collectively, the "Additional Amounts").

2. Subordination. THE RIGHTS OF THE HOLDER OF THIS NOTE TO RECEIVE PAYMENT OF ANY PRINCIPAL HEREOF OR INTEREST HEREON IS SUBJECT AND SUBORDINATE TO THE PRIOR PAYMENT OF THE PRINCIPAL OF AND INTEREST ON ALL OTHER INDEBTEDNESS OF THE MAKER, WHETHER NOW OUTSTANDING OR SUBSEQUENTLY INCURRED, WHETHER SECURED OR UNSECURED, AND ANY DEFERRALS, RENEWALS OR EXTENSIONS OF SUCH INDEBTEDNESS OR ANY DEBENTURES, BONDS OR NOTES EVIDENCING SUCH INDEBTEDNESS (THE "SENIOR INDEBTEDNESS"). UPON ANY RECEIVERSHIP, INSOLVENCY, ASSIGNMENT FOR THE BENEFIT OF CREDITORS, BANKRUPTCY, REORGANIZATION, SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS AND LIABILITIES OF THE MAKER, OR IN THE EVENT THIS NOTE IS DECLARED DUE AND PAYABLE UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, THEN NO AMOUNT SHALL BE PAID BY THE MAKER WITH RESPECT TO PRINCIPAL AND INTEREST HEREON UNLESS AND UNTIL THE PRINCIPAL OF, AND INTEREST ON, ALL SENIOR INDEBTEDNESS THEN OUTSTANDING IS PAID IN FULL.

3. Prepayments. This Note and all accrued interest hereunder may be prepaid by Maker without penalty at any time at Maker's option.

4. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Note:

a. any failure by the Maker to pay principal, accrued but unpaid interest or other amounts when due under this Note, unless such failure is cured in full within ten (10) Business Days after receiving written notice informing the Maker of such failure;

b. any material breach, violation or default (including but not limited to technical and non-monetary defaults) by the Maker with respect to any of its other covenants, obligations or duties under this Note, unless such breach, violation or default is cured in full within sixty (60) Business Days after receiving written notice informing the Maker of such breach, violation or default;

c. the filing against the Maker of any bankruptcy petition that is not dismissed within ninety (90) days after filing or the filing by or on behalf of the Maker of any bankruptcy petition;

d. the appointment of receiver, custodian or trustee to operate or manage the Maker or substantially all of its assets or businesses;

e. the entry of any un-appealed, non-appealable or otherwise final judgment, or series of such judgments within any twelve-month period, against the Maker in an amount, or in an aggregate amount, of $500,000 or more, unless such judgment (or each judgment in such series) is satisfied in full within thirty (30) days after entry without causing an Event of Default;

f. the dissolution or liquidation of the Maker; or

g. any merger involving, consolidation involving, sale of all or substantially all assets by, or share exchange by, the Maker, except in connection with a public offering by the Maker.

5. Rights Remedies and Waivers. The Holder shall have all rights and remedies available at law, in equity or by constitution, statute, rule, regulation or ordinance, including but not limited to rights and remedies granted in this Note with respect to any Event of Default.

Without limiting the generality of the foregoing provisions of this Section, the Holder shall have the right, upon any Event of Default, to declare the entire principal balance and accrued but unpaid interest due from the Maker to be immediately due and payable in full. The Maker shall be liable for Additional Amounts, as defined in Section 1.b. of this Note.

In no event shall a waiver of rights or remedies arise solely from the oral representations of the Holder or from any delay by it in exercising, or any past failures to exercise, rights or remedies. A waiver of rights and remedies by the Holder shall not be effective or binding unless, and then only to the extent that, such waiver appears in this Note, or the Holder signs an express written waiver of rights or remedies and causes such written waiver to be delivered to the Maker.

The Maker, to the maximum extent permitted by law, hereby waives each of the following: (a) the benefit of, and the right to assert, any statute of limitations defenses affecting the Maker's rights, duties or obligations under this Note; (b) presentation, demand, protest, notices of dishonor and protest and the benefits of homestead exemptions; and (c) all defenses and pleas with respect to any extensions of the time for payment under this Note, except as may be granted expressly by the Holder, in its sole discretion, in a written instrument signed by the Holder and delivered to the Maker.

6. Governing Law. The Holder shall be entitled to have all of its claims, causes of action, suits, demands, counterclaims and defenses under this Note interpreted and enforced in accordance with the laws of the State of California, without regard to any conflicts of law provisions or principles thereof to the contrary.

7. Modification. This Note shall not be modified unless, and then only to the extent that, a written modification is executed by the Holder and the Maker, or its respective successors and assigns.

8. Assignment. The Maker shall not assign or delegate, whether in whole or in part, any of its rights, duties or obligations under this Note, and any attempted assignment or delegation in violation of this Note shall be void.

9. Severable Provisions. All provisions in this Note are severable and each valid and enforceable provision shall remain in full force and effect, regardless of any determination that is

binding upon the parties hereto and that renders other provisions of this Note invalid or unenforceable To the extent, if any, that a court of competent jurisdiction determines that certain provisions of this Note are invalid or unenforceable, the Maker and the Holder hereby authorize such court to modify such provisions, in a manner consistent with the intent of the Maker and the Holder, as such court deems reasonably necessary to make such provisions valid and enforceable.

10. Terms of Convenience. References to this Note mean this Subordinated Promissory Note, as it may be amended or replaced from time to time. Terms such as "hereof," "herein," "hereto," "hereby," "hereunder" and similar references to this Note shall be deemed to refer to this Note as a whole and not to any particular section or provision of this Note. Captions and headings are used in this Note for convenience only and shall not be construed to affect the meaning of this Note.

IN WITNESS WHEREOF, this Subordinated Promissory Note has been executed as of the first date written above.

MAKER:

LIQUIDMETAL TECHNOLOGIES

By: /s/ James Kang

James Kang,
Chairman of the Board of Directors

EXHIBIT 10.28

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR THE SECURITIES OR BLUE SKY LAWS OF CALIFORNIA OR ANY OTHER STATE AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE NOTE UNDER THE SECURITIES ACT OF 1933, AND OTHER APPLICABLE SECURITIES OR BLUE SKY LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO LIQUIDMETAL TECHNOLOGIES THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND APPLICABLE STATUTES.

SUBORDINATED PROMISSORY NOTE

US $750,000.00 Lake Forest, California
April 3, 2002

FOR VALUE RECEIVED, LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Maker"), promises to pay to the order of TJOA THIAN SONG or his successors or assigns (the "Holder") at 301A Branksome Road, Singapore, or at such other place as the Holder may designate in writing from time to time, in lawful money of the United States of America, the principal sum of SEVEN HUNDRED FIFTY THOUSAND DOLLARS (U.S. $750,000.00), together with interest thereon as set forth below.

1. Payment.

a. Interest on the unpaid principal balance under this Note shall accrue at the rate of eight percent (8.0%) per annum beginning on the date hereof. No interest shall be due and payable under this Note until the maturity date hereof. If the interest rate hereunder is determined by a court of competent jurisdiction to be usurious or otherwise in violation of California law, the interest rate under this Note shall equal the maximum interest rate allowable by California law. In all cases, interest shall accrue during the actual number of days elapsed and shall be computed on the basis of a 360-day year. The entire principal balance and all accrued but unpaid interest under this Note shall be due and payable on the earliest of (i) July 1, 2003, and (ii) the date on which the Maker receives the proceeds from Maker's initial underwritten public offering of its common stock.

b. The Maker shall be liable for all fees and expenses arising from the interpretation or enforcement of this Note, or from the collection of amounts due hereunder, including but not limited to reasonable legal fees and expenses (collectively, the "Additional Amounts").

2. Subordination. THE RIGHTS OF THE HOLDER OF THIS NOTE TO RECEIVE PAYMENT OF ANY PRINCIPAL HEREOF OR INTEREST HEREON IS SUBJECT AND SUBORDINATE TO THE PRIOR PAYMENT OF THE PRINCIPAL OF AND INTEREST ON ALL OTHER INDEBTEDNESS OF THE MAKER, WHETHER NOW OUTSTANDING OR SUBSEQUENTLY INCURRED, WHETHER SECURED OR UNSECURED, AND ANY DEFERRALS, RENEWALS OR EXTENSIONS OF SUCH INDEBTEDNESS OR ANY DEBENTURES, BONDS OR NOTES EVIDENCING SUCH INDEBTEDNESS (THE `SENIOR INDEBTEDNESS"). UPON ANY RECEIVERSHIP, INSOLVENCY, ASSIGNMENT FOR THE BENEFIT OF CREDITORS, BANKRUPTCY, REORGANIZATION, SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS AND LIABILITIES OF THE MAKER, OR IN THE EVENT THIS NOTE IS DECLARED DUE AND PAYABLE UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, THEN NO AMOUNT SHALL BE PAID BY THE MAKER WITH RESPECT TO PRINCIPAL AND INTEREST HEREON UNLESS AND UNTIL THE PRINCIPAL OF, AND INTEREST ON, ALL SENIOR INDEBTEDNESS THEN OUTSTANDING IS PAID IN FULL.

3. Prepayments. This Note and all accrued interest hereunder may be prepaid by Maker without penalty at any time at Maker's option.

4. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Note:

a. any failure by the Maker to pay principal, accrued but unpaid interest or other amounts when due under this Note, unless such failure is cured in full within ten (10) Business Days after receiving written notice informing the Maker of such failure;

b. any material breach, violation or default (including but not limited to technical and non-monetary defaults) by the Maker with respect to any of its other covenants, obligations or duties under this Note, unless such breach, violation or default is cured in full within sixty (60) Business Days after receiving written notice informing the Maker of such breach, violation or default;

c. the filing against the Maker of any bankruptcy petition that is not dismissed within ninety (90) days after filing or the filing by or on behalf of the Maker of any bankruptcy petition;

d. the appointment of receiver, custodian or trustee to operate or manage the Maker or substantially all of its assets or businesses;

e. the entry of any un-appealed, non-appealable or otherwise final judgment, or series of such judgments within any twelve-month period, against the Maker in an amount, or in an aggregate amount, of $500,000 or more, unless such judgment (or each judgment in such series) is satisfied in full within thirty (30) days after entry without causing an Event of Default;

f. the dissolution or liquidation of the Maker; or

g. any merger involving, consolidation involving, sale of all or substantially all assets by, or share exchange by, the Maker, except in connection with a public offering by the Maker.

5. Rights Remedies and Waivers. The Holder shall have all rights and remedies available at law, in equity or by constitution, statute, rule, regulation or ordinance, including but not limited to rights and remedies granted in this Note with respect to any Event of Default.

Without limiting the generality of the foregoing provisions of this Section, the Holder shall have the right, upon any Event of Default, to declare the entire principal balance and accrued but unpaid interest due from the Maker to be immediately due and payable in full. The Maker shall be liable for Additional Amounts, as defined in Section 1.b. of this Note.

In no event shall a waiver of rights or remedies arise solely from the oral representations of the Holder or from any delay by it in exercising, or any past failures to exercise, rights or remedies. A waiver of rights and remedies by the Holder shall not be effective or binding unless, and then only to the extent that, such waiver appears in this Note, or the Holder signs an express written waiver of rights or remedies and causes such written waiver to be delivered to the Maker.

The Maker, to the maximum extent permitted by law, hereby waives each of the following: (a) the benefit of, and the right to assert, any statute of limitations defenses affecting the Maker's rights, duties or obligations under this Note; (b) presentation, demand, protest, notices of dishonor and protest and the benefits of homestead exemptions; and (c) all defenses and pleas with respect to any extensions of the time for payment under this Note, except as may be granted expressly by the Holder, in its sole discretion, in a written instrument signed by the Holder and delivered to the Maker.

6. Governing Law. The Holder shall be entitled to have all of its claims, causes of action, suits, demands, counterclaims and defenses under this Note interpreted and enforced in accordance with the laws of the State of California, without regard to any conflicts of law provisions or principles thereof to the contrary.

7. Modification. This Note shall not be modified unless, and then only to the extent that, a written modification is executed by the Holder and the Maker, or its respective successors and assigns.

8. Assignment. The Maker shall not assign or delegate, whether in whole or in part, any of its rights, duties or obligations under this Note, and any attempted assignment or delegation in violation of this Note shall be void.

9. Severable Provisions. All provisions in this Note are severable and each valid and enforceable provision shall remain in full force and effect, regardless of any determination that is

binding upon the parties hereto and that renders other provisions of this Note invalid or unenforceable To the extent, if any, that a court of competent jurisdiction determines that certain provisions of this Note are invalid or unenforceable, the Maker and the Holder hereby authorize such court to modify such provisions, in a manner consistent with the intent of the Maker and the Holder, as such court deems reasonably necessary to make such provisions valid and enforceable.

10. Terms of Convenience. References to this Note mean this Subordinated Promissory Note, as it may be amended or replaced from time to time. Terms such as "hereof," "herein," "hereto," "hereby," "hereunder" and similar references to this Note shall be deemed to refer to this Note as a whole and not to any particular section or provision of this Note. Captions and headings are used in this Note for convenience only and shall not be construed to affect the meaning of this Note.

IN WITNESS WHEREOF, this Subordinated Promissory Note has been executed as of the first date written above.

MAKER:

LIQUIDMETAL TECHNOLOGIES

By: /s/ James Kang

James Kang,
Chairman of the Board of Directors

EXHIBIT 21

Liquidmetal Technologies has four direct and indirect subsidiaries:

(a) Liquidmetal Golf: Liquidmetal Technologies holds [80.2%] of the issued and outstanding equity securities of Liquidmetal Golf, a California corporation.

(b) Liquidmetal Golf (Europe) Limited: Liquidmetal Golf holds 97.5% of the issued and outstanding equity securities of Liquidmetal Golf (Europe) Limited, a United Kingdom limited company.

(c) Amorphous Technologies International (Asia) PTE Ltd.: Liquidmetal Technologies holds all of the issued and outstanding equity securities of Amorphous Technologies International (Asia) PTE Ltd., a Singapore corporation.

(d) Liquidmetal Korea Co., Ltd.: Liquidmetal Technologies holds 99.97% of the issued and outstanding equity securities of Liquidmetal Korea Co., Ltd., a South Korean limited company.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 2 to Registration Statement No. 333-73716 on Form S-1 of Liquidmetal Technologies of our report dated April 4, 2002, appearing in the Prospectus, which is a part of such Registration Statement, and to the reference to us under the heading "Experts" in such Prospectus.

DELOITTE & TOUCHE LLP

Tampa, Florida
April 4, 2002