As filed with the Securities and Exchange Commission on November 19, 2001

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

25800 Commercentre Dr., Suite 100
Lake Forest, California 92630
(949) 206-8000
(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.** **Curt P. Creely, 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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, no par value	$120,000,000	$30,000

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Section 6(b) and Rule 457(o) of the Securities Act of 1933.

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.

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 November 19, 2001

PROSPECTUS

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 $ and $ per share. Currently, no public market exists for the shares. After the pricing of the offering, we expect that the shares will be 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 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.

The date of this prospectus is , 2002

[INSIDE COVER GRAPHICS]

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You should rely only on the information contained in 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 since that date.

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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. We market and sell Liquidmetal alloy industrial coatings and make products made from bulk Liquidmetal alloys that can be incorporated into the finished goods of our customers.

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 most metals and alloys become organized into regular and predictable patterns, similar to the manner in which ice crystallizes when water is frozen. 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 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.

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 have significant thickness, 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 since that time, we have made significant advances in the composition and processing of our bulk amorphous alloys.

We believe that the development and commercialization of bulk amorphous alloys is 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 a final shape 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 titanium. While 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, such as internal engine components, that are subject to high temperatures, 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 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, and markets.

Initial Applications

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

- *Casings for electronic products.* We produce components for cellular phone casings and anticipate producing casings for other electronic products.
- *Industrial coatings.* We market and sell industrial coatings that reduce the wear and consequent failure of industrial machinery and equipment. We believe that our coatings represented about 80% of all U.S. oil drill pipe coating sales in 2000.
- *Medical devices.* We make precision instruments used in eye surgeries. In addition, recently completed initial tests lead us to believe that Liquidmetal alloys will be biologically compatible in orthopedic applications.
- *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 in kinetic energy penetrators, which are armor piercing ammunitions.
- *Sporting goods and leisure products.* We are developing and marketing various applications for Liquidmetal alloys in the sporting goods and leisure products industry. Additionally, we produce gold club components and are currently marketing them to finished goods manufacturers.

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 club 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 business is treated as a discontinued operation in our financial statements. Historically, our golf clubs were manufactured by a third party and marketed under the Liquidmetal Golf brand name. Going forward, we intend to manufacture components for golf clubs at our own facilities for sale to our customers that market golf clubs under their own brand name.

Other Information

We were incorporated in 1987. Our principal executive 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.liquidmetaltechnologies.com. Any information that is included on or linked to our Internet site is not a part of this prospectus.

The Offering

Shares offered by Liquidmetal Technologies	shares
Shares outstanding after the offering	shares
Use of proceeds	We estimate that our net proceeds from the offering, assuming no exercise of the underwriters' overallotment option, will be approximately $ million. We intend to use a portion of the net proceeds to repay $4.4 million in principal amount of outstanding indebtedness, plus accrued interest. We intend to use the remaining net proceeds for general corporate purposes, including capital expenditures and working capital and 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 September 30, 2001 and:

- includes 1,416,225 shares that will be issued upon the conversion of our Series A convertible preferred stock upon the closing of this offering; and
- excludes 40,000,000 shares reserved for issuance under our 1996 stock option plan, of which options to purchase 21,715,000 shares at a weighted average exercise price of $0.54 have been granted and are outstanding as of September 30, 2001.
- excludes 100,000 shares that are issuable pursuant to a non-qualified stock option agreement, not granted under our 1996 stock option plan, at an exercise price of $0.25 per share, all of which were vested as of September 30, 2001.
- excludes 2,000,000 shares that are issuable pursuant to warrants having an exercise price of $1.50 per share that were outstanding as of September 30, 2001.

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 years ended December 31, 2000, 1999, and 1998 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data as of and for the nine months ended September 30, 2001 and September 30, 2000 have been derived from our unaudited consolidated financial statements which, in the opinion of management, reflect all adjustments necessary to present fairly the information for those periods. The results of the nine-month period ended September 30, 2001 are not necessarily indicative of the results to be expected for the full year.

	Nine Months Ended September 30,		Year Ended December 31,		
	2001	2000	2000	1999	1998
	(unaudited)		(in thousands, except per share data)		
Consolidated Statements of Operation Data:					
Revenue	$ 3,008	$ 3,342	$ 4,200	$ 2,012	$ 3,143
Cost of sales	1,522	1,592	1,983	805	1,388
Gross profit	1,486	1,750	2,217	1,207	1,755
Operating expenses:					
Selling, general, and administrative	2,133	937	1,449	847	2,123
Research and development	886	315	455	333	278
Total operating expenses	3,019	1,252	1,904	1,180	2,401
Other (expense) income, net	(1,258)	(137)	(188)	(190)	452
Minority interest in losses of retail golf subsidiary	—	—	—	370	1,016
Income (loss) from continuing operations	(2,791)	361	125	207	822
Loss from operations of discontinued retail golf segment, net	(6,928)	(6,634)	(8,938)	(8,347)	(8,068)
Loss from disposal of discontinued retail golf segment, net	(18,762)	—	—	—	—
Net loss	$ (28,481)	$ (6,273)	$ (8,813)	$ (8,140)	$ (7,246)
Income (loss) per share from continuing operations (basic)	$ (0.03)	$ 0.00	$ 0.00	$ 0.00	$ 0.01
Income (loss) per share from continuing operations (diluted)	$ (0.03)	$ 0.00	$ 0.00	$ 0.00	$ 0.01
Weighted average common shares used to compute income (loss) per share from continuing operations (basic)	100,065	101,607	93,773	83,042	66,666
Weighted average common shares used to compute income (loss) per share from continuing operations (diluted)	100,065	93,096	103,182	83,042	79,516,489

	As of September 30, 2001		
	Actual	Pro forma(1)	Pro Forma As Adjusted(2)
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 1,695	$ 5,791	$
Working capital	(15,415)	(11,319)	
Total assets	4,876	8,972	
Long-term debt, net of current portion(3)	2,237	3,237	
Shareholders' deficiency	(16,193)	(13,096)	

(1) Pro forma to give effect to the sale of 791,225 shares of Series A convertible preferred stock from October 1, 2001 through November 16, 2001 and the conversion of all of our Series A convertible preferred stock into 1,416,225 shares of common stock upon the consummation of this offering. Additionally, the pro forma gives effect to the issuance of $1,000,000 of indebtedness in November 2001.

(2) Pro forma as adjusted to give effect to the sale of shares in this offering at an assumed initial public offering price of $ per share and after deducting the underwriting discount and commissions and estimated offering expenses.

(3) Includes notes payable to shareholders less current portion.

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 $10.5 million at September 30, 2001, excluding an accumulated deficit of $53.5 million in connection with our discontinued retail golf business. We realized net income of $125,000 for the year ended December 31, 2000 and incurred a net loss of $2.8 million for the nine month period ended September 30, 2001, excluding the results of our discontinued retail golf business. We may incur additional operating losses in the future. Additionally, 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 again 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 near future, we have not generated any revenue from this business to date. 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.

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

Our discontinued retail golf business has contributed approximately 61.5%, 74.7% and 44.7% of our revenues for the years ended December 31, 2000, 1999 and 1998, 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 financial statements, our historical results of operations may not be indicative of our future results. In addition, we have estimated in our 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 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 revenue or achieve profitability.

Our ability to generate revenue from our customers on a timely basis 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; and
- manufacturing facilities to be prepared for full-scale production upon the transition from prototype to final product.

We currently do not have a sufficient history of selling 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. It is possible that 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. While we expect that this transition time will decrease as we develop our internal manufacturing capacity, our inexperience in this area could cause delays that would delay revenues.

In addition, we believe that many of our customers will perform numerous tests and extensively evaluate our products before incorporating them into their products. The time required for testing, evaluating, and designing our 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 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, 2000, revenues from two customers represented approximately 32% 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 our 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. Products incorporating competing technologies may be more successful for reasons unrelated to performance or marketing efforts.

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.

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 materials that have better performance, processing, or cost characteristics than our alloys. These materials could render our alloys obsolete and unmarketable or may impair our ability to compete effectively.

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

Our 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. 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.

If we are unable to manage our anticipated growth effectively, our business could be harmed.

Our management team has worked together for a short period of time. The ability to manage our growth will depend, among other factors, on their ability to work together effectively. If we fail to manage our growth, our financial results and business prospects may be harmed. To manage our growth and to execute our business plan efficiently, we will need to add manufacturing, scientific, managerial, marketing, sales, and other personnel, both domestically and internationally, expand our research and development capabilities, and enhance our manufacturing capabilities. We also will need to institute additional operational, financial, and management controls, as well as reporting systems and procedures. We also must effectively expand, train, and manage our employee base. We cannot assure you we will be successful in any of these endeavors.

Our inability to successfully consummate and integrate strategic transactions could disrupt our operations, increase our costs, and negatively impact our earnings.

We intend to pursue strategic transactions that provide access to new technologies, products and markets. These transactions could include acquisitions, partnerships, joint ventures, business combinations, and investments. Any transaction may require us to incur non-recurring or ongoing charges and may pose significant integration challenges or management and business disruptions, any of which could increase our costs and negatively impact our earnings. In addition, we may not succeed in retaining key employees of any business that we acquire. We may not consummate these transactions on favorable terms or obtain the benefits we anticipate from a transaction.

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

We intend to sell our bulk amorphous alloy products to customers that incorporate them into their finished goods in several markets that we have identified. The extent of demand for Liquidmetal alloys as substitute products or for new applications in these markets is uncertain. We have made assumptions in our business plans regarding the market size for our products based in part on information we receive from third parties. If the information upon which we base our assumptions proves to be inaccurate, we may not achieve sufficient revenues to justify the resources that we spent to access a particular market.

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 amorphous alloy products, including products that we develop in conjunction with our customers. To date, all of our products have

been manufactured by third parties. The development and operation of our manufacturing facilities will require significant investment of capital and managerial attention. 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 otherwise be successful in our manufacturing endeavors.

We are establishing a manufacturing facility in South Korea and may 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. Although we believe that we could replace these subcontractors with other manufacturers or establish the internal capability to manufacture our industrial coatings, establishing that capability 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 a manufacturing facility located in South Korea. We expect that we will manufacture substantially all of our initial products in this facility. 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 facility located in South Korea;
- product or material transportation delays or disruption, including the availability and costs of air and other transportation between our Korean facility 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 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 Korean won. Adverse changes in the exchange rates of the 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.

Although we are not aware of any material claims that we infringe on anyone's intellectual property rights, 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. However, 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.

Our business is dependent on the availability of certain raw materials.

The constituents of Liquidmetal alloys are derived from raw materials that currently are available on commercially reasonable terms from a variety of suppliers and in quantities sufficient to satisfy our needs for the foreseeable future. However, any substantial increase in the price or interruption in the supply of these materials could have an adverse effect on our profitability.

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 creation of beryllium oxide as a by-product. Beryllium oxide has been identified as a hazardous substance and, in some cases, can cause severe reactions if inhaled. We may decide or be required 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 being imposed on us.

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. The pro forma net tangible book value of a share of our common stock purchased at an assumed initial public offering price of $ will be only $. 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 % 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 , 2001, upon completion of this offering, we will have shares of common stock outstanding, assuming no exercise of options or warrants after , 2001. % 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 persons 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 to repay existing indebtedness and for general corporate purposes, including capital expenditures and working capital. 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.

Although we believe that the net proceeds of this offering, combined with our cash balances, cash equivalents, and cash generated from operations, will be adequate to fund our operations for at least the next 12 months, these sources may prove to be inadequate. We may need additional funds in the future to support our working capital requirements or 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; and

- limit stockholders’ ability call a special meeting of our shareholders.

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.

USE OF PROCEEDS

The proceeds we receive after deducting underwriting discounts, commissions and estimated offering expenses from the sale of the common stock are estimated to be approximately $ million. If the underwriters' overallotment option is exercised in full, we estimate our net proceeds will be approximately $.

We intend to use a portion of the net proceeds of this offering to repay $3.4 million in principal amount of outstanding indebtedness as of September 30, 2001 and $1.0 million in indebtedness incurred subsequent to September 30, 2001, plus accrued interest. We intend to use the remaining net proceeds of this offering primarily for general corporate purposes, including capital expenditures and working capital. The amounts and timing of these expenditures 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. 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, or markets. 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. As a result, we will retain broad discretion in the allocation 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 September 30, 2001:

- on an actual basis;
- on a pro forma basis to reflect the sale of 791,225 shares of Series A convertible preferred stock for $3.1 million during October and November, 2001, and the conversion of all of our shares of Series A convertible preferred stock into 1,416,225 shares of common stock upon the consummation of this offering and the issuance of $1,000,000 of additional indebtedness in November 2001; and
- on a pro forma as adjusted basis to reflect the sale of shares of common stock offered through this prospectus at an assumed initial offering price of $ per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses.

The table does not include 40 million shares of common stock reserved for issuance under our stock option plan and does not include common stock reserved for issuance upon exercise of outstanding options and warrants not issued under our stock option plan.

	September 30, 2001		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited) (in thousands, except share data)	
Long-term debt, net of current portion	2,237	3,237	
Shareholders equity (deficit):			
Preferred stock, no par value: 10,000,000 shares authorized; 625,000 issued and outstanding actual; none issued and outstanding pro forma; and none issued and outstanding pro forma as adjusted	$ 2,500	—	
Common stock, no par value: 200,000,000 shares authorized; 108,431,480 shares issued and outstanding actual; 109,847,705 shares issued and outstanding pro forma; and shares issued and outstanding pro forma as adjusted	29,188	34,784	
Paid-in capital	16,007	16,007	
Accumulated deficit	(63,983)	(63,983)	
Accumulated foreign exchange translation gain	95	95	—
Total shareholders' equity (deficiency)	(16,193)	(13,097)	—
Total capitalization	$(13,956)	(9,860)	

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 $ per share (less estimated underwriting discounts and commissions and estimated expenses), our pro forma as adjusted net tangible book value as of , 2001, would have been $, or $ per share. This represents an immediate increase in the pro forma as adjusted net tangible book value of $ per share to existing shareholders and an immediate dilution of $ per share to you, as illustrated in the following table:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share at , 2001	$	
Increase per share attributable to new investors	$	
Pro forma net tangible book value per share after this offering		$
Dilution per share to new investors		$

The following table shows on a pro forma as adjusted basis at , 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)	109,847,705		$34,784		$0.32
New investors					
Totals		100%		100%	

(1) Includes 1,416,225 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 exercise of outstanding options and warrants.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the Liquidmetal Technologies' 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 as of and for the nine months ended September 30, 2001 and September 30, 2000 have been derived from our unaudited consolidated financial statements which, in the opinion of management, reflect all adjustments necessary to present fairly, in accordance with accounting principles generally accepted in the United States, the information for those periods. The results of the nine months ended September 30, 2001 are not necessarily indicative of the results to be expected for the full year. The selected consolidated financial data as of and for the years ended December 31, 1997 and 1996 have been derived from unaudited internal financial records.

	Nine Months Ended September 30,		Year Ended December 31,			Year Ended December 31,	
	2001	2000	2000	1999	1998	1997	1996
	(unaudited)		(audited) (in thousands, except per share data)			(unaudited)	
Consolidated Statements of Operation Data:							
Revenue	$ 3,008	$ 3,342	$ 4,200	$ 2,012	$ 3,143	$ 3,216	$ 2,682
Cost of sales	1,522	1,592	1,983	805	1,388	1,460	1,246
Gross profit	1,486	1,750	2,217	1,207	1,755	1,756	1,436
Operating expenses:							
Selling, general, and administrative	2,133	937	1,449	847	2,123	1,750	3,753
Research and development	886	315	455	333	278	1,057	185
Total operating expenses	3,019	1,252	1,904	1,180	2,401	2,807	3,938
Other (expense) income, net	(1,258)	(137)	(188)	(190)	452	18	—
Minority interest in losses of retail golf subsidiary	—	—	—	370	1,016	—	—
Income (loss) from continuing operations	(2,791)	361	125	(207)	(822)	(1,033)	(2,502)
Loss from operations of discontinued retail golf segment, net	(6,928)	(6,634)	(8,938)	(8,347)	(8,068)	(2,403)	—
Loss from disposal of discontinued retail golf segment, net	(18,762)	—	—	—	—	—	—
Net loss	$ (28,481)	$ (6,273)	$ (8,813)	$ (8,140)	$ (7,246)	$ (3,436)	$ (2,502)
Income (loss) per share from continuing operations (basic)	$ (0.03)	$ 0.00	$ 0.00	$ 0.00	$ 0.01	$ (0.05)	$ (0.05)
Income (loss) per share from continuing operations (diluted)	$ (0.03)	$ 0.00	$ 0.00	$ 0.00	$ 0.01	$ (0.05)	$ (0.05)
Weighted average common shares used to compute income (loss) per share from continuing operations (basic)	100,065	93,096	93,723	83,042	66,666	63,548	51,024

	Nine Months Ended September 30,		Year Ended December 31,			Year Ended December 31,	
	2001	2000	2000	1999	1998	1997	1996
	(unaudited)		(audited) (in thousands, except per share data)			(unaudited)	
Weighted average common shares used to compute income (loss) per share from continuing operations (diluted)	$100,065	$101,607	$103,182	$83,042	$79,516,489	$63,548	$51,024
Consolidated Balance Sheet Data:							
Cash and cash equivalents	1,695	232	124	314	33	312	232
Working capital	(15,415)	(4,242)	(3,967)	117	2,928	1,478	(716)
Total assets	4,876	1,964	1,945	2,043	5,557	3,552	1,639
Long-term debt, net of current portion(1)	2,237	500	500	2,006	1,146	—	—
Shareholders' equity (deficiency)	(16,193)	(3,941)	(3,680)	(1,461)	2,033	1,966	(151)

(1) Includes notes payable to shareholders less current portion.

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 the leading developer of 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 the first known 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 the processing, cost, and performance advantages of 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 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 operations. The revenues, costs and expenses, assets and liabilities, and cash flows of Liquidmetal Golf have been segregated in our Consolidated Balance Sheets, Consolidated Statements of Income, and Consolidated Statements of Cash Flows. The net operating results, net assets, and net cash flows of Liquidmetal Golf 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 nine months ended September 30, 2001 and 2000

Revenues. Revenues decreased to $3.0 million for the nine months ended September 30, 2001 from $3.3 million for the same period 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 the nine months ended September 30, 2001 primarily resulting from increased drilling activities as a result of higher crude oil prices.

Cost of Sales. Cost of sales decreased to $1.5 million, or 51% of revenue, for the nine months ended September 30, 2001 from $1.6 million, or 48% of revenue, for the same period 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 percent 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 $2.1 million, or 71% of revenue, for the nine months ended September 30, 2001 from $0.9 million, or 28% of revenue, for the same period in 2000. Increases in wages, professional fees, and travel expenses of $0.5, $0.4, and $0.1 million, respectively, were the primary sources of this increase. These expenses represented the continued additions to our corporate infrastructure required to prepare for and support the anticipated growth of our bulk amorphous alloy business.

Research and Development Expenses. Research and development expenses increased to $0.9 million, or 29% of revenue, for the nine months ended September 30, 2001 from $0.3 million, or 9% of revenue, for the same period in 2000. These expenses related to the continued research and development of new amorphous alloys and related processing capabilities. In addition, we hired additional research employees, developed new manufacturing techniques, and contracted with consultants to advance the development of our alloys.

Other (Expense) Income, Net. Other expense, net increased to $1.3 million, or 42% of revenue, for the nine months ended September 30, 2001 from $0.1 million, or 4% of revenue, for the same period in 2000. This increase was due primarily to interest expense attributable 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.

Comparison of the years ended December 31, 1999 and 1998

Revenues. Revenues decreased to $2.0 million in 1999 from $3.1 million in 1998. In 1999, revenues decreased approximately $1.1 million due to the decline in crude oil prices and the associated drop in oil drilling activities. Included in 1999 revenues was $0.2 million of royalties under a now terminated license to manufacture and sell our coatings for specific applications.

Cost of Sales. Cost of sales decreased to $0.8 million, or 40% of revenues, in 1999 from $1.4 million, or 44% of revenues, in 1998. This decrease was attributable to the decline in sales volume over the same period. The decrease in cost of sales as a percentage of revenues primarily resulted from an increase in royalties under the license agreement related to our coatings. These royalties had no cost of sales associated with them.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased to $0.8 million, or 42% of revenue, in 1999 from $2.1 million, or 68% of revenue, in 1998. Selling expenses decreased primarily as a result of a reduction in our sales force and the related salary, wages, and other costs of employment due to a decline in sales. General and administrative expenses decreased primarily as a result of one-time severance costs incurred in 1998 to a former officer. The remaining decrease resulted from reduced overhead costs associated with supporting a smaller sales force.

Research and Development Expenses. Research and development expenses were $0.3 million, or 17% of revenues, in 1999 and $0.3 million, or 9% of revenues, in 1998. These expenses related to the continued research into the development of new amorphous alloys and their processing.

Other (Expense) Income, Net. Other expense, net increased to $0.2 million, or 9% of revenue, in 1999 from other income, net of $0.5 million in 1998. This increase was attributable to interest from funds raised through debt offerings and the absence of a gain of $0.5 million realized on the sale of marketable equity securities in 1998.

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 subordinated promissory notes, resulting in net proceeds of approximately $22.6 million through September 30, 2001. We also received $3.2 million from the sale of shares of our Series A convertible preferred stock in October and November 2001. As of December 31, 2000 and September 30, 2001, we had cash and cash equivalents of $124,000 and $1.7 million, respectively.

Our operating activities, including our discontinued retail golf operations, used cash of $9.1 million for the nine months ended September 30, 2001, of which $0.6 million was used for raw material purchases and legal and accounting expenditures related to our initial public offering. Cash used in operating activities for the nine months ended September 30, 2001 resulted primarily from net losses for those periods primarily due to 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 $15.4 million and $4.0 million for the nine months ended September 30, 2001 and the year ended December 31, 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 $0.5 million for the nine months ended September 30, 2001. We used this cash primarily for the acquisition of capital assets, property, and equipment in connection with the development of our South Korean manufacturing facility and our corporate offices. 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 $11.2 million in cash for the nine months ended September 30, 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 $2.5 million from the sale of our Series A convertible preferred stock. This amount also includes $3.0 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.

At September 30, 2001, our outstanding debt was $2.7 million, net of debt discount. As of September 30, 2001, aggregate principal payments required under outstanding subordinated promissory notes totaled $3.4 million, of which $0.5 million bear interest at 7.5% and are due on March 15, 2002, and $2.9 million bear interest at 8.5% per annum and are due on December 31, 2002. The subordinated notes may be prepaid only with the consent of the noteholders.

On November 15, 2001, we borrowed $1.0 million from Tjoa Thian Song, one of our directors, and issued to Mr. Tjoa a subordinated, unsecured promissory note in the principal amount of $1.0 million.

This note bears interest, payable at maturity, of 8.0% per annum. The note becomes due on December 31, 2002, or, if earlier, upon the closing of an initial public offering or significant funding transaction.

We currently anticipate significant capital expenditures for at least the next 12 months, primarily for the development and build-out of our manufacturing facilities. We anticipate using a portion of the proceeds from this offering to finance our capital expenditures. However, the amount of these expenditures is dependent on our entering into agreements for the purchase of our bulk amorphous alloy products by new customers. As we are unsure when we will enter these agreements, if at all, we are not able to accurately estimate our capital expenditures at this time.

Our capital requirements 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. We expect to devote substantial capital resources to expand our sales and marketing capabilities, to expand our research and development activities, to establish our 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 our currently foreseeable 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.

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 do 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 Korean Won. Consequently, fluctuations in the exchange rates of the 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 (“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. 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 July 2001, the FASB issued SFAS No. 141, *Business Combinations and Statement of Financial Standards* and SFAS No. 142, *Goodwill and Other Intangible Assets.* SFAS No. 141 requires that all business combinations be accounted for under the purchase method only 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 be replaced with periodic tests of the goodwill's impairment and that intangible assets 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 143, *Accounting for Asset Retirement Obligations.* SFAS 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.

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. 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. 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 developing our own manufacturing facilities for the production of our products.

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 the first known 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 as compared to other alloys and metals in a variety of applications.

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 viability 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 mixture 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. According to The Society of the Plastics Industry, U.S. shipments of plastics totaled $304 billion in 1999. 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.

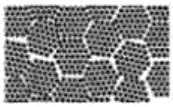
We believe that bulk Liquidmetal alloys are unique in that they offer in one material the relative advantages of plastics and high-performance alloys, like titanium. Bulk Liquidmetal alloys resolve the limitations of these materials by combining the processing and cost advantages of plastics with performance 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

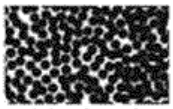
The performance, processing, and cost advantages of Liquidmetal alloys are a function of their unique atomic structure and their proprietary material composition.

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 form regular and predictable shapes, or crystalline shapes. This process is analogous to the way that ice crystallizes when water is frozen. A regularly patterned atomic structure contains naturally occurring structural defects that limit the potential strength of the material. Unlike other alloys and metals, bulk Liquidmetal alloys retain their amorphous atomic structure throughout the solidification process. As a result, our bulk alloys do not develop defects in their atomic structure that crystalline metals and alloys develop. Consequently, bulk Liquidmetal alloys exhibit superior strength and other superior performance characteristics. Our Liquidmetal alloy coatings 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, 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.

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 currently use in Liquidmetal alloys, including titanium and zirconium, are readily available and can be purchased from multiple suppliers.

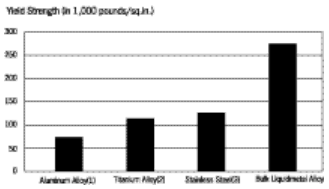
Advantages of Liquidmetal Alloys

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.

Performance Advantages

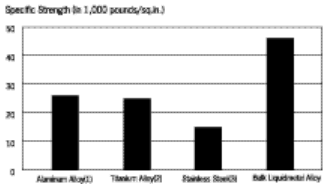
Liquidmetal alloys provide several distinct advantages over other metals and alloys in applications that require high strength, strength-to-weight ratio, elasticity, and hardness. The following graphs compare the typical strength, strength-to-weight ratio, elasticity, and hardness properties of our primary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

Strength



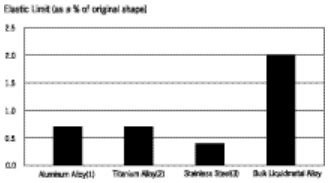
The strength of a material is frequently measured in terms of yield strength, which is the stress at which definite damage or deformation occurs to the material with little or no increase in load. Yield strength is an important performance measure in many structural applications where the potential cost of damage is high, such as orthopedic devices.

Strength-to-Weight Ratio



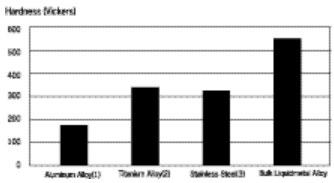
A material's strength-to-weight ratio, or specific strength, can be defined as its yield strength divided by its specific gravity. A high strength-to-weight ratio is particularly important in applications in which the damage costs are high and weight is a consideration, such as protective casings for electronic devices.

Elasticity



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



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 website 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 Ti6Al4V, 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 corrosion-resistant cast steel, 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, 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 Liquidmetal alloy, such as applications in which Liquidmetal alloy wears against itself. Moreover, Liquidmetal alloys have demonstrated high resistance to erosion and corrosion in saline and caustic environments. These characteristics, combined with Liquidmetal alloys' high strength and hardness, could yield a material that demonstrates high resistance to wear.

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 not readily available for other metals and alloys. These processing characteristics are partly a function of the low melting temperature of current bulk Liquidmetal alloys relative to other metals and alloys, which permits our bulk alloys to be processed in a manner similar to plastics. At the same time, the relatively low melting temperature of our current bulk alloys may render some of our bulk alloys unsuitable for various high-temperature applications, such as internal engine components. 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.

Cost Advantages

Liquidmetal alloys can provide significant cost advantages over other metals and alloys in certain applications. These advantages 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 Liquidmetal alloys into existing and new applications. The following is a description of some of the cost advantages offered by Liquidmetal alloys:

- *Lower Energy and Power Requirements.* The melting temperatures of bulk Liquidmetal alloys are substantially lower than most high-performance metals and alloys. Further, through thermoplastic molding, bulk Liquidmetal alloys can be fabricated into complete shapes at below melting temperatures. Therefore, significantly less power and energy is required to process and fabricate bulk Liquidmetal alloys, as opposed to the expensive large-scale foundry and forging operations required to reduce other metals and alloy to a molten state and then create a finished product.

- *Lower Capital Requirements.* Because of reduced power, temperature, and pressure requirements, 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.

- *Lower Processing Requirements.* Bulk Liquidmetal alloys have processing characteristics similar to plastics, which allow them to be shaped efficiently into intricate, sophisticated, engineered designs 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. With other metals and alloys, the cost of a finished product increases significantly with intricacy of design.

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 jointly identify and develop new application opportunities.

- *Focusing on Major Industries Characterized by High Unit Volumes.* We are focusing our commercialization efforts on applications for products with 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 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 acquiring 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 materials 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, and markets. 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. Additionally, we may pursue acquisitions that will enable us to leverage our technology to enhance the prospects of the acquired company’s products and business.

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 components for cellular phone casings and anticipate producing casings for other electronic products. The cellular phone market is attractive to us because of its high product volume and potential branding opportunities. The market for cellular phones is projected to reach nearly 672 million units in 2005, according to International Data Corporation. Liquidmetal alloys can be used for each of the components of a cellular phone casing, including the face plate, the back plate, the side plates, and the clam shell, which is the plate that flips open on some cellular phone models.

To date, we have produced sample quantities of cellular phone casing components for cell phone manufacturers. On October 10, 2001, we entered into a manufacturing agreement with LG Electronics Inc. to produce components of cellular phone casings. The agreement provides that we will manufacture and sell to LG Electronics on a non-exclusive basis its annual requirements of face plates and side plates for

some of its cellular phone models. This agreement has a term of two years. We anticipate making our first shipment under this agreement in the second quarter of 2002.

We believe the continuing miniaturization of, and the introduction of advanced wireless features to, cellular phones is the primary driver of growth, market share, and profits in this industry. To date, the introduction of larger screens into smaller handsets has been a significant challenge confronting cellular phone manufacturers attempting to take advantage of new wireless technology. In particular, normal usage of smaller and thinner phones 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 enables the production of smaller, but stronger, casings that protect the screens and miniature electronic circuits of cellular phones better than materials currently in use, such as magnesium. We also believe that the strength characteristics of our alloys could facilitate the creation of a new generation of cellular telephones with larger screens, which currently may not be viable because of the strength limitations of these materials.

As is the case with cellular phones, we believe that our alloys could enable the production of smaller and stronger personal digital assistants, or PDAs, with larger screens. Similarly, we believe that our alloys could be used to create stronger laptop computer casings that will better protect the computers' screens and circuitries.

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 around the outside of the drill pipe and the inside of casings to reduce wear and failure rates, and accordingly reduce operating costs. We believe our coatings represented about 80% of all U.S. drill pipe coating sales in 2000.

Our coatings are used to coat the insides of 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.

Medical Devices

We make precision ophthalmic instruments for use in cataract and other eye surgeries. We believe that Liquidmetal alloys are well-suited for these instruments because the strength, hardness, and corrosion resistance of our alloys, together with the ability of our bulk alloys to be shaped into very thin dimensions, 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. Orthopedic devices include artificial joints, trauma devices, and spinal implants. The worldwide market for orthopedic devices is expected to exceed $9 billion in 2001, according to Dorland's Medical and Healthcare Marketplace Guide (2000-2001). 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 are currently engaging in studies relating to the biological compatibility of our alloys for purposes of developing our orthopedic applications, and the initial results of these studies have been favorable.

Defense Applications

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

We believe that Liquidmetal alloys represent a superior alternative to depleted uranium in KEPs. KEPs made from Liquidmetal alloys sharpen as they penetrate, are environmentally benign, and have superior strength characteristics as compared to depleted uranium KEPs. We recently completed a two-year study sponsored by the U.S. Department of Defense Small Business Innovative Research Program relating to Liquidmetal alloy KEPs. The initial results of this study indicate that Liquidmetal alloy is a possible substitute for current materials, such as depleted uranium, used in KEPs. Subsequently, we recently were awarded a contract by DARPA for funding of up to $2 million to test Liquidmetal alloy in actual munitions.

Sporting Goods and Leisure Products

We are developing a variety of applications for Liquidmetal alloys in the sporting goods and leisure products industry. Possible applications include, but are not limited to, products associated with golf, skiing, tennis, and diving equipment. We believe that the high strength, hardness, and elasticity of our alloys will enhance product performance. We have entered into a product development agreement with Head Sport AG, a sporting goods manufacturer, to test and develop components for use in a number of their products. In addition, we intend to manufacture components for golf clubs for sale to established golf equipment manufacturers for use in golf clubs marketed and sold under their respective brand names.

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, as well as 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 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 and fully paid 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 and fully paid 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 and fully paid 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.

Our rights under the license agreement are perpetual in duration, except that Caltech has the right to terminate the license under limited circumstances if we fail to utilize the licensed technology. Under the license agreement, we also 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.

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:

- *Improve Performance Characteristics.* We will 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.

- *Enhance the Cost Advantage.* We will continue research and development of processes and compositions that will decrease the cost of end-products composed of Liquidmetal alloys. Because our alloys can be formed in a manner similar to plastics or glasses, which is in contrast to the more extensive and energy-intensive processes required by other metals, we are seeking ways to decrease the cost of end-products by reducing the requirements for processing.

- *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. 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 William 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. Through a research agreement with Louisiana State University, we are also currently researching the biocompatibility of our alloys for purposes of our planned orthopedic implants.

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 recently entered into a joint product development agreement with Head Sport for the development of various products made from our alloys. Our research and development expenses for the nine months ended September 30, 2001 and the years ended December 31, 2000 and 1999 were $886,000, $455,000, and $333,000, 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 so that we eventually can manufacture internally all of our bulk amorphous alloy products. We are in the process of developing a manufacturing facility located in Incheon, South Korea. This facility has been established primarily for the manufacture of cast products made from our bulk amorphous alloys. Initially, this facility will focus on the production of cell phone casings with capacity to produce several million such products per year. Currently, this facility contains equipment that is functional for pilot manufacturing of products made from bulk amorphous alloys. We intend to continue to outsource the manufacture of our industrial coatings.

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.

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 represented approximately 19%, 19%, and 10% of revenue from continuing operations for the years ended December 31, 2000, 1999, and 1998, respectively. Revenues from Praxair/ Tata represented approximately 13% and 20% of revenue from continuing operations for the years ended December 31, 2000 and 1999, respectively. Revenue from Foster Wheeler represented approximately 10% of revenue from continuing operations for the year ended December 31, 1998. We expect that a significant portion of our revenues may continue to be concentrated in a limited number of customers.

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.

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 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 November 14, 2001, we had 50 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 offices are located in Lake Forest, California, and consist of approximately 30,000 square feet. This lease expires on June 25, 2007. We also have an office in Tampa, Florida that we occupy pursuant to a lease agreement that expires in February 2006. This office is approximately 14,000 square feet. In addition, we lease an office and warehouse facility in Houston, Texas for our coatings business, and this facility, which is approximately 16,000 square feet, is leased through October 1, 2003. Our manufacturing facility in Incheon, South Korea, which consists of approximately 9,000 square feet, is leased through July 6, 2002.

Governmental Regulation

Precision ophthalmic instruments that we make from our Liquidmetal alloys, such as lasik precision blades, 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 October 26, 2001:

Name	Age	Position
John Kang	38	Chief Executive Officer, President, and Director
James Kang	41	Chairman of the Board of Directors
William Johnson, Ph.D.	50	Vice Chairman of the Board of Directors and Vice Chairman of Technology
Scott Wiggins	38	Chief Strategy Officer and Executive Vice President
Brian McDougall	39	Chief Financial Officer and Executive Vice President
John Grant	58	Executive Vice President and General Counsel
Ricardo Salas	37	Secretary and Director
Ken Barnett	49	Director
Ted Bentley	43	Director
Jack Chitayat	38	Director
Shekhar Chitnis	43	Director
Tjoa Thian Song	37	Director

John Kang has been our President and Chief Executive Officer since June 2001. From December 1994 to June 2001, he served as our non-executive Chairman of our board of directors. 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. 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 also is a Director of Coast Dental Services, Inc., a Nasdaq National Market listed company. Mr. Kang received a B.A. 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 a director 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. in marketing from the University of Illinois in 1983, and an M.B.A. from the Kellogg Graduate 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, Dr. 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 his B.A. in Physics from Hamilton College and his Ph.D. in applied physics from Caltech. He spent two years at IBM’s Research Center (1975-1977). At Caltech, Dr. Johnson directed the research that led to the discovery of our bulk Liquidmetal alloy.

Scott Wiggins has been our Chief Strategy Officer and Executive Vice President since December 2000. From 1993 to 2000, Mr. Wiggins was employed by Merrill Lynch & Co. in the Corporate and Institutional Client Group 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. in 1993 from the University of South Florida.

John Grant has been our Executive Vice President and General Counsel 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 from Stetson University in 1968. 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 has been our Secretary since March 2001. 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.

Ted Bentley has served as one of our directors since October 1988, and he served as our Chief Financial Officer from 1988 to 1990. Since August 1999, Mr. Bentley has served as the Chief Financial Officer and as a board member of Bentley Simonson Inc., a independent oil and gas producer based in California. He has served as Trust Administrator of Bentley Trust since April 1986. Mr. Bentley also is currently the managing general partner for several real estate partnerships. Mr. Bentley is a graduate from California State University, Fullerton with a degree in Business Administration with a concentration in finance.

Ken Barnett has served as one of our directors since November 2000. Since August 2000 he has served as President and co-founder of Synapse Capital, LLC, which is engaged in venture capital investing and private wealth management. From July 1996 to July 2000, he served as Treasurer of Kingston Technology Corporation, where he was responsible for contracts, bank relations, and insurance. Mr. Barnett received an M.B.A. degree in Finance and an Advanced Professional Certificate in Accounting from NYU Graduate School of Business (Stern), and a B.A. and an M.A. in History from Rutgers College.

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 US 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 his M.B.A. degree in from the National University of Singapore.

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, who serves also as our Vice Chairman of Technology. 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.

Neil Paton serves as the Chairman of our Technology Advisory Board and has been 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 his B.S. degree and M.S. degree in Mechanical Engineering from the University of Auckland, New Zealand, and his Ph.D. in Materials Science from the Massachusetts Institute of Technology.

Michael Ashby has been a member of the Cambridge University Engineering Department since 1973 where he holds the post of Royal Society Research Professor. He received his 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 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 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 Ph.D. Materials Science in 1963, and M.S. in 1960 from Stanford University.

Akihisa Inoue 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 his Master of 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 five and nine members as fixed by resolution of the board. Currently, our board of directors consists of nine members. Each member of our board of directors serves for a one-year term and until his or her successor is elected and qualified or upon earlier resignation or removal.

Committees of the Board of Directors

An audit committee of our board of directors will be established immediately following the completion of this offering and will consist of independent directors. The audit committee will review and recommend outside auditors and compensation paid to outside auditors, review results and recommendations in each external audit, assist external auditors in connection with the preparation of financial statements, review the procedures we use to prepare financial statements and related management commentary, and meet periodically with management to review our major financial risk exposures.

A compensation committee of our board of directors will also be established immediately following the completion of this offering and will consist of non-employee directors. The compensation committee will make all decisions regarding the compensation of executive officers and directors and the granting of stock options under our stock option plan.

Directors' Compensation

Our directors do not receive any cash compensation for service on our board of directors, but directors are reimbursed for expenses incurred in attending board meetings. No director who is an employee will receive separate compensation for services rendered as a director. Our directors are eligible to participate in our stock option plan.

Compensation Committee Interlocks

Prior to this offering, we did not have a compensation committee. The board of directors made all decisions concerning executive compensation prior to this offering. 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, 2000, 1999, and 1998 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, 2000.

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)	2000	$116,477	—	—	—	—
Chief Executive Officer	1999	$116,441	—	—	—	—
	1998	$167,199	—	—	2,000,000	—
Shekhar Chitnis(2)	2000	$156,039	—	—	1,600,000	—
Chief Operating Officer	1999	$107,465	—	—	—	—
	1998	$133,304	—	—	—	—

(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 Nov. 15, 2001, Mr. Chitnis no longer serves as an officer of the company. He continues to serve as one of our directors.

The following table sets forth information with respect to grants of stock options during 2000 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 2000	Exercise or Base Price ($/Share)	Market Price of Underlying Security on Date of Grant	Expiration Date	5%	10%
James Kang	—	—	—	—	—	—	—
Shekhar Chitnis	1,600,000	19%	$.90	$.90	May 2005	$384,000	$880,000

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 2000 and the year-end value of unexercised options held by such executive officers:

Aggregate Option Exercises in Last Year and Year-End Values

Name	Shares Acquired on Exercise	Value Realized	Number of Unexercised Options at Year End		Value of Unexercised in-the-Money Options at Year End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
James Kang	—	—	4,200,000	1,800,000	$4,450,000	$1,550,000
Shekhar Chitnis	—	—	425,000	1,675,000	$ 425,000	$1,035,000

(1) Based upon a value of $1.50 per share as of December 31, 2000.

Employment Agreements

On May 1, 2001, we entered into an employment agreement with James Kang that provides for his employment as the Chairman of our board of directors. Mr. Kang's employment agreement expires on May 1, 2006. His employment will terminate upon the earlier of his death, resignation, disability, or termination by the board of directors for any reason. Mr. Kang receives an annual base salary equal to $300,000 per year.

Mr. Kang's employment agreement contains provisions requiring him to protect the confidentiality of our proprietary and confidential information. Mr. Kang also is required to assign to us any invention developed by him during his employment. 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 competing with us in any manner. Pursuant to the agreement, Mr. Kang was issued options under our 1996 Stock Option Plan to purchase 8,000,000 shares of our common stock at an exercise price of $2.00 per share. The options expire on April 30, 2011 and vest at a rate of 33% for three years, with the first 33% vesting on May 1, 2002 and an additional 33% on May 1, 2003 and 2004.

As of November 15, 2001, Shekhar Chitnis ceased to be an officer but continues to serve as a member of our board of directors. On November 15, 2001, we entered into a separation and consulting agreement with Mr. Chitnis. Under this agreement, Mr. Chitnis ceased to be an employee and officer of our company, and we agreed to continue paying Mr. Chitnis his $200,000 annual base salary through December 31, 2002. The agreement further provides that we will engage Mr. Chitnis as a consultant on an as-needed basis through December 31, 2004 and will pay him consulting fees of $50,000 per year from January 1, 2003 through December 31, 2005.

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. A total of 40,000,000 shares of our common stock may be granted under the plan.

The plan is administered by our board of directors or a committee appointed by our board of directors. All members of such a committee must be "disinterested persons," as defined in the plan. The administrator has the power to determine the terms of the options granted, including the exercise price, the number of shares subject to the option, and the vesting of the options thereof.

The administrator establishes the option exercise price, which must be at least the fair market value of the common stock on the date of the grant or, in the case of incentive stock options, 110% of fair market value with respect to optionees who own at least 10% of the outstanding common stock. In the absence of a public market for our common stock, fair market value is determined in good faith by our board of directors. If our common stock is listed on an established stock exchange or the Nasdaq National Market System, fair market value is the closing sales price on the last market trading day prior to the date of grant. If closing sales prices are not reported or our common stock is listed on a Nasdaq system (other than the National Market System), the fair market value is the mean between the bid and asked prices on the last market trading day prior to the date of grant.

Options granted under the 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.

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 July 2006.

As of September 30, 2001, options to purchase 9,658,667 shares of common stock were outstanding and exercisable at a weighted average price of $1.21 per share. As of September 30, 2001, 22,927,680 shares had been issued upon exercise of options under the plan and 18,285,000 shares were available for future option grants.

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, we have been advised that 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 November 16, 2001, we owed $1.4 million plus accrued interest of $98,518 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 our secretary and 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 $1.50. This warrant expires on December 31, 2005, and as of September 30, 2001, no portion of this warrant has been exercised.

In March 2001, we issued 4,012,510 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 $0.50 per share.

As of November 16, 2001, we owed $1.5 million plus accrued interest of $100,487 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 $1.50. This warrant expires on December 31, 2005, and as of September 30, 2001, no portion of this warrant has been exercised.

As of November 16, 2001, we also owed $0.5 million plus accrued interest of $62,774 to Mr. Tjoa under a separate subordinated, unsecured promissory note that is due on March 15, 2002. This note bears interest at 7.5% per annum, with interest being payable upon the maturity of the note. This note may be prepaid with the written consent of Mr. Tjoa.

On November 15, 2001, we borrowed $1.0 million from Mr. Tjoa and issued to Mr. Tjoa a subordinated, unsecured promissory note in the principal amount of $1.0 million. This note bears interest, payable at maturity, of 8.0% per annum. The note becomes due on December 31, 2002, or, if earlier, upon the closing of an initial underwritten public offering or a significant funding transaction. This note may be prepaid by us at any time without penalty.

On January 31, 2001, we issued 666,670 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 666,670 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. Ken Barnett, 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 paid Caltech a one-time fee of $150,000 in connection with this agreement. In May 2000, we issued 300,000 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.

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 our Vice Chairman of Technology 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 a separation and consulting agreement with Shekhar Chitnis, a member of our board of directors and a former executive officer. Under this agreement, Mr Chitnis ceased to be an employee and officer of our company, and we agreed to pay Mr. Chitnis a $200,000 annual base salary through December 31, 2002. The agreement further provides that we will engage Mr. Chitnis as a consultant on an as-needed basis through December 31, 2004 and will pay him consulting fees of $50,000 per year from January 1, 2003 through December 31, 2005.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of November 16, 2001 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.

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 November 16, 2001, there were 184 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 119,264,905 shares of common stock outstanding as of November 16, 2001 as adjusted to give effect to the conversion of all outstanding shares of our preferred stock, and options and warrants currently exercisable or exercisable within 60 days of the date of this prospectus held by the shareholder in question but not any other shareholder. The percentage of beneficial ownership after this offering is based on 119,264,905 shares deemed outstanding as of November 16, 2001, and an assumed shares outstanding after this offering.

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 and shares being sold in this offering, assuming no exercise of the underwriters' overallotment option.

Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percent of Common Stock Beneficially Owned	
		Before Offering	After Offering
ATI Holdings, LLC	50,798,040	42.6%	
John Kang(1)	60,660,940	50.9%	
James Kang(2)	2,923,620	2.5%	
William Johnson(3)	3,985,000	3.3%	
Ricardo A. Salas(4)	4,562,265	3.8%	
Shekhar Chitnis(5)	2,280,370	1.9%	
Ted Bentley(6)	5,775,000	4.8%	
Ken Barnett(7)	3,555,560	3.0%	
Jack Chitayat(8)	1,721,100	1.4%	
Tjoa Thian Song(9)	12,854,660	10.8%	
All directors and executive officers as a group (12 persons)	98,918,515	82.9%	

* Less than 1.0%

(1) Includes:

(a) 50,798,040 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;

(b) 150,000 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;

(c) 1,500,000 shares held of record by J. Holdsworth Capital, Ltd. Mr. Kang is the president and a 25% shareholder of J. Holdsworth Capital, Ltd.;

(d) 1,000,000 shares issuable pursuant to a warrant held jointly by Mr. Kang and Ricardo Salas that is currently exercisable; and

(e) 5,000,000 shares issuable pursuant to options under the company's stock option plan that are currently exercisable or that are exercisable within sixty days.

(2) Includes 1,050,000 shares issuable pursuant to options under the company's stock option plan that are currently exercisable or that are exercisable within sixty days. Also includes 3,000 shares held by James Kang's minor children.

(3) Includes 400,000 shares issuable pursuant to options under the company's stock option plan that are currently exercisable or that are exercisable within sixty days.

(4) Includes 1,500,000 shares held of record by J. Holdsworth Capital, Ltd., in which Mr. Salas is a 25% shareholder. Also includes 1,000,000 shares issuable pursuant to a warrant held jointly by Mr. Salas and John Kang that is currently exercisable.

(5) Includes 35,827 shares held by Mr. Chitnis' minor children. Also includes 1,067,200 shares issuable to Mr. Chitnis pursuant to stock options that are currently exercisable or that are exercisable within sixty days.

(6) Includes 4,465,000 shares held by a revocable trust.

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

(8) Includes 1,500,000 shares held of record by J. Holdsworth Capital, Ltd., in which Mr. Chitayat is a 25% shareholder.

(9) Includes 800,000 shares issuable pursuant to options under the company's stock option plan that are currently exercisable or that are exercisable within sixty days. Also, includes 1,000,000 shares issuable pursuant under a currently exercisable warrant.

DESCRIPTION OF CAPITAL STOCK

General

We are authorized to issue up to 200,000,000 shares of common stock, no par value, of which approximately 108,431,480 shares were issued and outstanding as of November 16, 2001. We are also authorized to issue up to 10,000,000 shares of preferred stock, no par value, of which 1,416,225 shares designated as Series A convertible preferred stock were issued and outstanding as of November 16, 2001.

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.

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 November 16, 2001, 1,416,225 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 $4.00 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 $4.00 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 $8.00 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. One million shares are issuable under this warrant at an exercise price of $1.50 per share. This warrant expires on December 31, 2005, and as of September 30, 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. One million shares are issuable under this warrant at an exercise price equal to $1.50 per share. This warrant expires on December 31, 2005, and as of September 30, 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 3,166,666.60 shares of our common stock at an exercise price of $0.375 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 500,000 shares on December 31, 2001 and 666,666.60 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 1,166,666.6 shares, and the unvested portion of the option will immediately terminate.

Registration Rights

Following this offering, two shareholders holding a total of 568,825 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.

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 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 , 2001. Of these shares, the 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 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.

Following this offering, we intend to file registration statements covering approximately shares of our common stock issued pursuant to the exercise of stock options issued under our stock option plan. 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.

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 and 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	
Total	

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 $ and are payable by us.

Overallotment Option

We have granted an option to the underwriters to purchase up to 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 of our friends and certain individuals and entities with which we have a business relationship. 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 financial statements as of December 31, 2000 and 1999, and for each of the three years in the period ended December 31, 2000, 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 reports 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) 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. Our Internet site address is www.liquidmetaltechnologies.com. Any information that is included on or linked to our Internet site is not a part of this prospectus.

We intend to furnish our shareholders written annual reports containing audited financial statements certified by an independent public accounting firm.

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, 2000 and 1999, 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, 2000. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Certified Public Accountants

Tampa, Florida

November 15, 2001

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Pro Forma September 30, 2001	September 30, 2001	December 31, 2000	December 31, 1999
	(unaudited)	(unaudited) (in thousands, except share data)		
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 1,695	$ 1,695	$ 124	$ 314
Accounts receivable (net of allowance for doubtful accounts of $30 in 2001, $30 in 2000 and $5 in 1999)	856	856	785	411
Net assets of discontinued operations	—	—	—	631
Inventories	470	470	192	135
Prepaid expenses	396	396	57	37
Total current assets	3,417	3,417	1,158	1,528
PROPERTY, PLANT AND EQUIPMENT, NET	615	615	162	174
INTANGIBLE ASSETS, NET	767	767	597	325
OTHER ASSETS	77	77	28	16
Total assets	$ 4,876	$ 4,876	$ 1,945	$ 2,043
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$ 1,805	$ 1,805	$ 575	$ 219
Net liabilities of discontinued operations	15,697	15,697	1,627	—
Deferred revenue	830	830	830	830
Current portion of accrued severance	—	—	87	262
Current portion of notes payable to shareholders	500	500	2,006	100
Total current liabilities	18,832	18,832	5,125	1,411
ACCRUED SEVERANCE	—	—	—	87
NOTES PAYABLE TO SHAREHOLDERS, LESS CURRENT PORTION	2,237	2,237	500	2,006
Total liabilities	21,069	21,069	5,625	3,504
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' EQUITY (DEFICIENCY):				
Preferred stock, no par value; 10,000,000 shares authorized and 625,000 outstanding at September 30, 2001; none issued and outstanding in 2000 and 1999	—	2,500	—	—
Common stock, no par value; 200,000,000 shares authorized and 108,431,480 issued and outstanding at September 30, 2001, 109,056,480 issued and outstanding pro forma 2001; 95,740,530 issued and outstanding in 2000; 91,314,420 issued and outstanding in 1999	31,688	29,188	19,305	15,227
Paid in capital	16,007	16,007	12,421	9,994
Accumulated deficit	(63,983)	(63,983)	(35,502)	(26,682)
Accumulated foreign exchange translation gain	95	95	96	—
Total shareholders' equity (deficiency)	(16,193)	(16,193)	(3,680)	(1,461)
Total liabilities and shareholders' equity (deficiency)	$ 4,876	$ 4,876	$ 1,945	$ 2,043

See notes to consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

	Nine Months Ended September 30,		Years Ended December 31,		
	2001	2000	2000	1999	1998
	(unaudited)		(in thousands, except per share data)		
REVENUE	$ 3,008	$ 3,342	$ 4,200	$ 2,012	$ 3,143
COST OF SALES	1,522	1,592	1,983	805	1,388
Gross profit	1,486	1,750	2,217	1,207	1,755
OPERATING EXPENSES:					
Selling	448	344	527	403	891
General and administrative	1,685	593	922	444	1,232
Research and development	886	315	455	333	278
Total expenses	3,019	1,252	1,904	1,180	2,401
INCOME (LOSS) BEFORE OTHER INCOME (EXPENSE) AND DISCONTINUED OPERATIONS	(1,533)	498	313	27	(646)
Gain on sale of marketable equity securities	—	—	—	—	467
Interest expense, net	(1,258)	(137)	(188)	(190)	(15)
MINORITY INTEREST IN LOSSES OF RETAIL GOLF SUBSIDIARY	—	—	—	370	1,016
INCOME (LOSS) FROM CONTINUING OPERATIONS	(2,791)	361	125	207	822
DISCONTINUED OPERATIONS:					
Loss from operations of discontinued retail golf segment, net	(6,928)	(6,634)	(8,938)	(8,347)	(8,068)
Loss from disposal of discontinued retail golf segment, net	(18,762)	—	—	—	—
NET LOSS	(28,481)	(6,273)	(8,813)	(8,140)	(7,246)
Foreign exchange translation (loss) gain during the period	(1)	130	96	—	—
COMPREHENSIVE LOSS	$(28,482)	$(6,143)	$(8,717)	$(8,140)	$(7,246)
PER COMMON SHARE BASIC:					
Income (loss) from continuing operations	$ (0.03)	$ 0.00	$ 0.00	$ 0.00	$ .01
Loss from discontinued operations	$ (0.27)	$ (0.07)	$ (0.10)	$ (0.10)	$ (.12)
Net loss	$ (0.27)	$ (0.07)	$ (0.09)	$ (0.10)	$ (.11)
PER COMMON SHARE DILUTED:					
Income (loss) from continuing operations	$ (0.03)	$ 0.00	$ 0.00	$ 0.00	$ .01
Loss from discontinued operations	$ (0.27)	$ (0.07)	$ (0.09)	$ (0.10)	$ (.10)
Net loss	$ (0.27)	$ (0.06)	$ (0.09)	$ (0.10)	$ (.09)
PER COMMON SHARE BASIC AND DILUTED — PRO FORMA:					
Income (loss) from continuing operations	$ (0.03)				
Loss from discontinued operations	$ (0.27)				
Net loss	$ (0.27)				

See notes to consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIENCY)

For the Years Ended December 31, 2000, 1999 and 1998 and for the Nine Months Ended September 30, 2001

	Common Shares	Common Stock	Preferred Shares	Preferred Stock	Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
				(in thousands, except share data)				
Balance, January 1, 1998	65,060,630	$12,232	—	$ —	$ 1,030	$(11,296)	$ —	$ 1,966
Common stock issued	30,000	30	—	—	—	—	—	30
Stock options exercised	16,537,680	1,688	—	—	—	—	—	1,688
Purchase of common stock	(2,500,000)	(1,250)	—	—	—	—	—	(1,250)
Stock option based compensation	—	—	—	—	382	—	—	382
Dilution gain on common stock issued by subsidiaries	—	—	—	—	5,963	—	—	5,963
Discount on convertible notes payable of subsidiaries	—	—	—	—	500	—	—	500
Net loss	—	—	—	—	—	(7,246)	—	(7,246)
Balance, December 31, 1998	79,128,310	12,700	—	—	7,875	(18,542)	—	2,033
Common stock issued	11,111,110	1,989	—	—	—	—	—	1,989
Conversion of note payable	1,075,000	538	—	—	—	—	—	538
Stock option 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	91,314,420	15,227	—	—	9,994	(26,682)	—	(1,461)
Common stock issued	4,211,110	3,970	—	—	—	—	—	3,970
Conversion of note payable	215,000	108	—	—	—	—	—	108
Stock option 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 (loss)	—	—	—	—	—	—	96	96
Other	—	—	—	—	—	(7)	—	(7)
Net loss	—	—	—	—	—	(8,813)	—	(8,813)
Balance, December 31, 2000	95,740,530	19,305	—	—	12,421	(35,502)	96	(3,680)
Preferred stock issued	—	—	625,000	2,500	—	—	—	2,500
Common stock issued	3,028,440	5,477	—	—	—	—	—	5,477
Stock options exercised	5,650,000	2,400	—	—	—	—	—	2,400
Conversion of note payable	4,012,510	2,006	—	—	—	—	—	2,006
Discount on convertible notes payable	—	—	—	—	1,692	—	—	1,692
Stock option based compensation	—	—	—	—	12,087	—	—	12,087
Unamortized stock option based compensation	—	—	—	—	(10,164)	—	—	(10,164)
Dilution gain on common stock issued by subsidiaries	—	—	—	—	21	—	—	21
Purchase of common stock by subsidiaries	—	—	—	—	(50)	—	—	(50)
Foreign exchange translation gain (loss)	—		—	—	—	—	(1)	(1)
Net loss	—	—	—	—	—	(28,481)	—	(28,481)
September 30, 2001 (unaudited)	108,431,480	$29,188	625,000	$2,500	$ 16,007	$(63,983)	$ 95	$(16,193)

See notes to consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended September 30,		Years Ended December 31,		
	2001	2000	2000	1999	1998
	(unaudited)		(in thousands)		
OPERATING ACTIVITIES:					
Net loss	$(28,481)	$(6,273)	$(8,813)	$(8,140)	$(7,246)
Add loss from operations and loss on disposition of discontinued operations	25,690	6,634	8,938	8,347	8,068
Income (loss) from continuing operations	(2,791)	361	125	207	822
Adjustments to reconcile net loss to net cash provided (used) by operating activities:					
Depreciation and amortization	66	66	131	94	104
Amortization of debt discount	1,029	—	—	—	—
Stock option based compensation	100	—	—	—	—
Bad debt expense	—	—	23	—	9
Gain on sale of marketable equity securities	—	—	—	—	(467)
Accrued severance expense	—	—	—	—	770
Minority interest in net losses of subsidiary	—	—	—	(370)	(1,016)
Changes in operating assets and liabilities:					
Accounts receivable	(71)	(216)	(397)	(7)	214
Inventories	(278)	(96)	(57)	378	(16)
Prepaid expenses and other assets	(387)	(36)	(32)	(23)	(1)
Accounts payable and accrued expenses	1,080	268	363	(60)	(270)
Unearned revenue	—	—	—	(170)	—
Other liabilities	(87)	(196)	(262)	(262)	(159)
Net cash (used) provided by continuing operations	(1,339)	151	(106)	(213)	(10)
Net cash used by discontinued operations	(7,798)	(4,280)	(4,752)	(3,714)	(9,568)
Net cash used by operating activities	(9,137)	(4,129)	(4,858)	(3,927)	(9,578)
INVESTING ACTIVITIES:					
Purchases of property and equipment	(501)	(60)	(62)	(12)	(134)
Purchases of marketable securities	—	—	—	—	(1,198)
Proceeds from sale of marketable equity securities	—	—	—	—	1,665
Investment in patents and trademarks	(38)	(23)	(59)	(3)	(78)
Net cash used by investing activities	(539)	(83)	(121)	(15)	255
FINANCING ACTIVITIES:					
Proceeds from borrowings	3,000	250	1,250	1,310	2,250
Repayment of borrowings	(100)	—	(750)	—	—
Proceeds from issuance of common stock	3,477	3,250	3,700	1,690	30
Proceeds from issuance of preferred stock	2,500	—	—	—	—
Stock options exercised	2,400	—	—	—	1,035
Repurchase of common stock	—	—	—	—	(1,250)
Dividends paid	—	—	(7)	—	—
Proceeds from issuance (repurchase) of common stock by subsidiaries, net	(29)	500	500	1,223	6,979
Net cash provided by financing activities	11,248	4,000	4,693	4,223	9,044
EFFECT OF FOREIGN EXCHANGE TRANSLATION	(1)	130	96	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,571	(82)	(190)	281	(279)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	124	314	314	33	312
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,695	$ 232	$ 124	$ 314	$ 33
SUPPLEMENTAL CASH FLOW INFORMATION:					
Interest paid	$ 52	$ 122	$ 162	$ 157	$ —

During the nine months ended September 30, 2001 and 2000, respectively, $2,006 and $108 in convertible notes payable and accrued interest were converted to the Company's common stock. During 2000 and 1999, respectively, $108 and $538 in notes payable and accrued interest were converted to the Company's common stock.

During the nine months ended September 30, 2001 and 2000, the Company recorded additional paid in capital of $12,087 and $791, respectively, comprised of stock option based compensation and discounts on convertible notes payable in the discontinued retail golf operations. During the years ended December 31, 2000, 1999 and 1998, respectively, the Company recorded additional paid in capital of $852, $1,266 and $882 comprised of employee stock compensation and discounts on convertible notes payable in the discontinued retail golf operations.

During the nine months ended September 30, 2001, the Company recorded a reduction to paid in capital of $10,164 for the unamortized stock option based compensation.

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 2000, the Company issued 300,000 shares of common stock in the amount of $270 to Caltech in exchange for rights to certain patents (see Note 5). In 2001, the Company had accrued $150 for payments to be made 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.

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 1998, proceeds of $653 generated through the exercise of common stock options by the holders of the Kang/ Salas 7.5% subordinated promissory note were used in lieu of cash to partially pay down the Kang/ Salas 7.5% subordinated promissory note.

See notes to consolidated financial statements.

1. Description of Business

Liquidmetal® Technologies ("Liquidmetal Technologies") and its subsidiaries ("the Company") is the leading developer of products made from amorphous alloys. Liquidmetal Technologies has the exclusive right to develop, manufacture, and sell what it believes are the only commercially available bulk amorphous alloys. Liquidmetal alloys possess a combination of performance, processing, and cost advantages that Liquidmetal Technologies believes makes them preferable to other materials in a wide variety of applications. Liquidmetal Technologies markets and sells Liquidmetal alloy industrial coatings and makes products 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 for the production of its products.

Liquidmetal Technologies derives substantially all of its revenue from the sale of amorphous 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 manufactured and marketed golf clubs made of the Company's bulk amorphous alloys.

2. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Liquidmetal Technologies and its wholly-owned subsidiary, Amorphous Technologies International (Asia) PTE LTD ("LMT Singapore"), located in Singapore, and its majority-owned subsidiary, Liquidmetal Golf and its subsidiaries, 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 to the extent the losses applicable to the minority interest in Liquidmetal Golf have not exceeded the capital investment of the minority interest shareholders. The losses applicable to the minority interest in Liquidmetal Golf, which have exceeded the capital investment of the minority interest shareholders, are included in the loss from discontinued operations of the retail golf segment for all periods presented.

Sales of Stock by Subsidiaries. Gains or losses arising from issuances of stock by subsidiaries 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 $15,415 and $3,967 as of September 30, 2001 and December 31, 2000, respectively, and a shareholders' deficiency of $16,193 and $3,680 at September 30, 2001 and December 31, 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. The Company has been, and management believes it will continue to be, successful in obtaining financing to fund operations. Since September 30, 2001, the Company has obtained a loan from shareholders for $1,000 and has sold an additional $3,165 of convertible preferred stock. 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.

Interim Financial Statements. The accompanying financial statements as of and for the period ending September 30, 2001 and 2000 are unaudited. These financial statements have been prepared in

accordance with the rules and regulations of the Securities and Exchange Commission relating to interim financial statements. All adjustments of a normal recurring nature, which, in the opinion of management, are necessary to present a fair statement of results for the interim periods, have been made. Results of operations are not necessarily indicative of the results to be expected for the full year.

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.

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 are 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 September 30, 2001 and December 31, 2000 and 1999, 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 $46 and $8 for the nine-month periods ended September 30, 2001 and 2000, respectively, and $11, $24 and $78 for the years ended December 31, 2000, 1999 and 1998, respectively.

Debt Discount Amortization. Debt discounts for certain 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 Standard ("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. Transactions with the Company's foreign subsidiaries denominated in foreign currency are translated at the rate of exchange at the time the transaction occurs. Gains and losses related to such transactions have been included in operations. At year-end, 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. LMT Singapore'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 not significant in any of the periods presented.

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.

Pro Forma Balance Sheet and Net Income (Loss) Per Common Share. The accompanying pro forma balance sheet and pro forma net income (loss) per share calculation assume conversion of all issued and outstanding preferred stock as of September 30, 2001 to common stock that will occur upon the closing of an underwritten offering and distribution of common stock to the general public pursuant to a

Registration Statement 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 position or results of operations.

In July 2001, the FASB issued SFAS No. 141, *Business Combinations and Statement of Financial Standards* and SFAS No. 142, *Goodwill and Other Intangible Assets.* SFAS No. 141 requires that all business combinations be accounted for under the purchase method only 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 be replaced with periodic tests of the goodwill's impairment and that intangible assets 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 condition or results of operations.

In June 2001, the FASB issued SFAS 143, *Accounting for Asset Retirement Obligations.* SFAS 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.

3. Inventories

Inventories of continuing operations consisted of the following:

	September 30, 2001	December 31, 2000	December 31, 1999
Raw materials	$246	$ —	$ —
Finished goods	224	192	135
Total inventories	$470	$192	$135

4. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	September 30, 2001	December 31, 2000	December 31, 1999
Machinery and equipment	$ 600	$ 234	$ 200
Computer equipment	118	66	108
Office equipment, furnishings and improvements	135	53	90
Total	853	353	398
Accumulated depreciation	(238)	(191)	(224)
Total property, plant and equipment, net	$ 615	$ 162	$ 174

Depreciation expense was approximately $48 and $48 for the nine-month periods ended September 30, 2001 and 2000, respectively, and $74, $72 and $81 in December 31, 2000, 1999, and 1998, respectively.

5. Intangible Assets

Intangible assets consisted of the following:

	September 30, 2001	December 31, 2000	December 31, 1999
Purchased patent rights	$ 420	$ 270	$ —
Internally developed patents	504	493	514
Trademarks	66	40	—
Total	990	803	514
Accumulated amortization	(223)	(206)	(189)
Total intangible assets, net	$ 767	$ 597	$ 325

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”) through a license agreement with Caltech (“License Agreement”). Under the License Agreement, the Company has the exclusive and fully paid 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. The Company also has an exclusive and fully paid 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 latest expiration date is 2017. Furthermore, the license agreement gives the Company

the exclusive and fully paid 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.

In addition to the patents and patent applications under the License Agreement with Caltech, the Company has internally developed 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 $18 and $18 for the nine-month periods ended September 30, 2001 and 2000, respectively, and $57, $22 and $23 in December 31, 2000, 1999, and 1998, respectively.

6. Notes Payable to Shareholders

Notes payable at September 31, 2001 and December 31, 2000 and 1999 were comprised of the following:

	September 30, 2001	December 31, 2000	December 31, 1999
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, due March 15, 2002	500	500	—
Kang/Salas 7.5%, principal $2,960	—	2,006	2,006
Anstalt 7.5%, principal $100	—	—	100
	3,400	2,506	2,106
Less debt discount related to current maturities	(663)	—	—
	2,737	2,506	2,106
Less current maturities	(500)	(2,006)	(100)
Notes payable less current portion, net of discounts	$2,237	$ 500	$2,006

Scheduled maturities for the year ended September 30, 2002 are $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 1,000,000 common stock shares of the Company at an exercise price of $1.50 per share (the fair value at the date of grant), as adjusted for the stock split (see Note 7). The warrants expire on December 31, 2005. As of September 30, 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, which was their estimated fair value at the time they were issued.

Kang/Salas 7.5% — The Company made payments on this subordinated convertible promissory note in 1999 and 1998 through the issuance of common stock shares in the amounts of $653 and $299, respectively, and later extended the maturity date of the note to May 28, 2001. In March 2001, the holders of the note converted the remaining principal balance of the note to 4,012,510 common stock shares at $0.50 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 (see Note 7).

Anstalt 7.5% — On January 26, 2000, Anstalt converted the entire $108 of principal and accrued interest into common stock for 215,000 shares of the Company's common stock at $0.50 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 (see Note 7).

On November 15, 2001 the Company borrowed an additional $1,000 from Mr. Tjoa at 8% with maturity dates of December 31, 2002. The notes are unsecured and require no principal or interest payments until the due date of the notes.

Total interest expense including the debt discount amortization on the notes payable to shareholders was $1,261 and $135 for the nine months ended September 30, 2001 and 2000, respectively, and $200, $190 and $25 for the years ended December 31, 2000, 1999 and 1998, 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. The consolidated financial statements and accompanying notes have been retroactively adjusted to reflect the effect of the split.

Preferred Stock. As of September 30, 2001, the Company received net proceeds of $2,500 from the sale of the preferred stock at a per share price of $4.00. Each share of preferred stock is convertible into one share of Class A common stock automatically if a price of at least $8 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 $4 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.

Subsequent to September 30, 2001, the Company issued 791,225 additional shares of Series A Preferred Stock for a gross amount of $3,165 at a per share price of $4.00.

Repurchase of Common Stock Shares by the Company. During 1998, the Company repurchased shares of its common stock and retired the shares from outstanding common stock; accordingly, the Company has no treasury stock.

8. Gain on Sale of Marketable Securities

During 1998, the Company purchased marketable equity securities in the amount of approximately $1,198. Later that year, the Company sold such securities for approximately $1,665. The Company realized a gain on the transaction of approximately $467. Such securities were classified as available-for-sale. Accordingly, the securities were carried at fair market value and the realized gain was recognized in earnings when the securities were sold. The Company held no other investments during any of the years presented.

9. Stock Compensation Plan

Under the Company's 1996 Stock Option Plan ("1996 Company Plan") the Company may grant to employees, directors or consultants options to purchase up to 40,000,000 shares of common stock. The stock options are exercisable over a period determined by the Board of Directors or the Compensation Committee, but no longer than 10 years.

The Company applies APB Opinion No. 25, SFAS No. 123 and related interpretations in accounting for its stock option plans. Compensation cost of approximately $50 has been recognized in accordance with APB 25 during the nine month period ended September 30, 2001 for options awarded under the 1996 Company Plan because the exercise price of options granted to certain employees was equal to or greater than the fair value of the underlying stock on the date of grant. Compensation cost of approximately $50 was recognized during the nine months ended September 30, 2001 in accordance with SFAS No. 123 for options issued to consultants who performed services for the Company during 2001.

Additionally, the Company has 3,266,670 options outstanding at September 30, 2001 which were granted outside the 1996 Company Plan. Included in these options are options granted during the period ended September 30, 2001 of 3,166,670 granted 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 10).

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):

	Nine Months Ended September 30,		Year Ended December 31,		
	2001	2000	2000	1999	1998
Income (loss) from continuing operations:					
As reported	$(2,791)	$ 361	$ 125	$ 207	$ 822
Pro forma	(6,200)	(181)	(7,056)	(388)	227
Basic income (loss) per share from continuing operations:					
As reported	(0.03)	0.00	0.00	0.00	0.01
Pro forma	(0.06)	0.00	(0.08)	0.00	0.00
Diluted income (loss) from continuing operations per share:					
As reported	(0.03)	0.00	0.00	0.00	0.01
Pro forma	(0.06)	0.00	(0.07)	0.00	0.00
Basic and diluted income (loss) from continuing operations per share — Pro forma:					
As reported	(0.03)				
Pro forma	(0.06)				

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, 2000, 1999, and 1998 and for the nine months ended September 30, 2001 and 2000, 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%.

The following table summarizes the Company's stock option transactions for the nine-month period ended September 30, 2001:

	Number of Shares	Weighted Average Price
Options outstanding at December 31, 2000	17,860,000	$0.89
Granted	13,021,670	1.73
Exercised	(5,650,000)	0.42
Forfeited	(250,000)	0.50
Options outstanding at September 30, 2001	24,981,670	$1.44

Subsequent to September 30, 2001, the Company granted 275,000 employee stock options at an exercise price equal to the price of the stock in the proposed initial public offering of the Company's stock.

The following table summarizes the Company's stock option transactions for the nine-month period ended September 30, 2000:

Options outstanding at December 31, 1999	9,650,000	$0.48
Granted	1,700,000	0.90
Exercised	—	—
Forfeited	—	—
Options outstanding at September 30, 2000	11,350,000	$0.54

The following table summarizes the Company's stock option transactions for the three year period ended December 31, 2000:

	Number of Shares	Weighted Average Price
Options outstanding at December 31, 1997	25,447,680	$0.24
Granted	2,000,000	0.75
Exercised	(16,537,680)	0.10
Forfeited	(1,260,000)	0.15
Options outstanding at December 31, 1998	9,650,000	0.48
Granted	—	—
Exercised	—	—
Forfeited	—	—
Options outstanding at December 31, 1999	9,650,000	0.48
Granted	8,210,000	1.38
Exercised	—	—
Forfeited	—	—
Options outstanding at December 31, 2000	17,860,000	$0.89

The weighted average fair value of options granted during the nine-month periods ended September 30, 2001 and 2000, was $1.57 and $0.69, respectively, and $1.06 and $0.36 for the years ended December 31, 2000 and 1998, respectively. There were 9,758,667 options with a weighted average exercise price of $1.20 exercisable at September 30, 2001 and 7,353,333 options with a weighted average exercise

price of $0.46 exercisable at September 30, 2000. There were 12,453,333 options with a weighted average exercise price of $0.88 exercisable at December 31, 2000; 5,210,000 options with a weighted average exercise price of $0.30 exercisable at December 31, 1999 and 3,565,000 options with a weighted average exercise price of $0.33 exercisable at December 31, 1998.

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 3,666,670 with a weighted average fair value of $1.35 were outstanding at September 30, 2001. There were no in-the-money options at September 30, 2000, December 31, 2000, 1999 or 1998.

The following table summarizes the Company's stock options outstanding and exercisable by the eight different exercise prices as of September 30, 2001:

Exercise Price	Number of Options Outstanding at September 30, 2001	Weighted Average Remaining Contract Life (Years)	Number of Options Exercisable at September 30, 2001
$0.250	400,000	0.50	400,000
$0.375	3,166,670	5.25	—
$0.500	1,950,000	1.33	1,560,000
$0.750	1,400,000	2.58	1,050,000
$0.900	1,700,000	4.59	1,116,667
$1.500	7,010,000	5.27	5,382,000
$2.000	8,425,000	5.59	—
$4.000	930,000	5.82	250,000
	24,981,670	4.82 years	9,758,667

The following table summarizes the Company's stock options outstanding and exercisable by the five different exercise prices as of December 31, 2000:

Exercise Price	Number of Options Outstanding at December 31, 2000	Weighted Average Remaining Contract Life (Years)	Number of Options Exercisable at December 31, 2000
$0.250	2,700,000	1.25	2,700,000
$0.500	4,950,000	2.15	3,095,000
$0.750	2,000,000	3.33	1,000,000
$0.900	1,700,000	5.35	558,333
$1.500	6,510,000	6.00	5,100,000
	17,860,000	3.85 years	12,453,333

10. Discontinued Operations

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 December 31, 2001, by means of liquidating the retail golf assets and liabilities. In connection with the discontinuance of the retail golf operations, the Company incurred an estimated loss on disposal of $18,762, net of expected proceeds and an accrual for estimated operating losses during the phase-out period. Continuing operations in 2001 and 2002 include charges relating to downsizing, inventory adjustments, severance costs and other asset write-downs. 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.

Net assets (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:

	September 30, 2001	December 31, 2000	December 31, 1999
Assets:			
Current assets (including cash of $157 in 2001)	$ 2,204	$ 3,414	$2,944
Non-current assets	85	214	271
Total assets	2,289	3,628	3,215
Liabilities:			
Current liabilities	17,986	3,255	1,144
Notes payable to shareholders (current and non-current portion)	—	2,000	1,440
Total liabilities	17,986	5,255	2,584
Net assets (liabilities) of discontinued operations	$(15,697)	$(1,627)	$ 631

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

	Nine Months Ended September 30,		Year Ended December 31,		
	2001	2000	2000	1999	1998
Net sales	$ 3,333	$ 5,716	$ 6,707	$ 5,930	$ 2,543
Cost of sales	2,185	3,248	4,683	5,259	1,695
Gross profit	1,148	2,468	2,024	671	848
Operating expenses	8,076	9,102	10,962	9,018	8,916
Loss from operations	(6,928)	(6,634)	(8,938)	(8,347)	(8,068)
Loss on disposal	(18,762)	—	—	—	—
Net loss	(25,690)	(6,634)	(8,938)	(8,347)	(8,068)
Foreign exchange translation (loss) gain during the period	(1)	130	96	—	—
Comprehensive loss	$(25,691)	$(6,504)	$ (8,842)	$(8,347)	$(8,068)

Translation of Foreign Currency. Transactions with Liquidmetal Golf's foreign subsidiary denominated in the foreign currency are translated at the rate of exchange at the time the transaction occurs. Gains and losses related to such transactions have been included in operations. At year-end, 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 September 30, 2001 and December 31, 2000 and 1999, Liquidmetal Golf had $327, $150 and $48, respectively, 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 September 30, 2001 and December 31, 2000, Liquidmetal Golf had a payable to the factor of $330 and $109, respectively. At September 30, 2001 and December 31, 2000 and 1999, the Liquidmetal Golf had an allowance for doubtful accounts of $531, $299 and $52, respectively.

Notes Payable to Shareholders. Notes payable at September 30, 2001 and December 31, 2000 and 1999 were comprised of the following (in thousands):

	September 30, 2001	December 31, 2000	December 31, 1999
Synapse I 7.5%, principal $1,000	$ —	$1,000	$ —
Synapse II 7.5%, principal $1,000	—	1,000	—
TDF 7.5%, principal $500	—	—	500
Mehrlich 7.5%, principal $1,000	—	—	1,000
Less discounts	—	—	(60)
Total notes payable to shareholders	$ —	$2,000	$1,440

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 666,670 shares of the Liquidmetal Technologies' common stock at $1.50 per share based on the fair value of the Company's common stock.

TDF Management Pte Ltd 7.5% — A discount in the amount of $500, using the intrinsic value method was recorded on this subordinated convertible promissory note, as this note was beneficially convertible at the note's issuance date. The discount on the note was fully amortized as of the original maturity date of December 7, 1999. The principal and accrued interest was paid in full in 2000.

Mehrlich 7.5% — On January 24, 2000, the principal and accrued interest of this convertible subordinated promissory note were converted to 134,375 shares of Liquidmetal Golf common stock at $8 per share. A discount in the amount of $1,000, using the intrinsic value method was recorded on this note, as this note was beneficially convertible at the note's issuance date.

Total interest expense including the amortized debt discount on the notes payable to shareholders was $14 and $124 for the nine months ended September 30, 2001 and 2000, respectively, and $145, $1,513 and $36 for the years ended December 31, 2000, 1999 and 1998, respectively.

Stock Compensation Plan. Historically, Liquidmetal Golf granted separate 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 and $791 during the nine months ended September 30, 2001 and 2000, respectively, and $852, $266 and $382 for the years ended December 31, 2000, 1999 and 1998, respectively. The compensation expense for these options has been fully recognized as of September 30, 2001. Subsequent to December 31, 1997, there were no options granted with exercise prices below the fair value of the underlying shares on the date of grant.

Additionally, Liquidmetal Technologies recorded an addition to paid in capital of $11,906 related to options issued 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 deferred compensation was recorded by Liquidmetal Golf. During the nine months ended September 30, 2001, Liquidmetal Golf recorded compensation expense of $1,740 for services received during this period. The remaining portion of $13,390 was recorded as a portion of the loss on disposal of discontinued operations.

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:

	Nine Months Ended September 30,		Year Ended December 31,		
	2001	2000	2000	1999	1998
As reported	$(25,690)	$(6,634)	$(8,938)	$(8,347)	$(8,068)
Pro forma	(25,855)	(7,157)	(8,806)	(8,736)	(8,767)

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, 2000, 1999, and 1998 and for the nine months ended September 30, 2001 and 2000: 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.

The following table summarizes Liquidmetal Golf's stock option transactions for the nine month periods ended September 30, 2001 and 2000:

	Number of Shares	Weighted Average Price
Options outstanding at December 31, 2000	458,505	$3.74
Granted	—	—
Exercised	(42,500)	0.50
Forfeited	—	—
Options outstanding at September 30, 2001	416,005	$4.07
Options outstanding at December 31, 1999	391,250	$4.55
Granted	75,755	0.01
Exercised	—	—
Forfeited	(8,500)	8.00
Options outstanding at September 30, 2000	458,505	$3.74

The following table summarizes Liquidmetal Golf's stock option transactions for the three year period ended December 31, 2000:

	Number of Shares	Weighted Average Price
Options outstanding at December 31, 1997	280,000	$ 0.50
Granted	170,000	18.99
Exercised	(18,750)	0.50
Forfeited	(11,250)	0.50
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

The weighted average fair value of options granted during the nine month period ended September 30, 2000 was $7.99, and, $7.99, $6.17 and $16.82 for the years ended December 31, 2000, 1999 and 1998, respectively. There were 341,380 options with a weighted average exercise price of $2.79 exercisable at September 30, 2001 and 213,688 options with a weighted average exercise price of $2.93 exercisable at September 30, 2000. There were 213,688 options with a weighted average exercise price of $2.93 exercisable at December 31, 2000; 118,000 options with a weighted average exercise price of $1.68 exercisable at December 31, 1999 and 92,500 options with a weighted average exercise price of $0.50 exercisable at December 31, 1998.

The following table summarizes Liquidmetal Golf's stock options outstanding and exercisable by the five different exercise prices at September 30, 2001:

Exercise Price	Number of Options Outstanding at September 30, 2001	Weighted Average Remaining Contract Life (Years)	Number of Options Exercisable at September 30, 2001
$ 0.01	75,755	3.25	75,755
$ 0.50	176,250	0.58	175,000
$ 8.00	129,500	3.02	64,750
$16.00	32,500	1.58	24,000
$24.00	2,000	1.83	1,875
	416,005	1.91	341,380

The following table summarizes Liquidmetal Golf's stock options outstanding and exercisable by the five different exercise prices at December 31, 2000:

Exercise Price	Number of Options Outstanding at December 31, 2000	Weighted Average Remaining Contract Life (Years)	Number of Options Exercisable at December 31, 2000
$ 0.01	75,755	4.00	75,755
$ 0.50	218,750	1.33	164,063
$ 8.00	129,500	3.76	32,375
$16.00	32,500	2.33	16,000
$24.00	2,000	2.58	1,250
	458,505	2.54	289,443

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 and the amortization of stock compensation under these agreements was $2,547 and $55 for the nine months ended September 30, 2001 and 2000, respectively, as well as, $60 and $150 during the years ended December 31, 2000 and 1999. The majority of these agreements expire on December 31, 2001. One of the agreements expires on December 31, 2005 and includes an early termination fee of $1,000. This early termination fee is included in the loss on disposal of the discontinued operations.

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 252,005, 294,505, 294,505 218,750, and 250,000 with weighted average fair values of $6.42, $6.32, $6.32, $5.74, and $5.74 were outstanding at September 30, 2001, September 30, 2000, December 31, 2000, 1999 and 1998, respectively.

11. 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:

	Nine Months Ended September 30,		Years Ended December 31,		
	2001	2000	2000	1999	1998
Non-employee stock compensation	$ 876	$ 180	$ 240	$ —	$ —
Inventory reserves	356	330	340	304	119
Allowance for bad debt	222	152	136	20	—
Loss on discontinued operations	7,909	—	—	—	—
Loss carry forwards	13,136	10,486	11,369	8,618	6,180
Other	6	66	40	144	243
Total deferred tax asset	22,505	11,214	12,125	9,086	6,542
Valuation allowance	(22,505)	(11,214)	(12,125)	(9,086)	(6,542)
Total provision	$ —	$ —	$ —	$ —	$ —

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:

	Nine Months Ended September 30,		Years Ended December 31,		
	2001	2000	2000	1999	1998
Federal tax expense	(34.00)%	(34.00)%	(34.00)%	(34.00)%	(34.00)%
State tax expense, net	(5.59)%	(5.36)%	(5.37)%	(4.26)%	(5.29)%
Stock compensation	.09%	1.11%	1.06%	1.27%	4.72%
Debt discount amortization	0	.36%	.26%	6.74%	.41%
Other	.40%	.45%	.52%	1.03%	.40%
Increase in valuation allowance	39.10%	37.44%	37.53%	29.22%	33.76%
Total tax provision	0.00%	0.00%	0.00%	0.00%	0.00%

As of December 31, 2000, the Company had approximately $27,900 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 $18,900 expiring in 2001 through 2010. 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, 2000, Liquidmetal Technologies, Inc. had approximately $7,100 in federal NOL carry forwards, expiring in 2003 through 2010. Additionally, Liquidmetal Technologies, Inc. had approximately $1,500 in state NOL carry forwards, expiring in 2001 through 2010. Liquidmetal Golf, Inc. had approximately $20,800 of federal NOL carry forwards, expiring in 2012 through 2020. Further, Liquidmetal Golf also had state NOL carry forwards of $17,400 expiring in 2005 through 2010. Additionally, as of December 31, 2000, the Company also has foreign NOL carry forwards in Singapore and the United Kingdom of approximately $275 and $2,065 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 due to the Company’s net operating losses.

12. 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. Pro forma basic and diluted EPS assumes the conversion of all preferred stock to common stock that will occur upon the closing of a Qualified Offering.

A reconciliation of the number of common shares used in calculation of basic and diluted EPS is presented below:

	September 30, 2001 Pro Forma	September 30,		December 31,		
		2001	2000	2000	1999	1998
Weighted average basic shares	100,377,150	100,064,650	93,096,296	93,722,500	83,042,361	66,666,464
Effect of dilutive securities:						
Stock options	—	—	4,483,333	5,431,811	—	12,646,436
Conversion of notes payable	—	—	4,027,825	4,027,825	—	203,589
Diluted shares	100,377,150	100,064,650	101,607,454	103,182,136	83,042,361	79,516,489

The conversion of preferred stock to common stock was not included in the computation of diluted EPS for the nine months ended September 30, 2001 as the inclusion would be antidilutive. Options to purchase approximately 16,981,670 shares of common stock at prices ranging from $0.25 to $4.00 per share were outstanding at September 30, 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 9,650,000 shares of common stock at prices ranging from $.25 to $.75 per share were outstanding at December 31, 1999, but were not included in the computation at December 31, 1999 because the exercise price was greater than the average market price of the common shares.

Warrants to purchase 2,000,000 shares of common stock at $1.50 per share were outstanding at September 30, 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 4,227,500 at $0.50 per share were outstanding at December 31, but were not included in the computation of diluted EPS for the same period because the conversion prices were greater than the average market price of the common shares.

13. 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 foreign golf companies. The third party company paid Liquidmetal Technologies a $1,000 distribution fee as part of the Distribution Agreement. In the twelve months ended December 31, 1999, Liquidmetal Technologies recognized $170 of revenue from shipments to the third party company. Since that time, no additional revenues have been recognized. The amounts included as unearned revenue were $830 as of September 30, 2001, as well as December 31, 2000 and 1999.

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
2001	$ 269
2002	489
2003	511
2004	521
2005	521
Thereafter	937
Total	$3,248

Rent expense was $196 and $99 for the nine month periods ended September 30, 2001 and 2000, respectively, and $128, $81 and $75 for the years ended December 31, 2000, 1999 and 1998, respectively.

14. 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 financial statements.

15. Segment Reporting

During the nine-month periods ended September 30, 2001 and 2000 and for the years ended December 31, 2000, 1999, and 1998, 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 December 31, 2001, 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 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:

	Nine Months Ended September 30		Years Ended December 31		
Customer	2001	2000	2000	1999	1998
Grant Prideco	17%	22%	19%	19%	10%
Praxair/Tata	13%	—	13%	20%	—
Foster/Wheeler	—	—			
Smith International	16%	—	—	—	10%

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.

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.

16. 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, 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.

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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.

Shares

Common Stock

PROSPECTUS

Merrill Lynch & 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	*
Blue Sky fees and expenses	5,000
Printing and engraving expenses	*
Legal fees and expenses	*
Accountants' fees and expenses	*
Transfer agent and registrar expenses and fees	3,500
Miscellaneous	*
Total	$ *

* 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 stock dividend, as described below.

1. As of August 31, 1999, the registrant issued 10,000 shares of its common stock to each of Danielle Yariv, Gabriela Yariv, and the Dana Yariv Special Fund for aggregate consideration of approximately $30,000. 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.

2. Between July 1, 1999 and December 9, 1999, the registrant issued 10,000,000 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.

3. Between April 12, 2000 and August 24, 2000, the registrant issued an aggregate of 4,722,200 shares of its common stock to eight investors in the respective amounts of 1,111,110 shares to Synapse Fund I, LLC, 1,111,110 shares to Synapse Fund II, LLC, 333,330 shares to Chang Ki Cho, 444,440 shares to Yeon Woo Industry Co., Ltd., 555,550 shares to Yeon Woo Engineering Ltd., 833,340 shares to HSBC Private Banking Nominee 1(Jersey) LTD 137001301, and 333,330 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.

4. As of May 15, 2000, the registrant issued 1,075,000 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. On that same date, the registrant issued 215,000 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. The purchases and sales of the notes and the issuances of the shares of common stock upon their 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.

5. Between October 16, 2000 and December 8, 2000, the registrant issued an aggregate of 300,010 shares of its common stock to four investors in the respective amounts of 66,670 shares to Ha Yun Song, 66,670 shares to YIMI Limited, 66,670 shares to Soon Jae

Kwon, and 100,000 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.

6. As of January 1, 2001, the registrant issued an option to purchase 3,166,666.64 shares of common stock with an exercise price of $0.375 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 vests as to 500,000 shares on December 31, 2001, and vests as to 666,666.6 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.

7. As of January 31, 2001, the registrant issued 666,670 shares of its common stock to Synapse Fund I, LLC, a California limited liability company, and 666,670 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.

8. As of February 21, 2001 the registrant issued a warrant to purchase 1,000,000 shares of common stock with an exercise price of $1.50 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 1,000,000 shares of common stock with an exercise price of $1.50 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.

9. Between April 18, 2001 and June 25, 2001, the registrant issued 16,951,000 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 143,372 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 143,372 share of the registrant's common stock.

10. In March, 2001, the registrant issued 4,012,510 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.

11. 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.

12. During September through November, 2001 the registrant issued 1,416,225 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.

13. Since January 1, 1998, the registrant granted stock options to purchase 20,065,000 shares of common stock with exercise prices ranging from $0.75 to $4.00 per share, to employees, directors, and consultants pursuant to the registrant's employee stock option plan. 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, 1998, 22,187,680 options have been exercised for an aggregate consideration of $4,088,768 under the stock option plan. 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.

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, as amended.
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.

Exhibit Number		Description of Document
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.
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.
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	—	Subordinated Promissory Note, dated March 15, 2000, of Liquidmetal Technologies payable to 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.
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.
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).

* To be filed by amendment.

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 19th day of November, 2001.

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 person whose signature appears below 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)	November 19, 2001
/s/ BRIAN MCDOUGALL Brian McDougall	Chief Financial Officer (Principal Financial and Accounting Officer)	November 19, 2001
/s/ JAMES KANG James Kang	Chairman of the Board of Directors	November 19, 2001
/s/ WILLIAM JOHNSON William Johnson	Vice Chairman of the Board of Directors	November 19, 2001
/s/ SHEKHAR CHITNIS Shekhar Chitnis	Director	November 19, 2001
/s/ RICARDO SALAS Ricardo A. Salas	Director	November 19, 2001
/s/ TED BENTLEY Ted Bentley	Director	November 19, 2001

Signature	Title	Date
/s/ KEN BARNETT	Director	November 19, 2001
Ken Barnett		
/s/ JACK CHITAYAT	Director	November 19, 2001
Jack Chitayat		
/s/ TJOA THIAN SONG	Director	November 19, 2001
Tjoa Thian Song		

EXHIBITS

Exhibit Number		Description of Document
1.1*	—	Form of Underwriting Agreement.
3.1	—	Amended and Restated Articles of Incorporation, as amended.
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.
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10.17	—	Subordinated Promissory Note, dated March 15, 2000, of Liquidmetal Technologies payable to Tjoa Thian Song.
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10.19	—	Warrant for Purchase of Shares of Common Stock, dated February 21, 2001, granted by Liquidmetal Technologies to Tjoa Thian Song.

Exhibit Number		Description of Document
10.20	—	Non-Qualified Stock Option Agreement, dated January 1, 2001, between Liquidmetal Technologies and Paul Azinger.
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).

* To be filed by amendment.

EXHIBIT 3.1

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
AMORPHOUS TECHNOLOGIES INTERNATIONAL

James Kang and Thomas Gregg, hereby certify that:

1. They are the President and Secretary, respectively, of Amorphous Technologies International, a California corporation (the "Corporation").

2. The Articles of Incorporation of this Corporation are deleted in their entirety and amended and restated in full to read as follows:

I.

The name of the Corporation has been changed to:

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 only one class of stock to be designated "Common Stock." The total number of shares which the Corporation is authorized to issue is Twenty Million (20,000,000) shares.

IV.

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.

4. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of the shareholders of the Corporation in accordance with Section 902 of the Corporations Code. The total number of outstanding shares of this Corporation is 9,563,497 shares. 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: September 15, 2000

/s/ James Kang

James Kang, President

/s/ Thomas Gregg

Thomas Gregg, Secretary

CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
LIQUIDMETAL TECHNOLOGIES

The undersigned, James Kang and Rick Salas, hereby certify that:

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

2. Article III of the Amended and Restated Articles of Incorporation of the Corporation is hereby amended to read as follows:

> 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 this Corporation shall have the authority to issue is ten million (10,000,000). The shares of Preferred Stock may be issued from time to time in one or more series. 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 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 issue of shares of that series.

3. The foregoing Amendment has been duly approved by the Board of Directors of the Corporation.

4. The foregoing amendment has been duly approved by the required vote of shareholders in accordance with Section 902, California Corporations Code. The total number of outstanding shares of the corporation is 9,750,647. The number of shares voting in favor of the amendment 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: June 20, 2001

/S/ JAMES KANG

JAMES KANG, CHIEF EXECUTIVE OFFICER

/S/ RICK SALAS

RICK SALAS, SECRETARY

CERTIFICATE OF DETERMINATION OF PREFERENCES
OF THE
SERIES A CONVERTIBLE PREFERRED STOCK
OF
LIQUIDMETAL TECHNOLOGIES

John Kang and Ricardo Salas hereby certify that:

(a) They are the duly elected and acting President and Secretary, respectively, of Liquidmetal Technologies, a California corporation (the "Corporation").

(b) Pursuant to authority given by said Corporation's Articles of Incorporation, the Board of Directors of the Corporation on September 14, 2001, duly adopted the following recitals and resolutions:

"WHEREAS, the Articles of Incorporation of the Corporation authorize the issuance of twenty million (20,000,000) shares of Preferred Stock, issuable from time to time in one or more series; and,

WHEREAS, the Board of Directors of the Corporation is authorized by the Articles of Incorporation to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock, to fix the number of shares constituting any such series, and to determine the designation thereof; and

WHEREAS, the Corporation has not heretofore issued any shares of such Preferred Stock, and it is the desire of the Board of Directors of this Corporation, pursuant to its authority as aforesaid, to fix the rights, preferences, privileges and restrictions relating to a series of said Preferred Stock and the number of shares constituting and the designation of such series;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby fixes and determines the designation of, the number of shares constituting, and the rights, preferences, privileges and restrictions relating to a series of Preferred Stock as follows:

1. DESIGNATION AND AMOUNT. A total of five million (5,000,000) shares of Preferred Stock, no par value, shall be designated "Series A Convertible Preferred Stock" (hereafter referred to as the "Series A Preferred").

2. 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.

3. 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 $4.00 (as adjusted for any stock dividends, combinations or splits with respect to the Series A Preferred occurring after the Original Issue 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 3 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 of the Corporation in good faith and on a reasonable basis, which determination shall be final and conclusive.

4. VOTING RIGHTS.

a. Number of Votes. Except as otherwise required by law and the provisions of this Section 4, 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 4(a) hereof, shall constitute a quorum for the purpose of the transaction of business at all meetings of stockholders.

5. 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 $4.00 by the Conversion Price in effect at the time of conversion. The "Conversion Price" shall initially be $4.00 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 5, 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 $8.00 per share of Common Stock (as adjusted for any stock dividends, combinations or splits with respect to the Common Stock occurring after the Original Issue 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 $8.00 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 Original Issue 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 $8.00 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 Original Issue 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 5.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 Original Issue 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 Original Issue 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 Original Issue 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.

(4) "Original Issue Date" for the Series A Preferred shall mean the date on which the first share of Series A Preferred was issued.

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 Original Issue 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 5.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 Original Issue Date the Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to subsection 5.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 5.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 5, 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 5.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 5, 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.

6. 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.

RESOLVED FURTHER, that the Chief Executive Officer and the Secretary of the Corporation be, and they hereby are, authorized and directed to execute, acknowledge, file and record a certificate of determination with the California Secretary of State in accordance with the provisions of California law."

(c) The authorized number of shares of Series A Preferred Stock is five million (5,000,000), of which none has been issued.

We declare under penalty of perjury under the laws of the State of California that the information set forth in this Certificate of Determination is true and correct of our own knowledge.

Date: September 14, 2001

/s/ John Kang

John Kang, Chief Executive Officer

/s/ Ricardo Salas

Ricardo Salas, Secretary

EXHIBIT 3.2

AMENDMENT AND RESTATED BYLAWS OF

LIQUIDMETAL TECHNOLOGIES

(F/K/A AMORPHOUS TECHNOLOGIES INTERNATIONAL)

AMENDMENT AND RESTATED BYLAWS OF

LIQUIDMETAL TECHNOLOGIES

(F/K/A AMORPHOUS TECHNOLOGIES INTERNATIONAL)

ARTICLE I

OFFICES

SECTION 1. PRINCIPAL OFFICES.

The board of directors shall fix and may from time to time change 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 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. The date so designated shall be within five (5) months after the end of the fiscal year of the Corporation and within fifteen (15) months after the last annual meeting. 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 an officer, or by one or more shareholders holding shares in the aggregate entitled to cast not less than ten percent (10%) 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 for 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 11, 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' MEETING.

All notices of meetings of shareholders shall be sent or otherwise given in accordance with Section 5 of this Article 11 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 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 material 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, delivered to a common carrier for transmission to the recipient, actually transmitted by electronic means to the recipient by the person giving the notice, or sent by 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 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 11.

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 of 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, if required, 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 11. 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 11, 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 (or if a quorum had been present earlier at the meeting but some shareholders had withdrawn), the affirmative vote of the majority of the shares represented and voting, provided such shares voting affirmatively also constitutes a majority of the number of shares required for a quorum, shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by the 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 the shareholder's shares) unless the candidates' names have been placed in nomination prior to commencement of the voting and the shareholder has given notice at the meeting, prior to 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.

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 11, 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 and presence at 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; except that such attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting, but not so included, 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 (other than a vacancy created by removal of a director) 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 11. In the case of approval of (i) contracts or transactions in which a director has a direct or indirect material 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, and (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 at the close of business 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 day 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 day on which the board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of such other 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 it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(0 of the Corporations Code of California.

SECTION 13. INSPECTIONS 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 (1) 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 (1) 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.

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 cancelled, 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 AND QUALIFICATION OF DIRECTORS.

The authorized number of directors shall be, until changed by amendment of the Articles or by a Bylaw duly adopted by the shareholders, such number as may from time to time be authorized by resolution of the Board of Directors or the Shareholders, provided that such number shall not be less than five (5) nor more than nine (9).

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 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 full a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

SECTION 4. VACANCIES.

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 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.

Any director may resign effective on giving 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.

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 of shareholders at which a quorum is present, or by the unanimous written consent of holders 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.

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, except that filling a vacancy created by removal of a director shall require the written consent of the holders of all outstanding shares entitled to vote.

Section 5. PLACE OF MEETINGS 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 if 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 at the place that the annual meeting of shareholders was held or at any other place that shall have been designated by the board of directors, 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 or by telephone 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, or by telephone or telegram, 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 of the director whom 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 111. Every act or decision done or made by a majority of the directors 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 transactions 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 each director (a) has received notice of the meeting, (b) attends the meeting without protesting before or at the beginning of the meeting the lack of notice to such director, or (c) before or after the meeting signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes. Any such 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.

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 Ill, 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 of 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.

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 shareholders' 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 or on any committee;

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

(e) 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

(f) the appointment of any other committees of the board of directors or the members of these 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 Ill of these Bylaws, Section 5 (place of meetings), 7 (regular meetings), 8 (special meetings and notice), 9 (quorum), 10 (waiver and 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 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

Section 1. OFFICERS.

The officers of the Corporation shall be a chairman of the board or president, or both, 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, one or more assistant treasurers, 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 the board of directors may from time to time determine.

Section 4. REMOVAL AND RESIGNATION OF OFFICER.

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 any 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 the 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 iii 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, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the board of directors or prescribed by the 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 Bylaws or the board of directors to the chairman of the board, if there be such an officer, the president shall be the general manager and 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. 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. 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 or the Bylaws, and the president, or the chairman of the board if there is no president.

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 or assistant secretary, or if they are absent or unable to act or refuse to act, any other officer of the corporation shall give, or cause to be given, notice of all meetings of the shareholders, of the board of directors and of committees of the board of directors, required by the Bylaws or by law to be given. The secretary 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.

The chief financial officer shall deposit all moneys 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. He shall disburse the funds of the Corporation as may be ordered by the board of 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 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, "agent" means any person who is or was a director, officer, employee, or other agent of this Corporation, or is or was serving at the request of this 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 this 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.

SECTION 2. ACTIONS OTHER THAN BY THE CORPORATION.

This Corporation shall have power to indemnity 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 this

Corporation to procure a judgment in its favor) by reason of the fact that such person is or was an agent of this Corporation, against expense, judgments, finds, 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 person reasonably believed to be in the best interests of this 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 nob 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 interest of this Corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

SECTION 3. ACTIONS BY THE CORPORATION.

This Corporation shall have power to indemnity 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 this Corporation to procure a judgment in its favor by reason of the fact that the person is or was an agent of this 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 person believed to be in the best interests of this 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 to any claim, issue or matter as to which that person shall have been adjudged to be liable to this Corporation in the performance of that person's duty to this Corporation, unless and only to the extent that the court in which the proceeding is or was pending 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, with or without court approval; and

(c) Of expenses incurred in defending a threatened or pending action that is settled or otherwise disposed of with or 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, 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, any indemnification under this Article shall be made by this 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, 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 this Corporation entitled to vote represented at a duly held meeting at which a quorum is present or by the written consent of the 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 this 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 this Corporation.

SECTION 6. ADVANCE OF EXPENSES.

Expenses incurred in defending any proceeding may be advanced by this Corporation before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount of the advance unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Article.

SECTION 7. OTHER CONTRACTUAL RIGHTS.

Nothing contained in this Article shall affect any right to indemnification to which persons other than directors and officers of this 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, 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 this 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 incurred by the agent in such capacity or arising out of the agent's status as such whether or not this Corporation would have the power to indemnity the agent against that liability under the provisions of this section.

SECTION 10. FIDUCIARIES OF CORPORATE EMPLOYEE BENEFIT PLAN.

This Article 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 I of this Article. This Corporation shall have the power to indemnity, and to purchase and maintain insurance on behalf of, any such trustee, investment manager, or other fiduciary of any pension, profit-sharing, share bonus, share purchase, share option, savings, thrift and other retirement, incentive, and benefit plan, trust, and other provision for any or all of the directors, officers, and employees of the Corporation or any of its subsidiary or affiliated corporations, and to indemnity and purchase and maintain insurance on behalf of any fiduciary of such plans, trusts, or provisions. Nothing contained in this Article 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.

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 may (i) inspect and copy the records of shareholders' names and addresses and shareholdings during usual business hours on five (5) 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 or shareholders by the transfer agent on or before the later of five (5) 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 I 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 California, 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 annual report to shareholders referred to in Section 1501 of the California General Corporation Law is expressly dispensed with, but nothing herein shall be interpreted as prohibiting the board of directors from issuing annual or other periodic reports to the shareholders of the Corporation as they consider appropriate.

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 such 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, if any, 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, each year during the calendar month in which its Articles of Incorporation originally were filed with the California Secretary of State, or during the preceding five (5) calendar months, 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 number of vacancies on the board, if any, 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 California, 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 nor less than ten (10) days before any such action, and in that case only shareholders of record at the close of business 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. CORPORATE 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 reexecute 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 any 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. CERTIFICATE 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. If the shares are subject to restrictions upon transfer, the restriction or restrictions shall also appear on the certificate. 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 issue.

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 cancelled 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. EMPLOYEE STOCK PURCHASE PLANS.

The Corporation may, upon terms and conditions herein authorized, provide and carry out an employee stock purchase plan or plans providing for the issue and sale, or for the granting of options for the purchase, of its unissued shares, or of issued shares purchased or to be purchased or acquired, to shareholders or employees of the Corporation or of any subsidiary or to a trustee on their behalf

Such plan may provide for such consideration as may be fixed therein, for the payment of such shares in installments or at one time and for aiding any such employees in paying for such shares by compensation for services or otherwise. Any such plan before becoming effective must be approved or authorized by the board of directors of the Corporation.

Such plan may include, among other things, provisions determining or providing for the determination by the board of directors, or any committee thereof designated by the board of directors, of:

(a) eligibility of employees (including officers and directors) and shareholders to participate therein,

(b) the number and class of shares which may be subscribed for or for which options may be granted under the plan,

(c) the time and method of payment therefor, shall be issued or sold,

(d) the price or prices at which such shares shall be issued or sold,

(e) whether or not title to the shares shall be reserved to the Corporation until full payment thereof,

(f) the effect of the death of a shareholder or an employee participating in the plan or termination of his employment, including whether there shall be any option or obligation on the part of the Corporation to repurchase the shares thereupon,

(g) restrictions, if any, upon the transfer of the shares, and the time limits, and termination of the plan,

(h) termination, continuation or adjustments of the rights of participating employees and shareholders upon the happening of specified contingencies, including increase or decrease in the number or issued shares of the class covered by the plan without receipt of consideration by the Corporation or any exchange of shares of such class for stock or securities of another corporation pursuant to a reorganization or merger, consolidation or dissolution of the Corporation,

(i) (i)amendment, termination, interpretation and administration of such plan by the board or any committee thereof designated by the board of directors, and

(j) (j)any other matters, not repugnant to law, as may be included in the plan as approved or authorized by the board of directors or any such committee.

SECTION 8. 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 natural person.

ARTICLE IX

AMENDMENTS

Except as required by law, these Bylaws may be amended or repealed by the approval of the Board of Directors; provided, however, that a Bylaw changing the maximum or minimum number of directors comprising the Board of Directors may only be adopted by approval of the outstanding shares.

EXHIBIT 4.3

INVESTOR RIGHTS AND SHAREHOLDER AGREEMENT

This Investor Rights and Shareholder Agreement (this "Agreement") is entered into as of April 18, 2001, among LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), ATI HOLDINGS, LLC, a Delaware limited liability company ("ATI"), ALLOY INVESTORS, INC., a Florida corporation ("Alloy Investors"), ALLOY VENTURES, LLP, a Florida limited liability limited partnership (the "Partnership"), and any additional shareholders of the Company that may become parties to this Agreement (together with the Partnership, the "Shareholders").

RECITALS

WHEREAS, the Partnership has executed a Common Stock Purchase Agreement of even date herewith (the "Stock Purchase Agreement") pursuant to which the Partnership has agreed to purchase shares of the Company's common stock, no par value (the "Common Stock");

WHEREAS, this Agreement is being executed and delivered pursuant to Section 4.4 of the Stock Purchase Agreement;

WHEREAS, the Company and the Shareholders deem it in the best interests of the Company to enter into this Agreement; and

NOW, THEREFORE, in consideration of the recitals and the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Definitions. In addition to the capitalized terms defined elsewhere in this Agreement, the following capitalized terms shall have the following meanings ascribed to them when used in this Agreement:

"Commission" means the United States Securities and Exchange Commission.

"Common Shares" means shares of Common Stock of the Company that have not been sold to the public (i) pursuant to a registration statement declared effective by the Commission or (ii) after a Public Offering, pursuant to Rule 144.

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

"Holder" means any person owning of record Registrable Securities that have not been sold to the public or pursuant to Rule 144 promulgated under the Securities Act or any Permitted Transferee to whom rights under Section 5 have been duly assigned in accordance with Section 5.g of this Agreement.

"Investor Shares" means, at any time, (i) any Common Shares acquired pursuant to the Stock Purchase Agreement; (ii) any Common Shares that are issued upon the exchange of Series A Convertible Preferred Stock of LMG pursuant to that certain Share

Exchange Agreement of even date herewith between the Company and the Partnership, (iii) any other Securities which are deemed by an amendment to this Agreement to be "Investor Shares", and (iv) any Securities then outstanding that were issued as, or were issued directly or indirectly upon the conversion or exercise of other Securities issued as, a dividend or other distribution with respect to or in replacement of any Securities referred to in (i), (ii), or (iii). For purposes of this Agreement, the calculation of the number of Investor Shares (to the extent such Investor Shares are not Common Shares) shall be determined on an as-converted basis into Common Shares.

"LMG" means Liquidmetal Golf, a California corporation.

"Permitted Transferee" means a lineal descendant, spouse, or parent of a Holder who is a natural person, or, in the event of a transfer upon the Holder's death, the executor or personal representative of the Holder's estate.

"Person" means an individual, corporation, partnership, limited liability company, limited partnership, syndicate, person (including, without limitation, a "Person" as defined in Section 13(d)(3) of the Exchange Act), trust, association, entity or government, political subdivision, agency or instrumentality of a government.

"Public Offering" means any offering by the Company of its equity securities to the public pursuant to an effective registration statement under the Securities Act.

"Registrable Securities" means (i) all Common Shares issued or issuable pursuant to the Stock Purchase Agreement; (ii) any Common Shares that were issued upon the exchange of Series A Convertible Preferred Stock of LMG pursuant to that certain Share Exchange Agreement of even date herewith between the Company and the Partnership, (iii) any other Securities which are deemed by an amendment to this Agreement to be "Registrable Securities," and (iv) any shares of the Common Stock of the Company issued in connection with any stock split, stock dividend, recapitalization or similar event occurring with respect to the Investor Shares. Notwithstanding the foregoing, a Security shall cease to be a "Registrable Security" upon the transfer or assignment of such Security by the Holder thereof, except for a transfer without consideration to a Permitted Transferee.

"Register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement.

"Rule 144" means Rule 144 (including Rule 144(k)) of the Commission under the Securities Act or any similar provision then in force under the Securities Act.

"Securities" means Common Shares or shares of capital stock or other securities directly or indirectly exercisable for, or convertible into, Common Shares; provided, however, that Securities shall not include any securities which have been sold to the public pursuant to a registration statement declared effective by the Commission or, after a Public Offering, pursuant to Rule 144.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal statute, as the same shall be in effect from time to time.

2. Disposition of Securities. Investor Shares may be transferred by the holders thereof, subject to the restrictions set forth in Section 3 below, provided that, as a condition precedent to any transfer of Investor Shares (a) any Investor Shares so transferred shall remain subject to all of the restrictions set forth in this Agreement, including the restrictions set forth in Section 3 below, and (b) the transferee must agree to be bound by this Agreement to such extent as if the transferee were the shareholder originally a party hereto and must sign a counterpart signature page hereto for such purpose. Any transfer or assignment of Investor Shares in violation of this Agreement will be void ab initio and will have no force and effect.

3. Restrictions on Transfer.

a. Legends. The certificates representing the Investor Shares will bear substantially the following legend:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS REGISTERED PURSUANT TO THE PROVISIONS OF SUCH ACT AND STATE SECURITIES LAWS OR AN EXEMPTION THEREFROM IS AVAILABLE AS ESTABLISHED BY A WRITTEN OPINION OF COUNSEL ACCEPTABLE TO THE CORPORATION. THESE SECURITIES ARE SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AND OTHER AGREEMENTS SET FORTH IN AN INVESTOR RIGHTS AND SHAREHOLDER AGREEMENT, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL EXECUTIVE OFFICE OF THE CORPORATION. ANY SALE, ASSIGNMENT, TRANSFER, PLEDGE OR DISPOSITION IN CONFLICT WITH THE INVESTOR RIGHTS AND SHAREHOLDER AGREEMENT IS VOID AND OF NO LEGAL FORCE, EFFECT OR VALIDITY WHATSOEVER.

b. Securities Act. No holder of Investor Shares may sell, transfer, or dispose of any of such Investor Shares (except pursuant to an effective registration statement under the Securities Act) without first delivering to the Company an opinion of counsel reasonably acceptable in form and substance to the Company that registration under the Securities Act is not required in connection with such transfer.

c. Holdback Agreements. Each holder of Investor Shares agrees not to effect any public sale or distribution of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, (i) during the seven (7) days prior to, and during the one hundred and eighty (180) days following, the effective date of an initial Public Offering, (except as part of such underwritten registration), or (ii) during the seven (7) days prior to, and during the ninety (90) days following, the effective date of any underwritten Public Offering other than an initial Public Offering, (except as part of such underwritten registration), in each case unless the underwriters managing the Public Offering otherwise agree. Each holder of Investor Shares agrees to enter into customary lock-up agreements consistent with the foregoing if requested by any underwriter of any such Public Offering. For purposes of this Section 3.c only, following an initial Public Offering, the term Investor Shares shall not include any shares which have been (a) disposed of pursuant to an effective registration statement under the Securities Act or (b) sold pursuant to Rule 144.

d. Right of First Refusal. In addition to the other restrictions set forth in this Agreement, a Shareholder may not sell, transfer, assign, or otherwise dispose (other than a transfer without consideration to a Permitted Transferee or a sale in a public offering pursuant to Section 5 hereof) of all or any part of the Investor Shares now or hereafter owned by such Shareholder without first offering to sell such Investor Shares to the Company in the manner hereinafter described.

i. The offer by the transferring Shareholder to the Company shall be a written offer to sell all of the Investor Shares proposed to be by transferred by the transferor, to which shall be attached a statement of intention to transfer, the name and address of such prospective transferee, the number of Investor Shares involved in the proposed transfer, and the terms of such transfer. The Company shall be entitled to purchase the offered Investor Shares at the price per share in cash offered by the prospective transferee.

ii. Within thirty (30) days after the receipt by the Company of such offer, the Company may, at its option, elect to purchase all, but not less than all, of the Investor Shares proposed to be transferred by the transferor. The Company shall exercise its election to purchase the Investor Shares by giving notice thereof to the transferor. The notice shall specify a date for the closing of the purchase which shall be not more than thirty (30) days after the date of the giving of such notice.

iii. If the offer to sell is not accepted by the Company, the transferor may make a bona fide transfer to the prospective transferee named in the statement attached to the offer, such transfer to be made only in strict accordance with the terms therein stated. However, if the transferor shall fail to make such transfer within thirty (30) days following the election by the Company not to accept such offer, such Investor Shares shall again become subject to all the restrictions of this Section 3.4.

iv. Upon the transfer of any Investor Shares pursuant to paragraph 3.d.iii above, the rights set forth in Section 3.e and Section 5 of this Agreement will automatically and immediately terminate with respect to such transferred Investor Shares.

v. The provisions of this Section 3.d shall not apply to any distribution of Investor Shares by the Partnership (as defined in Section 7 below) to any of its partners, but only if such distribution is undertaken in accordance with the terms and provisions of the Partnership Agreement as in effect as of the date hereof (or as amended in accordance with Section 7 below).

vi. The obligations set forth in this Section 3.d shall terminate at such time that the Company consummates an initial Public Offering or becomes subject to the reporting requirements of the Exchange Act.

e. Co-Sale Rights.

i. In the event that ATI enters into an agreement for the sale of 50% or more of the outstanding Common Stock of the Company (a "Proposed Sale"), then ATI shall provide to each Holder a notice describing the Proposed Sale (the "Tag-Along Notice"). The Tag-Along Notice shall set forth: (i) the shares of Common Stock proposed to be purchased (the "Tag-Along Offered Shares"); (ii) the proposed purchase price, including for this purpose any other consideration payable to ATI which is payable in connection with such sale, except to the extent such other consideration is paid in exchange for securities of the Company other than Common Stock (the "Tag-Along Offered Price"); and (iii) the proposed terms of purchase (the "Tag-Along Offered Terms").

ii. Upon receipt of a Tag-Along Notice, a Holder shall have the right to participate in such Proposed Sale, exercisable by delivery of a notice to ATI (the "Participation Notice") within 30 days from the date of receipt of the Tag-Along Notice. The right of a Holder pursuant to this Section 3.e shall terminate if not exercised within 30 days after receipt of the Tag-Along Notice. The Participation Notice shall set forth the number of shares of Common Stock that the participating Holder desires to include in the proposed sale.

iii. Following the expiration of the 30-day period referred to in subsection (ii) above, if a Holder has delivered the Participation Notice, ATI shall notify the Holder of the number of shares of Common Stock which the Holder may include in the proposed transfer (the "Includible Shares"), which shall be the lesser of (A) the shares requested for inclusion by the Holder; and (B) the product of (1) the Tag-Along Offered Shares multiplied by (2) a fraction, the numerator of which is the total number of Investor Shares then owned by the Holder and the denominator of which is the total number of shares of Common Stock outstanding (calculated on a fully-diluted basis, assuming the conversion of all convertible securities and the exercise of all options and warrants). Upon delivery of a Participation Notice, the participating Holder shall be entitled and obligated to sell to the proposed purchaser or purchasers his or her Includible Shares at the Tag-Along Offered Price pursuant to the Tag-Along Offered Terms, and the Common Stock which ATI shall be entitled to sell to the proposed purchaser or purchasers shall be reduced accordingly.

iv. At the closing of the Proposed Sale (notice of the date, place and time of which shall be designated by ATI and provided to the Holder in writing at least five

business days prior thereto), the selling Holder shall deliver an instrument evidencing the Includible Shares, duly endorsed, or accompanied by written instruments of transfer in form reasonably satisfactory to the purchaser or purchasers, duly executed by such Holder.

v. The rights set forth in this Section 3.e shall terminate at such time that the Company consummates an initial Public Offering or becomes subject to the reporting requirements of the Exchange Act. Additionally, upon the transfer or assignment of any Investor Shares by the Holder thereof, other than a transfer without consideration to a Permitted Transferee, the rights set forth in this Section 3.e shall automatically and immediately terminate.

4. Information Rights.

a. Financial Information. The Company will provide to each holder of at least 2,500 Investor Shares (as adjusted for stock splits, dividends, conversions, and the like):

i. as soon as practicable, but in any event within one-hundred twenty (120) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company as of the end of such year, a statement of shareholder's equity as of the end of such year, and a statement of cash flows for such fiscal year, such year-end financial reports to be in reasonable detail and to be prepared in accordance with generally accepted accounting principles ("GAAP"); and

ii. as soon as practicable, but in any event within forty-five (45) days after the end of the first three quarters of each fiscal year of the Company, an income statement and a balance sheet as of the end of such fiscal quarter prepared in accordance with GAAP consistently applied with prior practice for earlier periods (with the exception of footnotes that may be required by GAAP), subject to changes resulting from any year-end audit adjustments.

b. Termination of Rights. The rights set forth in this Section 4 shall terminate at such time that the Company consummates an initial Public Offering or becomes subject to the reporting requirements of the Exchange Act.

5. Piggyback Registration Rights.

a. Notice of Registration. The Company shall notify all Holders of Registrable Securities in writing at least 30 days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company solely for cash (including, but not limited to, registration statements relating to secondary offerings of securities of the Company). If the holders of at least a majority of the Registrable Securities elect in writing to exercise their registration rights under this Section 5, and if such written election is made within 15 days after the delivery of the Company's notice, then the Company will afford the Holders an opportunity to include in such registration statement all or any part of the Registrable Securities then held by such Holders; provided, however, that the Company shall not be obligated to effect, or take any action to effect, any such registration pursuant to

this Section 5 after the Company has effected two (2) such registrations that are subject to this Section 5.a and such registrations have been declared or ordered effective. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by such Holder shall, within 15 days after delivery of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. However, if, at any time after giving notice to the Holders under this Section 5.a and before the effective date of the registration statement filed in connection with the proposed registration, the Company shall determine for any reason not to register or to delay registration of the securities proposed to be registered, the Company may, at its sole option, give written notice of such determination to the Holders who elected to participate in such registration, and (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration, and (ii) in the case of a determination to delay registration, shall be permitted to delay registering any Registrable Securities for the same period of delay in registering the other securities proposed to be registered. Notwithstanding the foregoing, the provisions of this Section 5 shall not apply to (i) any registration statement relating to the sale of securities to participants in a Company stock option plan, equity incentive plan, or any other employee benefit plan, (ii) a registration on a form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, (iii) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities which are also being registered, or (iv) an SEC Rule 145 transaction or a registration relating to a corporate reorganization.

b. Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 5 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be reasonably required to effect the registration of such Holder's Registrable Securities.

c. Expenses of Company Registration. The Company shall bear and pay all expenses (other than underwriting discounts and commissions, stock transfer taxes, and fees of counsel to the Holders) incurred in connection with any registration, filing or qualification of Registrable Securities with respect to the registrations pursuant to Section 5.1 for each Holder, including (without limitation) all registration, filing, and qualification fees, and printers' and accounting fees.

d. Underwriting Requirements. If a registration statement under which the Company gives notice under Section 5.1 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to Section 5.1 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into

an underwriting agreement in customary form with the managing underwriter or underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Agreement, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the amount of Registrable Securities to be included in the registration for the account of the Holders will be reduced (to zero if necessary) pro rata among the Holders on the basis of the Registrable Securities to be included therein by each Holder, to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter(s).

e. Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 5.

f. Indemnification. In the event any Registrable Securities are included in an underwritten registration statement under this Agreement:

i. To the extent permitted by law, the Company will indemnify and hold harmless each Holder against any losses, claims, damages, or liabilities to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to each such Holder any legal or other expenses reasonably incurred by the Holder in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 5.f shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder or such Holder's agent or representative; provided, further, that the Company shall not be liable to: i) any individual or entity that participates as an underwriter in the offering or sale of Registrable Securities or ii) any other individual or entity who controls such underwriter within the meaning of the Securities Act, to the extent that any loss, claim, damage, liability, or action arises out of the failure of such individual(s) or entity(ies) to send or give a copy of the final prospectus, as the same may be supplemented or amended, to the party asserting an untrue statement or alleged untrue statement or omission or alleged omission

at or prior to the written confirmation of the sale of Registrable Securities to such party if such statement or omission was corrected in the final prospectus.

ii. To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon written information furnished by such Holder for use in connection with such registration; and each such Holder will pay any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this Section 5.f, in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 5.f shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld.

iii. Promptly after receipt by an indemnified party under this Section 5.f of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 5.f, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the indemnified and indemnifying parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, to the extent prejudicial to its ability to defend such action, shall relieve such indemnifying party of its liability to the indemnified party under this Section 5.f, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party other than under this Section 5.f.

iv. If the indemnification provided for in this Section 5.f is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage, or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense

in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

v. Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with an underwritten Public Offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

vi. The obligations of the Company and Holders under this Section 5.f shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 5, and otherwise.

g. Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 5 may not be assigned except in connection with the transfer of Registrable Securities without consideration to a Permitted Trasnferee (and only with all related obligations) provided that (i) the transfer of the Registrable Securities by the Holder is undertaken in accordance with the terms and provisions of this Agreement, including the provisions of Section 2 of this Agreement, (ii) the Company is, within a reasonable time before such transfer, furnished with written notice of the name and address of such Permitted Transferee and the securities with respect to which such registration rights are being assigned. The transfer of Registrable Securities under this Section 5.g is only permitted when any transferee or assignee agrees in writing to be bound by and subject to all of the terms and conditions of this Agreement.

h. Termination of Registration Rights. The registration rights granted pursuant to this Section 5 will terminate as to any Holder upon the later to occur of (a) such time as the Company and the Holder are satisfied that Rule 144(k) is available for the resale of all of the Holder's Registrable Securities, (b) the three-year anniversary following the date of the consummation of the Company's initial Public Offering, or (c) such time as a Holder has less than one percent of the outstanding shares of Company Common Stock and can sell all of its remaining Registrable Securities under Rule 144 during any three-month period.

i. Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement, the Company shall, as expeditiously as reasonably possible:

i. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration

statement to become effective, and keep such registration statement effective until the distribution is completed, but not more than 150 days, provided that no such registration shall constitute a shelf registration under Rule 415 promulgated by the SEC under the Securities Act.

ii. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

iii. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and all amendments and supplements thereto, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

iv. Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided, however, that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

v. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

vi. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and, following such notification, promptly deliver to each Holder copies of all amendments or supplements referred to in paragraphs (i) and (ii) of this Section 5.i.

vii. Furnish, at the request of any Holder registering Registrable Securities, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (i) a copy of the opinion of the counsel representing the Company for the purposes of such registration addressed to the underwriters for such registration and (ii) a copy of the "comfort letter" addressed to the underwriters for such registration from the independent certified public accountants of the Company.

6. [Intentionally left blank]

7. Matters relating to the Partnership. The Partnership and Alloy Investors, as the general partner of the Partnership, each hereby agree that they shall not permit any amendment to be made to Section 3.5(a) or Section 5.5 of the Agreement of Limited Partnership of the Partnership, dated April 18, 2001 (the "Partnership Agreement"), without the prior written consent of the Company, which consent shall not be unreasonably withheld. Furthermore, the Partnership and Alloy Investors hereby agree that the Partnership may not make any distributions of any Investor Shares to the partners of such partnership except in accordance with the Partnership Agreement as in effect on the date hereof (or pursuant to any amendment to the Partnership Agreement approved by the Company in accordance with the preceding sentence). The Partnership and Alloy Investors agree and acknowledge that the provisions of this Section 7 are a material inducement with respect to the Company's execution and delivery of the Stock Purchase Agreement and this Agreement.

8. Execution; Counterparts. A Person who has executed the Stock Purchase Agreement and signs a signature page hereto shall become a party hereto upon the issuance to such Person of Investor Shares for which such Person has subscribed. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and such counterparts together will constitute one instrument.

9. Notices. Any notices desired, required or permitted to be given hereunder shall be delivered personally or mailed, certified or registered mail, return receipt requested, or delivered by overnight courier service, to the following addresses, or such other addresses as shall be given by notice delivered hereunder, and shall be deemed to have been given upon delivery, if delivered personally, three days after mailing, if mailed, or one business day after delivery to the overnight courier service, if delivered by overnight courier service:

If to the Company, to:

Liquidmetal Technologies
25800 Commercentre Dr., Suite 100
Lake Forest, California 92630
Attention: James Kang, Chief Executive Officer

If to the Shareholders, to the addresses set forth on the stock record books of the Company.

If to ATI, to:

ATI Holdings, LLC, c/o Iliant Corporation
4300 West Cypress Street, Suite 900
Tampa, Florida 33607
Attention: John Kang

If to Alloy Investors, to:

Alloy Investors, Inc.
11103 Winthrop Way
Tampa, Florida 33612
Attention: Roger Overby, President

10. Amendments and Waivers. The provisions of this Agreement may be amended upon the written agreement of the Company and the holder or holders of a majority of the Investor Shares. Any waiver, permit, consent or approval of any kind or character on the part of any holders of any provision or condition of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in writing.

11. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed, and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

12. Complete Agreement. This Agreement supersedes and preempts any prior and contemporaneous understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

13. Successors and Assigns. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto, and each transferee of all or any portion of the Securities held by the parties hereto, whether so expressed or not.

14. Governing Law. This Agreement shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Agreement shall be governed by, the laws of the State of Florida, without giving effect to provisions thereof regarding conflict of laws.

15. Headings. The captions set forth in this Agreement are for convenience only and shall not be considered as part of this Agreement or as in any way limiting the terms and provisions hereof.

IN WITNESS WHEREOF, this Investor Rights and Shareholder Agreement was executed as of the date first set forth above.

LIQUIDMETAL TECHNOLOGIES

By: /s/ John Kang

John Kang, Chairman of the Board of Directors

ATI HOLDINGS, LLC

By: J. Holdsworth Capital Management, LLC,
its manager

By: /s/ John Kang

John Kang, Manager

ALLOY INVESTORS, INC.

By: /s/ Roger Overby

Roger Overby, President

LIQUIDMETAL TECHNOLOGIES

COUNTERPART SIGNATURE PAGE
TO
INVESTOR RIGHTS AND SHAREHOLDER AGREEMENT

The undersigned hereby executes the Investor Rights and Shareholder Agreement among Liquidmetal Technologies (the "Company") and certain shareholders of the Company and hereby authorizes this signature page to be attached as a counterpart of such document executed by the Company. The undersigned hereby agrees to be bound by, and shall be entitled to the rights and benefits of the terms and provisions of the Investor Rights and Shareholder Agreement.

Dated: April 18, 2001

ALLOY VENTURES, LLP

By: Alloy Investors, Inc., its general partner

By: /s/ Roger Overby

Roger Overby, President

EXHIBIT 4.4

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is entered into as of November 7, 2001, between LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), and ALLOY VENTURES II, LLP, a Florida limited liability limited partnership (the "Partnership").

RECITALS

WHEREAS, the Partnership has executed a Subscription Agreement of even date herewith (the "Subscription Agreement") pursuant to which the Partnership has subscribed for and purchased 250,825 shares of the Company's Series A Convertible Preferred Stock, no par value (the "Preferred Stock"); and

WHEREAS, as consideration for the purchase by the Partnership of the Preferred Stock, the Company has agreed to grant the rights set forth in this Agreement.

NOW, THEREFORE, in consideration of the recitals and the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Definitions. In addition to the capitalized terms defined elsewhere in this Agreement, the following capitalized terms shall have the following meanings ascribed to them when used in this Agreement:

"Commission" means the United States Securities and Exchange Commission.

"Common Shares" means shares of common stock, no par value, of the Company that have not been sold to the public (i) pursuant to a registration statement declared effective by the Commission or (ii) after a Public Offering, pursuant to Rule 144.

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

"Public Offering" means any offering by the Company of its equity securities to the public pursuant to an effective registration statement under the Securities Act.

"Registrable Securities" means (i) all Common Shares issued or issuable upon the conversion of the Preferred Stock purchased by the Partnership pursuant to the Subscription Agreement, and (ii) any shares of the Common Stock of the Company issued in connection with any stock split, stock dividend, recapitalization or similar event occurring with respect to the Preferred Stock purchased by the Partnership pursuant to the Subscription Agreement. Notwithstanding the foregoing, unless otherwise agreed to in writing by the Company, a Common Share shall cease to be a "Registrable Security" upon the transfer or assignment of such Common Share by the Partnership.

"Register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement.

"Rule 144" means Rule 144 (including Rule 144(k)) of the Commission under the Securities Act or any similar provision then in force under the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal statute, as the same shall be in effect from time to time.

2. Piggyback Registration Rights.

a. Notice of Registration. So long as the Partnership holds any Registrable Securities, the Company shall notify the Partnership in writing at least 30 days prior to filing any registration statement under the Securities Act for purposes of effecting a Public Offering of Common Shares solely for cash. If the Partnership elects in writing to exercise its registration rights under this Section 2, and if such written election is made within 15 days after the delivery of the Company's notice, then the Company will afford the Partnership an opportunity to include in such registration statement all or any part of the Registrable Securities then held by the Partnership; provided, however, that the Company shall not be obligated to effect, or take any action to effect, any such registration pursuant to this Section 2 after the Company has effected two (2) such registrations that are subject to this Section 2.a and such registrations have been declared or ordered effective. If the Partnership desires to include any of its Registrable Securities in any such registration statement, the Partnership shall, within 15 days after delivery of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities the Partnership wishes to include in such registration statement. However, if, at any time after giving notice to the Partnership under this Section 2.a and before the effective date of the registration statement filed in connection with the proposed registration, the Company shall determine for any reason not to register or to delay registration of the securities proposed to be registered, the Company may, at its sole option, give written notice of such determination to the Partnership, and (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration, and (ii) in the case of a determination to delay registration, shall be permitted to delay registering any Registrable Securities for the same period of delay in registering the other securities proposed to be registered. Notwithstanding the foregoing, the provisions of this Section 2 shall not apply to (i) any registration statement relating to the sale of securities to participants in a Company stock option plan, equity incentive plan, or any other employee benefit plan, (ii) a registration on a form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, (iii) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities which are also being registered, (iv) an SEC Rule 145 transaction or a registration relating to a corporate reorganization, or (v) any registration statement relating to the Company's initial underwritten public offering.

b. Furnish Information. As a condition precedent to the obligations of the Company to take any action pursuant to this Section 2, the Partnership shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be reasonably required to effect the registration of the Partnership's Registrable Securities.

c. Expenses of Company Registration. The Company shall bear and pay all expenses (other than underwriting discounts and commissions, stock transfer taxes, and fees of counsel to the Partnership) incurred in connection with any registration, filing or qualification of Registrable Securities with respect to the registrations pursuant to Section 2.a, including (without limitation) all registration, filing, and qualification fees, and printers' and accounting fees.

d. Underwriting Requirements. If a registration statement under which the Company gives notice under Section 2.a is for an underwritten offering, then the Company shall so advise the Partnership. In such event, the right of any Registrable Securities to be included in a registration pursuant to Section 2.a shall be conditioned upon the Partnership's participation in such underwriting and the inclusion of the Partnership's Registrable Securities in the underwriting to the extent provided herein. The Partnership shall enter into an underwriting agreement in customary form with the managing underwriter or underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Agreement, if the managing underwriter(s) determine(s) in good faith that the total amount of securities that the Partnership, the Company, and other shareholders participating in such registration ("Other Selling Shareholders") propose to include in such offering is such as to adversely affect the success of such offering, then the amount of securities to be included therein for the account of the Partnership and the Other Selling Shareholders will be reduced (to zero if necessary) pro rata among the Partnership and the Other Selling Shareholders on the basis of the Common Shares requested to be included therein by each such shareholder, to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter(s).

e. Delay of Registration. The Partnership shall not have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

f. Indemnification. In the event any Registrable Securities are included in an underwritten registration statement under this Agreement:

i. To the extent permitted by law, the Company will indemnify and hold harmless the Partnership against any losses, claims, damages, or liabilities to which the Partnership may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement of a material fact contained in such

registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to the Partnership any legal or other expenses reasonably incurred by the Partnership in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 2.f shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by the Partnership or the Partnership's agent or representative; provided, further, that the Company shall not be liable to: (i) any individual or entity that participates as an underwriter in the offering or sale of Registrable Securities or (ii) any other individual or entity who controls such underwriter within the meaning of the Securities Act, to the extent that any loss, claim, damage, liability, or action arises out of the failure of such individual(s) or entity(ies) to send or give a copy of the final prospectus, as the same may be supplemented or amended, to the party asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such party if such statement or omission was corrected in the final prospectus.

ii. To the extent permitted by law, the Partnership will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, and any controlling person of any such underwriter, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon written information furnished by the Partnership for use in connection with such registration; and the Partnership will pay any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this Section 2.f, in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 2.f shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Partnership, which consent shall not be unreasonably withheld.

iii. Promptly after receipt by an indemnified party under this Section 2.f of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.f, deliver to the indemnifying party a written notice of the

commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the indemnified and indemnifying parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, to the extent prejudicial to its ability to defend such action, shall relieve such indemnifying party of its liability to the indemnified party under this Section 2.f, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party other than under this Section 2.f.

iv. If the indemnification provided for in this Section 2.f is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage, or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

v. Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with an underwritten Public Offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

vi. The obligations of the Company and the Partnership under this Section 2.f shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 2, and otherwise.

g. Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may not be assigned by the Partnership without the prior written consent of the Company.

h. Termination of Registration Rights. The registration rights granted pursuant to this Section 2 will terminate upon the later to occur of (a) such time as the Company and the

Partnership are satisfied that Rule 144(k) is available for the resale of all of the Partnership's Registrable Securities, (b) the three-year anniversary following the date of the consummation of the Company's initial Public Offering, or (c) such time as the Partnership has less than one percent of the outstanding Common Shares and can sell all of its remaining Registrable Securities under Rule 144 during any three-month period.

i. Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement, the Company shall, as expeditiously as reasonably possible:

i. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and keep such registration statement effective until the distribution is completed, but not more than 150 days, provided that no such registration shall constitute a shelf registration under Rule 415 promulgated by the SEC under the Securities Act.

ii. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

iii. Furnish to the Partnership such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and all amendments and supplements thereto, and such other documents as the Partnership may reasonably request in order to facilitate the disposition of the Registrable Securities owned by it that are included in such registration.

iv. Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Partnership, provided, however, that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

v. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. The Partnership shall also enter into and perform its obligations under such an agreement.

vi. Notify the Partnership at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and, following such notification, promptly deliver to the

Partnership copies of all amendments or supplements referred to in paragraphs (i) and (ii) of this Section 2.i.

vii. Furnish, at the request of the Partnership, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (i) a copy of the opinion of the counsel representing the Company for the purposes of such registration addressed to the underwriters for such registration and (ii) a copy of the "comfort" letter" addressed to the underwriters for such registration from the independent certified public accountants of the Company.

3. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and such counterparts together will constitute one instrument.

4. Notices. Any notices desired, required or permitted to be given hereunder shall be delivered personally or mailed, certified or registered mail, return receipt requested, or delivered by overnight courier service, to the following addresses, or such other addresses as shall be given by notice delivered hereunder, and shall be deemed to have been given upon delivery, if delivered personally, three days after mailing, if mailed, or one business day after delivery to the overnight courier service, if delivered by overnight courier service:

If to the Company, to:

Liquidmetal Technologies
100 North Tampa St., Suite 3150
Tampa, Florida 33602
Attention: John Kang, Chief Executive Officer

If to the Partnership, to:

Alloy Investors, Inc.
11103 Winthrop Way
Tampa, Florida 33612
Attention: Roger Overby, President

5. Amendments and Waivers. The provisions of this Agreement may be amended upon the written agreement of the Company and the Partnership. Any waiver, permit, consent or approval of any kind or character on the part of party to this Agreement of any provision or condition of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in writing.

6. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed, and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

7. Complete Agreement. This Agreement supersedes and preempts any prior and contemporaneous understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

8. Successors and Assigns. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto.

9. Governing Law. This Agreement shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Agreement shall be governed by, the laws of the State of Florida, without giving effect to provisions thereof regarding conflict of laws.

10. Headings. The captions set forth in this Agreement are for convenience only and shall not be considered as part of this Agreement or as in any way limiting the terms and provisions hereof.

IN WITNESS WHEREOF, this Agreement was executed as of the date first set forth above.

LIQUIDMETAL TECHNOLOGIES

By: /s/ Brian McDougall

Brian McDougall, Chief Financial Officer

ALLOY VENTURES I, LLP, by Alloy Ventures, Inc., its general partner

By: /s/ Roger Overby

Roger Overby, President of Alloy Ventures, Inc.

AMENDMENT NO. 1 TO REGISTRATION RIGHTS AGREEMENT

This is Amendment No. 1, dated November 14, 2001 (the "Amendment No. 1"), to a Registration Rights Agreement dated November 7, 2001 (the "Registration Rights Agreement"), between Liquidmetal Technologies, a California corporation (the "Company"), and (the "Partnership").

BACKGROUND

WHEREAS, on November 7, 2001, the Partnership purchased 250,825 shares of the Company's Series A Convertible Preferred Stock, no par value (the "Preferred Stock") pursuant to a Subscription Agreement dated November 7, 2001 (the "First Subscription Agreement"); and

WHEREAS, on the date hereof, the Partnership purchased an additional 57,900 shares of Preferred Stock pursuant to a Subscription Agreement of even date herewith (the "Supplemental Subscription Agreement"); and

WHEREAS, pursuant to the Registration Rights Agreement, the Company granted certain registration rights with respect to the shares of Preferred Stock purchased pursuant to the First Subscription Agreement; and

WHEREAS, the parties desire to amend the Registration Rights Agreement to extend the rights contained therein to the shares of Preferred Stock purchased pursuant to the Supplemental Subscription Agreement.

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 Registration Rights Agreement.

2. The first recital paragraph in the Registration Rights Agreement is hereby deleted in its entirety and replaced with the following:

> WHEREAS, the Partnership has executed a Subscription Agreement dated November 7, 2001 and an additional Subscription Agreement dated November 14, 2001 (collectively, the "Subscription Agreements") pursuant to which the Partnership has subscribed for and purchased a total of 308,725 shares of the Company's Series A Convertible Preferred Stock, no par value (the "Preferred Stock"); and

3. The definition of "Registrable Securities" in Section 1 of the Registration Rights Agreement is hereby deleted in its entirety and replaced with the following:

"Registrable Securities" means (i) all Common Shares issued or issuable upon the conversion of the Preferred Stock purchased by the Partnership pursuant to the Subscription Agreements, and (ii) any shares of the Common Stock of the Company issued in connection with any stock split, stock dividend, recapitalization or similar event occurring with respect to the Preferred Stock purchased by the Partnership pursuant to the Subscription Agreements. Notwithstanding the foregoing, unless otherwise agreed to in writing by the Company, a Common Share shall cease to be a "Registrable Security" upon the transfer or assignment of such Common Share by the Partnership.

4. Except as specifically set forth in this Amendment No. 1, all of the terms and provisions of the Registration Rights Agreement shall continue to remain in full force and effect.

5. 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.

6. This Amendment No. 1, together with the Registration Rights 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.

7. This instrument shall be binding upon, and shall inure to the benefit of, each of the parties' respective personal representatives, heirs, successors, and assigns.

8. 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

ALLOY VENTURES II, LLLP, by Alloy Ventures, Inc., its general partner

By: /s/ Roger Overby

Roger Overby, President of Alloy Ventures, Inc.

AMENDED AND RESTATED LICENSE AGREEMENT

THIS AMENDED AND RESTATED LICENSE AGREEMENT (this "Agreement") is made and entered into effective as of the 1st day of September, 2001 (the "Effective Date"), by and between CALIFORNIA INSTITUTE OF TECHNOLOGY ("Licensor"), a California not-for-profit corporation, having a principal place of business at 1200 East California Boulevard, Pasadena, California 91125, and LIQUIDMETAL TECHNOLOGIES, a California corporation formerly known as Amorphous Technologies International, having a principal place of business at 25800 Commercentre Drive, Suite 100, Lake Forest, California 92630 ("Licensee").

WITNESSETH:

WHEREAS, Dr. William L. Johnson, as an employee of Licensor ("Johnson"), and others working in his laboratory have developed certain technology relating to amorphous metal materials; and

WHEREAS, Licensor and Licensee have previously entered into a License Agreement, dated January 1, 1998, as amended by a First Addendum dated May 12, 2000 (collectively, the "License Agreement"), pursuant to which Licensor has licensed to Licensee certain technology and patents relating to amorphous metal materials; and

WHEREAS, Licensor and Licensee desire to clarify and amend the rights and licenses set forth in the License Agreement and to grant additional consideration therefor; and

WHEREAS, Licensor and Licensee therefore desire to amend and restate the License Agreement upon the terms and conditions set forth in this Agreement, and this Agreement shall supersede and replace the License Agreement in its entirety and neither party shall have any further obligations under the License Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants set forth herein, the Licensor and Licensee agree as follows:

ARTICLE 1

DEFINITIONS

1.1 DEFINITIONS. For purposes of this Agreement and except as otherwise specifically set forth herein, the following capitalized terms shall have the following meanings:

1.2 "LICENSED PRODUCT" means any product, device, service or system of any type whatsoever which, in whole or in part, is covered by, is made by a process covered by, or which utilizes in any respect any Caltech Technology.

1.3 "AFFILIATE" means any corporation, limited liability company or other legal entity which directly or indirectly controls, is controlled by, or is under common control with Licensee or its successors or assigns, or any successor or assign of such an entity. For the purpose of this Agreement, "control" shall mean the direct or indirect ownership of at least fifty-one percent (51%) of the outstanding shares on a fully diluted basis or other voting rights of the subject entity to elect directors, or if not meeting the preceding, any entity owned or controlled by or owning or controlling at the maximum control or ownership right permitted in the country where such entity exists.

1.4 "LICENSED PATENT RIGHTS" means Licensor's rights under all patents and patent applications listed in Exhibit A attached hereto, as well as all foreign counterpart patents and patent applications (including future foreign counterparts to the patents and patent applications listed in Exhibit A); any patents which issue on the applications listed in Exhibit A; all reissues, reexaminations, renewals, extensions, divisionals, continuations, and continuations-in-part of the foregoing patents and patent applications; and any foreign counterparts and any other forms of protection directed to the inventions covered by the patents or patent applications listed in Exhibit A .

1.5 "CALTECH TECHNOLOGY" means the Licensed Patent Rights and the Amorphous Alloy Technology.

1.6 "AMORPHOUS ALLOY TECHNOLOGY" means all proprietary information, know-how, procedures, methods, prototypes, designs, inventions (whether patentable or not), technical data and reports owned by Licensor or to which Licensor otherwise has rights that are necessary or

useful in the development of, or which otherwise relate or pertain to, amorphous alloys and composite materials containing amorphous alloys.

1.7 "LIGHTWEIGHT ALLOY TECHNOLOGY" means all amorphous alloys other than Non-Lightweight Amorphous Alloys as defined in Paragraph 1.8.

1.8 "NON-LIGHTWEIGHT ALLOY TECHNOLOGY" means all Amorphous Alloy Technology that is necessary or useful in the development of, or which otherwise relates or pertains to, Non-Lightweight Amorphous Alloys and composite materials containing Non-Lightweight Amorphous Alloys. For this purpose, a "Non-Lightweight Amorphous Alloy" is either a) a solid amorphous alloy in a virgin, nonporous state having a density of at least 4.0 g/cc or b) an amorphous alloy that contains zirconium or titanium (or combination of both) in an amount that is not less than 10% (atomic) of said alloy.

ARTICLE 2

PATENT LICENSE GRANT

2.1 Licensor hereby grants to Licensee the following rights:

(a) an exclusive, irrevocable, paid-up license under:

i. All Licensed Patent Rights;

ii. All Amorphous Alloy Technology existing as of the Effective Date; and

iii. All Non-Lightweight Alloy Technology solely arising in the laboratory of Johnson in whole or in part anytime after the Effective Date but prior to the fourth anniversary of the Effective Date

to research, develop, make, have made, import, have imported, use, have used, sell, have sold, offer for sale, have offered for sale, and otherwise exploit Licensed Products throughout the world;

(b) Licensor hereby grants to Licensee a nonexclusive, irrevocable, paid-up license under all Non-Lightweight Alloy Technology arising solely in the laboratory of Johnson in whole or in part that is legally available anytime after the fourth anniversary of the Effective

Date to research, develop, make, have made, import, have imported, use, have used, sell, have sold, offer for sale, have offered for sale, and otherwise exploit Licensed Products throughout the world; and

(c) Licensor shall notify Licensee in writing promptly upon the discovery by Licensor of any Lightweight Alloy Technology arising solely in the laboratory of Johnson which is legally available for license by Licensor and which is discovered in whole or part after the Effective Date but prior to the third anniversary of the Effective Date, and Licensor agrees to grant, upon written request by Licensee, a license to Licensee on fair and reasonable terms with Licensor for such Lightweight Alloy Technology. Both Licensor and Licensee agree to negotiate such license in good faith. If the parties cannot agree upon the terms of such license, Licensor agrees not grant to another party a license to such Lightweight Alloy Technology on terms more favorable to the other party than those that Licensee is willing to accept.

2.2 These licenses are subject to: (a) the reservation of Licensor's right to make, have made, and use Licensed Products for noncommercial educational and research purposes, but not for sale or other distribution to third parties (provided that the exercise of this reserved license shall be subject to Article 10 below); and (b) the rights of the U.S. Government under Title 35, United States Code, Section 200 et seq., including but not limited to the grant to the U.S. Government of a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced any invention conceived or first actually reduced to practice in the performance of work for or on behalf of the U.S. Government throughout the world. These licenses are not transferable by Licensee except as provided in Paragraph 13.11, but Licensee shall have the right to grant nonexclusive or exclusive sublicenses hereunder, and to grant to sublicensees the right to grant sublicenses. Licensee may grant sublicenses of no greater scope than the license granted under Paragraph 2.1.

2.3 Any sublicenses granted by Licensee, including, without limitation, any nonexclusive sublicenses, shall remain in effect and be assigned to Caltech in the event this license terminates pursuant to Paragraph 9.2; provided, the financial obligations of each sublicensee to Caltech shall be limited to the amounts that the sublicensee shall be obligated to pay to Licensee under

the terms of the respective sublicense. In such event and subject to the preceding sentence, Caltech shall assume all the rights and obligations of Licensee under such sublicenses.

ARTICLE 3

TECHNOLOGY

3.1 With respect to all Caltech Technology existing as of the Effective Date, Licensor shall disclose, transmit and deliver to Licensee, orally and in writing, all of such Caltech Technology on or before the expiration of one month from the Effective Date. With respect to any other Caltech Technology licensed hereunder, Licensor shall disclose the same to Licensee within one month of its conception. Such communication of information shall include, but not be limited to, the delivery by Licensor to Licensee of the patent applications for the Licensed Patent Rights, all background and back-up information, patent prosecution information, test results and other information relevant in any way to the Licensed Patent Rights and the other Caltech Technology.

3.2 Each party agrees not to disclose any terms of this Agreement to any third party without the consent of the other party; provided, however, that disclosures may be made as required by securities or other applicable laws, or to actual or prospective investors or corporate partners, or to a party's accountants, attorneys, and other professional advisors. Notwithstanding the above, each party shall be entitled to disclose the fact that Licensee has been granted a license under the Licensed Patent Rights.

ARTICLE 4

PROSECUTION OF PATENT APPLICATIONS

4.1 PROSECUTION. Licensor shall use its best efforts to file for patents covering any Caltech Technology licensed hereunder for which a patent application has not already been filed, and Licensor shall prosecute any and all patent application(s) in connection with such Caltech Technology. Licensee shall select patent counsel for this purpose, and Licensor shall permit Licensee to review all patent applications and claims made therein, and Licensor shall make all reasonable revisions thereto as may be requested by Licensee prior to filing. The reasonable costs and fees associated with prosecuting such patent applications and maintaining the resulting

patents shall be borne by Licensee. In the event that Licensee elects not to pay any of the foregoing patent application costs and fees with respect to a particular application or patent, Licensor may, at its option, continue such prosecution or maintenance, although any patent resulting from such prosecution or maintenance will thereafter no longer be subject to an exclusive license hereunder (and such license shall instead become a nonexclusive license with respect to such patent).

4.2 PROSECUTION BY LICENSEE. If Licensor declines to file and prosecute an application to obtain one or more Patent(s) on any Caltech Technology, then Licensee may elect to file or take over the prosecution of any such patent application, and Licensee shall bear all expenses incurred in connection with such prosecution. Licensor agrees to fully cooperate with Licensee in preparing, filing, prosecuting, and maintaining any such patent applications and patents, and Licensor agrees to execute any documents as shall be necessary for such purpose and not to impair in any way the patentability of such Caltech Technology.

4.3 LICENSE TO NEW PATENTS. If at any time after the Effective Date any new patents are issued with respect to any Non-Lightweight Alloy Technology that (i) is not already included in the Licensed Patent Rights and (ii) is subject to a license as set forth in Paragraph 2.1(a)(iii) hereof, then Licensee shall have an exclusive, irrevocable, paid-up license with respect to all such patents as though they were included as a part of the Licensed Patent Rights hereunder.

ARTICLE 5

CONSIDERATION FOR LICENSE

5.1 In consideration of the rights and licenses granted hereunder, Licensee will pay a one-time license fee to Licensor in the form of cash equal to US$150,000 payable upon execution of this Agreement by Licensor in three installments of US$50,000 each, the first installment of which is due upon execution of this Agreement with the subsequent installments due three months and six months after the Effective Date.

ARTICLE 6

INFRINGEMENT

6.1 COOPERATION. The parties agree to provide reasonable cooperation to each other respecting any threatened or actual unauthorized use or infringement by third parties of the Licensed Technology which may come to their attention. Each party shall promptly notify the other of such unauthorized activities.

6.2 ENFORCEMENT BY LICENSOR. Licensor shall not be obligated to bring suit for infringement or have any responsibility for taking or defending any action whatsoever against or by infringers or alleged infringers of the Licensed Technology, provided that Licensor shall have the right and option, upon written request to Licensee, to participate in any such action, to contribute funds to the prosecution of such action, and to be represented by counsel.

6.3 ENFORCEMENT BY LICENSEE. To the extent that Licensee commences an action for infringement of the Licensed Technology, Licensor agrees to join in such action upon Licensee's request. In the event that Licensee receives any damages or amounts in settlement in any action against a third party for infringement of the Licensed Technology, then Licensee shall be entitled to entire the amount by which such award or settlement amount exceeds all of the expenses incurred by Licensee in connection with such infringement action.

ARTICLE 7

REPRESENTATIONS OF LICENSOR

7.1 Licensor hereby covenants, represents, and warrants to Licensee as follows:

(a) There are no liens, mortgages, commitments, obligations and encumbrances of any kind or any nature whatsoever against the Caltech Technology;

(b) There are no outstanding options, licenses or agreements of any kind relating to the Caltech Technology, other than this Agreement and the rights of the United States government that may arise from Caltech Technology that was supported by federal funding as described in Exhibit A;

(c) Licensor has full power to grant the rights, licenses and privileges granted herein and can perform as set forth in this Agreement without violating the terms of any agreement that Licensor has with any third party.

(d) Johnson, the other individuals working in Johnson's laboratory, and the other individuals working on the Licensed Technology have each assigned all of their rights to, and proprietary rights in, the Caltech Technology, and Licensor will cause future employees to assign their rights to future-developed Caltech Technology to Licensor.

7.2 The parties agree that nothing in this Agreement shall be construed as:

(a) a warranty or representation that anything made, used, sold, or otherwise disposed of hereunder is or will be free from infringement of rights of third parties; or

(b) an obligation by Licensor to bring or prosecute actions or suits against third parties for infringement of the Caltech Technology; or

(c) conferring by implication, estoppel or otherwise, any license or rights under any patents of Licensor other than the Caltech Technology, regardless of whether such other patents are dominant or subordinate to the Caltech Technology.

7.3 THE PARTIES HEREBY AGREE THAT LICENSOR MAKES NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE CALTECH TECHNOLOGY.

ARTICLE 8

DUE DILIGENCE

8.1 Licensee shall have sole discretion over the commercialization of Licensed Products. However, if Licensee at any time after the Effective Date fails to have at least one Program (defined below) in effect, and if such failure continues for a period of 18 or more consecutive months without the commencement, recommencement, or maintenance of a new Program or prior Program, then Licensor shall have the right, upon 180-days prior written notice to Licensee

(a "Conversion Notice"), to convert the license set forth in Paragraph 2.1(a) hereof into a non-exclusive license. Notwithstanding the foregoing, if Licensee commences or maintains any type of Program whatsoever during the 180-day period following the delivery of a Conversion Notice, then Licensor's right to convert the license to a non-exclusive license shall terminate. For purposes hereof, the term "Program" means any research program, product development program, manufacturing program, licensing (or sublicensing) program, marketing program, or business program of any type, as determined by Licensor in its sole discretion, which utilizes or exploits any Caltech Technology in any respect for commercial purposes. In the event that Licensor delivers a Conversion Notice pursuant to this section and Licensee believes in good faith that the conditions for conversion of the license have not occurred, then such dispute shall be resolved in accordance with Article 11 of this Agreement, in which case the conversion of the license to a non-exclusive license shall not be effective unless and until Licensor shall have received a favorable decision from the arbitrator pursuant to Article 11. In any such proceeding, the Licensor shall have the burden of proof with respect to the issue of whether or not the conditions for conversion have occurred.

ARTICLE 9

TERM OF LICENSE

9.1 This Agreement and the rights and licenses hereunder shall be in effect beginning on the Effective Date and continuing in perpetuity thereafter, except that the license of any patent hereunder shall terminate on the date on which such patent expires.

9.2 If this Agreement is materially breached by either party, which breach may include an uncured failure to make a material payment obligation pursuant to Paragraph 4.1, the nonbreaching party may elect to give the breaching party written notice describing the alleged breach. If the breaching party has not cured such breach within sixty (60) days after receipt of such notice, the notifying party will be entitled, in addition to any other rights it may have under this Agreement, to terminate this Agreement effective immediately; provided, however, that if either party receives notification from the other of a material breach and if the party alleged to be in default notifies the other party in writing within thirty (30) days of receipt of such default notice that it disputes the asserted default, the matter will be submitted to arbitration as provided

in Article 11 of this Agreement. In such event, the nonbreaching party shall not have the right to terminate this Agreement until it has been determined in such arbitration proceeding that the other party materially breached this Agreement, and the breaching party fails to cure such breach within ninety (90) days after the conclusion of such arbitration proceeding.

9.3 Termination of this Agreement for any reason shall not release any party hereto from any liability which, at the time of such termination, has already accrued to the other party or which is attributable to a period prior to such termination, nor preclude either party from pursuing any rights and remedies it may have hereunder or at law or in equity which accrued or are based upon any event occurring prior to such termination.

ARTICLE 10

CONFIDENTIALITY

10.0 Licensor and Licensee agree that the Caltech Technology and the existence of this Agreement shall be held in strict confidence and that no information concerning the same shall be disclosed by either party hereto to any third party without the prior written consent of the other party, except as may be required by law (including compulsory legal process) and except as provided in Paragraph 3.2 above. Information shall not be considered confidential or subject to this Article 10 if it can be demonstrated to have become part of the public domain by publication of a patent or by any other means except an unauthorized act or omission by a party to this Agreement. Notwithstanding the foregoing, Licensee shall have the right, without Licensor's consent, to disclose the Caltech Technology to third parties in connection with the exercise of its rights and license hereunder. In addition, notwithstanding the provisions of this Article 10, Licensor may publish any Amorphous Alloy Technology, including dissemination of results, existing as of the Effective Date, provided that such publication is solely for noncommercial educational and research purposes and is in accordance with the Licensor's rights granted in Section 2.2(a) herein.

ARTICLE 11

DISPUTE RESOLUTION

11.0 Any and all disputes of whatever nature arising, between the parties of this Agreement or the underlying business relationship, including termination thereof, and which is not resolved between the parties themselves, shall be submitted to binding arbitration before a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect as of the Effective Date. Such arbitration shall take place in the State of California. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. Arbitration hereunder shall be in lieu of all other remedies and procedures available to the parties.

ARTICLE 12

PRODUCT LIABILITY

12.1 Licensee agrees that Licensor shall have no liability to Licensee or to any purchasers or users of Licensed Products made or sold by Licensee for any claims, demands, losses, costs, or damages suffered by Licensee, or purchasers or users of Licensed Products, or any other party, which may result from personal injury, death, or property damage related to the manufacture, use, or sale of such Licensed Products ("Claims"). Licensee agrees to defend, indemnify, and hold harmless Licensor, its trustees, officers, agents, and employees from any such Claims, provided that (i) Licensee is notified promptly of any Claims, (ii) Licensee has the sole right to control and defend or settle any litigation within the scope of this indemnity, and (iii) all indemnified parties cooperate to the extent necessary in the defense of any Claims.

12.2 At such time as Licensee begins to sell or distribute Licensed Products (other than for the purpose of obtaining regulatory approvals), Licensee shall at its sole expense, procure and maintain policies of comprehensive general liability insurance in amounts not less than $2,000,000 per incident and $2,000,000 in annual aggregate and naming those indemnified under Paragraph 12.1 as additional insureds. Such comprehensive general liability insurance shall provide (i) product liability coverage and (ii) broad form contractual liability coverage for Licensee's indemnification under Paragraph 12.1. In the event the aforesaid product liability coverage does not

provide for occurrence liability, Licensee shall maintain such comprehensive general liability insurance for a reasonable period of not less than five (5) years after it has ceased commercial distribution or use of any Licensed Product.

12.3 Licensee shall provide Licensor with written evidence of such insurance upon request of Licensor. Licensee shall provide Licensor with notice at least fifteen (15) days prior to any cancellation, non-renewal or material change in such insurance, to the extent Licensee receives advance notice of such matters from its insurer. If Licensee does not obtain replacement insurance providing comparable coverage within sixty (60) days following the date of such cancellation, non-renewal or material change, Licensor shall have the right to terminate this Agreement effective at the end of such sixty (60) day period without any additional waiting period; provided that if Licensee uses reasonable efforts but is unable to obtain the required insurance at commercially reasonable rates, Licensor shall not have the right to terminate this Agreement, and Licensor instead shall cooperate with Licensee to either grant a waiver of Licensee's obligations under this Article or assist Licensee in identifying a carrier to provide such insurance or in developing a program for self-insurance or other alternative measures. The previous Article shall survive the termination of this Agreement.

ARTICLE 13

MISCELLANEOUS

13.1 Notices. All notice, requests, demands and other communications hereunder shall be in English and shall be given in writing and shall be: (a) personally delivered; (b) sent by telecopier, facsimile transmission or other electronic means of transmitting written documents with confirmation of receipt; or (c) sent to the parties at their respective addresses indicated herein by registered or certified mail, return receipt requested and postage prepaid, or by private overnight mail courier services with confirmation of receipt. The respective addresses to be used for all such notices, demands or requests are as follows:

(a) If to LICENSOR, to:

California Institute of Technology

1200 East California Boulevard

Mail Code 210-85

Pasadena, CA 91125

ATTN: Director, Technology Transfer

Phone No.: (626) 395-3288

Fax No.: (626) 356-2486

Or to such other person or address as Licensor shall furnish to Licensee in writing.

(b) If to LICENSEE, to:

Liquidmetal Technologies

25800 Commercentre Drive, Suite 100

Lake Forest, CA 92630

ATTN: John Kang, CEO

Phone No.: (949) 206-8000

Fax No.: (949) 206-8008

If personally delivered, such communication shall be deemed delivered upon actual receipt by the "attention" addressee or a person authorized to accept for such addressee; if transmitted by facsimile pursuant to this paragraph, such communication shall be deemed delivered the next business day after transmission (and sender shall bear the burden of proof of delivery); if sent by overnight courier pursuant to this paragraph, such communication shall be deemed delivered upon receipt by the "attention" addressee or a person authorized to accept for such addressee; and if sent by mail pursuant to this paragraph, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any party to this Agreement may change its address for the purposes of this Agreement by giving notice thereof in accordance with this Paragraph 13.1.

13.2 Severability. Each provision contained in this Agreement is declared to constitute a separate and distinct covenant and provision and to be severable from all other separate, distinct covenants and provisions. It is agreed that should any clause, condition or term, or any part thereof, contained in this Agreement be unenforceable or prohibited by law or by any present or future legislation then such clause, condition, term or part thereof, shall be amended, and is hereby amended, so as to be in compliance with the said legislation or law but, if such clause, condition or term, or part thereof, cannot be amended so as to be in compliance with the said legislation or law but, if such clause, condition or term, or part thereof, cannot be amended so as to be in compliance with any such legislation or law, then such clause, condition, term or part thereof is severable from this Agreement all the rest of the clauses, terms and conditions or parts thereof contained in this Agreement shall remain unimpaired.

13.3 No Amendment. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

13.4 Governing Law. This Agreement, the legal relations between the parties and any action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Agreement shall be governed by and construed in accordance with the internal laws of the State of California,

excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

13.5 Waiver. No waiver of a breach of any provision of this Agreement shall be deemed to be, or shall constitute, a waiver of a breach of any other provision of this Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver of such breach unless otherwise expressly provided in such waiver.

13.6 Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

13.7 Counterparts/Facsimiles. This Agreement may be executed in one or more counterparts, all of which taken together shall be deemed one original. Facsimile signatures shall be deemed original.

13.8 Recitals. The recitals to this Agreement are true and correct and are made a part of this Agreement.

13.9 No Endorsement. Licensee agrees that it shall not make any form of representation or statement which would constitute an express or implied endorsement by Licensor of any Licensed Product, and that it shall not authorize others to do so, without first having obtained written approval from Licensor, except as may be required by governmental law, rule or regulation. Licensor agrees, however, that Licensee may identify Licensor, or California Institute of Technology, as the inventor of the Caltech Technology in any advertising or publicity material.

13.10 Entire Agreement. This Agreement sets forth the complete agreement of the parties concerning the subject matter hereof. No claimed oral agreement in respect thereto shall be considered as any part hereof. No waiver of or change in any of the terms hereof subsequent to the execution hereof claimed to have been made by any representative of either party shall have any force or effect unless in writing, signed by duly authorized representatives of the parties.

13.11 Assignment. This Agreement shall be binding upon and inure to the benefit of any successor or assignee of Licensor. This Agreement is not assignable by Licensee without the prior written consent of Licensor (not to be unreasonably withheld or delayed), except that Licensee may assign this Agreement without the prior written consent of Licensor to any Affiliate or any successor of, or purchaser of a substantial part of, the assets of its business to which this Agreement pertains or services utilizing the methods within the Licensed Patent Rights. Any permitted assignee shall succeed to all of the rights and obligations of Licensee under this Agreement.

13.12 Export Regulations. This Agreement is subject in all respects to the laws and regulations of the United States of America, including the Export Administration Act of 1979, as amended, and any regulations thereunder.

13.13 35. U.S.C. Section 204. Licensee agrees that a Licensed Product which embodies a patented invention or is produced through the use thereof for sale in the United States shall be manufactured substantially in the United States to the extent required by 35 U.S.C. Section 204.

13.14 Governing Law. This Agreement shall be deemed to have been entered into in California and shall be construed and enforced in accordance with California law.

13.15 Third-Party Technology. Nothing in this Agreement will impair Licensee's right to independently acquire, license, develop for itself, or have others develop for it, intellectual property and technology performing similar functions as the Caltech Technology or to market and distribute products other than Licensed Products based on such other intellectual property and technology.

13.16 Certain Damages. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, OR INDIRECT DAMAGES ARISING OUT OF THIS AGREEMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY.

13.17 Indemnification. Licensor shall indemnify, defend and hold harmless Licensee from and against any and all losses, damages, costs and expenses (including attorneys' fees) arising out of a material breach by Licensor of its representations and warranties

("Indemnification Claims"), provided that (i) Licensor is notified promptly of any Indemnification Claims, (ii) Licensee has the sole right to control and defend or settle any litigation within the scope of this indemnity, and (iii) all indemnified parties cooperate to the extent necessary in the defense of any Indemnification Claims. Licensee shall indemnify, defend and hold harmless Licensor, its trustees, agents and employees from and against any and all losses, damages, costs and expenses (including reasonable attorneys' fees) arising out of third party claims brought against Licensor relating to the sale of Licensed Products by Licensee, but not involving or relating to a material breach by Licensor of its representations and warranties.

13.18 Force Majeure. Neither party shall lose any rights hereunder or be liable to the other party for damages or losses (except for payment obligations) on account of failure of performance by the defaulting party if the failure is occasioned by war, strike, fire, Act of God, earthquake, flood, lockout, embargo, governmental acts or orders or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the reasonable control and not caused by the negligence or intentional conduct or misconduct of the nonperforming party, and such party has exerted all reasonable efforts to avoid or remedy such force majeure; provided, however, that in no event shall a party be required to settle any labor dispute or disturbance.

13.19 Consents and Approvals. Whenever provision is made in this Agreement for either party to secure the consent or approval of the other, that consent or approval shall not unreasonably be withheld or delayed, and whenever in this Agreement provisions are made for

one party to object to or disapprove a matter, such objection or disapproval shall not unreasonably be exercised.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed:

CALIFORNIA INSTITUTE OF TECHNOLOGY
(Licensor)

DATE: September 1, 2001

By: /s/ Lawrence Gilbert

Name: Lawrence Gilbert
Title: Director, Officer of Technology Transfer

LIQUIDMETAL TECHNOLOGIES (Licensee)

DATE: September 1, 2001

By: /s/ John Kang

Name: John Kang
Title: Chief Executive Officer

EXHIBIT A

LICENSED INTELLECTUAL PROPERTY RIGHTS

TECH. DISCLOSURE #/ CALTECH I.D. #	APPLN SERIAL #/ ISSUED PATENT #	DATE	TITLE
CIT 2193*	5,288,344	2/22/94	Beryllium Bearing Amorphous Metallic Alloys Formed by Low Cooling Rates By: William L. Johnson and Atakan Peker
CIT 2193-D*	5,368,659	11/29/94	Method of Forming Berryllium Bearing Metallic Glass By: William L. Johnson and Atakan Peker
CIT 2323-1	5,618,359	4/8/97	Metallic Glass Alloys of Zr, Ti, Cu and Ni By: William L. Johnson, Xiang-Hong Lin and Atakan Peker
CIT 2423	5,735,975	4/7/98	Quinary Metallic Glass Alloys By: William L. Johnson and Xiang-Hong Lin
CIT 2530	5,950,704	9/14/99	Replication of Surface Features from a Master Model to an Amorphous Metallic Article By: William L. Johnson, Eric Bakke and Atakan Peker
CIT 2531*	5,896,642	4/27/99	Die-Formed Amorphous Metallic Articles and Their Fabrication By: William L. Johnson, Eric Bakke and Atakan Peker
CIT 2532	08/853,557	5/8/97	Ductile Reinforced Amorphous Metal Product and Method

			By: Richard B. Dandliker, R. Dale Connor, William L. Johnson and Haein C. Yim
CIT 2541*	5,797,443	8/25/98	Method of Casting Articles of a Bulk-Solidifing Amorphous Alloy By: William L. Johnson, Eric Bakke and Atakan Peker
CIT 2651	6,010,580	1/4/00	Composite Penetration By: Robert D. Connor, Richard Candliker, William L. Johnson and M. Tenhover
CIT 2953-PCT	PCT/US00/11790	5/1/00	In-Situ Ductile Metal/Bulk Metallic Glass Matrix Composites Formed by Chemical Partitioning By: Charles C. Hays, William L. Johnson and Choong Paul Kim
CIT 3230*+	09/879,545	6/11/01	Casting of Amorphous Metallic Parts by Hot Mold Quenching By: Andras A. Kundig, William L. Johnson and Alex Dommann
CIT 3349-P*	60/248,901	11/14/00	Use of Large Inertial Body Forces in Discovery, Processing, and Manufacture of Multicomponent Bulk Metallic Glass Forming Alloys and Components Fabricated Thereof By: William L. Johnson
CIT 3404-P*	60/271,188	2/23/01	A High Temperature Centrifugal Processing Device for Use In Processing of Liquid Metallic Alloys and Manufacture of Cast Components from these Alloys By: William L. Johnson

+ Subject to a nonexclusive license to Vacumet

* not supported with Federal funding.

AWARD/CONTRACT	1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350)	RATING	PAGE OF PAGES
			1 8

2. CONTRACT (Proc. Inst. Ident.) NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REQUEST/PROJECT NO.
DAAD19-01-C-0078	12 Sep 2001	P-42477-MS-000-01072-

5. ISSUED BY	CODE	DAAD19	6. ADMINISTERED BY (If other than Item 5)	CODE
U.S. ARMY ROBERT MORRIS ACQUISITION P.O. BOX 12211 RESEARCH TRIANGLE PARK NC 27709-2211			SEE ITEM 5	

7. NAME AND ADDRESS OF CONTRACTOR (No., street, city, county, state and zip code)	8. DELIVERY [ ] FOB ORIGIN [X] OTHER (see below)
LIQUIDMETAL TECHNOLOGIES INC. 25800 COMMERCENTRE, # 100 LAKE FOREST CA 92630	
	9. DISCOUNT FOR PROMPT PAYMENT Net 30 Days
	10. SUBMIT INVOICES (4 copies unless otherwise specified) TO THE ADDRESS SHOWN IN: ITEM Block 6

CODE 0XNT1	FACILITY CODE

11. SHIP TO/MARK FOR	CODE	DAAD19	12. PAYMENT WILL BE MADE BY	CODE	HQ303
U.S. ARMY RESEARCH OFFICE RECEIVING P.O. BOX 12211 RESEARCH TRIANGLE PARK NC 27709-2211			DEFENSE FINANCE AND ACCOUNTING SERVICE ROCK ISLAND OPERATING LOCATION ATTN: DFAS-RI-FPV BUILDING 68 ROCK ISLAND IL 61299-8000		

15A. ITEM NO	15B. SUPPLIES/SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE	15F. AMOUNT
	SEE SCHEDULE				

15G. TOTAL AMOUNT OF CONTRACT	$249,962.00

16. TABLE OF CONTENTS

(X)	SEC.		PAGE(S)	(X)	SEC.	DESCRIPTION	PAGE(S)
		PART I - THE SCHEDULE				PART II - CONTRACT CLAUSES	
X	A	SOLICITATION/CONTRACT FORM	1-1	X	I	CONTRACT CLAUSES	6-8
X	B	SUPPLIES OR SERVICES AND PRICES/COSTS	2			PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACHMENTS	
X	C	DESCRIPTION/SPECS/WORK STATEMENT	3		J	LIST OF ATTACHMENTS	
X	D	PACKAGING AND MARKING	3			PART IV - REPRESENTATIONS AND INSTRUCTIONS	
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X	F	DELIVERIES OR PERFORMANCE	3				
X	G	CONTRACT ADMINISTRATION DATA	4		L	INSTRS., CONDS., AND NOTICES TO OFFERORS	
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CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. [X] CONTRACTOR'S NEGOTIATED AGREEMENT Contractor is required to sign this document and return ___ copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications,

18. [ ] AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number _____ including the additions or charges made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and (b) this award/contract. No further contractual document is

are attached or incorporated by reference herein.
(Attachments are listed herein.)

your offer, and necessary.

19A. NAME AND TITLE OF SIGNER (Type or print)		20A. NAME AND TITLE OF CONTRACTING OFFICER	
/s/ John Grant, VP & General Counsel		PATSY S. ASHE/GRANTS/CONTRACTING OFFICER	
19B. NAME OF CONTRACTOR	19C. DATE SIGNED	20B. UNITED STATES OF AMERICA	20C. DATE SIGNED
LIQUIDMETAL TECHNOLOGIES BY: /s/ John Grant (Signature of person authorized to sign)		BY /s/ Patsy S. Ashe (Signature of Contracting Officer)	17-Sep-2001

SECTION B Supplies or Services and Prices

ITEM NO 0001	SUPPLIES/SERVICES	UNIT Dollars, U.S.		
	CONTRACT AWARD			
	COST-Non-personal services and materials to perform research as specified in the proposal (42477-MS) titled "Refractory Amorphous Metals and Composites". The proposal is hereby incorporated by reference into this contract and the performance period is specified in Section F. Base period of performance is seven months.			
			ESTIMATED COST	$249,962.00
	ACRN AA Funded Amount			$249,962.00
ITEM NO 0002	SUPPLIES/SERVICES	UNIT Dollars, U.S.		
	OPTION ONE COST			
			ESTIMATED COST	$177,977.00
ITEM NO 0003	SUPPLIES/SERVICES	UNIT Dollars, U.S.		
	OPTION TWO COST			
			ESTIMATED COST	$821,974.00
ITEM NO 0004	SUPPLIES/SERVICES	UNIT Dollars, U.S.		
	OPTION THREE COST			
			ESTIMATED COST	$749,931.00

B.1 The type of contract is Cost No Fee.

B.2 The estimated cost for performance of this contract is as follows:

Estimated Cost	$249,962
Fee	-0-
Total Cost and Fee	$249,962

The final price of this contract shall be the total of all costs determined reimbursable in accordance with the general provision of the contact entitled "Allowable Cost and Payment" but not exceeding the estimated cost plus the fixed fee, if any, both of which are specified above.

SECTION C Descriptions and Specifications

C.1 The research to be performed under this contact will be in accordance with details in the contractor s proposal and modifications thereto, if any, described below. (A copy of the proposal is on file at the Army Research Office.)

Proposal Title: REFRACTORY AMORPHOUS METALS AND COMPOSITES

Proposal No: 42477-MS
Proposal/Modification Date(s): 26 October 2000 cost proposals revised 19 March 2001, 30 August 2001 and 5 September 2001
Principal Investigator: Dr. Atakan Peker

C.2 The report called for under this contract shall be prepared in accordance with ARO Form 18, U.S. Army Research Office Reporting Instructions, located at: www.aro.army.mil/forms/forms2.htm#fm18. The ARO technical representative requires a brief monthly report on the status of the project. Email is acceptable for these reports and encouraged. The email address is mullins@aro.arl.army.mil. Other reports including the final will follow normal ARO requirements.

SECTION D Packaging and Marking

D.1 Reports delivered under this contract shall be afforded the degree of packaging (preservation and packing) required to prevent damages due to the hazards of shipment and handing.

SECTION E Inspection and Acceptance

E.1 The contractor will submit all scientific reports to the office specified in ARO Form 18 located at www.aro.army.mil/forms/forms2.htm#fm18 for inspection and acceptance. This contract takes precedence for email address identified in ARO Form 18.

SECTION F Deliveries or Performance

F.1 Research called for by this contract shall be performed during the period 12 September 2001 - 11 April 2002. This contract also contains three option periods: The first option period is for 5 months, 12 April 2002 - 11 September 2002, and two options for one year periods of 12 September 2002 - 11 September 2003 and 12 September 2003 - 11 September 2004 which the Government may unilaterally exercise (refer to FAR 52.217-8, Section 1).

F.2 Reports called for by this contract shall be submitted electronically in PDF format when possible. You may download the electronic form SF298 and SF298 continuation sheet from the ARO's home page at www.aro.army.mil/forms/forms2.htm#fm18. The forms were created in MS Word and MS Word 97. Refer to ARO Form 18 for specific reporting requirements for each type of report. If you are not able to submit reports electronically, you should submit as indicated in ARO Form 18. The use of color in reports is discouraged for both electronic documents and hard copy documents.

SECTION G Contract Administration Data

G.1 Delegation of Administrative Functions:

a. The Army Research Office (ARO) retains all contact administration functions.

b. A pre-payment audit is required on the first invoice and/or voucher to test the validation of the accounting system and to assure that the system has been properly implemented.

c. All vouchers, both interim and final, shall be submitted for approval to the following office:

Defense Contract Audit Agency
Santa Ana Branch Office
3 Hutton Centre Drive, Suite 750
Santa Ana, California 92707-5704
Phone Number:(714) 435-2200
FAX (714) 435-2280
E-mail Address dcaa-fao4l8l@dcaa.mil

G.2 Payment Information and Inquiries: The Contractor should contact the DFAS Office indicated in Block 12 of the SF 26 for information or inquiries regarding payments on this contract. Telephonic inquires may be made on 1-888-332-7742 or electronic inquiries on http://www.dfas.niij/money/vendor/index.htm. In the event DFAS cannot answer the Contractor's inquiry, the Contracting Officer may be contacted for assistance.

G.3 Contracting Officer's Representative (COR)

Dr. William Mullins
135 Army Research Office
4300 South Miami Boulevard
P. O. Box 12211
Research Triangle Park, NC 27709-2211
Voice: (919) 549-4286
FAX: (919) 549-4310
Email: mullins@aro.arl.army.mil

G.4 Invoicing. The government shall make payments to the Contractor when requested as work progresses, but not more often that once every 2 weeks, in the amounts determined to be allowable by DCAA in accordance with SubPart 31.2 of the Federal Acquisition Regulation in effect on the date of this contract and terms of the contract.

G.5 ACCOUNTING AND APPROPRIATION DATA

AA:971040013011RPAROD1Y10L314000255Y1XYR011AR42477MS00001XYR01S18129

AMOUNT: $249,962.00

SECTION H Special Contract Requirements

H.1 Acknowledgment of Sponsorship

a. The contractor agrees that in the release of information relating to this contract, such release shall include a statement to the effect that the project or effort depicted was or is sponsored by the U.S. Army Research Office, and that the content of the information does not necessarily reflect the position or the policy of the Government, and no official endorsement should be inferred.

b. For the purpose of this provision, "information" includes news releases, articles, manuscripts, brochures, advertisements, still and motion pictures, speeches, trade association proceedings, symposia, etc.

c. The contractor further agrees to include this provision if any subcontract awarded as a result of this contract.

H.2 Publications

Publication of results of the research project in appropriate professional journals is encouraged as an important method of recording and reporting scientific information. One copy of each paper planned for publication will be submitted to the Contracting Officer's Representative simultaneously with its submission for publication. Following publication, copies of published papers shall be submitted to the Contacting Officer's representative, or to the other addresses in quantities publication. Following publication, copies of published papers shall be submitted to the Contracting Officer's Representative, or to the other addressees in quantities as may be directed by the Contracting Officer.

H.3 The contractor is to note acknowledgements in publications or other media that support is from DARPA as well as technical/contact support from ARO.

H.4 Research Responsibility

a. The contractor shall bear responsibility for the conduct of the research specified in the contractor's proposal identified in the contract. The contractor will exercise judgment in obtaining the stated research objectives within the limits of the terms and conditions of the contract; provided, however, that the contractor will obtain the contracting officer's approval to change the Statement of Work. Consistent with the foregoing the contractor shall conduct the work as set forth in his proposal and accepted by the contract award.

b. The principal investigator identified in the proposal shall be continuously responsible for the conduct of the research project, and shall be closely involved with the research efforts.

c. The contractor shall advise the contacting officer if the principal investigator(s) identified in the contract plan to devote less effort to the work than set forth in the proposal.

d. The contractor shall obtain the contacting officer's approval prior to changing the principal investigator's identified in the proposal.

H.5 Restriction on Printing

The Government authorizes the reproduction of reports, data or other written material, if required, provided the material produced does not exceed 5,000 production units of any page, and items consisting of multiple pages do not exceed 25,000 production units in the aggregate. The contractor shall obtain the express prior written authorization of the contracting officer to reproduce material in excess of the quantities cited above.

H.6 Approved Accounting System

The contractor shall, as a condition of this contract, establish and have in place an approved accounting system prior to the end this seven months performance period. As a minimum, the system shall be considered adequate for determining, allocating and accumulating costs applicable to this cost reimbursement contract.

PART II GENERAL PROVISIONS
SECTION I - Contract Clauses

I. FEDERAL ACQUISITION REGULATION (48 CFR CHAPTER 1) CLAUSES

FAR 52.252-2 Clauses Incorporated by Reference (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request. the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: http://farsite.hill.af.mil/vffar1.htm. The DFARS is available electronically via the World Wide Web at http://www.acq.osd.mil/dp/dfars.htm1.

CLAUSES INCORPORATED BY REFERENCE:

52.203-3	Gratuities	APR 1984
52.203-5	Covenant Against Contingent Fees	APR 1984
52.203-6	Restrictions On Subcontractor Sales To The Government	JUL 1995
52.203-7	Anti-Kickback Procedures	JUL 1995
52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity	JAN 1997
52.203-10	Price Or Fee Adjustment For Illegal Or Improper Activity	JAN 1997
52.230-12	Limitation On Payments To Influence Certain Federal Transactions	JUN 1997
52.204-4	Printing/Copying Double-Sided on Recycled Paper	JUN 1996
52.209-6	Protecting the Government's Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment	JUL 1995
52.215-8	Order of Precedence--Uniform Contract Format	OCT 1997
52.215-10	Price Reduction for Defective Cost or Pricing Data	OCT 1997
52.215-12	Subcontractor Cost or Pricing Data	OCT 1997
52.215-14	Integrity of Unit Prices	OCT 1997
52.215-15	Pension Adjustments and Asset Reversions	DEC 1998
52.215-17	Waiver of Facilities Capital Cost of Money	OCT 1997
52.215-18	Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other than Pensions	OCT 1997
52.215-19	Notification of Ownership Changes	OCT 1997
52.215-21	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data--Modifications	OCT 1997
52.216-7	Allowable Cost And Payment	MAR 2000
52.216-11	Cost Contract-No Fee	APR 1984
52.217-8	Option to Extend Services	NOV 1999
52-217-9	Option to Extend the Term of the Contract	NOV 1999
52.219-8	Utilization of small Business Concerns	OCT 1999
52.222-2	Payment for Overtime Premiums (Insert "0")	JULY 1999
52.222-3	Convict Labor	AUG 1996
52.222-21	Prohibition Of Segregated Facilities	FEB 1999
52.222-26	Equal Opportunity	FEB 1999
52.222-29	Notification Of Visa Denial	FEB 1999
52.222-35	Affirmative Action For Disabled Veterans And Veterans of the Vietnam Era	JUN 1998
52.222-36	Affirmative Action For Workers With Disabilities	JUN 1998
52.222-37	Employment Reports On Disabled Veterans And Veterans Of The Vietnam Era	JAN 1999
52.223-3	Hazardous Material Identification and Material Safety Data	JAN 1997
52.223-6	Drug Free Workplace	JAN 1997
52.223-14	Toxic Chemical Release Reporting	OCT 2000
52.227-1 Alt I	Authorization And Consent (Jul 1995) - Alternate I	APR 1984

52.227-2	Notice And Assistance Regarding Patent And Copyright Infringement	AUG 1996
52.227-11	Patent Rights-Retention by the Contractor (Short Form)	JUN 1997
52.228-7	Insurance--Liability To Third Persons	MAR 1996
52.232-9	Limitation On Withholding Of Payments	APR 1984
52.232-20	Limitation Of Cost	APR 1984
52.232-23	Assignment Of Claims	JAN 1986
52.232-25	Prompt Payment	JUN 1997
52.232-33	Payment by Electronic Funds Transfer--Central Contractor Registration	MAY 1999
52.233-1	Disputes	DEC 1998
52.233-3 I	Protest After Award (AUG 1996) Alternate I	JUN 1985
52.242-1	Notice of Intent to Disallow Costs	APR 1984
52.242-3	Penalties for Unallowable Costs	OCT 1995
52.242-13	Bankruptcy	JUL 1995
52.243-2 Alt V	Changes--Cost-Reimbursement (Aug 1987) - Alternate V	APR 1984
52.244-2 Alt I	Subcontracts (Aug 1998) - Alternate I	AUG 1998
52.244-5	Competition In Subcontracting	DEC 1996
52.244-6	Subcontractors for Commercial Items	MAY 2001
52.245-5	Government Property (Cost-Reimbursement Time-And-Materials, Or Labor Hour Contracts)	JAN 1986
52.246-8	Inspection Of Research And Development Cost Reimbursement	APR 1984
52.246-25	Limitation Of Liability--Services	FEB 1997
52.247-1	Commercial Bill Of Lading Notations	APR 1984
52.247-63	Preference for U.S. Flag Air Carriers	JAN 1997
52.249-6	Termination (Cost Reimbursement)	SEP 1996
252.201-7000	Contracting Officer's Representative	MAR 1999
252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense-Contract-Related Felonies	MAR 1999
252.204-7000	Disclosure of Information	DEC 1991
252.204-7003	Control of Government Personnel Work Product	APR 1992
252.204-7004	Required Central Contractor Registration	MAR 2000
252.205-7000	Provisions of Information to Cooperative Agreement Holders	DEC 1991
252.209-7000	Acquisition From Subcontractors Subject To On-Site Inspection Under The Intermediate Range Nuclear Forces (INF) Treaty	NOV 1995
252.209-7003	Compliance with Veterans' Employment Reporting Requirements	MAR 1998
252.209-7004	Subcontracting With Firms That Are Owned or Controlled By The Government of a Terrorist Country	MAR 1998
252.215-7000	Pricing Adjustments	DEC 1991
252.215-7002	Cost Estimating System Requirements	OCT 1998
252.219-7003	Small, Small Disadvantage Business an Women-Owned Small Business Subcontracting Plan (DoD Contracts)	APR 1996
252.225-7001	Buy American Act And Balance Of Payments Program	MAR 1998
252.225-7009	Duty-Free Entry--Qualifying Country Supplies (End Products and Components)	MAR 1998
252.225-7012	Preference for Certain Domestic Commodities	AUG 2000
252.225-7026	Reporting of Contract Performance Outside the United States	JUN 2000
252.225-7031	Secondary Arab Boycott Of Israel	JUN 1992
252.227-7013	Rights in Technical Data--Noncommercial Items	NOV 1995
252.227-7016	Rights in Bid or Proposal Information	JUN 1995
252.227-7030	Technical Data--Withholding Of Payment	MAR 2000
252.227-7034	Patents--Subcontracts	APR 1984
252.227-7036	Declaration of Technical Data Conformity	JAN 1997
252.227-7037	Validation of Restrictive Markings on Technical Data	SEP 1999
252.227-7039	Patents-- Reporting Of Subject Inventions	APR 1990

252.231-7000	Supplemental Cost Principles	DEC 1991
252.235-7004	Options to Extend the Term of the Contract	DEC 1991
252.235-7010	Acknowledgment of Support and Disclaimer	MAY 1995
252.242-7004	Material Management And Accounting System	SEP 1996
252.243-7002	Requests for Equitable Adjustment	MAR 1998
252.245-7001	Reports Of Government Property	MAY 1994
252.247-7023	Transportation of Supplies by Sea	MAR 2000
252.242-7000	Postaward Conference	DEC 1991

**** A FINAL PATENT REPORT (DD FORM 882) IS REQUIRED TO BE SUBMITTED WITHIN SIXTY (60) DAYS AFTER COMPLETION OF THE CONTRACT.****

Corporate Status: Corporation incorporated under the laws of the state of CA
Taxpayer Identification Number: 33-0264467

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

STANDARD SUBLEASE

(LONG-FORM TO BE USED WITH PRE-1996 AIR LEASES)

1. PARTIES. This Sublease, dated, for reference purposes only, December 18, 2000, is made by and between The L.L. Knickerbocker Company, Inc. ("Sublessor") and Liquidmetal Technologies, Inc., a California Corporation ("Sublessee").

2. PREMISES. Sublessor hereby subleases to Sublessee and Sublessee hereby subleases from Sublessor for the term, at the rental, and upon all of the conditions set forth herein, that certain real property, including all improvements therein, and commonly known by the street address of 25800 Commercentre Drive, Lake Forest located in the County of Orange, State of California and generally described as (describe briefly the nature of the property) an approximately 25,379 square foot portion of a larger approximately 50,518 square foot office/warehouse building, outlined in Exhibit "A" attached.

3. TERM.

3.1. TERM. The term of this Sublease shall be for Seventy-six (76) months and twenty five (25) days commencing on February 1, 2001 and ending on June 25, 2007 unless sooner terminated pursuant to any provision hereof.

3.2. DELAY IN COMMENCEMENT. Sublessor agrees to use its commercially reasonable efforts to deliver possession of the Premises by the commencement date. If, despite said efforts, Sublessor is unable to deliver possession as agreed, Sublessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Sublease. Sublessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within sixty days after the commencement date, Sublessee may, at its option, by notice in writing within ten days after the end of such sixty day period, cancel this Sublease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Sublessor within said ten day period, Sublessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Sublessee when required and Sublessee does not terminate this Sublease, as aforesaid, any period of rent abatement that Sublessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Sublessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Sublessee. If possession is not delivered within 120 days after the commencement date, this Sublease shall automatically terminate unless the Parties agree, in writing, to the contrary.

4. RENT.

4.1. BASE RENT. Sublessee shall pay to Sublessor as Base Rent for the Premises equal monthly payments of $15,989.00 plus 50.27% of the monthly triple net/CAM charges for 25800 Commercentre in advance, on the 1st day of each month of the term hereof. Sublessee shall pay Sublessor upon the "TENDER OF POSSESSION" (as defined in the Addendum)

$15,936.00 as Base Rent for the first month of the term, subject to the provisions of Paragraph 13 of the Addendum. Base Rent for any period during the term hereof which is for less than one month shall be a pro rata portion of the monthly installment.

4.2. RENT DEFINED. All monetary obligations of Sublessee to Sublessor under the terms of this Sublease (except for the Security Deposit) are deemed to be rent ("RENT"). Rent shall be payable in lawful money of the United States to Sublessor at the address stated herein or to such other persons or at such other places as Sublessor may designate in writing.

5. SECURITY DEPOSIT. Sublessee shall deposit with Sublessor upon Tender of Possession $17,258.00 as security for Sublessee's faithful performance of Sublessee's obligations hereunder. If Sublessee fails to pay Rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Sublease, Sublessor may use, apply or retain all or any portion of said deposit for the payment of any Rent or other charge in default or for the payment of any other sum to which Sublessor may become obligated by reason of Sublessee's default, or to compensate Sublessor for any loss or damage which Sublessor may suffer thereby. If Sublessor so uses or applies all or any portion f said deposit, Sublessee shall within ten days after written demand therefor forward to Sublessor an amount sufficient to restore said Deposit to the full amount provided for herein and Sublessee's failure to do so shall be a material breach of this Sublease. Sublessor shall not be required to keep said Deposit separate from its general accounts. If Sublessee performs all of Sublessee's obligations hereunder, said Deposit, or so much thereof as has not therefore been applied by Sublessor, shall be returned, without payment of interest to Sublessee (or at Sublessor's option, to the last assignee, if any, of Sublessee's interest hereunder) at the expiration of the term hereof, and after Sublessee has vacated the Premises. No trust relationship is created herein between Sublessor and Sublessee with respect to said Security Deposit.

6. USE.

6.1. AGREED USE. The Premises shall be used and occupied only for sales and distribution of golf equipment, research and development, assembly and light manufacturing, office and related comparable uses and for no other purpose.

6.2. COMPLIANCE. To Sublessor's actual knowledge the improvements on the Premises comply as of the date hereof with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances ("APPLICABLE REQUIREMENTS" as of the date hereof) in effect on the commencement date. NOTE: Sublessee is responsible for determining whether or not the zoning is appropriate for its intended use, and acknowledges that past uses of the Premises may no longer be allowed.

6.3. ACCEPTANCE OF PREMISES AND LESSEE. Sublessee acknowledges that:

(a) It has been advised by Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Sublessee's intended use,

(b) Sublessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and

(c) Neither Sublessor, Sublessor's agents, nor any Broker has made any oral or written representations or warranties with respect to said matters other than as set forth in this Sublease.

(d) In addition, Sublessor acknowledges that:

(i) Broker has made no representations, promises or warranties concerning Sublessee's ability to honor the Sublease or suitability to occupy the Premises, and

(ii) It is Sublessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

7. MASTER LEASE.

7.1. Sublessor is the lessee of the Premises by virtue of a lease, hereinafter the "MASTER LEASE", a copy of which is attached hereto marked Exhibit 1, wherein Security Capital Industrial Trust is the lessor, hereinafter the "MASTER LESSOR".

7.2. This Sublease is and shall be at all times subject and subordinate to the Master Lease.

7.3. The terms, conditions and respective obligations of Sublessor and Sublessee to each other under this Sublease shall be the terms and conditions of the Master Lease except for those provisions of the Master Lease which are directly contradicted by this Sublease in which event the terms of this Sublease document shall control over the Master Lease. Therefore, for the purposes of this Sublease, wherever in the Master Lease the word "LESSOR" is used it shall be deemed to mean the Sublessor herein and wherever in the Master Lease the word "LESSEE" is used it shall be deemed to mean the Sublessee herein.

7.4. During the term of this Sublease and for all periods subsequent for obligations which have arisen prior to the termination of this Sublease, Sublessee does hereby expressly assume and agree to perform and comply with, for the benefit of Sublessor and Master Lessor, each and every obligation of Sublessor under the Master Lease with respect to the Premises except for the following paragraphs which are excluded therefrom and/or the following paragraphs shall not apply to or benefit Sublessee: 40, 41, Addendum One, Addendum Two, Exhibit 1, and Addendum Three.

7.5. The obligations that Sublessee has assumed under paragraph 7.4 hereof are hereinafter referred to as the "SUBLESSEE'S ASSUMED OBLIGATIONS". The obligations that Sublessee has not assumed under paragraph 7.4 hereof including the obligations with respect to Sublessor's retrained space are hereinafter referred to as the "SUBLESSOR'S REMAINING OBLIGATIONS".

7.6. Sublessee shall hold Sublessor free and harmless from all liability, judgments, costs, damages, claims or demands, including reasonable attorneys fees, arising out of Sublessee's failure to comply with or perform Sublessee's Assumed Obligations, Sublessee's obligations under this Sublease, or Sublessee's activities on the Premises.

7.7. Sublessor represents to Sublessee that, to Sublessor's actual knowledge, the Master Lease is in full force and effect and that no default exists on the part of Sublessor or Master Lessor.

8. ASSIGNMENT OF SUBLEASE AND DEFAULT.

8.1. Sublessor hereby assigns and transfers to Master Lessor the Sublessor's interest in this Sublease, subject however to the provisions of Paragraph 8.2 hereof.

8.2. Master Lessor, by executing this document, agrees that until a Default shall occur in the performance of Sublessor's Obligations under the Master Lease, that Sublessor may receive, collect and enjoy the Rent accruing under this Sublease. However, if Sublessor shall Default in the performance of its obligations to the Master Lessor then Master Lessor may, at its option, receive and collect, directly from Sublessee, all Rent owing and to be owed under this Sublease. Master Lessor shall not, by reason of this assignment of the Sublease nor by reason of the collection of the Rent from the Sublessee, be deemed liable to Sublessee for any failure of the Sublessor to perform and comply with Sublessor's Remaining Obligations.

8.3. Sublessor hereby irrevocably authorizes and directs Sublessee upon receipt of any written notice from the Master Lessor stating that a Default exists in the performance of Sublessor's obligation sunder the Master Lease, to pay to Master Lessor the Rent due and to become due under the Sublease. Sublessor agrees that Sublessee shall have the right to rely upon any such statement and request from Master Lessor, and that Sublessee shall pay such Rent to Master Lessor without any obligation or right to inquire as to whether such Default exists and notwithstanding any notice from or claim from Sublessor to the contrary and Sublessor shall have no right or claim against Sublessee for any such Rent so paid by Sublessee.

8.4. No changes or modifications shall be made to this Sublease without the consent of Master Lessor.

9. CONSENT OF MASTER LESSOR.

9.1. In the event that the Master Lease requires that Sublessor obtain the consent of Master Lessor to any subletting by Sublessor then, this Sublease shall not be effective unless, within ten days of the date hereof, Master Lessor signs this Sublease thereby giving its consent to this Subletting.

9.2. In the event that the obligations of the Sublessor under the Master Lease have been guaranteed by third parties then neither this Sublease, nor the Master Lessor's consent, shall be effective unless, within 10 days of the date hereof, said guarantors sign this Sublease thereby giving their consent to this Sublease.

9.3. In the event that Master Lessor does give such consent then:

(a) Such consent shall not release Sublessor of its obligations or after the primary liability of Sublessor to pay the Rent and perform and comply with all of the obligations of Sublessor to be performed under the Master Lease.

(b) The acceptance of Rent by Master Lessor from Sublessee or any one else liable under the Master Lease shall not be deemed a waiver by Master Lessor of any provisions of the Master Lease.

(c) The consent to this Sublease shall not constitute a consent to any subsequent subletting or assignment.

(d) In the event of any Default of Sublessor under the Master Lease, Master Lessor may proceed directly against Sublessor, any guarantors or anyone else liable under the Master Lease or this Sublease without first exhausting Master Lessor's remedies against any other person or entity liable thereon to Master Lessor.

(e) Master Lessor may consent to subsequent sublettings and assignments of the Master Lease or this Sublease or any amendments or modifications thereto without notifying Sublessor or anyone else liable under the Master Lease and without obtaining their consent and such action shall not relieve such persons from liability.

(f) In the event that Sublessor shall Default in its obligations under the Master Lease, then Master Lessor, at its option and without being obligated to do so, may require Sublessee to attorn to Master Lessor in which event Master Lessor shall undertake the obligations of Sublessor under this Sublease from the time of the exercise of said option to termination of this Sublease but Master Lessor shall not be liable for any prepaid Rent nor any Security Deposit paid by Sublessee, nor shall Master Lessor be liable for any other Defaults of the Sublessor under the Sublease.

9.4. The signatures of the Master Lessor and any Guarantors of Sublessor at the end of this document shall constitute their consent to the terms of this Sublease.

9.5. Master Lessor acknowledges that, to the best of Master Lessor's knowledge, no Default presently exists under the Master Lease of obligations to be performed by Sublessor and that the Master Lease is in full force and effect.

9.6. In the event that Sublessor Defaults under its obligations to be performed under the Master Lease by Sublessor, Master Lessor agrees to deliver to Sublessee a copy of any such notice of default. Sublessee shall have the right to cure any Default of Sublessor described in any notice of default within ten days after service of such notice of default on Sublessee. If such Default is cured by Sublessee then Sublessee shall have the right of reimbursement and offset from and against Sublessor.

10. BROKERS FEE.

10.1. Upon execution hereof by all parties, Sublessor shall pay to Voit Commercial Brokerage, a licensed real estate broker ("BROKER"), a fee as set forth in a separate agreement between Sublessor and Broker, or in the event there is no such separate agreement, the sum of $_____, per separate agreement, for brokerage services rendered by Broker to Sublessor in this transaction.

10.2. Sublessor agrees that if Sublessee exercises any option or right of first refusal as granted by Sublessor herein, either to extend the term of this Sublease, to renew this Sublease, or to purchase the Premises, then Sublessor shall pay to Broker a fee in accordance with the schedule of Broker in effect at the time of the execution of this Sublease. Notwithstanding the foregoing, Sublessor's obligation under this Paragraph 10.2 is limited to a transaction in which Sublessor is acting as a Sublessor, lessor or seller.

10.3. Any fee due from Sublessor hereunder shall be due and payable upon the exercise of any option to extend or renew, upon the execution of any new lease, or, in the event of a purchase, at the close of escrow.

10.4. Any transferee of Sublessor's interest in this Sublease, or of Master Lessor's interest in the Master Lease, by accepting an assignment thereof, shall be deemed to have assumed the respective obligations of Sublessor or Master Lessor under this Paragraph 10. Broker shall be deemed to be a third-party beneficiary of this paragraph 10.

11. ATTORNEY'S FEES. If any party or the Broker named herein brings an action to enforce the terms hereof or to declare rights hereunder, the prevailing party in any such action, on trial and appeal, shall be entitled to his reasonable attorney's fees to be paid by the losing party as fixed by the Court.

12. ADDITIONAL PROVISIONS. [If there are no additional provisions, draw a line from this point to the next printed word after the space left here. If there are additional provisions place the same here.] The Addendum to this Sublease, Exhibit 1 (Master Lease), Exhibit 2 (Schedule of Furniture), and Exhibit 3 (Location of Demising Wall), are hereby incorporated into this Sublease by this reference.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY REAL ESTATE BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS SUBLEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS SUBLEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PROPERTY, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR SUBLESSEE'S INTENDED USE.

WARNING: IF THE SUBJECT PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE SUBLEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

Executed at: ----------
On: ----------
Address: ----------

The L.L. Knickerbocker Company, Inc.

By: ----------
By: ----------
"Sublessor" (Corporate Seal)

Executed at: ----------
On: ----------
Address: ----------

Liquidmetal Technologies, Inc.,
a California Corporation

By: ----------
By: ----------
"Sublessor" (Corporate Seal)

Executed at: ----------
On: ----------
Address: ----------

Security Capital Industrial
Trust/Prologis

By: ----------
By: ----------
"Master Lessor" (Corporate Seal)

ADDENDUM TO
STANDARD SUBLEASE
DATED DECEMBER 18, 2000

THIS ADDENDUM TO STANDARD SUBLEASE is made by and between THE L.L. KNICKERBOCKER COMPANY, INC. ("SUBLESSOR") AND LIQUIDMETAL TECHNOLOGIES, INC., A CALIFORNIA CORPORATION ("SUBLESSEE") as of the date set forth on the first page of that certain American Industrial Real Estate Association Standard Sublease (long-form to be used with pre-1998 AIR leases) (the "SUBLEASE") between Sublessor and Sublessee to which this Addendum is attached and incorporated. The terms, covenants and conditions set forth herein are intended to and shall have the same force and effect as if set forth at length in the body of the Sublease. To the extent that the provisions of this Addendum are inconsistent with any provisions of the Sublease, the provisions of this Addendum shall supersede and control.

13.

13.1 DEPOSITS; LETTER OF CREDIT:

(a) Upon mutual execution and delivery of this Sublease by the parties hereto, Sublessee shall deposit with Voit Commercial Brokerage ("VOIT") the sum of $50,000 (the "DEPOSIT") in immediately available funds. The Deposit consists of the following:

Security Deposit	$17,258.00
Base Rent (February)	$15,989.00
TI deposit	$15,989.00
TOTAL	$50,000.00

(b) Voit shall deposit the Deposit in an interest-bearing account and shall hold the Deposit in trust for the benefit of Sublessee. If there is no Tender of Possession on or prior to February 15, 2000, then Voit shall, upon Sublessee's demand and upon Sublessee's vacation of the Premises, return the Deposit and any interest earned thereon to Sublessee. If Sublessee does not elect to demand the return of the Deposit and does not vacate the Premises on or before February 20, 2000, then, without further action of the parties, Voit shall immediately pay the Base Rent portion of the Deposit (i.e., $15,989.00) to Sublessor and such Base Rent shall be deemed fully earned by Sublessor upon such payment. If there is Tender of Possession on or prior to February 15, 2000, then, without further action of the parties, (I) the Deposit shall become the property of Sublessor, and (ii) Voit shall immediately pay the Deposit and any interest earned thereon to Sublessor. At no time shall Voit have or be deemed to have an equitable ownership or security interest in the Deposit.

(c) In addition, upon the Tender of Possession, Sublessee shall provide to Sublessor a letter of credit (the "LETTER OF CREDIT") in form and from either Union Bank or another financial institution satisfactory to Sublessor in Sublessor's sole and absolute discretion, naming Sublessor as beneficiary, to secure Sublessee's payment obligations with respect to the Sublease Improvements (defined below in paragraph 13.2) and the first month's CAM charges. The Letter of Credit shall be issued for a period of one year, and shall be in the amount of $36,546.00 (the sum of $3,299.00 (February CAM charges) and $33,246.00 (portion of Sublessee's payment towards Sublease Improvements). Sublessor shall have the right to draw on the Letter of Credit (i) upon a default by Sublessee under its payment obligations with respect to the Sublease Improvements or (ii) in the amounts and at the times set forth below in paragraph 13.2 (i.e., upon a Funding Shortfall (if any) and upon Completion of the Sublease Improvements, each as defined in paragraph 13.2). No such draw under the foregoing clause (i) shall cure or constitute a waiver by Sublessor of the relevant event of default, or be deemed to fix or determine the amounts to which Sublessor is entitled to recover under the Sublease, or be deemed to limit or waive Sublessor's rights to pursue any other remedies provided hereunder or applicable law.

13.2 SUBLEASE IMPROVEMENTS:

(a) Subject to the provisions of the Master Lease and the Sublease and to the performance by Sublessee of its deposit and reimbursement obligations set forth below, Sublessor shall divide the building by locating a demising wall (the "Demising Wall") as per Exhibit 3 to the Sublease and add restrooms to the side of the building to be retained by Sublessor (collectively, the "Sublease Improvements"). Sublessor shall have direct access to the existing restrooms located in the Premises until the new restrooms are completed. Sublessor shall construct the Demising Wall in accordance with applicable laws and building codes, and pursuant to plans and specifications approved by Master Lessor and the City of Lake Forest. Sublessor agrees to construct the Demising Wall as soon as is reasonably possible after Tender of Possession and obtaining the foregoing approvals. Warehouse racking shall remain in the Premises for the term of the Sublease. Sublessee shall not at any time have any ownership interest in the Sublease Improvements.

(b) Sublessee has agreed to pay Sublessor, subject to Sublessor's reimbursement to Sublessee by means of rent credits as set forth below, $100,000.00 ("Sublessee's Contribution") towards the Sublease Improvements to be provided by Sublessor, such payment to be made as follows:

- $16,753 upon Tender of Possession. This sum had been included as a portion of the Deposit delivered to Voit and shall be paid to Sublessor, along with the balance of the Deposit, immediately upon Tender of Possession, and Sublessee shall not object to or interfere with the payment of same to Sublessor provided the Tender of Possession has occurred.

- $25,000.00 immediately upon the later of (i) February 1, 2000 or (ii) Tender of Possession and commencement of the Sublease Improvements.

- $25,000.00 immediately upon a cash shortfall (the "Funding Shortfall") such that the sum(s) previously released or paid to Sublessor are not sufficient to allow Sublessor to timely pay for the costs of the Sublease Improvements as .the same become due; provided, however, that under no circumstances shall a Funding Shortfall exist unless Sublessor has obtained from the contractor(s) or subcontractor(s) requesting payment commercially appropriate and reasonable payment requests, including conditional lien releases covering, the work for which payment is requested together with unconditional lien releases for all work previously paid for.

- Sublessor shall be entitled to draw on the Letter of Credit (i) to the extent and when there is a Funding Shortfall and (ii) upon completion of the Sublease Improvements and final inspection and approval of same by the City of Lake Forest and upon receipt by Sublessor of unconditional lien releases for all work previously paid for and conditional lien releases for the balance of the Sublease Improvements work ("Completion").

13.3 RENT CREDITS: Provided Sublessee is not, at the relevant time, in material default of its obligations under the Sublease, Sublessee shall be entitled to recoup Sublessee's Contribution via a monthly rent credit not to exceed $10,000.00 per month, commencing on April 1, 2000, and continuing each month thereafter until such time as Sublessee's Contribution (i.e., $100,000.00) has been fully credited by such monthly rent credits. In addition, a material default by Sublessee of its monetary obligations under the Sublease, if not cured within fifteen (15) days of receipt from Sublessor of written notice to cure such default, shall terminate Sublessor's obligations to extend any further rent credits to Sublessee, and shall terminate any further fights, whether legal or equitable, Sublessee may have with respect to recouping Sublessee's Contribution or any portion thereof.

13.4 CARPET CREDIT: Sublessor shall pay to Sublessee a carpet allowance of $4,000.00, which allowance shall be paid upon receipt of evidence reasonably satisfactory to Sublessor that Sublessee has used such allowance to install new floor covering in the Premises and that such floor covering has been installed. Sublessor may elect to pay such carpet allowance through a one-time reduction in Rent., to be credited against Rent for the next full month following the time Sublessor becomes obligated to pay such carpet allowance.

14. OCCUPANCY/UTILITIES: As used herein and in the Sublease, the term "Tender of Possession" shall mean delivering possession of the Premises to Sublessee immediately following mutual execution and delivery of the Sublease, receipt of insurance binder

from Sublessee, and receipt of Master Lessor and Bankruptcy Court approval. Prior to the Tender of Possession, Sublessee shall be entitled to occupy and use the Premises, subject to the payment of the February Base Rent from the Deposit at the time and under the conditions set forth in paragraph 13.1(b) above, and further subject to Sublessee's indemnification obligations set forth in paragraph 29 below. Sublessor shall at its expense install a sub meter or check meter so as to permit the parties to allocate utility costs between the Premises and Sublessor's remaining space; until such installation, utility costs will be prorated on a 50/SO basis.

15. RENT INCREASE: On July 1, 2002 the monthly rent due shall increase to $17,203.00, (plus monthly triple net] C.A.M. charges) for the remainder of the term. The rent due on June 1, 2007 will be $14,582.00 (25 days rent), because the sublease expires on June 25, 2007.

16. Sublessee understands that Sublessor is not in a position to render any of the services or perform any of the obligations required of Master Lessor by the terms of the Master Lease. Therefore, notwithstanding anything to the contrary in this Sublease, the performance by Sublessor of its obligations under this Sublease is and shall be conditioned on performance by the Master Lessor of its corresponding obligations under the Master Lease, and Sublessor shall not be liable to Sublessee for any default of the Master Lessor under the Master Lease. Sublessee shall not have any claim against Sublessor based on Master Lessor's failure or refusal to comply with any of the provisions of the Master Lease unless such failure or refusal is a result of Sublessor's willful act or failure to act, and Sublessor covenants to perform Sublessor's Remaining Obligations during the term of the Master Lease. Despite the Lessor's failure or refusal to comply with any of those provisions of the Master Lease, this Sublease will remain in full force and effect and Sublessee will pay the base rent and additional rent and all other charges provided for in this Sublease without any abatement, deduction or setoff.

17. Whenever the consent of the Master Lessor is required under the Master Lease, and whenever the Master Lessor fails to perform its obligations under the Master Lease, in each case to the extent that such consent or such failure affects or involves the Premises, Sublessor agrees to use its reasonable good-faith efforts to obtain at Sublessee's sole cost and expense such consent or performance on behalf of Sublessee.

18. [deleted by pates]

19. If the event the Master Lease is canceled or terminated for any reason, or involuntarily surrendered by operation of law prior to the expiration date of this Sublease, Sublessee agrees, at the sole option of Master Lessor, to attorn to Master Lessor for the balance of the Term of this Sublease and on the then executory terms of this Sublease. Such attornment shall be evidenced by an agreement in the form and substance reasonably satisfactory to Master Lessor. Sublessee shall execute and deliver such an agreement at any time within ten (10) business days after request by Master Lessor. Sublessee waives the provisions of any law now or later in effect that may provide Sublessee any rights to terminate this Sublease or to surrender possession of the sublease premises in the event any proceeding is brought by Master Lessor to terminate the Master Lease.

20. Under no circumstances shall Sublessor be required to extend the term of the Master Lease pursuant to any option or extension right contained in that Master Lease.

21. Sublessee shall carry insurance in the amounts and otherwise in accordance with the provisions of the Master Lease, except that Sublessor shall also be named as an additional insured in addition to Master Lessor, where applicable.

22. Each party to this Sublease will, from time to time as requested by the other party and not less than ten (10) days' prior written notice, execute, acknowledge and deliver to the other party, a statement in writing certifying that the Sublease is unmodified and in full force and effect (or if there have been modifications, that the Sublease is in full force and effect as modified and stating the modifications). Such statement will certify the dates to which base rent, additional rent and any other charges have been paid, and will also state whether, to the knowledge of the person signing she certificate, the other party is in default beyond any applicable grace period provided in this Sublease in the performance of any of its obligations' under this Sublease. It is intended that such a statement may be relied on by others with whom the party requesting that certificate may be dealing.

23. In addition to, and without diminishing, any other general or express obligations of Sublessee under the Sublease, including the obligation to perform and abide by the covenants and restrictions set forth in the Master Lease, as between Sublessee and Sublessor, Sublessee covenants and agrees not to cause or permit any Hazardous Material (as defined in the Master Lease) to be brought upon, stored, used, handled, generated, released or disposes of on, in, under or about the Premises, Building (as defined in the Master Lease), or any portion thereof, by Sublessee, its agents, employees, subsublessees, assignees, licensees, contractors or invitees (collectively, "Sublessee's Parties"), without the prior written consent of Sublessor, which consent Sublessor may withhold in its sole and absolute discretion. Upon the expiration or earlier termination of this Sublease but subject to Sublessor's right to oversee remediation described below, Sublessee agrees to promptly remove from the Premises or Building, at its sole cost and expense, any and all Hazardous Materials, including any equipment or systems containing Hazardous Materials which are installed, brought upon, stored, used, generated or released upon, in, under or about the Premises or the Building, or any portion thereof, by Sublessee or any of Sublessee's Parties (i.e., Sublessee shall not be responsible for removing any Hazardous Material on the Premises which existed prior to Sublessee's entry onto the Premises or which was installed, brought upon, stored, used, generated or released upon or released by any person or entity other than the Sublessee's Parties). To the fullest extent permitted by law, Sublessee agrees to promptly indemnify, protect, defend and hold harmless Sublessor and Sublessor's partners, officers, directors, employees, agents, successors and assigns (collectively, "Sublessor Indemnified Parties") from and against any and all claims, damages, judgments, suits, causes of action, losses, liabilities, penalties, fines, expenses and costs (including, without limitation, clean-up, removal, remediation and restoration costs, sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees and court costs) which arise or result from the presence of Hazardous Materials on, in, under or about the Premises or Building, or any other portion thereof but only to the extent that they are caused or knowingly permitted by Sublessee or any of Sublessee's Parties. Sublessee agrees to promptly notice Sublessor of any release

or suspected release of Hazardous Materials at the Premises or Building of which Sublessee becomes aware of during the Term of this Sublease, whether caused by Sublessee or any other persons or entities. In the event of any release of Hazardous Materials caused or knowingly permitted by Sublessee or any of Sublessee's Parties, Sublessor shall have the right, but not the obligation, to cause Sublessee to immediately take all steps Sublessor reasonably deems necessary or appropriate to remediate such release and prevent any similar future release. In the event that any act or omission of Sublessee, any Sublessee Party, or any agent, contractor, employer, affiliate or invitee of either of the same shall cause or result in any release of any Hazardous Substance (including, without limitation, the groundwater and subsurface soils under the Building or surrounding property), the Building or the environment or contamination of any of the same by any Hazardous Substance (collectively, a "Sublessee Release"), Sublessor may require (a) that Sublessor shall exclusively conduct in good faith all investigatory, scoping and planning activities with respect to such Sublessee Release; the preparation and negotiation (with the relevant governmental authorities) of any action plan or remediation plan required, necessary or convenient with respect to such Sublessee Release in order to comply with all Applicable Requirements (as defined in the Master Lease) or to otherwise restore the affected portion of the Premises (and/or the Building or surrounding property) to its condition immediately prior to such Sublessee Release, all as determined in good faith by Sublessor; the selection of all consultants and contractors to investigate the need for, scope, perform and monitor any such remediation or abatement of such Sublessee Release; and all other matters relating to the investigation and remediation of any such Sublessee Release, or (b) that Sublessee shall perform such of the activities as described in the preceding clause (a) with respect to the Sublessee Release in question as Sublessor shall designate, and in all cases Sublessee shall reimburse Sublessor for all reasonable costs and expenses from time to time incurred or expended by Sublessor under this paragraph within ten (10) days of Sublessor's written demand therefor, or at Sublessor's election bear such costs and expenses directly. The provisions of this paragraph will survive the expiration or earlier termination of this Sublease.

24. This Sublease shall be governed by and construed solely pursuant to the laws of the State of California, without giving effect to choice of law principles thereunder.

25. Except as otherwise provided in the Master Lease and this Sublease, all of the covenants, conditions and provisions of this Sublease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

26. The words "Sublessor" and "Sublessee" as used herein shall include the plural as well as the singular. Words used in any gender include other genders. The paragraph headings of this Sublease are not a part of this Sublease and shall have no effect upon the construction or interpretation of any part hereof Time is of the essence with respect to the performance of every provision of this Sublease.

27. This Sublease constitutes and is intended by the parties to be a final, complete and exclusive statement of their entire agreement with respect to the subject matter hereof

This Sublease supersedes any and all prior and contemporaneous agreements and understandings of any kind relating to the subject matter of this Sublease. There are no other agreements, understandings, representations, warranties, or statements, either oral or in written form, concerning the subject matter of this Sublease. No alteration, modification, amendment or interpretation of this Sublease shall be binding on the parties unless contained in a writing which is signed by both parties. The provisions of this Sublease shall be considered separable such that if any provision or part of this Sublease is ever held to be invalid, void or illegal under any law or ruling, all remaining provisions of this Sublease shall remain in full force and effect to the maximum extent permitted by law.

28. Sublessee shall not record this Sublease or a short form memorandum thereof without the consent of Sublessor. This Sublease may be executed in one or more counterparts, each of which shall constitute an original and all of which shall be one and the same agreement.

29. This Sublease is subject to Bankruptcy Court approval and Sublessee agrees to use reasonable efforts to obtain such approval as soon as practicable following execution of this Sublease by all parties and approval thereof by Master Lessor. The Bankruptcy Court shall not be deemed to have approved this Sublease unless and until the Bankruptcy Court has determined that any deposits and letters of credit initially made or issued in connection with this Sublease are not subject to the claims of Sublessor's pre-petition creditors. If the Bankruptcy Court does not approve this Sublease, then this Sublease shall terminate, except that Sublessee shall nonetheless indemnify, defend and hold harmless Sublessor from and against any and all claims, damages, judgments, suits, causes of action, losses, liabilities, penalties, fines, expenses and costs (including reasonable attorneys' fees, consultant fees and expert fees and court costs) which arise or result from Sublessee's or its agents', contractors', or representatives' activities on, in or about the Premises prior to Tender of Possession. The indemnification provisions in the preceding sentence shall survive the termination of the Sublease.

30. The furniture in the office as outlined in Exhibit 2 to the Sublease shall be the property of the Sublessee; however, if, within seven (7) years of the Commencement Date, Sublessee is evicted or otherwise vacates the Premises due to a default by Sublessee under this sublease, such furniture will, without further action of the parties hereto, become the property of the Sublessor, without any compensation to Sublessee therefor.

[SIGNATURE PAGE FOLLOWS.]

AGREED AND ACCEPTED:

SUBLESSOR: THE L.L. KNICKERBOCKER COMPANY, INC.

By: _____ Date: _____

SUBLESSEE: LIQUIDMETAL TECHNOLOGIES, INC., a California corporation

By: _____ Date: _____

By its signature below the undersigned agrees to be bound by and act in accordance with the terms of paragraph 13.1(b) of this Addendum, and the individual executing on behalf of the undersigned represents and warrants to Sublessor and Sublessee that such individual is authorized to bind the undersigned to the provisions of such paragraph 13.1(b).

VOIT COMMERCIAL BROKERAGE, a _____

By: _____ Date: _____

FURNITURE PANEL INVENTORY

SIZE	QTY		SIZE	QTY
PANELS		FURNITURE		
24" X 42"	4	Conference Chairs (wood)		5
24" x 54"	13	Big Black Chair		1
24" x 66"	11	Reception Chairs		4
24" x 65" W	7	Executive Chairs		4
30" x 42"	9	Manager Desks	6' x 8'8"	15
30" x 54"	17	Book shelf for credenza		1
30" x 66"	6	Grey Desks	5' x 3'	3
30" x 66" W	9	U Desk	5' x 8'	1
		Desk Credenzas	5' x 3'	15
36" x 42"	2			
36" x 66"	1	Cylinder table		1
36" x 66" W	2	Corner Computer Table		1
		Reception Table		1
48' x 30"	5	Round Conference Table		1
48" x 65"	45			
		ELECTRONICS		
60" x 30"	1	Blk Computer Monitor	24"	1
60" x 36"	6			
60" x 66"	6	TV	14"	4
		TV	21"	4
SHELVES				
16" x 36"	11	TV w/cassette	17"	1
Lamps	9	VHS Cassette Players		2
		WAREHOUSE RACKING		
		Racks	18' X 3.5'	52
		Orange Beam	8' long	102
		Racks (not earthquake approved)		12
		Beams (not earthquake approved)		20 prs

ADDENDUM TO
STANDARD SUBLEASE
DATED DECEMBER 18, 2000

THIS ADDENDUM TO STANDARD SUBLEASE IS MADE BY AND BETWEEN THE L.L. KNICKERBOCKER COMPANY, INC., ("SUBLESSOR") AND LIQUIDMETAL TECHNOLOGIES, INC., A CALIFORNIA CORPORATION ("SUBLESSEE") AS OF THE DATE SET FORTH ON THE FIRST PAGE OF THAT CERTAIN AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OF REAL ESTATE STANDARD SUBLEASE (LONG-FORM TO BE USED WITH PRE-1998 AIR LEASES) (THE "SUBLEASE") BETWEEN SUBLESSOR AND SUBLESSEE TO WHICH THIS ADDENDUM IS ATTACHED AND INCORPORATED. THE TERMS, COVENANTS AND CONDITIONS SET FORTH HEREIN ARE INTENDED TO AND SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH AT LENGTH IN THE BODY OF THE SUBLEASE. TO THE EXTENT THAT THE PROVISIONS OF THIS ADDENDUM ARE INCONSISTENT WITH ANY PROVISIONS OF THE SUBLEASE, THE PROVISIONS OF THIS ADDENDUM SHALL SUPERSEDE AND CONTROL.

31. As per the Master Lessor's request for an additional $15,000 Security Deposit to restore the premises to a single tenant building, it is hereby agreed that the L.L. Knickerbocker Company, Inc., will provide $5,000 and Liquid Metal Technologies, Inc., will provide $10,000. Said monies shall be due to Master Lessor upon tender of possession pursuant to Paragraph 13.1(b) of Addendum to Standard Sublease dated December 19, 2000. The L.L. Knickerbocker Company will credit $10,000 against the monthly rent obligation of Liquidmetal Technologies as follows:

May 1, 2001 - $2,500
June 1, 2001 - $2,500
July 1, 2001 - $2,500
August 1, 2001 - $2,500

The aforementioned credits shall be in addition to the rent credits described in Paragraph 13.3 of the Standard Sublease Document.

SUBLESSOR: THE L.L. KNICKERBOCKER COMPANY, INC.

By: _____ Date: _____

SUBLESSEE: LIQUIDMETAL TECHNOLOGIES, INC.

By: _____ Date: _____

EXHIBIT 10.4

PLAZA IV ASSOCIATES, LTD.

A FLORIDA PARTNERSHIP

AND

LIQUIDMETAL TECHNOLOGIES, INC.

LEASE INDEX

LEASE

THIS LEASE AGREEMENT ("Lease") is made AS OF THE 4th day of October, 2001, by and between the "Landlord" and the "Tenant" hereafter set forth.

WITNESSETH:

1. DEFINITIONS.

(a) "Landlord": PLAZA IV ASSOCIATES, LTD., A Florida Limited Partnership

Address: Suite 3160
100 North Tampa Street
Tampa, FL 33602

(b) "Tenant": LIQUIDMETAL TECHNOLOGIES, INC.

Address: Suite 3150
100 North Tampa Street
Tampa, Florida 33602

(c) "Premises": Suite Nos. 3150, 3160 and 3170, consisting of a total of approximately 13,828 square feet of net rentable area (which the parties expressly and irrevocably agree are contained in the Premises), as outlined in red on the attached Exhibit "A" expressly made a part hereof. The Premises are located on the 31st floor of the structure, hereinafter called the "Building," located at 100 North Tampa Street, Tampa, FL 33602. Landlord reserves the sole and exclusive right, at any time and from time to time, to name and re-name the Building. The parties expressly and irrevocably agree that there are 13,828 rentable square feet within the Premises and 552,080 rentable square feet within the Building, despite the fact that such figures may not be actually correct. For the purposes of Items 1 (i), 1 (j), 4 and 5 (only) of this Lease, the term "Building" includes its appurtenances, to include its parking facilities.

AS DESCRIBED ABOVE, THE PREMISES CONSIST OF THREE INCREMENTS OF SPACE:

(1) SUITE 3150 ("SUITE 3150"), CONSISTING OF APPROXIMATELY 8,136 SQUARE FEET OF NET RENTABLE AREA (WHICH THE PARTIES EXPRESSLY AND IRREVOCABLY AGREE ARE CONTAINED IN SUITE 3150), AS OUTLINED IN BLUE ON THE ATTACHED EXHIBIT "A-1" EXPRESSLY MADE A PART HEREOF.

(2) SUITE 3160 ("SUITE 3160"), CONSISTING OF APPROXIMATELY 2,385 SQUARE FEET OF NET RENTABLE AREA (WHICH THE PARTIES EXPRESSLY AND IRREVOCABLY AGREE ARE CONTAINED IN SUITE 3160), AS OUTLINED IN YELLOW ON SAID EXHIBIT "A-1."

(3) SUITE 3170 ("SUITE 3170"), CONSISTING OF APPROXIMATELY 3,307 SQUARE FEET OF NET RENTABLE AREA (WHICH THE PARTIES EXPRESSLY AND IRREVOCABLY AGREE ARE CONTAINED IN SUITE 3170), AS OUTLINED IN IN ORANGE ON SAID EXHIBIT "A-1".

(d) "Use of Premises": AS CORPORATE OFFICES.

(e) "THE SUITE 3150 COMMENCEMENT DATE" IS AND SHALL BE THE LATER OF NOVEMBER 1, 2001 ("THE ANTICIPATED SUITE 3150 COMMENCEMENT DATE") OR, SUBJECT TO THE OTHER CONTENTS OF THIS LEASE (TO INCLUDE EXHIBIT "B"), THE DATE LANDLORD CAN DELIVER TO TENANT POSSESSION OF SUITE 3150. IF, HOWEVER, AND NOTWITHSTANDING ANY STATEMENT OR IMPLICATION TO THE CONTRARY WITHIN ITEM 2 OF THIS LEASE, TENANT TAKES POSSESSION OF SUITE 3150 [OR ANY PORTION(S) THEREOF] FOR THE CONDUCT OF ITS BUSINESS THEREFROM PRIOR TO THE ANTICIPATED SUITE 3150 COMMENCEMENT DATE, THEN THE DATE TENANT SO TAKES POSSESSION SHALL BE THE SUITE 3150 COMMENCEMENT DATE. UNLESS OTHERWISE PROVIDED IN THIS LEASE, THE TERM "THE SUITE 3150 COMMENCEMENT DATE" IS AND SHALL BE SYNONYMOUS WITH THE TERM "THE COMMENCEMENT DATE."

"THE SUITE 3160 COMMENCEMENT DATE" IS AND SHALL BE THE LATER OF DECEMBER 1, 2001 ("THE ANTICIPATED SUITE 3160 COMMENCEMENT DATE") OR, SUBJECT TO THE OTHER CONTENTS OF THIS LEASE (TO INCLUDE EXHIBIT "B"), THE DATE LANDLORD CAN DELIVER TO TENANT POSSESSION OF SUITE 3160. IF, HOWEVER, AND NOTWITHSTANDING ANY STATEMENT OR IMPLICATION TO THE CONTRARY WITHIN ITEM 2 OF THIS LEASE, TENANT TAKES POSSESSION OF SUITE 3160 [OR ANY PORTION(S) THEREOF] FOR THE CONDUCT OF ITS BUSINESS THEREFROM PRIOR TO THE ANTICIPATED SUITE 3160 COMMENCEMENT DATE, THEN THE DATE TENANT SO TAKES POSSESSION SHALL BE THE SUITE 3160 COMMENCEMENT DATE.

"THE SUITE 3170 COMMENCEMENT DATE" IS AND SHALL BE THE LATER OF JANUARY 1, 2002 ("THE ANTICIPATED SUITE 3170 COMMENCEMENT DATE"), OR, SUBJECT TO THE OTHER CONTENTS OF THIS LEASE (TO INCLUDE EXHIBIT "B"), THE DATE LANDLORD CAN DELIVER TO TENANT POSSESSION OF SUITE 3170. IF, HOWEVER, AND NOTWITHSTANDING ANY STATEMENT OR IMPLICATION TO THE CONTRARY WITHIN ITEM 2 OF THIS LEASE, TENANT TAKES POSSESSION OF SUITE 3170 [OR ANY PORTION(S) THEREOF] FOR THE CONDUCT OF ITS BUSINESS THEREFROM PRIOR TO THE ANTICIPATED SUITE 3170 COMMENCEMENT DATE, THEN THE DATE TENANT SO TAKES POSSESSION SHALL BE THE SUITE 3170 COMMENCEMENT DATE.

(f) "THE SUITE 3150 TERM" IS AND SHALL BE FOR A PERIOD OF NOT LESS THAN SIXTY-TWO (62) MONTHS, BEGINNING ON THE SUITE 3150 COMMENCEMENT DATE AND, SUBJECT TO THE FINAL THREE PARAGRAPHS OF ITEM 2 BELOW, ENDING AT MIDNIGHT ON THE LAST CALENDAR DAY OF THE SIXTY-SECOND (62ND) FULL CALENDAR MONTH FOLLOWING THE SUITE 3150 COMMENCEMENT DATE. UNLESS OTHERWISE PROVIDED IN THIS LEASE, THE TERM "THE SUITE 3150 TERM" IS AND SHALL BE SYNONYMOUS WITH THE TERM "THE TERM."

"THE SUITE 3160 TERM" IS AND SHALL BE FOR A PERIOD BEGINNING ON THE SUITE 3160 COMMENCEMENT DATE AND, SUBJECT TO THE FINAL THREE PARAGRAPHS OF ITEM 2 BELOW, ENDING AT MIDNIGHT ON THE LAST CALENDAR DAY OF THE SIXTY-SECOND (62ND) FULL CALENDAR MONTH FOLLOWING THE SUITE 3150 COMMENCEMENT DATE (WHEREUPON AND WHEREBY THE SUITE 3150 TERM AND THE SUITE 3160 TERM WILL BE COTERMINOUS).

"THE SUITE 3170 TERM" IS AND SHALL BE FOR A PERIOD BEGINNING ON THE SUITE 3170 COMMENCEMENT DATE AND, SUBJECT TO THE FINAL THREE PARAGRAPHS OF ITEM 2 BELOW, ENDING AT MIDNIGHT ON THE LAST CALENDAR DAY OF THE SIXTY-SECOND (62ND) FULL CALENDAR MONTH FOLLOWING THE SUITE 3150 COMMENCEMENT DATE (WHEREUPON AND WHEREBY THE SUITE 3150 TERM AND THE SUITE 3170 TERM WILL BE COTERMINOUS).

(G) "RENT": SUBJECT TO THE OTHER CONTENTS OF THIS ITEM 1 (G), AND LIKEWISE SUBJECT TO ITEM 3 OF THIS LEASE, TENANT, BEGINNING WITH THE COMMENCEMENT DATE AND CONTINUING FOR THE BALANCE OF THE TERM, SHALL, AS REGARD THE PREMISES, PAY TO LANDLORD BASE RENT IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

MONTHS	MONTHLY BASE RENT* **
SUITE 3150 COMMENCEMENT DATE UNTIL DAY BEFORE SUITE 3160 COMMENCEMENT DATE	$14,407.50**
SUITE 3160 COMMENCEMENT DATE UNTIL DAY BEFORE SUITE 3170 COMMENCEMENT DATE	$18,630.94
SUITE 3170 COMMENCEMENT DATE UNTIL THE END OF THE FIRST TWELVE MONTHS OF THE TERM	$24,487.08
13 - 24	$25,351.33
25 - 36	$26,215.58
37 - 48	$27,079.83
49 - END OF TERM	$27,944.08

*PARTIAL CALENDAR MONTHS SHALL BE PRO-RATED BASED UPON THE NUMBER OF CALENDAR DAYS WITHIN THE PARTICULARLY APPLICABLE CALENDAR MONTH(S).

**TENANT SHALL PAY LANDLORD, UPON TENANT'S EXECUTION OF THIS LEASE AND AS ADVANCE BASE RENT, THE SUM OF $26,201.18 (INCLUSIVE OF APPLICABLE TAX), WHICH SUM REPRESENTS THE FIRST INCREMENT OF MONTHLY BASE RENT DUE AS REGARD THE ENTIRE PREMISES UPON THE SUITE 3170 COMMENCEMENT DATE. THEN (I.E., FOLLOWING SAID PAYMENT, AND NOTWITHSTANDING THE CONTENTS OF THE FOREGOING SCHEDULE) TENANT, AS REGARDS SUITE 3150, SHALL NOT BE OBLIGATED TO PAY LANDLORD ANY BASE RENT DURING THE SECOND AND THIRD MONTHS (MEASURED FROM THE SUITE 3150 COMMENCEMENT DATE AND NOT NECESSARILY ENDING ON THE FINAL DAY OF A CALENDAR MONTH) OF THE SUITE 3150 TERM. LIKEWISE, FOLLOWING SAID PAYMENT OF SAID $26,201.18, AND NOTWITHSTANDING THE CONTENTS OF THE FOREGOING SCHEDULE, TENANT, AS REGARDS SUITE 3160, SHALL NOT BE OBLIGATED TO PAY LANDLORD ANY BASE RENT DURING THE SECOND AND THIRD MONTHS (MEASURED FROM THE SUITE 3160 COMMENCEMENT DATE AND NOT NECESSARILY ENDING ON THE FINAL DAY OF A CALENDAR MONTH) OF THE SUITE 3160 TERM. FURTHERMORE, TENANT SHALL RECEIVE A BASE RENT CREDIT OF $5,856.15 PER MONTH (TO BE UTILIZED BY TENANT MONTHLY AND NOT CUMULATIVELY) DURING THE FIRST FOUR MONTHS OF THE SUITE 3170 TERM. See also Item 3. Rent and all other sums payable by Tenant to Landlord under this Lease, plus any applicable tax, shall be paid to Landlord, without demand, recoupment, abatement, deduction or offset, at its office presently located at Suite 3160, 100 North Tampa Street, Tampa, FL 33602, or at such other place(s) as Landlord may hereafter AT ANY TIME AND FROM TIME TO TIME specify in writing.

(h) "Security Deposit": NONE; NOT APPLICABLE.

(i) "Operating Expense and Utility Base": THE OPERATING EXPENSES AND UTILITY COSTS (SEE ITEM 5 BELOW FOR DEFINITIONS) ACTUALLY INCURRED (ON A PER NET

RENTABLE SQUARE FOOT PER ANNUM BASIS) FOR THE OPERATION OF THE BUILDING AND ITS APPURTENANCES FOR THE CALENDAR YEAR 2002, ADJUSTED TO REFLECT THE AMOUNT OF OPERATING EXPENSES AND UTILITY COSTS THAT WOULD HAVE BEEN INCURRED HAD THE BUILDING BEEN ONE HUNDRED PERCENT (100%) OCCUPIED THROUGHOUT THE ENTIRE CALENDAR YEAR 2002.

(j) "Real Estate Taxes Base": THE REAL ESTATE TAXES (SEE ITEM 4 BELOW FOR DEFINITION) ACTUALLY INCURRED (ON A PER NET RENTABLE SQUARE FOOT PER ANNUM BASIS) FOR THE BUILDING AND ITS APPURTENANCES FOR THE CALENDAR YEAR 2002, ADJUSTED TO REFLECT THE AMOUNT OF REAL ESTATE TAXES THAT WOULD HAVE BEEN INCURRED HAD THE BUILDING BEEN ONE HUNDRED PERCENT (100%) OCCUPIED THROUGHOUT THE ENTIRE CALENDAR YEAR 2002.

(k) "Proportionate Share": The net rentable area in the Premises (13,828 square feet) divided by the net rentable area in the Building (552,080 square feet), which equals 2.505 percent. If Tenant leases from Landlord any additional space in the Building pursuant to the terms and provisions of this Lease, then Tenant's Proportionate Share shall be increased accordingly.

2. PREMISES AND TERM. Landlord, in consideration of the Rent herein reserved to be paid and of the covenants, conditions and agreements to be kept and performed by Tenant, hereby leases, lets and demises to Tenant, and Tenant hereby leases and hires from Landlord, that certain space called the Premises as described above in Item 1, Section (c).

PROVIDED (BUT NOT OTHERWISE) TENANT EXECUTES THIS LEASE BY OCTOBER 8, 2001;AND FURTHER PROVIDED (BUT NOT OTHERWISE) TENANT THEREAFTER FULLY, DULY AND TIMELY COMPLIES WITH EACH, EVERY, ANY AND ALL ITS DUTIES, OBLIGATIONS AND RESPONSIBILITIES UNDER THIS LEASE (TO INCLUDE ITS EXHIBITS, ATTACHMENTS, ADDENDA AND AMENDMENTS, IF ANY); AND FURTHER PROVIDED (BUT NOT OTHERWISE) TENANT BY OCTOBER 8, 2001, DELIVERS TO LANDLORD, AS REGARDS THE ENTIRETY OF THE WORK PERTAINING TO SUITE 3150, COMPLETE, SIGNED AND SEALED CONSTRUCTION DRAWINGS FOR PERMITTING PURPOSES; AND FURTHER PROVIDED (BUT NOT OTHERWISE) LANDLORD'S CONTRACTOR DOES THE ENTIRETY OF ALL THE WORK; AND EXPRESSLY SUBJECT TO, AND EXPRESSLY EXCEPT FOR, "FORCE MAJEURE" (ITEM 26), AND LIKEWISE EXPRESSLY SUBJECT TO, AND EXPRESSLY EXCEPT FOR, ANY FAULT OF, OR FAIRLY ATTRIBUTABLE TO, OR DELAY CAUSED BY, OR FAIRLY ATTRIBUTABLE TO, TENANT AND/OR ITS AGENTS, EMPLOYEES, PRINCIPALS, OFFICERS, PARTNERS, SUCCESSORS, ASSIGNS, INVITEES, SUBTENANTS, ESTIMATORS, CONTRACTORS, CONSULTANTS OR ANY OTHER PARTY, PERSON OR ENTITY FOR WHOM OR WHICH TENANT FAIRLY SHOULD BE RESPONSIBLE; IF THE WORK PERTAINING TO SUITE 3150 IS NOT SUBSTANTIALLY COMPLETED BY FEBRUARY 8, 2002, THEN TENANT MAY, VIA WRITTEN NOTICE TO LANDLORD SO STATING, WHICH NOTICE, TO BE EFFECTIVE, MUST BE RECEIVED BY LANDLORD DURING THE PERIOD FEBRUARY 9, 2002, THROUGH FEBRUARY 22, 2002, BUT ABSOLUTELY NOT THEREAFTER, TIME BEING ABSOLUTELY OF THE ESSENCE, CANCEL (AS TENANT'S SOLE AND EXCLUSIVE REMEDY) THIS LEASE IN ITS ENTIRETY, WHEREUPON THIS LEASE SHALL TERMINATE AND BECOME COMPLETELY AND ABSOLUTELY NULL AND VOID, JUST AS IF, AND TO THE EXTENT THAT, THE PARTIES HAD NEVER MET AND THIS LEASE HAD NEVER BEEN EXECUTED, EXCEPT, HOWEVER, LANDLORD SHALL PROMPTLY REFUND TO TENANT THE $26,201.18 ADVANCE BASE RENT THE SUBJECT OF ITEM 1 (G) OF THIS LEASE. IF, HOWEVER, ALL THE PROVISIONS, CONTINGENCIES AND CONDITIONS THE SUBJECT OF THE FIRST SENTENCE OF THIS PARTICULAR PARAGRAPH OF THIS ITEM 2 DO NOT OCCUR OR ARE NOT MET, THEN, IN ALL INSTANCES AND UNDER ALL CIRCUMSTANCES, THE SUITE 3150 COMMENCEMENT DATE SHALL ABSOLUTELY BE NOVEMBER 1, 2001; IF, ON THE OTHER HAND, ALL THE PROVISIONS, CONTINGENCIES AND CONDITIONS THE SUBJECT OF THE FIRST SENTENCE OF THIS PARTICULAR PARAGRAPH OF THIS ITEM 2 DO IN FACT OCCUR AND ARE MET, BUT LANDLORD'S CONTRACTOR DOES NOT EFFECT BY NOVEMBER 1, 2001, SUBSTANTIAL COMPLETION OF THE WORK PERTAINING TO SUITE 3150, THEN THE SUITE 3150 COMMENCEMENT DATE SHALL BE THE DATE LANDLORD'S CONTRACTOR DOES EFFECT SUCH SUBSTANTIAL COMPLETION. IF THE SUITE 3150 COMMENCEMENT DATE IS OTHER THAN NOVEMBER 1, 2001, THE PARTIES' REPRESENTATIVES SHALL EXECUTE A LETTER AMENDMENT TO THIS LEASE (WHICH THEY ARE HEREBY AUTHORIZED TO DO) WHEREBY THE SUITE 3150 COMMENCEMENT DATE AND THE EXPIRATION DATE OF THIS LEASE WILL BE

SPECIFIED; HOWEVER, THEIR FAILURE TO DO SO SHALL HAVE NO EFFECT ON THE OTHER CONTENTS OF THIS LEASE, SUCH CONTEMPLATED EXECUTION TO BE MERELY FOR CLARIFICATION PURPOSES. TENANT SHALL HAVE THIRTY (30) DAYS IMMEDIATELY FOLLOWING THE SUITE 3150 COMMENCEMENT DATE TO SUBMIT TO LANDLORD IN WRITING A "PUNCH-LIST" OF ITEMS THAT ARE SOLELY LANDLORD'S RESPONSIBILITY (OR THAT OF LANDLORD'S CONTRACTOR) AND NEED CORRECTION BY LANDLORD (OR LANDLORD'S CONTRACTOR). LANDLORD (OR LANDLORD'S CONTRACTOR) SHALL DILIGENTLY AND EXPEDITIOUSLY ADDRESS AND CORRECT SUCH "PUNCH-LIST" ITEMS, WHEREUPON THEREAFTER TENANT (EXCEPT FOR LATENT DEFECTS OF A MATERIAL NATURE) SHALL BE CONCLUSIVELY DEEMED TO HAVE ACCEPTED SUITE 3150 AS COMPLYING FULLY WITH LANDLORD'S (AND LANDLORD'S CONTRACTOR'S) OBLIGATIONS WITH RESPECT THERETO.

PROVIDED (BUT NOT OTHERWISE) TENANT EXECUTES THIS LEASE BY OCTOBER 8, 2001;AND FURTHER PROVIDED (BUT NOT OTHERWISE) TENANT THEREAFTER FULLY, DULY AND TIMELY COMPLIES WITH EACH, EVERY, ANY AND ALL ITS DUTIES, OBLIGATIONS AND RESPONSIBILITIES UNDER THIS LEASE (TO INCLUDE ITS EXHIBITS, ATTACHMENTS, ADDENDA AND AMENDMENTS, IF ANY); AND FURTHER PROVIDED (BUT NOT OTHERWISE) TENANT BY OCTOBER 22, 2001, DELIVERS TO LANDLORD, AS REGARDS THE ENTIRETY OF THE WORK PERTAINING TO SUITE 3160, COMPLETE, SIGNED AND SEALED CONSTRUCTION DRAWINGS FOR PERMITTING PURPOSES; AND FURTHER PROVIDED (BUT NOT OTHERWISE) LANDLORD'S CONTRACTOR DOES THE ENTIRETY OF ALL THE WORK; AND EXPRESSLY SUBJECT TO, AND EXPRESSLY EXCEPT FOR, "FORCE MAJEURE" (ITEM 26), AND LIKEWISE EXPRESSLY SUBJECT TO, AND EXPRESSLY EXCEPT FOR, ANY FAULT OF, OR FAIRLY ATTRIBUTABLE TO, OR DELAY CAUSED BY, OR FAIRLY ATTRIBUTABLE TO, TENANT AND/OR ITS AGENTS, EMPLOYEES, PRINCIPALS, OFFICERS, PARTNERS, SUCCESSORS, ASSIGNS, INVITEES, SUBTENANTS, ESTIMATORS, CONTRACTORS, CONSULTANTS OR ANY OTHER PARTY, PERSON OR ENTITY FOR WHOM OR WHICH TENANT FAIRLY SHOULD BE RESPONSIBLE; IF THE WORK PERTAINING TO SUITE 3160 IS NOT SUBSTANTIALLY COMPLETED BY MARCH 8, 2002, THEN TENANT MAY, VIA WRITTEN NOTICE TO LANDLORD SO STATING, WHICH NOTICE, TO BE EFFECTIVE, MUST BE RECEIVED BY LANDLORD DURING THE PERIOD MARCH 9, 2002, THROUGH MARCH 22, 2002, BUT ABSOLUTELY NOT THEREAFTER, TIME BEING ABSOLUTELY OF THE ESSENCE, CANCEL (AS TENANT'S SOLE AND EXCLUSIVE REMEDY) THIS LEASE IN ITS ENTIRETY, WHEREUPON THIS LEASE SHALL TERMINATE AND BECOME COMPLETELY AND ABSOLUTELY NULL AND VOID, JUST AS IF, AND TO THE EXTENT THAT, THE PARTIES HAD NEVER MET AND THIS LEASE HAD NEVER BEEN EXECUTED, EXCEPT, HOWEVER, LANDLORD SHALL PROMPTLY REFUND TO TENANT THE $26,201.18 ADVANCE BASE RENT THE SUBJECT OF ITEM 1 (g) OF THIS LEASE. IF, HOWEVER, ALL THE PROVISIONS, CONTINGENCIES AND CONDITIONS THE SUBJECT OF THE FIRST SENTENCE OF THIS PARTICULAR PARAGRAPH OF THIS ITEM 2 DO NOT OCCUR OR ARE NOT MET, THEN, IN ALL INSTANCES AND UNDER ALL CIRCUMSTANCES, THE SUITE 3160 COMMENCEMENT DATE SHALL ABSOLUTELY BE DECEMBER 1, 2001; IF, ON THE OTHER HAND, ALL THE PROVISIONS, CONTINGENCIES AND CONDITIONS THE SUBJECT OF THE FIRST SENTENCE OF THIS PARTICULAR PARAGRAPH OF THIS ITEM 2 DO IN FACT OCCUR AND ARE MET, BUT LANDLORD'S CONTRACTOR DOES NOT EFFECT BY DECEMBER 1, 2001, SUBSTANTIAL COMPLETION OF THE WORK PERTAINING TO SUITE 3160, THEN THE SUITE 3160 COMMENCEMENT DATE SHALL BE THE DATE LANDLORD'S CONTRACTOR DOES EFFECT SUCH SUBSTANTIAL COMPLETION. IF THE SUITE 3160 COMMENCEMENT DATE IS OTHER THAN DECEMBER 1, 2001, THE PARTIES' REPRESENTATIVES SHALL EXECUTE A LETTER AMENDMENT TO THIS LEASE (WHICH THEY ARE HEREBY AUTHORIZED TO DO) WHEREBY THE SUITE 3160 COMMENCEMENT DATE WILL BE SPECIFIED; HOWEVER, THEIR FAILURE TO DO SO SHALL HAVE NO EFFECT ON THE OTHER CONTENTS OF THIS LEASE, SUCH CONTEMPLATED EXECUTION TO BE MERELY FOR CLARIFICATION PURPOSES. TENANT SHALL HAVE THIRTY (30) DAYS IMMEDIATELY FOLLOWING THE SUITE 3160 COMMENCEMENT DATE TO SUBMIT TO LANDLORD IN WRITING A "PUNCH-LIST" OF ITEMS THAT ARE SOLELY LANDLORD'S RESPONSIBILITY (OR THAT OF LANDLORD'S CONTRACTOR) AND NEED CORRECTION BY LANDLORD (OR LANDLORD'S CONTRACTOR). LANDLORD (OR LANDLORD'S CONTRACTOR) SHALL DILIGENTLY AND EXPEDITIOUSLY ADDRESS AND CORRECT SUCH "PUNCH-LIST" ITEMS, WHEREUPON THEREAFTER TENANT (EXCEPT FOR LATENT DEFECTS OF A MATERIAL NATURE) SHALL BE CONCLUSIVELY DEEMED TO HAVE ACCEPTED SUITE 3160 AS COMPLYING FULLY WITH LANDLORD'S (AND LANDLORD'S CONTRACTOR'S) OBLIGATIONS WITH RESPECT THERETO.

PROVIDED (BUT NOT OTHERWISE) TENANT EXECUTES THIS LEASE BY OCTOBER 8, 2001;AND FURTHER PROVIDED (BUT NOT OTHERWISE) TENANT THEREAFTER FULLY, DULY AND TIMELY COMPLIES

WITH EACH, EVERY, ANY AND ALL ITS DUTIES, OBLIGATIONS AND RESPONSIBILITIES UNDER THIS LEASE (TO INCLUDE ITS EXHIBITS, ATTACHMENTS, ADDENDA AND AMENDMENTS, IF ANY); AND FURTHER PROVIDED (BUT NOT OTHERWISE) TENANT BY OCTOBER 22, 2001, DELIVERS TO LANDLORD, AS REGARDS THE ENTIRETY OF THE WORK PERTAINING TO SUITE 3170, COMPLETE, SIGNED AND SEALED CONSTRUCTION DRAWINGS FOR PERMITTING PURPOSES; AND FURTHER PROVIDED (BUT NOT OTHERWISE) LANDLORD'S CONTRACTOR DOES THE ENTIRETY OF ALL THE WORK; AND EXPRESSLY SUBJECT TO, AND EXPRESSLY EXCEPT FOR, "FORCE MAJEURE" (ITEM 26), AND LIKEWISE EXPRESSLY SUBJECT TO, AND EXPRESSLY EXCEPT FOR, ANY FAULT OF, OR FAIRLY ATTRIBUTABLE TO, OR DELAY CAUSED BY, OR FAIRLY ATTRIBUTABLE TO, TENANT AND/OR ITS AGENTS, EMPLOYEES, PRINCIPALS, OFFICERS, PARTNERS, SUCCESSORS, ASSIGNS, INVITEES, SUBTENANTS, ESTIMATORS, CONTRACTORS, CONSULTANTS OR ANY OTHER PARTY, PERSON OR ENTITY FOR WHOM OR WHICH TENANT FAIRLY SHOULD BE RESPONSIBLE; IF THE WORK PERTAINING TO SUITE 3170 IS NOT SUBSTANTIALLY COMPLETED BY APRIL 8, 2002, THEN TENANT MAY, VIA WRITTEN NOTICE TO LANDLORD SO STATING, WHICH NOTICE, TO BE EFFECTIVE, MUST BE RECEIVED BY LANDLORD DURING THE PERIOD APRIL 9, 2002, THROUGH APRIL 22, 2002, BUT ABSOLUTELY NOT THEREAFTER, TIME BEING ABSOLUTELY OF THE ESSENCE, CANCEL (AS TENANT'S SOLE AND EXCLUSIVE REMEDY) THIS LEASE IN ITS ENTIRETY, WHEREUPON THIS LEASE SHALL TERMINATE AND BECOME COMPLETELY AND ABSOLUTELY NULL AND VOID, JUST AS IF, AND TO THE EXTENT THAT, THE PARTIES HAD NEVER MET AND THIS LEASE HAD NEVER BEEN EXECUTED, EXCEPT, HOWEVER, LANDLORD SHALL PROMPTLY REFUND TO TENANT THE $26,201.18 ADVANCE BASE RENT THE SUBJECT OF ITEM 1 (g) OF THIS LEASE. IF, HOWEVER, ALL THE PROVISIONS, CONTINGENCIES AND CONDITIONS THE SUBJECT OF THE FIRST SENTENCE OF THIS PARTICULAR PARAGRAPH OF THIS ITEM 2 DO NOT OCCUR OR ARE NOT MET, THEN, IN ALL INSTANCES AND UNDER ALL CIRCUMSTANCES, THE SUITE 3170 COMMENCEMENT DATE SHALL ABSOLUTELY BE JANUARY 1, 2002; ; IF, ON THE OTHER HAND, ALL THE PROVISIONS, CONTINGENCIES AND CONDITIONS THE SUBJECT OF THE FIRST SENTENCE OF THIS PARTICULAR PARAGRAPH OF THIS ITEM 2 DO IN FACT OCCUR AND ARE MET, BUT LANDLORD'S CONTRACTOR DOES NOT EFFECT BY JANUARY 1, 2002, SUBSTANTIAL COMPLETION OF THE WORK PERTAINING TO SUITE 3170, THEN THE SUITE 3170 COMMENCEMENT DATE SHALL BE THE DATE LANDLORD'S CONTRACTOR DOES EFFECT SUCH SUBSTANTIAL COMPLETION. IF THE SUITE 3170 COMMENCEMENT DATE IS OTHER THAN JANUARY 1, 2002, THE PARTIES' REPRESENTATIVES SHALL EXECUTE A LETTER AMENDMENT TO THIS LEASE (WHICH THEY ARE HEREBY AUTHORIZED TO DO) WHEREBY THE SUITE 3170 COMMENCEMENT DATE WILL BE SPECIFIED; HOWEVER, THEIR FAILURE TO DO SO SHALL HAVE NO EFFECT ON THE OTHER CONTENTS OF THIS LEASE, SUCH CONTEMPLATED EXECUTION TO BE MERELY FOR CLARIFICATION PURPOSES. TENANT SHALL HAVE THIRTY (30) DAYS IMMEDIATELY FOLLOWING THE SUITE 3170 COMMENCEMENT DATE TO SUBMIT TO LANDLORD IN WRITING A "PUNCH-LIST" OF ITEMS THAT ARE SOLELY LANDLORD'S RESPONSIBILITY (OR THAT OF LANDLORD'S CONTRACTOR) AND NEED CORRECTION BY LANDLORD (OR LANDLORD'S CONTRACTOR). LANDLORD (OR LANDLORD'S CONTRACTOR) SHALL DILIGENTLY AND EXPEDITIOUSLY ADDRESS AND CORRECT SUCH "PUNCH-LIST" ITEMS, WHEREUPON THEREAFTER TENANT (EXCEPT FOR LATENT DEFECTS OF A MATERIAL NATURE) SHALL BE CONCLUSIVELY DEEMED TO HAVE ACCEPTED SUITE 3170 AS COMPLYING FULLY WITH LANDLORD'S (AND LANDLORD'S CONTRACTOR'S) OBLIGATIONS WITH RESPECT THERETO.

3. RENT. Tenant, SUBJECT TO THE CONTENTS OF (i) ITEM 1 (g) ABOVE AND (II) THE FINAL THREE PARAGRAPHS OF ITEM 2 ABOVE, covenants and agrees to pay, without demand, recoupment, abatement, deduction or offset, to Landlord Rent and Additional Rent for the Premises on or before the first (1st) day of the first (1st) full calendar month of the Term hereof and on or before the first (1st) day of each and every successive calendar month thereafter during the full Term of this Lease, subject to the adjustments as provided hereinafter, along with any applicable tax, at the then current rate.

Whenever under the terms of this Lease any sum of money is required to be paid by Tenant in addition to the Rent herein reserved, whether or not such sum is herein described as "Additional Rent" or a provision is made for the collection of said sum as "Additional Rent," said sum shall nevertheless, at Landlord's option, if not paid when due, be deemed Additional Rent, and shall be collectible as such with the first installment of Rent thereafter falling due hereunder. In the event any installment or increment of Rent or Additional Rent payable under this Lease shall not be paid FOLLOWING DUE NOTICE AND WITHIN THE CURATIVE PERIOD DESCRIBED

IN ITEM 20 (A) OF THIS LEASE, THEN, a "late charge" may be charged (as Additional Rent) by Landlord for the purpose of defraying the expense and inconvenience incident to handling such overdue payment and for the purpose of compensating Landlord for its attendant inconvenience and loss of cash flow. Said "late charge" shall be the greatest of (a) $200.00, (b) an amount equal to $20.00 multiplied by the number of days after the due date until such payment is received by Landlord, or (c) FIVE PERCENT (5%) of the past due amount.

4. REAL ESTATE TAXES ADJUSTMENTS. The parties each acknowledge that the Rent specified in Items 1 (g) and 3 of this Lease does not provide for increases in Real Estate Taxes (as hereinafter defined) which may affect the Premises or the Building, accordingly, during the Term of this Lease, and any extension(s) thereof, Tenant, beginning JANUARY 1, 2003, shall pay to Landlord, in the form of Additional Rent (plus any applicable tax), its Proportionate Share of estimated increased Real Estate Taxes over the base amount as defined in Item 1, Section (j).

To implement and effect the foregoing obligation of Tenant to pay its Proportionate Share of the increases in the Real Estate Taxes referenced in this Item 4, the parties agree that Tenant shall, BEGINNING JANUARY 1, 2003, pay Landlord on or before the first day of each calendar month one-twelfth (1/12) of the amount of Tenant's estimated annualized liability for such increases in such Real Estate Taxes for the then current calendar year. At any time and from time to time during the then applicable current calendar year, Landlord (but not unreasonably) may reestimate Tenant's monthly monetary responsibilities under this Item 4 and Tenant shall pay Landlord such reestimated amounts. There shall be an annual reconciliation between what Tenant paid and what Tenant should have paid. Any amount paid by Tenant which exceeds the correct amount due shall be credited to the next succeeding payment due under this Item 4. If Tenant has paid less than the correct amount due, Tenant shall pay the balance within ten (10) days of receipt of written notice from Landlord. If the Term of this Lease begins or ends other than on the first day or last day of a calendar year, the subject Real Estate Taxes shall be billed and adjusted on the basis of such fraction of a calendar year. Tenant's obligation to pay the adjustments described in this Item 4 shall survive the expiration or earlier termination of this Lease. Tenant shall have thirty (30) days immediately following the submission to it by Landlord of each applicable adjustment calculation to object to such particular calculation. If Tenant fails duly and timely to object to such particular calculation, which objection, to be effective, must be in writing and must state the specifics of such particular objection, then, the parties understand and agree, Landlord's calculation shall be conclusively deemed to be correct.

The term "Real Estate Taxes" shall include, but not be limited to, each, every, any and all taxes, assessments, levies and/or other charges (of any nature or description whatsoever) imposes (or sought to be imposed): (a) against the real property of which the Building or the Premises are a part and/or (b) against the appurtenances and/or facilities of, within or serving the Building or the Premises, by any authority having (or claiming to have) the power so to tax, assess, levy or charge, whether the same are general or special, ordinary or extraordinary, foreseen or unforeseen, including, but not limited to, any city, county, state or federal government, or any school, agricultural, transportation or environmental control agency, lighting, drainage, or other improvement district thereof, and said term also shall include the expenses of contesting the amount or validity of any such taxes, assessments, levies and/or other charges.

5. OPERATING EXPENSE AND UTILITY ADJUSTMENTS. The parties each acknowledge that the Rent specified in Items 1 (g) and 3 of this Lease does not provide for increases in Operating Expenses and Utility Costs (as hereinafter defined) which may affect the Premises or the Building; accordingly, during the Term of this Lease, and any extension(s) thereof, Tenant, beginning JANUARY 1, 2003, shall pay to Landlord, in the form of Additional Rent (plus any applicable tax), its Proportionate Share of estimated increased Operating Expenses and Utility Costs over the base amount as defined in Item 1, Section (i).

To implement and effect the foregoing obligation of Tenant to pay its Proportionate Share of the increases in the Operating Expenses and Utility Costs referenced in this Item 5, the parties agree that Tenant shall, BEGINNING JANUARY 1, 2003, pay Landlord on or before the first day of each calendar month one-twelfth (1/12) of the amount of Tenant's estimated annualized liability for such increases in such Operating Expenses and Utility Costs for the then current calendar year. At any time and from time to time during the then applicable current calendar year, Landlord (but not unreasonably) may re-estimate Tenant's monthly monetary responsibilities under this Item 5 and Tenant shall pay Landlord such re-estimated amounts. There shall be an annual reconciliation between what Tenant paid and what Tenant should have paid. Any amount paid by Tenant which exceeds the correct amount due shall be credited to the next succeeding payment due under this Item 5. If Tenant has paid less than the correct amount due, Tenant shall pay the balance within THIRTY (30) DAYS days of receipt of written notice from Landlord. If the Term of this Lease begins or ends other than on the first day or last day of a calendar year, the subject Operating Expenses and Utility Costs shall be billed and adjusted on the basis of such fraction of a calendar year. Tenant's obligation to pay the adjustments described in this Item 5 shall survive the expiration or earlier termination of this Lease. Tenant shall have SIXTY (60) days immediately following the submission to it by Landlord of each applicable adjustment calculation to object to such particular calculation. If Tenant fails duly and timely to object to such particular calculation, which objection, to be effective, must be in writing and must state the specifics of such particular objection, then, the parties understand and agree, Landlord's calculation shall be conclusively deemed to be correct.

LANDLORD, SIMULTANEOUSLY WITH ITS SUBMISSION TO TENANT OF EACH APPLICABLE YEAR-END ADJUSTMENT CALCULATION, SHALL LIKEWISE SUBMIT TO TENANT A DETAILED STATEMENT OF OPERATING EXPENSES AND UTILITY COSTS, TO INCLUDE BACK-UP DATA, ALL OF WHICH SHALL BE REASONABLY SUFFICIENT TO ENABLE TENANT TO EVALUATE THE THEN APPLICABLE YEAR-END ADJUSTMENT CALCULATION. TENANT SHALL HAVE THE RIGHT, AT REASONABLE TIMES AND AT A REASONABLE PLACE IN TAMPA, FLORIDA, DESIGNATED BY LANDLORD, TO AUDIT (AND COPY PERTINENT NON-CONFIDENTIAL PORTIONS OF) LANDLORD'S BOOKS AND RECORDS IN SUPPORT OF THE THEN APPLICABLE YEAR-END ADJUSTMENT CALCULATION. TENANT ABSOLUTELY MAY NOT, AND ABSOLUTELY SHALL NOT, UTILIZE A CONTINGENCY FEE AUDITOR. TENANT AGREES THAT IT WILL NOT DIVULGE OR DISCLOSE [OR ALLOW ITS AUDITOR(S) TO DIVULGE OR DISCLOSE] TO THIRD PARTIES (OTHER THAN TENANT'S ATTORNEYS, ACCOUNTANTS, AUDITORS, SIMILAR SUCH PROFESSIONALS OR OTHER PERSONS, WHERE IN EACH INSTANCE SUCH "OUTSIDE" PARTIES HAVE A BONA-FIDE "NEED TO KNOW") ANY DATA, INFORMATION, ETC., DISCLOSED BY LANDLORD TO TENANT UNDER THE TERMS AND PROVISIONS OF THIS ITEM 5. IF THERE IS A TIMELY WRITTEN OBJECTION BY TENANT (SEE THE FINAL TWO SENTENCES OF THE IMMEDIATELY PRECEDING PARAGRAPH), WHICH WRITTEN OBJECTION MUST INCLUDE DETAILED BASES THEREFOR, AND IF LANDLORD AND TENANT ARE UNABLE TO RESOLVE SUCH OBJECTION WITHIN THIRTY (30) DAYS IMMEDIATELY FOLLOWING THE DELIVERY BY TENANT TO LANDLORD OF SUCH WRITTEN OBJECTION, THEN TENANT SHALL IMMEDIATELY THEREAFTER PAY LANDLORD WHAT LANDLORD CLAIMS IS DUE. THE DISPUTE MAY THEN BE SUBMITTED BY TENANT TO BINDING ARBITRATION BY THE AMERICAN ARBITRATION ASSOCIATION IN TAMPA, FLORIDA, IN ACCORDANCE WITH ITS THEN PREVAILING RULES. JUDGMENT UPON THE ARBITRATION AWARD MAY BE ENTERED IN ANY COURT IN TAMPA, FLORIDA, HAVING JURISDICTION. THE ARBITRATORS SHALL HAVE NO POWER TO CHANGE THE PROVISIONS OF THIS LEASE. THE ARBITRATION PANEL SHALL CONSIST OF THREE ARBITRATORS, ONE OF WHOM SHALL BE A COMMERCIAL REAL ESTATE ATTORNEY ACTIVELY ENGAGED IN THE PRACTICE OF LAW FOR AT LEASE THE PREVIOUS 5 YEARS, ANOTHER OF WHOM SHALL BE A CERTIFIED PUBLIC ACCOUNTANT ACTIVELY ENGAGED IN THE PRACTICE OF ACCOUNTING IN THE COMMERCIAL REAL ESTATE AREA FOR AT LEAST THE PREVIOUS 5 YEARS, AND THE THIRD OF WHOM SHALL BE A LICENSED REAL ESTATE BROKER ACTIVELY ENGAGED IN THE COMMERCIAL LEASING BROKERAGE AREA FOR AT LEAST THE PREVIOUS 5 YEARS. BOTH PARTIES SHALL CONTINUE TO PERFORM THEIR RESPECTIVE LEASE OBLIGATIONS DURING THE PENDENCY OF ANY ARBITRATION PROCEEDINGS. IF IT IS DETERMINED BY SUCH ARBITRATION THAT TENANT OVERPAID THE AMOUNT DUE, THE OVERPAID AMOUNT, TOGETHER WITH INTEREST THEREON AT THE RATE OF ONE PERCENT (1%) ABOVE THE PRIME RATE FROM TIME TO TIME ANNOUNCED BY AMSOUTH BANK [OR ITS SUCCESSORS], SHALL BE IMMEDIATELY PAID BY LANDLORD TO TENANT, OR, AT TENANT'S ELECTION, APPLIED TO THE RENT

NEXT DUE UNDER THIS LEASE. FOR THE PURPOSES OF THAT PORTION OF ITEM 20 OF THIS LEASE DEALING WITH ATTORNEY'S FEES, TENANT SHALL NOT BE DEEMED TO BE "THE PREVAILING PARTY" UNLESS IT IS DETERMINED (AS ABOVE-DESCRIBED) THAT TENANT OVERPAID BY MORE THAN FIVE PERCENT (5%) ITS PROPORTIONATE SHARE OF INCREASES IN SUCH OPERATING EXPENSES AND UTILITY COSTS. LIKEWISE FOR THE PURPOSE OF THAT PORTION OF ITEM 20 OF THIS LEASE DEALING WITH ATTORNEY'S FEES, LANDLORD SHALL NOT BE DEEMED TO BE "THE PREVAILING PARTY" UNLESS IT IS DETERMINED (AS ABOVE-DESCRIBED) THAT TENANT HAS UNDERPAID BY MORE THAN FIVE PERCENT (5%) ITS PROPORTIONATE SHARE OF INCREASES IN SUCH OPERATING EXPENSES AND UTILITY COSTS. SUBJECT TO THE FOREGOING, THE ARBITRATORS SHALL HAVE THE POWER TO AWARD TO "THE PREVAILING PARTY" (AS ABOVE-DEFINED) REASONABLE ATTORNEY'S FEES AND REASONABLE EXPENSES AND COSTS.

The term "Operating Expenses" shall include, but not be limited to, the annual expenses of Landlord for the operation, management, repair and maintenance of the Premises and the Building which are presently or hereafter reasonable or customary for the operation, management, repair and maintenance of this type of Premises and Building, and shall include, but not be limited to, management salaries, consultants' fees (to include, but not be limited to, consultants engaged with respect to the provision of services to the Premises and/or the Building), maintenance and janitorial expense, the provision of services to the Building, costs of maintenance, repairs and replacements, compliance with applicable current and future laws, rules, codes, regulations, etc., management and operation of the Building, taxes and fees, employee benefits, administrative salaries, costs and fees, insurance, security and landscaping. ANYTHING ELSEWHERE WITHIN THIS ITEM 5 TO THE CONTRARY NOTWITHSTANDING, (A) TENANT'S ANNUAL OBLIGATIONS UNDER THIS ITEM 5 TO PAY INCREASES IN "CONTROLLABLE" (I.E., OTHER THAN TAXES, UTILITIES, INSURANCE AND GOVERNMENTALLY - MANDATED EXPENSES) EXPENSES SHALL NOT DURING THE ORIGINAL TERM OF THIS LEASE INCREASE BY MORE THAN A CUMULATIVE AVERAGE OF FOUR PERCENT (4%) PER ANNUM, BUT (B) THERE SHALL BE NO LIKE "CAP" ON "NON - CONTROLLABLE" (I.E., TAXES, UTILITIES, INSURANCE AND GOVERNMENTALLY - MANDATED EXPENSES) EXPENSES; FURTHERMORE, SAID "CAP" SHALL NOT BE APPLICABLE DURING ANY EXTENSION TERM(S). The term "Utility Costs" shall include Landlord's annual expenses for the operation and maintenance of the Building and the Premises with respect to charges, costs and taxes for furnishing heat, air-conditioning, electricity, water, sewerage, gas, garbage removal, etc. The defined terms the subject of this particular paragraph are for definitional purposes only and shall not impose any obligation whatsoever upon Landlord to incur any expense or provide any service within such defined terms.

NOTWITHSTANDING ANYTHING IN THIS LEASE TO THE CONTRARY, OPERATING EXPENSES SHALL NOT INCLUDE COSTS FOR (I) NEVERTHELESS SUBJECT TO THE FINAL PARAGRAPH OF THIS ITEM 5, CAPITAL IMPROVEMENTS MADE TO THE BUILDING, EXCEPT FOR ITEMS WHICH ARE GENERALLY CONSIDERED MAINTENANCE AND REPAIR ITEMS, SUCH AS PAINTING OF COMMON AREAS, AND THE LIKE; (II) REPAIR, REPLACEMENTS AND GENERAL MAINTENANCE PAID BY PROCEEDS OF INSURANCE OR SOLELY (AS OPPOSED TO IN COMMON) BY TENANT OR OTHER THIRD PARTIES; (III) INTEREST, AMORTIZATION OR OTHER PAYMENTS ON LOANS TO LANDLORD; (IV) DEPRECIATION; (V) LEASING COMMISSIONS; (VI) LEGAL EXPENSES FOR SERVICES, OTHER THAN THOSE THAT BENEFIT THE BUILDING TENANTS GENERALLY (E.G., TAX DISPUTES); (VII) RENOVATING OR OTHERWISE IMPROVING SPACE FOR OCCUPANTS OF THE BUILDING OR VACANT SPACE IN THE BUILDING; (VIII) REAL ESTATE TAXES (SEE ITEM 4); (IX) FEDERAL INCOME TAXES IMPOSED ON OR MEASURED BY THE INCOME OF LANDLORD FROM THE OPERATION OF THE BUILDING; (X) COSTS OF REPAIRS, RESTORATION, REPLACEMENTS OR OTHER WORK OCCASIONED BY A FIRE, WINDSTORM OR OTHER CASUALTY OF AN INSURABLE NATURE (WHETHER THE RESULTING DAMAGE OR DESTRUCTION BE TOTAL OR PARTIAL), (BUT SPECIFICALLY EXCLUDING THE COSTS OF ANY DEDUCTIBLES PAID BY LANDLORD, WHICH MAY BE INCLUDED IN OPERATING EXPENSES), B) THE EXERCISE BY GOVERNMENTAL AUTHORITIES OF THE RIGHT OF EMINENT DOMAIN, WHETHER SUCH TAKING BE TOTAL OR PARTIAL, OR C) THE NEGLIGENCE OR INTENTIONAL TORT OF LANDLORD, OR ANY SUBSIDIARY OR AFFILIATE OF LANDLORD, OR ANY OTHER TENANT IN THE BUILDING OR ANY REPRESENTATIVE, EMPLOYEE OR AGENT OF ANY OF THE FOREGOING (BUT SPECIFICALLY EXCLUDING THE COSTS OF ANY DEDUCTIBLES PAID BY LANDLORD, WHICH MAY BE INCLUDED IN OPERATING COSTS); (XI) LEASING COMMISSIONS, ATTORNEY'S FEES (EXCEPT FOR THOSE REASONABLE ATTORNEY'S FEES IN CONNECTION WITH ENFORCING RULES AND REGULATIONS), COSTS,

DISBURSEMENTS AND OTHER EXPENSES INCURRED IN CONNECTION WITH NEGOTIATIONS FOR LEASES WITH TENANTS, OR PROSPECTIVE TENANTS, OR OTHER OCCUPANTS OF THE BUILDING, OR SIMILAR COSTS INCURRED IN CONNECTION WITH DISPUTES WITH TENANTS, OTHER OCCUPANTS, OR PROSPECTIVE TENANTS OR SIMILAR COSTS AND EXPENSES INCURRED IN CONNECTION WITH NEGOTIATIONS OR DISPUTES WITH MANAGEMENT AGENTS, PURCHASERS OR MORTGAGEES OF THE BUILDING; (xii) ALLOWANCES, CONCESSIONS AND OTHER COSTS AND EXPENSES INCURRED IN COMPLETING, FIXTURING, FURNISHING, RENOVATING OR OTHERWISE IMPROVING, DECORATING OR REDECORATING SPACE FOR TENANTS (INCLUDING TENANT), PROSPECTIVE TENANTS OR OTHER OCCUPANTS AND PROSPECTIVE OCCUPANTS OF THE BUILDING, OR VACANT LEASABLE SPACE IN THE BUILDING; (xiii) COSTS OF THE INITIAL CONSTRUCTION OF THE BUILDING; (xiv) PAYMENTS OF PRINCIPAL AND INTEREST OR OTHER FINANCE CHARGES MADE ON ANY DEBT AND RENTAL PAYMENTS MADE UNDER ANY GROUND OR UNDERLYING LEASE OR LEASES; (xv) COSTS INCURRED IN CONNECTION WITH THE SALES, FINANCING, REFINANCING, MORTGAGING, SELLING OR CHANGE OF OWNERSHIP OF THE BUILDING, INCLUDING BROKERAGE COMMISSIONS, ATTORNEYS' AND ACCOUNTANTS' FEES, CLOSING COSTS, TITLE INSURANCE PREMIUMS, TRANSFER TAXES AND INTEREST CHARGES; (xvi) COSTS, FINES, INTEREST, PENALTIES, LEGAL FEES OR COSTS OF LITIGATION INCURRED DUE TO THE LATE PAYMENT OF TAXES, UTILITY BILLS AND OTHER COSTS INCURRED BY LANDLORD'S FAILURE TO MAKE SUCH PAYMENTS WHEN DUE UNLESS SUCH LATE PAYMENT WAS CAUSED, IN WHOLE OR IN PART, BY TENANT'S FAILURE TO TIMELY PAY ITS RENTAL OBLIGATIONS HEREUNDER; (xvii) COSTS INCURRED BY LANDLORD FOR TRUSTEE'S FEES, PARTNERSHIP ORGANIZATIONAL EXPENSES AND ACCOUNTING FEES EXCEPT ACCOUNTING FEES RELATING TO THE OWNERSHIP AND OPERATION OF THE BUILDING; (xviii) LANDLORD'S GENERAL CORPORATE OVERHEAD AND GENERAL AND ADMINISTRATIVE EXPENSES; (xix) RENTALS AND OTHER RELATED EXPENSES INCURRED IN LEASING AIR CONDITIONING SYSTEMS, ELEVATORS OR OTHER EQUIPMENT ORDINARILY CONSIDERED TO BE OF A CAPITAL NATURE, EXCEPT A) EQUIPMENT NOT AFFIXED TO THE BUILDING WHICH IS USED IN PROVIDING JANITORIAL OR SIMILAR SERVICES AND B) EQUIPMENT RENTED TO PROVIDE TEMPORARY SERVICES, INCLUDING DURING INTERRUPTION OF BUILDING SERVICES; (xx) ALL AMOUNTS WHICH WOULD OTHERWISE BE INCLUDED IN OPERATING COSTS WHICH ARE PAID TO ANY AFFILIATE OF LANDLORD, OR ANY REPRESENTATIVE, EMPLOYEE OR AGENT OF SAME, TO THE EXTENT THE COSTS OF SUCH SERVICES EXCEED THE COMPETITIVE RATES (AS REASONABLY DETERMINED BY LANDLORD) FOR SIMILAR SERVICES OF COMPARABLE QUALITY RENDERED BY PERSONS OR ENTITIES OF SIMILAR SKILL, COMPETENCE AND EXPERIENCE; (xxi) ADVERTISING AND PROMOTIONAL COSTS ASSOCIATED WITH THE LEASING OF THE BUILDING DIRECTLY RELATED TO THE OPERATION OF THE BUILDING; (xxiii) WAGES AND SALARIES FOR EMPLOYEES ABOVE THE LEVEL OF THE BUILDING'S MANAGER, (xxiv) EXPENSES FOR THE DEFENSE OF THE LANDLORD'S TITLE TO THE PREMISES OR THE BUILDING; (xxv) CHARITABLE OR POLITICAL CONTRIBUTIONS; (xxvi) ANY AMOUNTS EXPENDED BY LANDLORD AS ENVIRONMENTAL RESPONSE COSTS FOR REMOVAL, ENCLOSURE, ENCAPSULATION, CLEANUP, REMEDIATION, OR OTHER ACTIVITIES REGARDING LANDLORD'S COMPLIANCE WITH FEDERAL, STATE, MUNICIPAL OR LOCAL HAZARDOUS WASTE ENVIRONMENTAL LAWS, REGULATIONS OR ORDINANCES; (xxvii) COSTS TO CORRECT DEFECTS IN THE ORIGINAL CONSTRUCTION OF THE BUILDING; (xxviii) EXPENSES PAID DIRECTLY BY TENANT FOR ANY REASON (SUCH AS EXCESSIVE UTILITY USE); (xxix) OTHER AMOUNTS PAYABLE AS A RESULT OF LANDLORD'S VIOLATION OR FAILURE TO COMPLY WITH ANY GOVERNMENTAL REGULATIONS AND RULES OR ANY COURT ORDER, DECREE OR JUDGMENT UNLESS SUCH NON-COMPLIANCE IS CAUSED BY TENANT AND/OR A PERSON, PARTY OR ENTITY FOR WHOM OR WHICH TENANT FAIRLY SHOULD BE RESPONSIBLE; AND (xxx) MANAGEMENT FEES IN EXCESS OF THREE PERCENT (3%) OF THE RENT AND/OR ADDITIONAL RENT COLLECTED FROM THE TENANTS (TO INCLUDE TENANT) OF THE BUILDING.

If Landlord in its sole discretion in operating the Building chooses to install any energy or labor saving devices, equipment, fixtures or appliances to or in the Building that otherwise might be considered a capital expenditure AND SUCH EXPENDITURE RESULTS IN A REDUCTION IN ANY OPERATING EXPENSE THEN BEING CHARGED TO TENANT HEREUNDER, then Landlord may (BUT ONLY TO THE EXTENT OF THE ACTUAL SAVINGS) depreciate the cost of the equipment, device, appliance or fixture into the Operating Expenses of the Building, including interest at a reasonable rate, all according to generally accepted accounting principles applied on a consistent basis.

6. USE OF PREMISES. The Premises shall be used by Tenant as described above in Item 1, Section (d), and for no other business or purpose whatsoever without the prior written discretionary consent of Landlord. Tenant shall not do or permit to be done in or about the Premises, nor bring or keep or permit to be brought or kept therein, anything which is prohibited by, or will in any way conflict with, any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated, or which is presently or hereafter prohibited by any standard form of fire insurance policy or will presently or hereafter in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or presently or hereafter cause a cancellation of any insurance policy covering the Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done in or about the Premises which will presently or hereafter in any way obstruct or interfere with the rights of other tenants of the Building, or injure or annoy them or use or allow to be used the Premises for any improper, immoral, unlawful or objectionable purpose (as determined by Landlord); nor shall Tenant cause, maintain, or permit any nuisance (as determined by Landlord or by law) in or about the Premises or commit or suffer to be committed any waste in, on, or about the Premises. Tenant shall be responsible for all losses and damages to Landlord as a result of Tenant's failure to use, occupy and surrender the Premises in strict accordance with the contents of this Lease, and such responsibility shall survive the expiration or earlier termination of this Lease. Tenant, at Tenant's expense, shall comply with all laws, rules, orders, statutes, ordinances, directions, regulations and requirements of all federal, state, county and municipal authorities pertaining to Tenant's use and occupancy of the Premises and with the recorded covenants, conditions and restrictions pertaining thereto, regardless of when they become effective or applicable, including, without limitation, all applicable federal, state and local laws, regulations or ordinances pertaining to air and water quality, Hazardous Materials, waste disposal, air emissions and other environmental matters, all zoning and other land use matters, and with any direction of any public officer or officials which shall impose any duty upon Landlord or Tenant with respect to the use or occupation of the Premises. For the purposes of this Item 6, the term "Tenant" includes Tenant's agents, employees, principals, officers, successors, assigns, subtenants, invitees, contractors and consultants. IT IS (AND SHALL BE) LANDLORD'S RESPONSIBILITY AND SOLE EXPENSE, SUBJECT TO ITEM 5 ABOVE, TO CAUSE THE COMMON AREAS OF THE BUILDING TO BE IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND ANY SIMILAR SUCH STATE, COUNTY OR MUNICIPAL LAWS, ORDINANCES, REGULATIONS, ETC.

7. ASSIGNMENT AND SUBLETTING. Tenant shall not assign the right of occupancy under this Lease, or any other interest therein, or sublet the Premises, or any portion thereof, without the prior written consent of Landlord, which CONSENT SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED. TENANT SHALL HAVE THE RIGHT, WITHOUT FIRST SECURING LANDLORD'S PRIOR WRITTEN CONSENT THERETO (PRIOR WRITTEN NOTICE THEREOF FROM TENANT TO LANDLORD IS REQUIRED, HOWEVER), TO ASSIGN THIS LEASE, OR SUBLET PORTION(S) OF THE PREMISES, TO TENANT'S BONA-FIDE SUBSIDIARY OR AFFILIATE. IN THE EVENT TENANT COMPLETELY VACATES THE PREMISES AND THE PREMISES REMAIN COMPLETELY VACANT DURING TENANT'S MARKETING EFFORTS TO ASSIGN THIS LEASE AND/OR SUBLET THE ENTIRE PREMISES, THEN TENANT SHALL RECEIVE A CREDIT AGAINST BASE RENT FOR JANITORIAL SERVICES THEREBY MADE NOT NECESSARY (AS A RESULT OF TENANT'S NOT OCCUPYING THE ENTIRE PREMISES). Tenant absolutely shall have no right of assignment or subletting if it is THEN IN UNCURED default of this Lease. Any permitted assignment or sublease of all or any portion(s) of the Premises must contain a waiver of claims against Landlord by the assignee/ subtenant and will require the assignee's/subtenant's insurer(s) to issue waiver of subrogation rights endorsements to all policies of insurance carried in connection with the Premises and/or the contents thereof, all such waivers to be in substance and form prescribed by Landlord. If Landlord elects to grant its written consent to any proposed assignment or sublease (whether by Tenant or by others claiming by or through Tenant), Tenant or such others agree to pay Landlord an administrative fee in a reasonable amount (but not MORE THAN $500.00 AND NOT less than $150.00), plus REASONABLE attorney's fees (NOT TO EXCEED $215.00/HOUR) to process and approve such assignment or sublease, and Landlord may prescribe the substance and form of such assignment or sublease.

Notwithstanding any assignment of this Lease, or the subletting of the Premises, or any portion thereof, Tenant shall continue to be fully liable for the performance of the terms, conditions and covenants of this Lease, including, but not limited to, the payment of Rent and Additional Rent. The continuing liability the subject of the immediately preceding sentence shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, discharged, diminished, reduced or in any other way affected by,: (a) any amendment or modification of, or supplement to, this Lease or any further assignment or transfer thereof or any further sublease pertaining thereto; or (b) any action taken or not taken by Landlord against any assignee or sublessee; or (c) any agreement which modifies any of the rights or obligations of the parties (or their respective successors) under this Lease; or (d) any agreement which extends the time within which an obligation under this Lease is to be performed; or (e) any waiver of the performance of an obligation required under this Lease; or (f) any failure to enforce any of the obligations set forth in this Lease; or (g) any exercise or non-exercise by Tenant or any assignee or any sublessee of Tenant's, such assignee's or such sublessee's rights and/or options under this Lease. Consent by Landlord to one or more assignments or sublettings shall not operate as a waiver of Landlord's rights as to any subsequent assignments or sublettings. Landlord shall have the additional option, which shall be exercised by providing Tenant with written notice, of terminating Tenant's rights and obligations under this Lease rather than permitting any assignment or subletting by Tenant, any statement or implication in this Lease or at law to the contrary notwithstanding.

If Landlord permits any assignment or subletting by Tenant and if the monies (no matter how characterized) received as a result of such assignment or subletting [when compared to the monies still payable by Tenant to Landlord] be greater than would have been received hereunder had not Landlord permitted such assignment or subletting, then FIFTY PERCENT (50%) OF the excess shall be payable by Tenant to Landlord. If there are one or more assignments or sublettings by Tenant to which Landlord consents, then any and all extension options to be exercised subsequent to the date of such assignment or subletting and all options to lease additional space in the Building to be exercised subsequent to the date of such assignment or subletting are absolutely waived and terminated at Landlord's sole discretion. In the event of the transfer and assignment by Landlord of its interest in this Lease and/or sale of the Building containing the Premises, either of which it may do at its sole option, Landlord shall thereby be released from any further obligations hereunder, and Tenant agrees to look solely to such successor in interest of Landlord for performance of such obligations. The provisions of Item 36 hereafter dealing with "Notices" shall be amended to provide the correct names and addresses of the assignee or sublessee. Any breach of this Item 7 by Tenant will constitute an automatic default under the terms of this Lease, per Item 20 hereof.

LANDLORD SHALL NOT BE DEEMED TO HAVE UNREASONABLY WITHHELD ITS CONSENT TO A PROPOSED ASSIGNMENT OF THIS LEASE OR TO A PROPOSED SUBLEASE OF PART OR ALL OF THE PREMISES IF SUCH CONSENT IS WITHHELD BECAUSE: (i) TENANT IS THEN IN UNCURED DEFAULT OF THIS LEASE; OR (ii) FOLLOWING THE APPLICABLE CURATIVE OPPORTUNITY DESCRIBED IN ITEM 20 OF THIS LEASE, LANDLORD HAS GIVEN TENANT ANY NOTICE OF TERMINATION OF THIS LEASE OR TERMINATION OF TENANT'S RIGHTS UNDER THIS LEASE; OR (iii) EITHER THE PORTION OF THE PREMISES WHICH TENANT PROPOSES TO SUBLEASE, OR THE REMAINING PORTION OF THE PREMISES, OR THE MEANS OF INGRESS AND EGRESS TO EITHER THE PORTION OF THE PREMISES WHICH TENANT PROPOSES TO SUBLEASE OR THE REMAINING PORTION OF THE PREMISES, OR THE PROPOSED USE OF THE PREMISES OR ANY PORTION THEREOF BY THE PROPOSED ASSIGNEE OR SUBTENANT WILL VIOLATE ANY CITY, COUNTY, STATE OR FEDERAL LAW, ORDINANCE, STATUTE, CODE OR REGULATION, INCLUDING, WITHOUT LIMITATION, ANY

APPLICABLE BUILDING CODE OR ZONING ORDINANCE; OR (IV) THE PROPOSED USE OF THE PREMISES BY THE PROPOSED ASSIGNEE OR SUBTENANT DOES NOT OR WOULD NOT CONFORM WITH THE USE SET FORTH IN ITEM 1(D) OF THIS LEASE; OR (V) IN THE REASONABLE JUDGEMENT OF LANDLORD, THE PROPOSED ASSIGNEE OR SUBTENANT, WHEN COMPARED TO OTHER TENANTS IN THE BUILDING OR IN CLASS A OFFICE BUILDINGS IN DOWNTOWN TAMPA, FLORIDA, SUBSTANTIALLY SIMILAR TO THE BUILDING, IS OF A CHARACTER OR REPUTATION OR IS ENGAGED IN A BUSINESS WHICH WOULD BE HARMFUL TO THE IMAGE AND REPUTATION OF THE BUILDING OR LANDLORD; OR (VI) THE PROPOSED ASSIGNEE OR SUBTENANT IS A GOVERNMENTAL ENTITY (OR SUBDIVISION OR AGENCY THEREOF); OR (VII) THE PROPOSED ASSIGNEE OR SUBTENANT IS A CURRENT PROSPECTIVE TENANT INVOLVED IN WRITTEN NEGOTIATIONS WITH LANDLORD FOR SPACE AVAILABLE FOR LEASE ELSEWHERE WITHIN THE BUILDING. FURTHERMORE, IT SHALL NOT BE UNREASONABLE FOR LANDLORD TO REFUSE TO CONSENT TO A PROPOSED ASSIGNMENT OR SUBLEASE IF THE PREMISES OR ANY OTHER PORTION OF THE BUILDING WOULD BECOME SUBJECT TO ADDITIONAL OR DIFFERENT GOVERNMENTAL REGULATIONS AS A DIRECT OR INDIRECT CONSEQUENCE OF (A) THE PROPOSED ASSIGNMENT OR SUBLEASE, AND/OR (B) THE PROPOSED ASSIGNEE'S OR SUBLESSEE'S USE AND OCCUPANCY OF THE PREMISES OR THE BUILDING. THE FOREGOING, TENANT UNDERSTANDS AND ACKNOWLEDGES, ARE MERELY EXAMPLES OF REASONS FOR WHICH LANDLORD MAY WITHHOLD ITS CONSENT AND SHALL NOT BE DEEMED EXCLUSIVE OF ANY PERMITTED REASONS FOR WHICH LANDLORD MAY WITHHOLD ITS CONSENT, WHETHER SIMILAR OR DISSIMILAR TO THE FOREGOING EXAMPLES. TENANT AGREES THAT ALL ADVERTISING BY TENANT OR ON TENANT'S BEHALF WITH RESPECT TO THE ASSIGNMENT OF THIS LEASE OR THE SUBLETTING OF ALL OR ANY PART OF THE PREMISES MUST BE APPROVED IN WRITING BY LANDLORD PRIOR TO PUBLICATION, SUCH APPROVAL NOT TO BE UNREASONABLY WITHHELD.

8. ACCESS TO PREMISES. Landlord or its authorized designate(s) shall have the right, at any time and from time to time, to enter upon the Premises for the purposes of inspecting the same, preventing waste, conducting construction and/or alteration and/or maintenance activities, making such repairs as Landlord may consider appropriate and/or necessary (but without any obligation to do so except as expressly provided for herein), and showing the Premises to prospective tenants, mortgagees and/or purchasers. If during the last month of the Term, Tenant shall have removed all or substantially all of Tenant's property therefrom, Landlord may immediately enter and alter, renovate and redecorate the Premises without elimination or abatement of Rent or Additional Rent or incurring liability to Tenant for any compensation or offsets in Rent or Additional Rent and charges owed and such acts shall have no effect upon this Lease.

SUBJECT TO FORCE MAJEURE AND SUCH RESTRICTIONS AS LANDLORD MAY REASONABLY IMPOSE, AND EXCEPT FOR BONA-FIDE EMERGENCY CIRCUMSTANCES, THE PREMISES SHALL BE AVAILABLE FOR TENANT'S ACCESS THERETO TWENTY-FOUR (24) HOURS PER DAY, SEVEN (7) DAYS PER WEEK, EVERY DAY OF THE YEAR. SUCH CONTINUOUS ACCESS RIGHT SHALL ALSO INCLUDE ACCESS TO THE COMMON AREAS SERVING THE PREMISES AND TO THE PARKING FACILITY SERVING THE BUILDING.

9. LANDLORD'S SERVICES. Landlord shall, at its expense, furnish the Premises with (i) electricity, subject to Item 10 of this Lease; (ii) heat and air-conditioning ("HVAC") during reasonable and usual business hours (i.e., 8 A.M to 6 P.M, Mondays through Fridays, and 8 A.M. to noon on Saturdays; Sundays and nationally - recognized holidays excepted in all instances) reasonably required for the occupation of the Premises, such heat and air-conditioning to be provided by utilizing the existing Building systems, it being expressly understood and agreed by the parties that Landlord specifically shall not be liable for any losses or damages of any nature whatsoever incurred by Tenant due to any failure of the equipment to function properly, or while it is being repaired, or due to any governmental laws, regulations or restrictions pertaining to the furnishing or use of such heat and air-conditioning; (iii) elevator service; (iv) lighting replacement for Building Standard lights; (v) toilet room supplies; (vi) daily janitor service during the time and in the manner that such janitor service is customarily furnished in first class office buildings in the metropolitan area where the Building is located; (vii) water; (viii) sewerage; AND, (IX) SUBJECT TO FORCE MAJEURE AND SUCH RESTRICTIONS AS LANDLORD MAY REASONABLY IMPOSE, PUBLIC ACCESS TO THE BUILDING 7:00 A.M

TO 7:00 P.M., MONDAYS THROUGH FRIDAYS. The foregoing services are designated "Building Standard."

ANY HVAC OUTSIDE THE HOURS AND DAYS THE SUBJECT OF (II) ABOVE ARE HEREBY DESIGNATED AS "AFTER-HOURS HVAC" AND SHALL BE SUBJECT (INITIALLY) TO A CHARGE OF $30.00 PER HOUR (FULL OR PARTIAL), PLUS APPLICABLE TAX(ES), WHICH $30.00/HOUR RATE LANDLORD REPRESENTS TO TENANT IS GENERALLY UNIFORMLY CURRENTLY APPLICABLE TO THE TENANTS OF THE BUILDING, BUT WHICH RATE, TENANT AGREES, SHALL BE SUBJECT TO REASONABLE (AND GENERALLY UNIFORM) ADJUSTMENT(S) DURING THE TERM (AS MAY BE EXTENDED) OF THIS LEASE, ANY SUCH ADJUSTMENT(S) TO BE COMMENSURATE WITH ANY INCREASES IN HVAC EXPENSES LANDLORD MAY INCUR. NOTWITHSTANDING THE CONTENTS OF THE IMMEDIATELY PRECEDING SENTENCE, TENANT SHALL BE ENTITLED TO TWO (2) HOURS OF "FREE" AFTER-HOURS HVAC SERVICES EACH CALENDAR MONTH AND TENANT MAY (UNLIKE THE "FREE" VISITORS' PARKING THE SUBJECT OF ITEM 11 BELOW) "ACCUMULATE" ANY UNUSED HOURS FOR USE IN FUTURE MONTH(S).

Tenant agrees that Landlord is only responsible for Building Standard maintenance and Building Standard services. If other, more complete or special services and maintenance (over Building Standard) are required, then Tenant solely shall be and is responsible for same and for any and all expenses and costs of any nature whatsoever associated with same. To this end, Tenant is and shall be solely responsible for any expenses and costs of any nature whatsoever associated with, among other things, maintaining upgraded tenant improvements in the Premises, replacing non-Building Standard lighting fixtures and bulbs in the Premises, servicing, operating and maintaining any separate and non-Building Standard HVAC systems and facilities serving the Premises, etc.

Landlord shall not be liable for any damages directly or indirectly or consequentially resulting from, nor shall any Rent or Additional Rent herein set forth be reduced or abated by reason of, (1) installation, use, or interruption of use of any equipment in connection with the furnishing of any of the foregoing services, or (2) failure to furnish, or delay in furnishing, any such services when such failure or delay is caused by accident or any condition beyond the reasonable control of Landlord or by the making of necessary repairs or improvements to the Premises or to the Building or because of any governmental laws, regulations or restrictions. The temporary failure to furnish any such services shall not be construed as an eviction of Tenant or relieve Tenant from the duty of observing and performing each, every, any and all of the provisions of this Lease.

NOTWITHSTANDING ANYTHING HEREINABOVE IN THIS ITEM 9 TO THE CONTRARY, BUT NEVERTHELESS EXPRESSLY SUBJECT TO, AND EXCEPT FOR, "FORCE MAJEURE" (ITEM 26), AND NEVERTHELESS EXPRESSLY SUBJECT TO, AND EXCEPT FOR, ANY FAULT OF, OR FAIRLY ATTRIBUTABLE TO, OR DEALY CAUSED BY, OR FAIRLY ATTRIBUTABLE TO, TENANT OR ITS AGENTS, EMPLOYEES, PRINCIPALS, OFFICERS, SUCCESSORS, INVITEES, CONTRACTORS, CONSULTANTS OR ANY OTHER PERSON, PARTY OR ENTITY FOR WHOM OR WHICH TENANT FAIRLY SHOULD BE RESPONSIBLE, IF THERE IS AN INTERRUPTION IN ESSENTIAL SERVICES (AS HEREINAFTER DEFINED) TO BE PROVIDED BY LANDLORD TO TENANT UNDER THIS ITEM 9 AND SUCH INTERRUPTION CONTINUES FOR A PERIOD IN EXCESS OF FIVE (5) CONSECUTIVE BUSINESS DAYS FOLLOWING WRITTEN NOTICE THEREOF FROM TENANT TO LANDLORD, THEN TENANT, AS ITS SOLE AND EXCLUSIVE REMEDY, SHALL BE ENTITLED TO AN ABATEMENT OF RENT AND ADDITIONAL RENT FOR THE PERIOD THAT SUCH ESSENTIAL SERVICES ARE NOT PROVIDED. "ESSENTIAL SERVICES" ARE DEFINED AS HVAC, MECHANICAL, PLUMBING, ELECTRICAL AND ELEVATOR SERVICES AND SHALL INCLUDE REASONABLE ACCESS TO THE PREMISES BY TENANT AND ITS BUSINESS INVITEES. FURTHERMORE, AND NOTWITHSTANDING ANYTHING HEREINABOVE IN THIS ITEM 9 TO THE CONTRARY, BUT NEVERTHELESS EXPRESSLY SUBJECT TO, AND EXCEPT FOR, "FORCE MAJEURE" (ITEM 26), AND NEVERTHELESS EXPRESSLY SUBJECT TO, AND EXCEPT FOR, ANY FAULT OF, OR FAIRLY ATTRIBUTABLE TO, OR DELAY CAUSED BY, OR FAIRLY ATTRIBUTABLE TO, TENANT OR ITS AGENTS, EMPLOYEES, PRINCIPALS, OFFICERS, SUCCESSORS, INVITEES, CONTRACTORS, CONSULTANTS OR ANY OTHER PERSON, PARTY OR ENTITY FOR WHOM OR WHICH TENANT FAIRLY SHOULD BE RESPONSIBLE, IF THERE IS AN INTERRUPTION IN ESSENTIAL SERVICES TO BE PROVIDED BY LANDLORD TO TENANT UNDER THIS ITEM 9 AND SUCH INTERRUPTION CONTINUES FOR A PERIOD IN EXCESS OF THIRTY (30) CONSECUTIVE CALENDAR DAYS

FOLLOWING WRITTEN NOTICE THEREOF FROM TENANT TO LANDLORD, THEN TENANT, AS ITS SOLE AND EXCLUSIVE REMEDY, MAY, AT ANY TIME THEREAFTER UNTIL SUCH ESSENTIAL SERVICES ARE RESTORED, BUT NOT THEREAFTER, TIME BEING ABSOLUTELY OF THE ESSENCE, UPON WRITTEN NOTICE TO LANDLORD SO STATING, CANCEL THE THEN REMAINING BALANCE OF THE THEN APPLICABLE TERM OF THIS LEASE, WHEREUPON NEITHER PARTY SHALL HAVE ANY FURTHER OBLIGATIONS OF ANY NATURE WHATSOEVER TO THE OTHER.

10. ELECTRICAL OVERLOAD; STRUCTURAL OVERLOAD.

A. Tenant's use of electrical services furnished by Landlord shall be subject to the following:

(1) Tenant's electrical equipment shall be restricted to that equipment which individually does not have a rated capacity greater than .5 kilowatts per hour and/or require voltage other than 120/208 volts, single phase. Collectively, Tenant's equipment shall not have an electrical design load greater than (A) an average of 3 watts per square foot (including overhead lighting) OR (B) THAT OF A SIMILARLY SITUATED (AS FAR AS TYPICAL ELECTRICAL CONSUMPTION) TENANT WITHIN THE BUILDING.

(2) Tenant's overhead lighting shall not have a design load greater than an average of 2 watts per square foot.

(3) If Tenant's consumption of electrical services exceeds either the rated capacities and/or design loads as per subsections (1) and (2) above, then Tenant shall remove such equipment and/or lighting to achieve compliance within ten (10) days after receiving notice from Landlord. Or upon receiving Landlord's prior written approval, such equipment and/or lighting may remain in the Premises, subject to the following:

(a) Tenant shall pay for all costs of installation and maintenance of submeter, wiring, air-conditioning and other items required by Landlord, in Landlord's discretion, to accommodate Tenant's excess design loads and capacities;

(b) Tenant shall pay to Landlord, upon demand, the cost of the excess demand and consumption of electrical service at rates determined by Landlord which shall be in accordance with any applicable laws.

B. Tenant shall not place a load upon any floor of the Premises exceeding the floor load per square foot area which such floor was designed to carry and which may be allowed by law. Landlord reserves the right to prescribe the weight and position of all heavy equipment and similar items, and to prescribe the reinforcing necessary, if any, which in the opinion of Landlord may be required under the circumstances, such reinforcing to be at Tenant's pre-paid expense.

11. PARKING AREAS AND COMMON AREAS. Landlord shall keep and maintain in good condition any parking areas that may be provided. Landlord reserves the right to control the method, manner and time of parking in parking spaces. Landlord shall not be responsible at all, any statement or implication elsewhere in this Lease to the contrary notwithstanding, for the security of the parking areas provided pursuant to this Lease. Any and all parking charges payable by Tenant, whether to Landlord or to Landlord's designate(s), shall be Additional Rent; furthermore, if Tenant fails to pay duly, fully and timely such parking charges, Landlord [or its designate(s)] may discontinue, without notice to Tenant (or anyone else), the availability of the parking space(s) the subject of such parking charges, no matter by whom such parking spaces are or were being utilized or are in the future to be utilized, anything to the contrary elsewhere in this Lease notwithstanding. During the Term (as may be extended) of this Lease, Landlord shall provide Tenant with FIFTEEN (15) NON - RESERVED ("FIRST-COME-FIRST-SERVED") PARKING SPACES AND FOUR (4) RESERVED PARKING SPACES. THE RATE FOR EACH SUCH NON - RESERVED SPACE SHALL (INITIALLY) BE $110.00 PER SPACE PER MONTH [PLUS APPLICABLE TAX(ES)] AND THE RATE FOR EACH SUCH RESERVED SPACE SHALL (INITIALLY) BE $185.00 PER SPACE PER MONTH [PLUS APPLICABLE TAX(ES)], SUCH RATES TO BE SUBJECT TO ADJUSTMENT(S) DURING THE TERM (AS MAY BE EXTENDED) OF THIS LEASE, SUCH ADJUSTED RATES, HOWEVER, NOT TO BE IN EXCESS OF WHAT LANDLORD GENERALLY UNIFORMLY CHARGES OTHER TENANTS IN THE BUILDING FOR LIKE SPACES. ALL PARKING SPACES THE SUBJECT OF THIS ITEM 11 SHALL BE LOCATED WITHIN THE PARKING GARAGE A PART OF THE BUILDING. LANDLORD RESERVES THE RIGHT TO DESIGNATE (AND RE-DESIGNATE) AT ANY TIME, AND FROM TIME TO TIME, THE LOCATION(S) OF ALL PARKING SPACES THE SUBJECT OF THIS ITEM 11. SUBJECT TO THE OTHER CONTENTS OF THIS ITEM 11, IF TENANT EXERCISES THE OPTION TO EXPAND THE SUBJECT OF ITEM 45 OF THIS LEASE, TENANT SHALL BE ENTITLED TO SEVEN (7) ADDITIONAL NON - RESERVED PARKING SPACES AND TWO (2) ADDITIONAL RESERVED PARKING SPACES. FURTHERMORE, BUT SUBJECT TO SUCH GUIDELINES AND PROCEDURES AS LANDLORD MAY NOT UNREASONABLY PRESCRIBE, TENANT SHALL BE ENTITLED TO FOURTEEN (14) HOURS PER CALENDAR MONTH OF "FREE" PARKING FOR TENANT'S BUSINESS VISITORS, BUT TENANT MAY NOT (UNLIKE THE "FREE" AFTER-HOURS HVAC THE SUBJECT OF ITEM 9 ABOVE) ACCUMULATE ANY UNUSED HOURS.

Any statement or implication elsewhere in this Lease to the contrary notwithstanding, Landlord shall have the unrestricted right, which shall not be subject to Tenant's prior notice or consent, to change the size, use, capacity, configuration, shape or nature of the Building, its common areas and its appurtenances.

12. LEASEHOLD IMPROVEMENTS. SUBJECT TO ITEM 44. OF THIS LEASE, THE Premises are rented "as is," without any additional services or improvements to be rendered by Landlord, other than those services described in Item 9 and such other services or improvements as may be described in Exhibit "B" attached hereto and expressly made a part hereof. If Landlord is to additionally alter, remodel, improve, or do any physical act or thing to the space as presently constituted or as described in Exhibit "B", same shall be at the sole expense of Tenant and shall be effected only by an "Extra Work Agreement" signed by the parties. In the absence of an "Extra Work Agreement" signed by the parties, Landlord is under no obligation to make any such alteration, remodeling or improvement or do any physical act or thing to the space. Referencing the contents of this Item 12, Items 13 and 14 below, Exhibit "B" hereto and any such Extra Work Agreement(s), Landlord's consent to any such repairs, maintenance, alterations, additions, improvements or other work and/or Landlord's approval of the plans, specifications and drawings associated therewith shall create no responsibility or liability on the part of Landlord or its contractor(s) or architect(s) for their completeness, design sufficiency or compliance with applicable laws, rules, codes, regulations, etc., but rather such responsibility/liability shall be borne by Tenant; NEVERTHELESS, LANDLORD'S ARCHITECT SHALL CONFIRM IN WRITING TO TENANT THAT THE WORK (AND IF APPLICABLE, THE EXPANSION SPACE WORK) COMPLIES WITH ALL THEN (RESPECTIVELY) APPLICABLE CODES, LAWS, REGULATIONS, RULES, ETC., PERTAINING THERETO.

Any and all extraordinary expenses and costs of any nature whatsoever attributable to the installation, maintenance and/or removal of telephone equipment, computer equipment and

the like shall be borne solely by Tenant. Tenant's telephone equipment shall be restricted to, and must be installed within, the Premises.

13. REPAIRS AND MAINTENANCE. Landlord will, at its own cost and expense, except as may be provided elsewhere herein, make necessary repairs of damage to the Building corridors, lobby, structural members of the Building, and equipment used to provide the Building Standard services referred to in Item 9, unless any such damage is caused by acts or omissions of Tenant, its agents, customers, employees, principals, contractors, consultants, assigns, subtenants or invitees, in which event Tenant will bear the cost of such repairs. Tenant will allow no maintenance or repairs to be done in, on, to or about the Premises other than by a contractor (such term to include all degrees and levels of subcontractors) approved by Landlord in writing prior to any such maintenance or repairs being undertaken. Landlord shall be entitled to require such contractor to be bonded and insured in such amounts and with such companies as Landlord may in its discretion prescribe. Tenant will not injure the Premises or the Building but will maintain the Premises in a clean, attractive condition and in good repair, except as to damage to be repaired by Landlord as provided above. Upon termination of this Lease, Tenant will surrender and deliver the Premises to Landlord in the same condition in which they existed at the commencement of this Lease, excepting only ordinary wear and tear and damage arising from any cause not required to be repaired by Tenant. This Item 13 shall not apply in the case of damage or destruction by fire or other casualty which is covered by insurance maintained by Landlord on the Building (as to which Item 16 hereof shall apply) or damage resulting from an Eminent Domain taking (as to which Item 18 hereof shall apply).

SUBJECT TO, AND EXCEPT FOR, "FORCE MAJEURE" (ITEM 26), AND LIKEWISE SUBJECT TO, AND EXCEPT FOR, ANY FAULT OF, OR FAIRLY ATTRIBUTABLE TO, OR DELAY CAUSED BY, OR FAIRLY ATTRIBUTABLE TO, TENANT OR ITS AGENTS, EMPLOYEES, PRINCIPALS, OFFICERS, SUCCESSORS, CONTRACTORS, CONSULTANTS OR ANY OTHER PERSON, PARTY OR ENTITY FOR WHOM OR WHICH TENANT FAIRLY SHOULD BE RESPONSIBLE, IF LANDLORD MATERIALLY, ADVERSELY, DEMONSTRABLY AND SUBSTANTIALLY FAILS TO MEET ITS REPAIR AND MAINTENANCE OBLIGATIONS UNDER THIS ITEM 13 AND SUCH MATERIAL, ADVERSE, DEMONSTRABLE AND SUBSTANTIAL FAILURE CONTINUES FOR A PERIOD IN EXCESS OF FIVE (5) CONSECUTIVE BUSINESS DAYS FOLLOWING WRITTEN NOTICE THEREOF FROM TENANT TO LANDLORD, THEN TENANT, AS ITS SOLE AND EXCLUSIVE REMEDY, SHALL BE ENTITLED TO AN ABATEMENT OF RENT AND ADDITIONAL RENT FOR THE PERIOD THAT SUCH MATERIAL, ADVERSE, DEMONSTRABLE AND SUBSTANTIAL FAILURE CONTINUES, TO (BUT NOT BEYOND) THE PROPORTIONATE EXTENT THAT SUCH MATERIAL, ADVERSE, DEMONSTRABLE AND SUBSTANTIAL FAILURE MATERIALLY, ADVERSELY, DEMONSTRABLY AND SUBSTANTIALLY INTERFERES WITH THE USE OF THE PREMISES BY TENANT.

14. ALTERATIONS AND IMPROVEMENTS. Tenant absolutely shall not make any alterations, additions or improvements to or in the Building outside the Premises. Furthermore, Tenant shall make no alterations, additions or improvements to or in the Premises without the prior written approval of Landlord, unless in each instance and for each such alteration, addition or improvement Landlord or a contractor approved by Landlord is hired to do such alterations, additions or improvements. Such approval shall not be unreasonably withheld in the case of alterations, additions or improvements to the interior of the Premises if such alterations, additions, or improvements are normal for the use described in Item 1 (d) of this Lease, do not violate any applicable laws, codes, ordinances, etc., do not adversely affect utility of the Premises for future tenants, do not alter the exterior of the Building, do not affect portions of the Building outside the Premises, and are accompanied by insurance satisfactory to Landlord and by prepayment or bond provisions or waivers by the contractor in form satisfactory to Landlord sufficient to protect the Building from claims of lien of any sort; otherwise, such approval may be withheld for any reason whatsoever. Furthermore, such alterations, additions or improvements absolutely shall not affect the mechanical, plumbing, electrical and HVAC systems in the Premises or the Building and shall not be of a structural nature. Tenant shall conduct its work in such a manner as to maintain harmonious labor relations and as not to interfere with the operation of the Building and shall, prior to the commencement of the work, submit to Landlord copies of all necessary permits.

Landlord reserves the right to have final approval of the contractors hired by Tenant. All such contractors hired by Tenant shall be, at levels and coverages prescribed by Landlord, bonded and insured, and Landlord may require evidence of same, which Tenant agrees to secure and provide Landlord prior to the commencement of any work by such contractors. All alterations, additions or improvements, whether temporary or permanent in character, made in or upon the Premises, either by Landlord or Tenant, shall be Landlord's property and at the end of the term hereof shall remain in or upon the Premises without compensation to Tenant. If, however, Landlord shall request in writing, Tenant will, prior to the expiration or earlier termination of this Lease, remove any and all alterations, additions and improvements placed or installed by Tenant in the Premises, and will repair any damage caused by such removal. All of Tenant's furniture, movable trade fixtures and equipment not attached to the Building may be removed by Tenant at the expiration of this Lease, if Tenant so elects, and shall be so removed, if required by Landlord, and, if not so removed, shall, at the option of Landlord, become the property of Landlord. To the extent Tenant makes any alterations, additions or improvements and/or to the extent Landlord on behalf of Tenant under an "Extra Work Agreement" makes such alterations, additions or improvements, and as a result thereof it can be determined that thereupon was caused an increase in real estate taxes or insurance premiums, then Tenant shall be responsible for reimbursing Landlord for such increases as Landlord may pay.

Landlord expressly reserves the right (but shall not have the obligation) to further develop, add to, improve, repair and alter the Building and its common areas, appurtenances, roadways, parking areas, etc., as Landlord may see fit, free from any and all liability of any nature whatsoever to Tenant for loss of business or damages of any nature whatsoever to Tenant occasioned during the making of such improvements, developments, additions, repairs and alterations.

15. INDEMNITY. Landlord shall not be liable for, and Tenant will indemnify and save Landlord (and Landlord's officers. principals, agents, employees and insurers) harmless of and from, each, every, any and all fines, suits, damages, claims, demands, losses and actions (including attorney's fees) for any injury to person or damage to or loss of property on or about the Premises and Building caused by the negligence or misconduct or breach of (or non-compliance with) this Lease by Tenant, its employees, agents, principals, contractors, consultants, assigns, subtenants, invitees or by any other person entering the Premises or the Building under express or implied invitation of Tenant, or arising out of Tenant's use of the Premises. Landlord absolutely shall not be liable or responsible for any loss or damage to any property or the death or injury to any person occasioned by theft, crime (of any nature whatsoever), fire, act of God, public enemy, injunction, riot, strike, insurrection, war, court order, requisition of governmental body or authority, by other tenants of the Building or by any other matter beyond the absolute control of Landlord, or for any injury or damage or inconvenience which may arise through repair or alteration of any part of the Building, or failure to make repairs, or from any cause whatsoever except Landlord's negligence or intentional act. It is specifically understood and agreed that there shall be no personal liability on Landlord (nor on Landlord's officers, principals, agents and employees) with respect to any of the covenants, conditions or provisions of this Lease; in the event of a breach or default by Landlord of any of its obligations under this Lease, Tenant shall look solely to the equity of Landlord in the Building for the satisfaction of Tenant's remedies.

16. DAMAGE BY FIRE OR THE ELEMENTS. In the event that the Building is totally destroyed by fire, tornado or other casualty, or in the event the Premises or Building is so damaged that rebuilding or repairs cannot be completed within one hundred eighty (180) days after the date of such damage, either Landlord or Tenant may, at its option, by written notice to the other given not more than thirty (30) days after the date of such fire or other casualty, terminate this Lease. In such event, the Rent and Additional Rent shall be abated during the unexpired portion of this Lease effective with the date of such fire or other casualty.

In the event the Building or the Premises are damaged by fire, tornado, or other casualty covered by Landlord's insurance but only to such extent that rebuilding or repairs can

be completed within one hundred eighty (180) days after the date of such damage, or if the damage should be more serious but neither Landlord nor Tenant elects to terminate this Lease, then Landlord shall, within thirty (30) days after the date of such damage or such election, commence to rebuild or repair the Building and/or the Premises and shall proceed with reasonable diligence to restore the Building and/or the Premises to substantially the same condition in which it/they was/were immediately prior to the happening of the casualty, except that Landlord shall not be required to rebuild, repair or replace any part of the furniture, equipment, fixtures and other improvements which may have been placed by Tenant or other tenants or occupants within the Building or Premises. Landlord shall, unless such damage is deemed by Landlord to be the result of the negligence or willful misconduct of Tenant or Tenant's employees, agents, principals, contractors, consultants, assigns, subtenants or invitees, allow Tenant a fair diminution of Rent and Additional Rent during the time of such rebuilding or repairs. In the event any mortgagee, or the holder of any deed of trust, security agreement or mortgage on the Building, requires that the insurance proceeds be used to retire the mortgage debt, Landlord shall have no obligation to rebuild and this Lease shall terminate upon notice to Tenant. Any insurance which may be carried by Landlord or by Tenant against loss or damage to the Premises or its contents shall be for the sole benefit of the party carrying such insurance and under its sole control.

17. BUILDING RULES AND REGULATIONS. Tenant shall faithfully observe and comply with the Rules and Regulations printed on or annexed to (and expressly made a part of) this Lease and all reasonable modifications of and additions thereto from time to time put into effect by Landlord. Landlord shall not be responsible to Tenant for the nonperformance of any of said Rules and Regulations by any other tenant, occupant, invitee or visitor of the Building. Tenant shall and does hereby have an affirmative obligation (to include indemnification of Landlord, per Item 15 hereof) to notify its agents, employees, principals, assigns, subtenants and invitees of the contents of such Rules and Regulations and of this Lease and to assure their compliance therewith.

18. EMINENT DOMAIN. If the whole or a portion of the Building is taken for any public or quasi-public use under any statute or by right of Eminent Domain or private purchase in lieu thereof, then at Landlord's option, but not otherwise, this Lease, the Term hereby demised and each, every, any and all rights of Tenant hereunder shall immediately cease and terminate and the Rent and Additional Rent shall be adjusted as of the date of such termination. Tenant shall be entitled to no part of the award made for such condemnation (or other taking) or the purchase price thereof. Nevertheless, anything to the contrary notwithstanding, likewise at Landlord's option, but not otherwise, if the Premises are unaffected by such condemnation (or other taking), then this Lease and each and every one of its provisions shall continue in full force and effect.

NOTHING IN THIS ITEM 18 SHALL PREVENT TENANT FROM FILING WITH THE CONDEMNING AUTHORITY A SEPARATE CLAIM FOR (I) TENANT'S RELOCATION EXPENSES AND, (II) TENANT'S LOSS OF BUSINESS.

19. SIGNS AND ADVERTISING. Without the prior written approval of Landlord, which may be withheld at Landlord's discretion, Tenant shall not permit the painting or display of any signs, placard, lettering, or advertising material of any kind on or near the exterior of the Premises or the Building. Notwithstanding the foregoing, Tenant may, with Landlord's prior approval, display Tenant's name on or near the entrance to the Premises, in a Building-standard manner prescribed by Landlord.

THE SIGNAGE THE SUBJECT OF THE FINAL SENTENCE OF THE IMMEDIATELY PRECEDING PARAGRAPH SHALL BE A 12" X 12" BRONZE AND GLASS PLAQUE LISTING TENANT'S NAME AND SUITE NUMBER IN THE BUILDING. IN ADDITION, TENANT SHALL BE ENTITLED TO THIRTEEN (13) LINES ON THE DIRECTORY IN THE BUILDING'S LOBBY, SAID LINES TO BE UTILIZED TO LIST TENANT'S NAME, SUITE NUMBERS AND KEY OFFICERS.

20. TENANT'S DEFAULT. Landlord, at its election, may exercise any one or more of the options referred to below upon the happening, or at any time after the happening, of any one or more of the following events, to wit:

(a) Tenant's failure to cause Landlord to receive the Rent, Additional Rent, or any other monies (no matter how characterized) payable under this Lease within TEN (10) days after written notice to Tenant by Landlord;

(b) Tenant's failure to observe, keep or perform any of the other terms, covenants, agreements or conditions of this Lease or in the Building Rules and Regulations for a period of FIFTEEN (15) days after written notice by Landlord; PROVIDED, HOWEVER, THAT IF ANY SUCH FAILURE IS NOT REASONABLY SUSCEPTIBLE TO CURE WITHIN SUCH FIFTEEN (15) DAY PERIOD, NO DEFAULT SHALL BE DEEMED TO OCCUR UNDER THIS SUBSECTION (B) IF TENANT REASONABLY IMMEDIATELY COMMENCES THE APPROPRIATE CURE AND THEN DILIGENTLY AND EXPEDITIOUSLY THEREAFTER PURSUES SUCH CURE TO COMPLETION;

(c) The bankruptcy of Tenant;

(d) Tenant's making an assignment for the benefit of creditors;

(e) A receiver or trustee being appointed for Tenant or a substantial portion of Tenant's assets;

(f) Tenant's voluntarily petitioning for relief under, or otherwise seeking the benefit of, any bankruptcy, reorganization, arrangement or insolvency law;

(g) Tenant's (or Tenant's trustee's) rejection of this Lease after the filing of a petition in bankruptcy or insolvency or for reorganization or arrangement under any federal or state bankruptcy laws or insolvency acts.

(h) Tenant's attempting to mortgage, pledge or otherwise encumber in any way its interest hereunder;

(i) Tenant's interest under this Lease being sold under execution or other legal process;

(j) Tenant's interest under this Lease being affected, modified or altered by any unauthorized assignment or subletting or by operation of law;

(k) Any of the goods or chattels of Tenant used in, or incident to, the operation of Tenant's business at, from or in the Premises being seized, sequestered, or impounded by virtue of, or under authority of, any legal proceeding;

(l) Tenant's failure to pay fully, duly and timely the Rent, Additional Rent, or any other sums payable hereunder when due for two (2) consecutive months or for a total of four (4) months in any calendar year, no notice whatsoever to be due Tenant from Landlord;

(M) THE USE OF THE PREMISES FOR OTHER THAN GENERAL OFFICE PURPOSES;

(n) If Tenant is other than individual person(s), the dissolution (voluntary or otherwise) at any time of the business entity that is Tenant.

(o) Tenant's failure or refusal to comply duly, fully and timely with any of Tenant's duties, obligations or responsibilities under Exhibit "B" to this Lease.

In the event of any of the foregoing happenings, Landlord, at its election, may exercise any one or more of the following options, the exercise of any of which shall not be deemed to preclude the exercise of any others herein listed or otherwise provided or permitted by statute or general law at the same time or in subsequent times or actions:

(1) Terminate Tenant's right to possession under this Lease and re-enter and retake possession of the Premises and relet or attempt to relet the Premises on behalf of Tenant at such rent and under such terms and conditions as Landlord may deem best under the circumstances for the purpose of reducing Tenant's liability. Landlord shall not be deemed to have thereby accepted a surrender of the Premises, and Tenant shall remain fully liable for any and all Rent, Additional Rent, or other sums (no matter how characterized) due under this Lease and for all damages suffered by Landlord because of Tenant's breach of any of the covenants of this Lease.

(2) Declare this Lease to be terminated and ended, and re-enter upon and take possession of the Premises whereupon all right, title and interest of Tenant in the Premises shall end.

No re-entry or retaking possession of the Premises by Landlord shall be construed as an election on its part to terminate this Lease, unless a specific written notice of such intention is given to Tenant, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any Rent, Additional Rent or other monies due to Landlord hereunder or of any damages accruing to Landlord by reason of the violations of any of the terms, provisions and covenants herein contained. Landlord's acceptance of Rent or Additional Rent or other monies following any event of default hereunder shall not be construed as Landlord's waiver of such event of default. No forbearance by Landlord of action upon any violation or breach of any of the terms, provisions, and covenants herein contained shall be deemed or construed to constitute a waiver of the terms, provisions, and covenants herein contained. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of any other violation or default. Legal actions to recover for loss or damage that Landlord may suffer by reason of termination of this Lease or the deficiency from any reletting as provided for above shall include the expense of repossession or reletting and any repairs or remodeling undertaken by Landlord following repossession.

If Tenant does not perform any covenant, agreement, term, provision or condition within this Lease (as may be hereafter amended or modified in writing) contained on Tenant's part to be performed, Landlord, in addition to any other rights and remedies it has under this

Lease (as may be hereafter amended or modified in writing) or otherwise and without thereby waiving any such non-performance (or resulting default), may (but shall not be obligated to do so) perform the same on behalf of, for the account of and at the expense of Tenant without notice in a case of emergency (as not unreasonably determined by Landlord) and in any other case if such non-performance continues after FIFTEEN (15) days from the date that Landlord gives written notice to Tenant of Landlord's intention to do so. Invoices for all amounts paid by Landlord and all losses, costs and expenses incurred or paid by Landlord in connection with any such performance by Landlord pursuant to this particular paragraph, including, without limitation, all amounts paid and costs and expenses incurred by Landlord for any goods, property, material, labor or services provided, supplied, furnished or rendered, or caused to be provided, supplied, furnished or rendered, by Landlord to Tenant (together with interest at the then current Florida statutory rate from the date Landlord pays the amount(s) or incurs the loss, cost or expense until the date of full repayment by Tenant) may be sent by Landlord to Tenant monthly or immediately, at Landlord's option, and shall be due and payable by Tenant to Landlord as Additional Rent [plus any applicable tax(es)] within five (5) business days after the same are sent to Tenant by Landlord. In the proof of any losses that Landlord may claim against Tenant arising out of Tenant's failure to maintain insurance, Landlord shall not be limited to the amount of the unpaid insurance premiums(s), but rather Landlord shall also be entitled to recover the amount of any uninsured loss(es) (to the extent of any deficiency in the insurance required of Tenant by the provisions of this Lease, as may be hereafter amended or modified in writing), damages, costs, and expenses of lawsuit (including attorney's fees) arising out of any damage, loss, casualty, injury or destruction occurring during any period(s) for which Tenant has failed to adequately provide such required and to make or perform any repairs, alterations, replacements or other work in, to, on or about the Premises which, in the first instance, is Tenant's obligation pursuant to this Lease (as may be hereafter amended or modified in writing) shall not be deemed to: (i) impose any obligation on Landlord to do so, (ii) render Landlord liable to Tenant or any third party(ies) for the failure or refusal to do so, and (iii) relieve Tenant of or from any obligation(s) to indemnify and hold harmless Landlord as otherwise provided elsewhere in this Lease (as may be hereafter amended or modified in writing).

The parties hereto shall, and they hereby do, waive trial by jury (to include an advisory jury) in any action, proceeding, or counterclaim brought by either of the parties hereto against the other, and with respect to any issue or defense raised therein, on account of any matters whatsoever arising out of, or in any way connected with, this Lease, the relationship of landlord and tenant, Tenant's use or occupancy of the Premises and/or Building, and/or claim of loss, injury or damage. The rejection of this Lease (as may be hereafter amended or otherwise modified) by Tenant (to include its assigns, successors, etc.) under the state and/or federal bankruptcy laws (as may be hereafter amended or otherwise modified) shall constitute a material default and substantial breach of this Lease (as may be hereafter amended or otherwise modified) by Tenant (to include its assigns, successors, etc.). Upon the occurrence of any such material default and substantial breach, Landlord (to include its assigns, successors, etc.) may (and is hereby contractually permitted to do so) immediately terminate this Lease via written notice to Tenant (to include its assigns, successors, etc.) so stating.

The parties hereto agree that any and all suits for any and every breach of this Lease shall be instituted and maintained only in those courts of competent jurisdiction in the county or municipality in which the Building is located. In the event of litigation by and between the parties [or their respective successor(s)] to enforce the terms and provisions of this Lease, the prevailing party shall be entitled to recover from the non-prevailing party the prevailing party's reasonable attorney's fees and court costs, all through final appeal. However, the contents of the immediately preceding sentence shall expressly not be applicable to any lawsuits seeking declaratory relief or a declaratory judgment. Furthermore, and notwithstanding the contents of the sentence before last, if Landlord does not in such litigation seek an award of attorney's fees against Tenant, then neither party (whether plaintiff or defendant or otherwise) shall be entitled in such litigation to an award of attorney's fees, regardless of which party prevails in such litigation.

Time is of the essence of this Lease.

21. INTENTIONALLY OMITTED.

22. SUBORDINATION AND ATTORNMENT. In consideration of the execution of this Lease by Landlord, Tenant accepts this Lease subject to any deeds of conveyance and any deeds of trust, master leases, security interests or mortgages and all renewals, modifications, extensions, spreads, consolidations and replacements of the foregoing which might now or hereafter constitute a lien upon the Building (or the land upon which it is situated) or improvements therein or thereon or upon the Premises and to zoning ordinances and other building and fire ordinances and governmental regulations relating to the use of the property. Although no instrument or act on the part of Tenant shall be necessary to effectuate such subordination, Tenant shall, nevertheless, for the purpose of confirmation, at any time hereafter, on demand in the forms(s) NOT UNREASONABLY prescribed by Landlord, execute any instruments, estoppel certificates, releases or other documents that may be requested or required by any purchaser or any holder of any superior interest for the purposes of subjecting and subordinating this Lease to such deed of conveyance or to the lien of any such deed of trust, master lease, security interest, mortgage, or superior interest. Tenant hereby appoints Landlord attorney-in-fact, irrevocably, to execute and deliver any such instrument or document for Tenant should Tenant fail or refuse to do so WITHIN TEN (10) DAYS AFTER LANDLORD'S WRITTEN REQUEST TO TENANT THAT TENANT SO EXECUTE AND DELIVER SUCH DOCUMENT OR INSTRUMENT. AS REGARD THE CONTENTS OF THE IMMEDIATELY PRECEDING SENTENCE, IT SHALL NOT BE DEEMED A FAILURE OR REFUSAL BY TENANT UNDER SAID IMMEDIATELY PRECEDING SENTENCE TO SIGN AN INSTRUMENT OR DOCUMENT IF TENANT MODIFIES (BASED UPON THEN EXISTING FACTS AND IN A COMMERCIALLY REASONABLE MANNER, TENANT TO HAVE A STRICT OBLIGATION OF GOOD FAITH IN THIS REGARD) THE FORM OF SAID INSTRUMENT OR DOCUMENT AND THEN DULY, FULLY AND TIMELY SUBMITS SAME.

In the event of the enforcement by any of the holders (individually and collectively, hereinafter "the Holders") of any deed of trust, master lease, security interest, mortgage or superior interest (the documents entitling the Holders to same being hereinafter individually and collectively referred to as "the Superior Instruments") of any of the Holders' rights and remedies provided for, or allowed, in, or as a result of, the Superior Instruments, or at law or in equity, Tenant shall, upon the written request of any person, party or entity succeeding to the right, title or interest of Landlord as a result of such enforcement, automatically become the lessee of such successor in interest, without charge to the Holders or such successor in interest and without change in the terms, provisions, conditions or contents of this Lease (or any hereafter executed documents between Landlord and Tenant affecting this Lease); provided, however, that such successor in interest shall not be bound by (i) any payment of Rent or Additional Rent for more than one (1) month in advance, except prepayments in the nature of security for the performance by Tenant of its obligations under this Lease or (ii) any amendment or modification of this Lease made without the prior written consent of the Holders or such successor in interest, such consent to be granted or denied as the Holders and/or such successor elects at its/their sole and unrestricted discretion. Without in any way whatsoever affecting the effect of the immediately preceding sentence, upon the written request to Tenant/lessee by such successor in interest and in the form(s) prescribed by such successor in interest, Tenant/lessee shall execute and deliver to such successor in interest [or its designate(s)] an instrument or instruments confirming such attornment, Tenant/lessee's failure or refusal to do so to be, at the election (but not otherwise) of the Holders and/or such successor in interest, an automatic default of this Lease.

23. QUIET ENJOYMENT. Provided Tenant has fully, duly and timely performed all of the terms, covenants, agreements and conditions of this Lease on its part to be performed, including the payment of Rent, Additional Rent and all other sums due hereunder, Tenant shall peaceably and quietly hold and enjoy the Premises, except as described in Item 22 above, against Landlord and all persons claiming by, through or under Landlord, for the Term (as may be extended) herein described, subject to the other provisions and conditions of this Lease, which other provisions and conditions shall in all instances take precedence over the contents of this Item 23.

24. DEPOSIT. AS SECURITY FOR THE PERFORMANCE OF ITS OBLIGATIONS UNDER THIS LEASE, TENANT SHALL, CONCURRENTLY WITH TENANT'S EXECUTION OF THIS LEASE, PROVIDE LANDLORD WITH A DEPOSIT OF ONE HUNDRED THOUSAND DOLLARS ($100,000.00). LANDLORD SHALL HOLD SAID DEPOSIT UNTIL THE DAY AFTER TENANT CLOSES (IN ALL ASPECTS) ITS INITIAL PUBLIC OFFERING ("IPO") OF STOCK; FOLLOWING SAID CLOSING, LANDLORD SHALL RETURN TO TENANT SAID DEPOSIT, BUT LANDLORD SHALL NOT BE OBLIGATED TO PAY TENANT ANY INTEREST THEREON.

25. MECHANIC'S LIENS. Tenant is prohibited from making, and agrees not to make, alterations in the Premises, except as permitted by Item 14, and Tenant shall not permit any mechanic's lien or liens to be placed upon the Premises or the Building or improvements thereon during the Term (as may be extended) hereof caused by or resulting from any work performed, materials furnished or obligation incurred by or at the request of Tenant, and in the case of the filing of any such lien, Tenant will promptly pay or statutorily bond same. If default in payment or statutory bonding thereof shall continue for ten (10) days after written notice thereof from Landlord to Tenant, Landlord shall have the right and privilege, at Landlord's option, of paying the same or any portion thereof without inquiry as to the validity thereof, and any amounts so paid, including expenses, interest, and attorney's fees, shall be so much additional indebtedness hereunder due from Tenant to Landlord and shall be repaid to Landlord immediately on rendition of a bill therefor, together with interest per annum at the maximum rate permitted by law until repaid, and if not so paid within ten (10) days of the rendition of such bill shall constitute default under Item 20 hereof.

The interest of Landlord shall not be subject to liens for improvements made by Tenant in or to the Premises or the Building. Tenant shall notify every contractor making such improvements of the provision set forth in the immediately preceding sentence of this paragraph. The parties agree, should Landlord so request, to execute, acknowledge and deliver without charge to the other a Memorandum of Lease in recordable form containing a confirmation that the interest of Landlord (as well as those parties holding interests superior to, or inferior to, Landlord) shall not be subject to liens for improvements made by Tenant to the Premises or the Building.

26. FORCE MAJEURE. Whenever a period of time is herein prescribed for action to be taken by EITHER PARTY, THAT PARTY, shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, theft, crime, fire, public enemy, injunction, insurrection, court order, requisition of governmental body or authority, war, governmental laws, regulations or restrictions or any other causes of any kind whatsoever which are beyond the absolute control of THAT PARTY.

NOTWITHSTANDING THE FOREGOING, EXCEPT AS STRICTLY AND EXPRESSLY DESCRIBED ELSEWHERE IN THIS LEASE, TENANT SHALL ALWAYS AND UNDER ALL CIRCUMSTANCES DULY, FULLY AND TIMELY PAY LANDLORD THE RENT AND ADDITIONAL RENT CALLED FOR BY THIS LEASE TO BE PAID BY TENANT TO LANDLORD.

27. SEVERABILITY. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the Term (as may be extended) of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby.

28. HOLDING OVER. The failure of Tenant to surrender the Premises on the date provided herein for the expiration of the Term (as may have been theretofore extended) of this Lease, and the subsequent holding over by Tenant, with or without the consent of Landlord, shall result in the creation of a tenancy at will FOR A PERIOD NOT IN EXCESS OF SIX (6) MONTHS AND AT ONE AND ONE-HALF (1-1/2) TIMES the Rent payable at the time of the date provided herein for the expiration of this Lease. This provision

does not give Tenant any right to hold over FOR MORE THAN SIX (6) MONTHS PAST at the expiration of the Term (as may have been theretofore extended) of this Lease, and shall not be deemed, the parties agree, to be a renewal OR EXTENSION of the Lease Term (as may have been theretofore extended), either by operation of law or otherwise.

29. INTENTIONALLY OMITTED.

30. RENT A SEPARATE COVENANT. Tenant shall not for any reason withhold or reduce Tenant's required payments of Rent, Additional Rent and other charges provided in this Lease, it being expressly understood and agreed contractually by the parties that the payment of Rent and Additional Rent is a contractual covenant by Tenant that is independent of the other covenants of the parties under this Lease.

31. INTENTIONALLY OMITTED.

32. ABSENCE OF OPTION. The submission of this Lease for examination does not constitute a reservation of or option for the Premises, and this Lease becomes effective only upon execution and delivery thereof by Landlord.

33. CORPORATE TENANCY. If Tenant is a corporation, the undersigned officer of Tenant hereby warrants and certifies to Landlord that Tenant is a corporation in good standing and is authorized to do business in the State of Florida. The undersigned officer of Tenant hereby further warrants and certifies to Landlord that he or she, as such officer, is authorized and empowered to bind the corporation to the terms of this Lease by his or her signature thereto. Landlord, before it accepts and delivers this Lease, may require Tenant to supply it with a certified copy of the corporate resolution authorizing the execution of this Lease by Tenant.

34. BROKERAGE COMMISSION. Tenant warrants that there are no claims for broker's commissions or finder's fees in connection with its execution of this Lease OTHER THAN TRAMMELL CROW REALTY SERVICES, INC. WHICH SHALL BE ENTITLED TO A COMMISSION TO BE PAID BY LANDLORD IN ACCORDANCE WITH A SEPARATE AGREEMENT, and agrees to indemnify and save Landlord completely harmless from any liability or lien that may arise from such claim, including reasonable attorney's fees.

35. LANDLORD'S DEFAULT. Landlord shall in no event be charged with default in the performance of any of its obligations under this Lease unless and until Landlord shall have failed to perform such obligations within ten (10) days (or within such additional time as is reasonably required to remedy any such default) after written notice to Landlord by Tenant properly specifying and detailing the particulars of wherein and whereby Tenant claims Landlord has failed to perform any such obligations. If the holder of record of the first mortgage covering the Premises shall have given prior written notice to Tenant that it is the holder of such first mortgage and such notice includes the address at which notices to such mortgagee are to be sent, then Tenant shall give such mortgagee notice simultaneously with any notice given to Landlord to correct any default of Landlord as hereinabove provided. Such mortgagee shall have the right within thirty (30) days (or within such additional time as is reasonably required to correct any such default) after receipt of such notice to correct or remedy such default before Tenant may take any action under this Lease by reason of such default. Any notice of default given Landlord by Tenant shall be null and void unless simultaneous notice has been given by Tenant to said first mortgagee. It is specifically understood and agreed, anything in this Lease to the contrary notwithstanding, that there shall be no personal liability on Landlord (nor on Landlord's officers, principals, agents and employees) with respect to any of the covenants, conditions or provisions of this Lease; in the event of a breach or default by Landlord of any of its obligations under this Lease, Tenant shall look solely to the equity of Landlord in the Building for the satisfaction of Tenant's remedies, and in absolutely no event shall Landlord be liable for prospective profits or special, indirect, or consequential damages. Likewise, anything in this Lease to the contrary notwithstanding, in no event shall Tenant have the right to terminate this Lease as a result of any default by Landlord, but rather Tenant's remedies against Landlord shall be solely limited to a claim for damages and/or a claim for injunction.

36. NOTICES. Any notice or document required or permitted to be delivered hereunder shall be deemed to be delivered or given when (a) actually received or (b) signed for or "refused" as indicated on the postal service return receipt. Delivery shall and must be by personal delivery or by United States mail, postage prepaid, certified or registered mail, addressed to the parties hereto at the respective addresses set out opposite their names below, or at such other address as they may hereafter specify by written notice delivered in accordance herewith:

LANDLORD: PLAZA IV ASSOCIATES, LTD., A Florida
Limited Partnership
Suite 3160
100 North Tampa Street
Tampa, FL 33602

TENANT: LIQUIDMETAL TECHNOLOGIES, INC.
Suite 3150
100 North Tampa Street
Tampa, FL 33602
ATTN: BRIAN MCDOUGALL, CHIEF FINANCIAL OFFICER

WITH A COPY TO:

FOLEY & LARDNER
SUITE 2700
100 NORTH TAMPA STREET
TAMPA, FL 33602-3804
ATTN: CURT CREELY

Within ten (10) days after receipt, Tenant shall notify Landlord in writing and provide Landlord with complete and legible copies of (if applicable):

(a) any notices alleging violation of any applicable laws, codes, rules, regulations, etc., and/or

(b) any notices of actions, inquiries, inspections or claims made or threatened regarding any alleged violation of any applicable laws, codes, rules, regulations, etc. as same relate to all or any portion of the Premises and/or the Building and/or Tenant's use, occupancy or possession thereof.

37. INSURANCE. Tenant shall not conduct or permit to be conducted any activity, or place any equipment, materials or other items in, on or about the Premises or the Building, which will in any way increase the rate of fire or liability or casualty insurance on the Building. Should Tenant fail to comply with the foregoing covenant on its part to be performed, Tenant shall reimburse Landlord for such increased amount upon written demand therefor from Landlord, the same to be considered Additional Rent payable hereunder.

Tenant shall, at Tenant's sole expense, obtain and keep in force at all times during the Term (as may be extended) of this Lease Commercial General Liability insurance, to include fire and extended coverage including property damage, on an occurrence basis, with limits of not less than One Million Dollars ($1,000,000.00) combined single limit, insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Said Commercial General Liability insurance will be on Insurance Services Office, Inc. (ISO), form CG 0001 0196 or, if Landlord elects, an equivalent occurrence basis Commercial General Liability insurance policy form that is acceptable to Landlord (at Landlord's sole and unrestricted discretion). The limit of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry said insurance under a blanket policy, provided an endorsement naming Landlord as an additional insured is attached thereto.

Tenant shall, at Tenant's sole expense, obtain, maintain and keep in force at all times during the Term (as may be extended) of this Lease insurance with a contractual liability endorsement and upon all property in the Premises owned by Tenant or for which Tenant is legally liable, such insurance to be in an amount not less than such property's actual cash value or actual replacement value, whichever is greater. Tenant shall maintain insurance against such other perils and in such amounts as Landlord may in writing from time to time not unreasonably require. The insurance required to be obtained and maintained under this Lease shall be with a company or companies licensed to issue the relevant insurance and licensed to do business in the State of Florida. Such insurance company or companies shall each have a policyholder's rating of no less than "A" in the most recent edition of Best's Insurance Reports. No policy shall be cancelable or subject to reduction of coverage except after thirty (30) days' prior written notice to Landlord. All policies of insurance maintained by Tenant shall be in a form, and shall have a substance, acceptable to Landlord with satisfactory evidence that all premiums have been paid. Tenant agrees not to violate or permit to be violated any of the conditions or provisions of the insurance policies required to be furnished hereunder, and agrees to promptly notify Landlord of any fire, loss or other casualty. If Tenant fails to procure and maintain insurance as required hereunder, Landlord may do so, and Tenant shall, on written demand, as Additional Rent, reimburse Landlord for all monies expended by Landlord to procure and maintain such insurance.

Tenant hereby waives and releases any and all rights of recovery against Landlord (and Landlord's officers, principals, agents, employees, representatives, successors and assigns) for loss or damage to Tenant (and/or any person, party or entity claiming by, through or under Tenant) or its (and/or their) property arising from any cause insured against or required to be insured against by Tenant under this Lease. Tenant shall obtain and furnish evidence to Landlord of the waiver by Tenant's insurer(s) of its (their) rights of subrogation against Landlord.

Upon Landlord's written request for same, Tenant will provide Landlord with written evidence of Tenant's compliance with its obligations under this Item 37.

38. RECORDING. This Lease shall not be recorded without Landlord's prior written discretionary consent.

39. STATUTORILY MANDATED NOTIFICATION. As required by F.S. 404.056(8), Landlord hereby notifies Tenant as follows: "RADON GAS": Radon is a naturally 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 gas 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."

40. NON-DISCLOSURE. Tenant agrees that it will not divulge or disclose to third parties (OTHER THAN ITS OWN ATTORNEYS, ACCOUNTANTS, AUDITORS AND LIKE PROFESSIONALS IN EACH INSTANCE HAVING A BONA-FIDE "NEED TO KNOW") the terms, provisions and conditions of this Lease. Tenant's breach of this Item 40 shall constitute a Default under Item 20 of this Lease, no curative notice to Tenant from Landlord being required.

41. HAZARDOUS MATERIALS. LANDLORD REPRESENTS AND WARRANTS THAT IT HAS NO KNOWLEDGE OF, AND HAS NO REASON TO KNOW OF, THE PRESENCE OF ANY HAZARDOUS MATERIALS IN, ON OR ABOUT THE BUILDING. Tenant shall not cause or permit any Hazardous Material (as hereinafter defined) to be brought upon, kept or used in or about the Premises or the Building by Tenant, its agents, principals, employees, assigns, sublessees, contractors, consultants or invitees without the prior written consent of Landlord, which consent may be withheld for any reason whatsoever or for no reason at all. If Tenant breaches the obligations stated in the immediately preceding sentence, or if the presence of Hazardous Material on the Premises or around the Building caused or permitted by Tenant (or the aforesaid others) results in contamination of the Premises or the Building or the surrounding area(s), or if contamination of the Premises or the Building or the surrounding area(s) by Hazardous Material otherwise occurs for which Tenant is legally, actually or factually liable or responsible to Landlord (or any party claiming by, through or under Landlord) for damages, losses, costs or expenses resulting therefrom, then Tenant shall fully and completely indemnify, defend and hold harmless Landlord (or any party claiming by, through or under Landlord) from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses [including, without limitation: (i) diminution in the value of the Premises and/or the Building and/or the land on which the Building is located and/or any adjoining area(s) which Landlord owns or in which it holds a property interest; (ii) damages for the loss or restriction on use of rentable or usable space of any amenity of the Premises, the Building or the land on which the Building is located; (iii) damages arising from any adverse impact on marketing of space; and (iv) any sums paid in settlement of claims, attorneys' fees, consultants' fees and expert fees] which arise during or after the Term of this Lease, as may be extended, as a consequence of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Premises or the Building. Without limiting the foregoing, if

the presence of any Hazardous Material on, under or about the Premises, the Building or the surrounding area(s) caused or permitted by Tenant (or the aforesaid others) results in any contamination of the Premises, the Building or the surrounding area(s), Tenant shall immediately take all actions at its sole expense as are necessary or appropriate to return the Premises, the Building and the surrounding area(s) to the condition existing prior to the introduction of any such Hazardous Material thereto; provided that Landlord's prior written discretionary approval of such actions by Tenant shall be first obtained. The foregoing obligations and responsibilities of Tenant shall survive the expiration or earlier termination of this Lease.

As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, or such substances, materials and wastes that are or become regulated under any applicable local, state or federal law. "Hazardous Material" includes any and all material or substances which are defined as "hazardous waste", "extremely hazardous waste" or a "hazardous substance" pursuant to state, federal or local governmental law. "Hazardous Substance" includes but is not restricted to asbestos, polychlorobiphenyls ("PCB's") and petroleum.

Landlord and its agents shall have the right, but not the duty, to inspect the Premises at any time and from time to time to determine whether Tenant is complying with the terms of this Item 41. If Tenant is not in compliance with this Item 41, Landlord shall have the right to immediately enter upon the Premises to remedy any contamination caused by Tenant's failure so to comply, notwithstanding any other provision of this Lease. Landlord shall use its best efforts to minimize interference with Tenant's business, but shall not be liable for any interference caused thereby.

Any non-compliance by Tenant with its duties, responsibilities and obligations under this Item 41 shall be an "automatic" (no notice of any nature from Landlord to Tenant being required) default of this Lease (see Item 20).

42. UTILITY DEREGULATION. The parties each and both acknowledge that Tampa Electric Company ("Utility") is presently the utility company selected by Landlord to provide electricity service to the Premises, the Building and the Building's common areas and appurtenances. Notwithstanding the contents of the immediately preceding sentence, Landlord, unless prohibited by law, shall, the parties each and both hereby agree, have the exclusive right at any time, and from time to time, during the Lease Term (as may be extended) to either contract for service from a different company or companies providing electricity service [each such different company shall hereinafter be referred to as an "Electric Service Provider" ("ESP")] or continue to contract for service from the Utility, for the Premises, the Building and the Building's common areas and appurtenances. Tenant shall at all times cooperate fully, duly and timely with Landlord, the Utility and ESP and, as reasonably necessary or requested, shall allow Landlord, the Utility and ESP reasonable access to the Premises' and/or Building's electric lines, feeders, risers, wiring, cabling and any other machinery or apparatus within the Premises. Neither Landlord nor any person, party or entity acting (or purporting to act) on behalf of Landlord shall in any way whatsoever be liable or responsible to Tenant or third parties for any loss, damage, expense or claim that Tenant (or such third parties) may sustain, incur or make by reason of any change, failure, interference, disruption or defect in the supply, lack of supply, quality, lack of quality, character or nature of the electric energy supplied to the Premises, the Building and the Building's common areas and appurtenances.

To the extent, if any, that Landlord is prohibited by law from selecting the utility company of its choice and Tenant is specifically and expressly allowed by law (otherwise, Tenant shall not be allowed to make such selection) to select an ESP other than the utility company selected by Landlord, Tenant shall: (a) reimburse Landlord for the cost(s) of repairing any and all damage to the Premises, the Building and the Building's common areas and appurtenances caused directly or indirectly by Tenant's selected ESP or its personnel or equipment, Landlord's reserving the right to charge Tenant as Additional Rent for such cost(s) if such reimbursement for same is not promptly made, (b) indemnify and hold Landlord harmless from and against any and all claims, demands, costs, expenses (including attorney's fees), liens and causes of action in any way whatsoever arising out of, or in any manner whatsoever relating to, actions or inactions by Tenant's selected ESP, including, but not limited to, expenses and/or fines incurred by Landlord in the extent that Tenant's selected ESP fails to provide power or insufficient power and (c) place with Landlord a (or an additional) security deposit in an amount prescribed by Landlord at its sole and unrestricted discretion, and (d) anything anywhere (whether within this Lease or not) to the contrary notwithstanding, enter into a tri-party agreement (among Landlord, Tenant and Tenant's selected ESP) having a substance and form prescribed by Landlord (as Landlord solely elects) whereby the three parties' rights and responsibilities will be set forth. If for any (or no) reason whatsoever said tri-party agreement is not entered into by Tenant and/or Tenant's selected ESP, and until it is, Tenant shall have absolutely no right(s) of any nature whatsoever to select an ESP.

43. LEASE INTERPRETATION. This Lease has been thoroughly negotiated by the parties and each has been instrumental in its preparation. Therefore its terms, provisions and contents shall be construed neither in favor of, nor against, either party under the rule of construction against the draftsperson. The laws of the State of Florida shall govern the interpretation and enforcement of this Lease.

44. IMPROVEMENT ALLOWANCE. IN ORDER THAT THE PREMISES MAY BE BUILT-OUT, CONSTRUCTED AND IMPROVED ("THE WORK") FOR TENANT'S USE AND OCCUPANCY THEREOF AS CONTEMPLATED BY THIS LEASE, LANDLORD SHALL PROVIDE TENANT WITH AN ALLOWANCE ("THE ALLOWANCE") OF ONE HUNDRED THIRTY-EIGHT THOUSAND TWO HUNDRED EIGHTY DOLLARS ($138,280.00). THE WORK MAY (AND SHALL) ONLY BE DONE BY A GENERAL CONTRACTOR SELECTED BY LANDLORD ("LANDLORD'S CONTRACTOR") AND SHALL BE DONE IN GENERAL ACCORDANCE WITH PLANS, DRAWINGS, SPECIFICATIONS, ETC., TO BE HEREAFTER DILIGENTLY, EXPEDITIOUSLY AND IN GOOD FAITH DEVELOPED AND PRE - APPROVED IN WRITING BY LANDLORD, TENANT AND LANDLORD'S CONTRACTOR (SEE ALSO EXHIBIT "B"). ANY AND ALL EXPENSES, COSTS, ETC., TO DO THE WORK IN EXCESS OF THE ALLOWANCE SHALL BE SOLELY BORNE BY TENANT AND SHALL BE PAID BY TENANT WITHIN THIRTY (30) DAYS OF RECEIPT OF AN INVOICE THEREFOR FROM LANDLORD OR LANDLORD'S CONTRACTOR. IF THE COSTS, EXPENSES, ETC., OF THE WORK ARE LESS THAN THE ALLOWANCE, TENANT SHALL BE ENTITLED TO A CREDIT THEREFOR, AND SAID CREDIT MAY BE UTILIZED BY TENANT LATER DURING THE ORIGINAL TERM OF THIS LEASE TO HAVE LANDLORD'S CONTRACTOR MAKE ADDITIONAL IMPROVEMENTS, REFURBISHMENTS, ETC., TO THE PREMISES AND/OR TO HAVE LANDLORD'S CONTRACTOR MAKE ALTERATIONS, IMPROVEMENTS, ETC., TO THE EXPANSION SPACE. LANDLORD MAY PAY DIRECTLY TO LANDLORD'S CONTRACTOR THE APPLICABLE (AND EARNED) PORTION(S) OF THE ALLOWANCE.

FEES FOR PRELIMINARY "TEST FIT" PLANS AND STANDARD ENGINEERING DRAWINGS, AND STANDARD ARCHITECTURAL DRAWINGS (AS DEFINED IN EXHIBIT "B" ITEM 5.) SHALL NOT BE A PART OF THE ALLOWANCE AND SHALL BE SOLELY BORNE BY LANDLORD.

THE VARIOUS COMPONENTS OF THE WORK WILL BE COMPETITIVELY BID WITH LANDLORD'S CONTRACTOR BY NOT FEWER THAN THREE (3) SUBCONTRACTORS AND THE LOWEST SUBCONTRACTOR BID SHALL BE (UNLESS OTHERWISE APPROVED IN WRITING BY TENANT) AWARDED THE APPLICABLE COMPONENT OF THE WORK. ANY STATEMENT OR IMPLICATION TO THE CONTRARY WITHIN THE IMMEDIATELY PRECEDING PARAGRAPH OF THIS ITEM 44, LANDLORD'S CONTRACTOR SHALL BE

ENTITLED TO BE PAID FROM THE ALLOWANCE TEN PERCENT (10%) AS "OVERHEAD" AND A FEE OF FIVE PERCENT (5%), BOTH FOR SERVING AS THE GENERAL CONTRACTOR REGARDING THE WORK.

NO "CREDIT(S)" THE SUBJECT OF THIS ITEM 44 AND/OR ITEM 45 BELOW MAY (OR SHALL) BE UTILIZED OTHER THAN TO DO THE WORK AND/OR THE EXPANSION SPACE WORK AND/OR SUBSEQUENT IMPROVEMENTS, REFURBISHMENT(S), ETC., TO THE PREMISES AND/OR THE EXPANSION SPACE.

45. OPTION TO EXPAND. PROVIDED (BUT NOT OTHERWISE): (A) TENANT IS NOT THEN [I.E., EITHER ON THE DAY TENANT GIVES LANDLORD THE WRITTEN NOTICE THE SUBJECT OF (B) OF THIS FIRST PARAGRAPH OF THIS ITEM 45 OR ON THE DAY THE EXPANSION SPACE IS MADE AVAILABLE FOR TENANT'S OCCUPANCY THEREOF OR AT ANY TIME BETWEEN THOSE TWO TIMES] IN UNCURED (I.E., BEYOND ANY APPLICABLE CURATIVE PERIOD FOLLOWING DUE NOTICE) DEFAULT OF THIS LEASE AND (B) TENANT GIVES LANDLORD WRITTEN NOTICE NOT LATER THAN APRIL 30, 2002 (TIME BEING ABSOLUTELY OF THE ESSENCE) OF TENANT'S ELECTION TO LEASE THE ENTIRE EXPANSION SPACE, TENANT MAY, AS IS MORE PARTICULARLY DESCRIBED IN, AND EXPRESSLY SUBJECT TO THE OTHER CONTENTS OF, THIS ITEM 45, LEASE FROM LANDLORD THAT AREA ("THE EXPANSION SPACE") CONSISTING OF APPROXIMATELY 6,040 SQUARE FEET OF NET RENTABLE AREA (WHICH THE PARTIES EXPRESSLY AND IRREVOCABLY AGREE ARE CONTAINED IN THE EXPANSION SPACE), AS OUTLINED IN GREEN ON THE ATTACHED EXHIBIT "A" EXPRESSLY MADE A PART HEREOF. THE EXPANSION SPACE IS LIKEWISE LOCATED ON THE 31ST FLOOR OF THE BUILDING AND IS CONTIGUOUS TO THE PREMISES. ONLY LANDLORD'S CONTRACTOR SHALL BE PERMITTED TO DO THE BUILD-OUT, CONSTRUCTION, IMPROVEMENT, ETC. ("THE EXPANSION SPACE WORK") OF THE EXPANSION SPACE. SAID EXPANSION SPACE WORK SHALL BE EFFECTED IN GENERAL ACCORDANCE WITH ITEM 44 OF THIS LEASE AND EXHIBIT "B" OF THIS LEASE. LANDLORD'S CONTRACTOR SHALL BE ENTITLED TO BE PAID FROM THE EXPANSION SPACE ALLOWANCE TEN PERCENT (10%) AS "OVERHEAD" AND A FEE OF FIVE PERCENT (5%), BOTH FOR SERVING AS THE GENERAL CONTRACTOR REGARDING THE EXPANSION SPACE WORK. IN ORDER THAT LANDLORD'S CONTRACTOR MAY DO THE EXPANSION SPACE WORK, TENANT, NOT LATER THAN JUNE 28, 2002 (TIME BEING ABSOLUTELY OF THE ESSENCE) SHALL DELIVER TO LANDLORD APPROVED (BY TENANT, LANDLORD AND LANDLORD'S CONTRACTOR) ARCHITECTURAL PLANS, DRAWINGS, SPECIFICATIONS, ETC. TENANT'S IMPROVEMENT ALLOWANCE ("THE EXPANSION SPACE ALLOWANCE") SHALL BE DETERMINED BY MULTIPLYING THE FIGURE SIXTY THOUSAND FOUR HUNDRED DOLLARS ($60,400.00) BY A FRACTION THE NUMERATOR OF WHICH IS THE NUMBER OF CALENDAR DAYS REMAINING IN THE TERM ONCE TENANT TAKES OCCUPANCY OF THE EXPANSION SPACE, FULLY - STAFFED AND FULLY - OPERATIONAL, AND THE DENOMINATOR OF WHICH IS 1,885 (THE NUMBER OF DAYS IN 62 MONTHS). IF THE FINAL COST OF THE EXPANSION SPACE WORK EXCEEDS THE EXPANSION SPACE ALLOWANCE, TENANT SHALL BE SOLELY RESPONSIBLE FOR ALL EXCESS COSTS. IF THE FINAL COST OF THE EXPANSION SPACE WORK DOES NOT EXCEED THE EXPANSION SPACE ALLOWANCE, THEN TENANT SHALL BE ENTITLED TO A CREDIT THEREFOR, AND SAID CREDIT MAY BE UTILIZED BY TENANT LATER DURING THE ORIGINAL TERM OF THIS LEASE TO HAVE LANDLORD'S CONTRACTOR MAKE ADDITIONAL IMPROVEMENTS, REFURBISHMENTS, ETC., TO THE EXPANSION SPACE AND/OR TO THE PREMISES. LANDLORD MAY PAY DIRECTLY TO LANDLORD'S CONTRACTOR THE APPLICABLE (AND EARNED) PORTION(S) OF THE EXPANSION SPACE ALLOWANCE. THE TERM OF TENANT'S LEASE OF THE EXPANSION SPACE SHALL BEGIN THE EARLIEST OF (A) THE DATE TENANT TAKES OCCUPANCY OF THE EXPANSION SPACE FOR THE CONDUCT OF ITS BUSINESS THEREFROM, (B) FIVE DAYS AFTER THE DATE THE EXPANSION SPACE WORK IS COMPLETED AND (C) THE DATE THE EXPANSION SPACE WORK WOULD HAVE BEEN COMPLETED EXCEPT FOR THE FAULT OF, AND/OR DELAYS CAUSED BY, TENANT AND/OR TENANT'S OTHERS, AND SHALL BE COTERMINOUS WITH THE TERM (AS POSSIBLY EXTENDED). TENANT'S LEASE OF THE EXPANSION SPACE SHALL BE, WITH APPROPRIATE MATHEMATICAL ADJUSTMENTS [SEE, E.G., ITEM 1 (J), "PROPORTIONATE SHARE"], AND SUBJECT TO THE OTHER CONTENTS OF THIS ITEM 45, UPON ALL THE OTHER TERMS AND CONDITIONS SET FORTH IN THIS LEASE, THE NET EFFECT (SUBJECT TO THE OTHER CONTENTS OF THIS ITEM 45) TO BE TO TREAT, ON A PER SQUARE FOOT PER ANNUM BASIS, THE EXPANSION SPACE DURING THE TERM (AS MAY BE EXTENDED) OF THIS LEASE THE SAME WAY THE ORIGINAL PREMISES ARE TREATED, ON A PER SQUARE FOOT PER ANNUM BASIS, DURING THE TERM (AS MAY BE EXTENDED) OF THIS LEASE. [E.G., IF THE TERM OF TENANT'S LEASE OF THE EXPANSION SPACE BEGINS THE DAY THAT IS EXACTLY FIFTEEN MONTHS AFTER THE SUITE 3150 COMMENCEMENT DATE, THEN THE BASE RENT PAYABLE BY TENANT TO LANDLORD AS REGARDS THE

EXPANSION SPACE WOULD BE, FOR THAT PARTICULAR MONTH, $11,073.33 (COMPUTED AT $22.00 PER NET RENTABLE SQUARE FOOT PER ANNUM), THE SCHEDULE OF BASE RENT THE SUBJECT OF ITEM 1 (G) OF THIS LEASE TO BE APPLICABLE, ON A PER SQUARE FOOT PER ANNUM BASIS, FOR THE REMAINDER OF THE TERM OF TENANT'S LEASE OF THE EXPANSION SPACE.] TENANT SHALL BE ENTITLED TO NO "FREE" BASE RENT AS REGARDS ITS LEASE OF THE EXPANSION SPACE. TENANT'S RIGHTS UNDER THIS ITEM 45 ARE ABSOLUTELY NOT ASSIGNABLE OR OTHERWISE TRANSFERABLE SEPARATE AND APART FROM THIS ENTIRE LEASE, BUT MAY BE ASSIGNED BY TENANT WITH THIS ENTIRE LEASE IN ACCORDANCE WITH, AND EXPRESSLY SUBJECT TO, THE CONTENTS OF ITEM 7 OF THIS LEASE.

THE REQUIREMENTS IN THE FIRST PARAGRAPH OF THIS ITEM 45 THAT TENANT NOT BE IN UNCURED DEFAULT OF THIS LEASE EITHER ON THE DAY TENANT GIVES LANDLORD THE WRITTEN NOTICE THE SUBJECT OF (B) OF SUCH FIRST PARAGRAPH OR ON THE DAY THE EXPANSION SPACE IS MADE AVAILABLE FOR TENANT'S OCCUPANCY THEREOF OR AT ANY TIME BETWEEN THOSE TWO TIMES MAY BE WAIVED BY LANDLORD AT ITS SOLE DISCRETION AND MAY NOT BE USED BY TENANT AS A MEANS TO NEGATE THE EFFECTIVENESS OF TENANT'S EXERCISE, ONCE EXERCISED, OF THE OPTION TO EXPAND THE SUBJECT OF THIS ITEM 45.

IF TENANT LEASES THE EXPANSION SPACE IT WILL THEREBY OCCUPY THE ENTIRETY (EXCEPT FOR A STORAGE AREA) OF THE 31ST FLOOR OF THE BUILDING. ACCORDINGLY, TENANT SHALL HAVE THE FOLLOWING RIGHTS:

(1) THE RIGHT, SUBJECT TO APPLICABLE LAWS, CODES, ORDINANCES, REGULATIONS, ETC., TO LEAVE OPEN THE ENTRY DOORS TO THE TOTAL PREMISES, ANY FEES, COSTS, EXPENSES, ETC., ASSOCIATED IN ANY WHATSOEVER THEREWITH TO BE SOLELY BORNE BY TENANT.

(2) THE RIGHT, PROVIDED (BUT NOT OTHERWISE) LANDLORD ELECTS (AT ITS SOLE DISCRETION) TO ALLOW OTHER FULL - FLOOR TENANTS IN THE BUILDING TO HAVE A LIKE RIGHT, TO CUSTOMIZE (WITH TENANT'S NAME) THE CALL BUTTONS IN THE ELEVATOR CABS SERVING THE 31ST FLOOR OF THE BUILDING, SUCH CUSTOMIZATION TO BE AS LANDLORD GENERALLY UNIFORMLY PRESCRIBES FOR ALL FULL - FLOOR TENANTS OF THE BUILDING.

(3) NEVERTHELESS SUBJECT TO (A) THE AVAILABILITY OF SUBSTANTIALLY SIMILAR (CORE OF THE BUILDING) STORAGE SPACE ELSEWHERE WITHIN THE BUILDING ITSELF AND (B) THE RIGHTS OF OTHER TENANTS IN THE BUILDING CURRENTLY USING SAID 31ST FLOOR STORAGE SPACE, LANDLORD WILL UTILIZE ITS BEST EFFORTS TO MAKE AVAILABLE TO TENANT THE RIGHT TO LEASE THE STORAGE SPACE IN THE MIDDLE OF THE 31ST FLOOR OF THE BUILDING, SAID STORAGE SPACE BEING DEPICTED ON THE ATTACHED EXHIBIT "A," THE FOLLOWING TERMS TO BE APPLICABLE TO SAID LEASE: (I) A RENTAL RATE (BASE RENT AND ADDITIONAL RENT) EQUAL TO THAT TO BE PAID BY TENANT TO LANDLORD, ON A PER NET RENTABLE SQUARE FOOT PER ANNUM BASIS, AS REGARD THE PREMISES DURING THE ORIGINAL TERM OF THIS LEASE PLUS APPLICABLE TAX, (II) LANDLORD, AS REGARDS SAID STORAGE SPACE, TO PROVIDE TENANT (GENERALLY SUBJECT TO THE OTHER CONTENTS OF THIS LEASE) WITH AN IMPROVEMENT ALLOWANCE EQUAL TO TWO DOLLARS ($2.00) PER NET RENTABLE SQUARE FOOT WITHIN SAID STORAGE SPACE FOR EACH YEAR THEN REMAINING (MEASURED FROM THE DATE TENANT TAKES OCCUPANCY OF SAID STORAGE SPACE) IN THE ORIGINAL TERM OF THIS LEASE, ANY PARTIAL YEARS TO BE PRO-RATED, AND (III) TENANT TO PAY ALL COSTS ASSOCIATED WITH RELOCATING THE OTHER TENANTS/USERS THEN UTILIZING SAID STORAGE SPACE.

(4) THE RIGHT TO ALTER THE COMMON AREA CORRIDOR TO ITS CONDITION ON THE 31ST FLOOR OF THE BUILDING AS TENANT DEEMS NECESSARY, BUT NEVERTHELESS IN FULL AND STRICT COMPLIANCE WITH ALL APPLICABLE LAWS, RULES, CODES, REGULATIONS, ETC. [HOWEVER, IF TENANT DOES NOT EXERCISE THE (FIRST) OPTION TO EXTEND THE SUBJECT OF THE SECOND PARAGRAPH OF ITEM 47 BELOW, THEN TENANT SHALL BE OBLIGATED TO PAY LANDLORD THE EXPENSE(S) OF RESTORING THE SUBJECT CORRIDOR TO ITS CONDITION AS OF THE DATE OF THIS LEASE, SAID OBLIGATION TO SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.]

FOR THE PURPOSES OF THIS ITEM 45 AND ITEM 47 BELOW, THE TERM "LEASE" INCLUDES ANY SUBSEQUENT WRITTEN AMENDMENTS, MODIFICATIONS, ADDENDA, ETC., PERTAINING THERETO.

46. TELECOMMUNICATIONS SERVICE PROVIDER. TENANT, SUBJECT TO THE OTHER CONTENTS OF THIS ITEM 46, SHALL HAVE THE RIGHT TO UTILIZE ANY TELECOMMUNICATIONS PROVIDER ("PROVIDER") IT ELECTS TO SERVE THE PREMISES. LANDLORD WILL ALLOW SUCH PROVIDER ACCESS TO (A) THE BUILDING'S TELEPHONE ROOM(S) ON THE 31ST FLOOR OF THE BUILDING AND (B) THE BUILDING'S RISERS, IN ORDER THAT THE PROVIDER MAY PROVIDE TENANT WITH TELECOMMUNICATIONS SERVICE TO THE PREMISES (AND, IF APPLICABLE, THE EXPANSION SPACE; COLLECTIVELY "THE TOTAL PREMISES"). HOWEVER, ABSOLUTELY NONE OF PROVIDER'S OR TENANT'S EQUIPMENT MAY (OR SHALL) BE STORED IN, ON OR ABOUT SAID TELEPHONE ROOM(S) OR ELSEWHERE WITHIN, ON OR ABOUT THE BUILDING.

47. OPTION(S) TO EXTEND. TENANT, AS IS MORE PARTICULARLY DESCRIBED HEREINAFTER IN THIS ITEM 47., SHALL HAVE TWO (2) SEPARATE AND CONSECUTIVE OPTIONS TO EXTEND THE INITIAL TERM OF THIS LEASE. THE SECOND OPTION MAY NOT BE EXERCISED IF THE FIRST OPTION IS NOT DULY AND TIMELY EXERCISED.

PROVIDED (BUT NOT OTHERWISE) TENANT IS NOT THEN (I.E., EITHER ON THE DAY TENANT GIVES LANDLORD THE WRITTEN NOTICE THE SUBJECT OF THIS SECOND PARAGRAPH OF THIS ITEM 47. OR ON THE DAY THE FIRST EXTENSION TERM IS TO BEGIN, OR AT ANY TIME BETWEEN THOSE TWO TIMES) IN UNCURED (I.E., BEYOND ANY APPLICABLE CURATIVE PERIOD FOLLOWING DUE NOTICE) DEFAULT OF THIS LEASE, AND FURTHER PROVIDED (BUT NOT OTHERWISE) TENANT NOT FEWER THAN SIX (6) MONTHS, AND NOT MORE THAN NINE (9) MONTHS, TIME BEING ABSOLUTELY OF THE ESSENCE, PRIOR TO THE EXPIRATION OF THE LEASE TERM GIVES LANDLORD WRITTEN NOTICE OF TENANT'S ELECTION TO EXERCISE SUCH FIRST EXTENSION OPTION, TENANT SHALL BE ENTITLED TO EXTEND THE TERM OF THIS LEASE FOR A PERIOD OF THREE (3) YEARS ("THE FIRST EXTENSION TERM"), SUCH FIRST EXTENSION TERM TO BEGIN THE DAY IMMEDIATELY FOLLOWING THE EXPIRATION OF THE LEASE TERM AND END EXACTLY THREE (3) YEARS LATER. IF TENANT EXERCISES SUCH FIRST OPTION TO EXTEND, ALL OF THE NON-MONETARY TERMS AND CONDITIONS SET FORTH IN THIS LEASE SHALL BE APPLICABLE DURING SUCH FIRST EXTENSION TERM, EXCEPT, SUBJECT TO THE CONTENTS OF THE IMMEDIATELY FOLLOWING PARAGRAPH, TENANT SHALL HAVE NO FURTHER RIGHTS OR OPTIONS TO EXTEND. THE RENT AND ADDITIONAL RENT TO BE PAID BY TENANT TO LANDLORD DURING SUCH FIRST EXTENSION TERM SHALL BE ADJUSTED TO 95% OF THE "FAIR MARKET RENTAL RATE" (AS HEREUNDER IN THIS ITEM 47. DEFINED).

PROVIDED (BUT NOT OTHERWISE) TENANT IS NOT THEN (I.E., EITHER ON THE DAY TENANT GIVES LANDLORD THE WRITTEN NOTICE THE SUBJECT OF THIS THIRD PARAGRAPH OF THIS ITEM 47. OR ON THE DAY THE SECOND EXTENSION TERM IS TO BEGIN, OR AT ANY TIME BETWEEN THOSE TWO TIMES) IN UNCURED (I.E., BEYOND ANY APPLICABLE CURATIVE PERIOD FOLLOWING DUE NOTICE) DEFAULT OF THIS LEASE, AND FURTHER PROVIDED (BUT NOT OTHERWISE) TENANT NOT FEWER THAN SIX (6) MONTHS, AND NOT MORE THAN NINE (9) MONTHS, TIME BEING ABSOLUTELY OF THE ESSENCE, PRIOR TO THE EXPIRATION OF THE FIRST EXTENSION TERM GIVES LANDLORD WRITTEN NOTICE OF TENANT'S ELECTION TO EXERCISE SUCH SECOND EXTENSION OPTION, TENANT SHALL BE ENTITLED TO FURTHER EXTEND THE TERM OF THIS LEASE FOR A PERIOD OF THREE (3) YEARS ("THE SECOND EXTENSION TERM"), SUCH SECOND EXTENSION TERM TO BEGIN THE DAY IMMEDIATELY FOLLOWING THE EXPIRATION OF THE FIRST EXTENSION TERM AND END EXACTLY THREE (3) YEARS LATER. IF TENANT EXERCISES SUCH SECOND OPTION TO EXTEND, ALL OF THE NON-MONETARY TERMS AND CONDITIONS SET FORTH IN THIS LEASE SHALL BE APPLICABLE DURING THE SECOND EXTENSION TERM, EXCEPT TENANT SHALL HAVE NO FURTHER RIGHTS OR OPTIONS TO EXTEND. THE RENT AND ADDITIONAL RENT TO BE PAID BY TENANT TO LANDLORD DURING SUCH SECOND EXTENSION TERM SHALL BE ADJUSTED TO 95% OF THE "FAIR MARKET RENTAL RATE" (AS HEREINAFTER THIS ITEM 47. DEFINED).

IN ABSOLUTELY NO EVENT WHATSOEVER MAY OR SHALL TENANT, UNDER EITHER OPTION, EXTEND THE TERM OF THIS LEASE FOR LESS THAN ALL THE SPACE THEN UNDER LEASE BY TENANT FROM LANDLORD UNDER THE TERMS AND PROVISIONS OF THIS LEASE.

FOR THE PURPOSE OF THIS ITEM 47., THE TERM "FAIR MARKET RENTAL RATE" SHALL MEAN THE ANNUAL AMOUNT PER RENTABLE SQUARE FOOT THAT A WILLING, SIMILAR, NON-EQUITY, NON-RENEWAL, NON-EXPANSION NEW TENANT WOULD PAY AND A WILLING, SIMILAR LANDLORD OF A SUBSTANTIALLY SIMILAR FIRST CLASS OFFICE BUILDING IN DOWNTOWN TAMPA, FLORIDA, WOULD ACCEPT AT ARM'S LENGTH, ON OR ABOUT THE DATE OF THE COMMENCEMENT OF THE APPLICABLE EXTENSION PERIOD, GIVING APPROPRIATE CONSIDERATION TO ANNUAL RENTAL RATES PER RENTABLE SQUARE FOOT, THE TYPE OF ESCALATION CLAUSES AND BASE YEARS (INCLUDING, BUT WITHOUT LIMITATION, OPERATING EXPENSE, REAL ESTATE TAXES, CPI), THE EXTENT OF LIABILITY UNDER THE ESCALATION CLAUSES (E.G., WHETHER DETERMINED ON A "NET LEASE" BASIS OR BY INCREASE OVER A PARTICULAR BASE YEAR OR BASE DOLLAR AMOUNT), ABATEMENT PROVISIONS REFLECTING FREE RENT AND/OR NO RENT DURING THE PERIOD OF CONSTRUCTION OR ANY OTHER PERIOD DURING THE LEASE TERM, BROKERAGE COMMISSIONS, IF ANY, LENGTH OF LEASE TERM, SIZE AND LOCATION OF PREMISES BEING LEASED, BUILDING STANDARD WORK LETTER AND/OR TENANT IMPROVEMENT ALLOWANCES, IF ANY, AND OTHER GENERALLY APPLICABLE AND RECOGNIZED TERMS AND CONDITIONS PERTAINING THERETO.

IF TENANT AND LANDLORD ARE UNABLE, BY THE DATE THAT IS EXACTLY FOUR (4) MONTHS PRIOR TO THE BEGINNING OF THE APPLICABLE EXTENSION TERM, TO AGREE ON WHAT THE FAIR MARKET RENTAL RATE IS, THEN LANDLORD AND TENANT SHALL EACH, WITHIN 15 DAYS THEREAFTER, APPOINT AN INDEPENDENT REAL ESTATE APPRAISER WITH AT LEAST FIVE YEARS' COMMERCIAL REAL ESTATE LEASING APPRAISAL EXPERIENCE IN THE DOWNTOWN BUSINESS DISTRICT OF TAMPA, FLORIDA. THE TWO APPRAISERS SHALL THEN, WITHIN 20 DAYS AFTER THE APPOINTMENT OF THE LATTER, ATTEMPT TO AGREE UPON WHAT THE FAIR MARKET RENTAL RATE IS. IF THEY ARE UNABLE TO DO SO, THEY SHALL EACH MAKE AN INDEPENDENT WRITTEN DETERMINATION OF THE FAIR MARKET RENTAL RATE AND THEN SELECT A THIRD APPRAISER WHO MEETS THE QUALIFICATIONS STATED ABOVE. THE THIRD APPRAISER SHALL SELECT EITHER THE DETERMINATION OF THE TENANT-APPOINTED APPRAISER OR THE DETERMINATION OF THE LANDLORD-APPOINTED APPRAISER, BUT SUCH THIRD APPRAISER SHALL NOT AVERAGE SUCH TWO DETERMINATIONS OR MAKE HIS OR HER OWN INDEPENDENT DETERMINATION. THE SAID SELECTION BY SAID THIRD APPRAISER SHALL BE BINDING ON BOTH LANDLORD AND TENANT. TENANT AND LANDLORD SHALL EACH BEAR THE ENTIRE COST OF THE APPRAISER SELECTED BY IT AND SHALL SHARE EQUALLY THE COST OF THE THIRD APPRAISER.

THE RESPECTIVE REQUIREMENTS IN THE SECOND AND THIRD PARAGRAPHS (AS APPLICABLE) OF THIS ITEM 47. THAT TENANT NOT BE IN UNCURED DEFAULT OF THIS LEASE EITHER ON THE DAY TENANT GIVES LANDLORD THE WRITTEN NOTICE THE SUBJECT OF SUCH SECOND AND THIRD PARAGRAPHS (AS APPLICABLE) OR ON THE DAY THE APPLICABLE EXTENSION TERM IS TO BEGIN, OR AT ANY TIME BETWEEN THOSE TWO TIMES, MAY BE WAIVED BY LANDLORD AT ITS SOLE DISCRETION AND MAY NOT BE USED BY TENANT AS A MEANS TO NEGATE THE EFFECTIVENESS OF TENANT'S EXERCISE (ONCE EXERCISED) OF THE RESPECTIVE TWO (2) OPTION(S) TO EXTEND THE SUBJECT OF THIS ITEM 47.

48. AMENDMENTS. This Lease contains the entire agreement between the parties hereto and may not be altered, changed or amended, except by written instrument signed by both parties hereto. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord and addressed to Tenant, nor shall any custom or practice which may grow up between the parties in the administration of the provisions hereof be construed to waive or lessen the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms hereof. The terms, provisions, covenants, and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto, and upon their respective successors in interest and legal representative, except as otherwise herein expressly provided.

The parties each acknowledge that they have thoroughly read and understand this Lease (to include its Exhibits and attachments) in its entirety, that they are completely familiar with each, every, any and all of the terms, covenants, provisions and conditions set forth therein and that there are no other representations, promises, covenants, assurances, conditions,

statements, understandings, warranties or agreements (collectively, "Representations") concerning this Lease which do not appear in writing therein. This Lease supersedes and revokes all previous negotiations, arrangements, letters of intent, offers to lease, lease proposals, brochures, Representations, and information or data conveyed, whether oral or in writing, between the parties and/or their respective representatives or any other person(s) purporting to represent either Landlord or Tenant. Each party acknowledges that it has not been induced to enter into this Lease by any Representations not expressly set forth herein. The parties further acknowledge that the terms and provisions contained within this Lease have been fully, freely and fairly negotiated by and between them.

IN WITNESS WHEREOF, the parties, either for themselves or by and through their undersigned, duly-authorized representatives, have executed this Lease for the purposes therein expressed.

Signed, sealed and delivered
in the presence of:

TENANT: LIQUIDMETAL TECHNOLOGIES, INC.

(Sign) By: (Seal)

(Print) Name: John Kang

/s/ John Kang (Sign) Title: CEO

(Print) Date: 11/4/01

LANDLORD: PLAZA IV ASSOCIATES, LTD.,
A Florida Limited Partnership

By: Tampa Plaza IV Company, Ltd.,
a Florida Limited Partnership,
Manager

(Sign) By: (Seal)

/s/ Richard A. Beard (Print) Name: Richard A. Beard, III

(Sign) Title: General Partner

(Print) Date: 11/04/01

EXHIBIT "A"

EXHIBIT "A-1"

EXHIBIT "B"
September 28, 2001

WORK LETTER

1. Landlord has installed on each occupied floor of the Building the following Building Standard Improvements:

   a. Heating, ventilation and air-conditioning (HVAC) system(s).

   b. Fire sprinkler system(s) with up-right mounted brass sprinkler heads, installed on a 10' by 12' grid.

   c. Toilet rooms, such toilet rooms to include HVAC, lighting, typical plumbing fixtures, toilet accessories and wall, counter, floor and ceiling finishes.

   d. Electrical and telephone rooms, such rooms to be available for source connections to the Premises. (Tenant's telephone equipment will be restricted to, and must be installed within, the Premises.)

2. In addition to the above-described Building Standard Improvements, Landlord shall provide TENANT THE ALLOWANCE THE SUBJECT OF ITEM 44 OF THIS LEASE, SAID PROVISION TO BE IN ACCORDANCE WITH THE CONTENTS OF SAID ITEM 44.

3. The Work shall be done using the items and materials described as "Building Standard Tenant Finishes" (see Exhibit "B-1" for a listing thereof) and/or Landlord-approved additions and/or Landlord-approved substitutions for such items and materials.

4. In order that Landlord may maintain, control and monitor the quality of the Building and the design intent of its systems and any warranties, guarantees, etc., Tenant agrees that any and all mechanical, structural, electrical, HVAC, plumbing, life safety, fire sprinklering, etc., engineering required or appropriate to perform the Work (or any other type of work in the Premises) will be done solely (no exceptions) by Landlord's engineer(s). Landlord's Contractor and/or engineer(s) shall not be required to perform any Work (OR OTHER TYPE OF WORK) Work that would violate the construction and/or engineering standards from time to time established by Landlord (or its designates) for the Building or that would violate any applicable codes, regulations, laws, ordinances, policies of insurance, rules, etc.

5. Landlord shall provide to Tenant at no additional cost to Tenant (AND OUTSIDE THE PURVIEW OF THE ALLOWANCE, AND, IF APPLICABLE, THE EXPANSION SPACE ALLOWANCE) the services of an architect selected by Landlord to provide PRELIMINARY "TEST FIT" PLANS AND architectural working drawings ("the Working Drawings"), the same to include partition and door location drawings, telephone and electrical location drawings, reflected ceiling drawings and finish specifications, all as associated with the Work. Notwithstanding the contents of the immediately preceding sentence, the expense of all drawings not Working Drawings ("the Other Drawings") and the research cost to

produce drawings ("the Extra Drawings") of nonstandard items to be installed in the Premises, including, but not limited to, elevations, cabinet or millwork details and nonstandard installations, furnishings, fixtures or finishes of any nature whatsoever, shall be paid by Tenant (OR, AT LANDLORD'S OPTION, DEDUCTED FROM THE ALLOWANCE), as shall be the reproduction expense of extra copies of the Working Drawings and the expense of the Other Drawings and the Extra Drawings. All drawings (of any nature or description whatsoever; "the Drawings") are subject to Landlord's prior, written and discretionary approval. Landlord, at its discretion, may limit the number of revisions, redraws or changes to the Drawings, preclude further revisions, redraws or changes to the Drawings or require that Tenant pay [in such manner and under such circumstances as Landlord (or Landlord's Contractor) may or shall, from time to time and at its (their) discretion, direct Tenant in writing] for any such revisions, redraws or changes to the Drawings.

6. Landlord, at Landlord's sole discretion, may permit Tenant and/or Tenant's agents, contractors or consultants ("Tenant's Others") to enter the Premises prior to the Commencement Date in order that there may be done other work to prepare the Premises for Tenant's use and occupancy thereof. If Landlord permits such entry, then such permission is: (i) revocable by Landlord at any time (for any reason or for no reason) at Landlord's sole discretion and (ii) conditioned upon Tenant's and Tenant's Others' working in harmony with, and not interfering with, Landlord and Landlord's designates in doing Landlord's work in and to the Premises or elsewhere in and to the Building. Tenant understands and agrees that: (i) any such entry into, and occupation of, the Premises is and shall be deemed to be under all of the terms, conditions, provisions and contents of this Lease (except as to the obligation to pay Rent); (ii) Landlord AND ITS DESIGNATES shall not be liable in any way whatsoever for any injury, loss or damage of any nature whatsoever which may (or does) occur to any of Tenant's (or Tenant's Others') work, property or installations made in or to the Premises or to any property placed in the Premises by Tenant, Tenant's Others or others prior to the Commencement Date, all of the same being at Tenant's sole and exclusive risk, which risk Tenant hereby voluntarily assumes; (iii) Item 15 of this Lease shall be (and hereby is) specifically and fully applicable as regards any such entry; (iv) Landlord, prior to permitting any such entry, shall be entitled to require Tenant and/or Tenant's Others to be bonded and insured in such amounts and with such companies as Landlord may in its sole discretion prescribe; and (v) Tenant shall pay Landlord in advance for any and all extraordinary expenses incurred by Landlord associated with such entry (e.g., extra or overtime personnel or extra utility services).

7. Tenant understands and agrees that Tenant shall, anything anywhere notwithstanding, commence its payment of Rent and/or Additional Rent to Landlord on the anticipated SUITE 3150 Commencement Date described in Item 1(e) of this Lease in the event Tenant:

(a) becomes in default (see Item 20) of this Lease, or

(b) fails to meet duly, fully and timely any of its duties, obligations or responsibilities under this Exhibit "B" and/or under this Lease generally, or

(c) orders or requests materials, finishes, fixtures or installations other than those described in Exhibit "B-1," or

(d) makes changes in the Drawings and/or any specifications thereof and/or any work or improvements called for thereby (notwithstanding that Landlord may have approved of any or all of such changes), or

(e) fails to perform duly, fully and timely any work to be performed by Tenant, or

(f) fails to ensure performance duly, fully and timely of any work to be performed by third parties on behalf of Tenant as regards this Lease, or

(g) directly or indirectly in any way whatsoever interferes with or delays the performance of the Work,

(h) directly or indirectly in any way whatsoever causes any delay in Landlord's preparation and completion of the Premises, or

(i) directly or indirectly in any way whatsoever allows or permits third parties for which Tenant rightfully should be responsible to interfere with or delay the performance of the Work, or

(j) directly or indirectly in any way whatsoever allows or permits third parties for which Tenant rightfully should be responsible to cause any delay in Landlord's preparation and completion of the Premises..

THOROUGHLY READ, UNDERSTOOD AND AGREED:

LANDLORD:	TENANT:
PLAZA IV ASSOCIATES, LTD. A Florida Limited Partnership	LIQUIDMETAL TECHNOLOGIES, INC.
By: Tampa Plaza IV Company, Ltd., a Florida Limited Partnership, Manager	
By: /s/ Richard A. Beard, III	By: /s/ John Kang
Name: Richard A. Beard, III	Name: John Kang
Title: General Partner	Title: President, CEO

BUILDING RULES AND REGULATIONS

The following Building Rules and Regulations have been adopted by Landlord for the care, protection and benefit of the Premises and the Building and for the general comfort and welfare of all tenants.

1. The sidewalks, entrances, passages, halls, elevators and stairways shall not be obstructed by Tenant or used by Tenant for any purpose other than for ingress and egress to and from the Building and Tenant's Premises.

2. Restroom facilities, water fountains, and other water apparatus shall not be used for any purposes other than those for which they were constructed.

3. Landlord reserves the right to designate the time when freight, furniture, goods, merchandise and other articles may be brought into, moved or taken from Tenant's Premises or the Building.

4. Tenant shall not put additional locks or latches upon any door without the written discretionary consent of Landlord. Any and all locks so added on any door shall remain for the benefit of Landlord, and the keys to such locks shall be delivered to Landlord by and from Tenant.

5. Landlord shall not be liable for injuries, damage, theft, or other loss to persons or property that may occur upon or near any parking areas that may be provided by Landlord. Tenant, its agents, employees, and invitees are to use same at their own risk, Landlord to provide no security with respect thereto. The driveways, entrances, and exits upon, into and from such parking areas shall not be obstructed by Tenant, Tenant's employees, agents, guests, or invitees; provided, however, Landlord shall not be responsible or liable for failure of any person to observe this rule. Tenant, its employees, agents, guests and/or invitees shall not park in space(s) that may be reserved or designated for others.

6. Tenant shall not install in the Premises any heavy weight equipment or fixtures or permit any concentration of excessive weight in any portion thereof without first having obtained Landlord's written consent (NOT TO BE UNREASONABLY WITHHELD).

7. Landlord reserves the right at all times to exclude newsboys, loiterers, vendors, solicitors, and peddlers from the Building and to require registration or satisfactory identification or credentials from all persons seeking access to any part of the Building outside ordinary business hours. Landlord will exercise its best judgment in the execution of such control but will not be liable for the granting or refusal of such access.

8. Landlord reserves the right at all times to exclude the general public from the Building upon such days and at such hours as in Landlord's sole judgment will be in the best interest of the Building and its tenants.

9. No wires of any kind or type (including but not limited to T.V. and radio antennas) shall be attached to the outside of the Building and no wires shall be run or installed in any part of the Building without Landlord's prior written consent (NOT TO BE UNREASONABLY WITHHELD).

10. Landlord shall furnish a reasonable number of door keys to Tenant's Premises and/or the Building which shall be surrendered on termination or expiration of the Lease.

Landlord reserves the right to require a deposit for such keys to insure their return at the termination or expiration of the Lease. Tenant shall get keys only from Landlord and shall not obtain duplicate keys from any outside source. Further, Tenant shall not alter the locks or effect any substitution of such locks as are presently being used in Tenant's Premises or the Building. all doors to Premises closed at all times except for ingress and egress to the Premises.

12. All installations in the Common Telephone/Electrical Equipment Rooms shall be limited to terminal boards and connections. All other electrical equipment must be installed within Tenant's Premises.

13. It is expressly understood and agreed that any items of any nature whatsoever placed in Common Areas (i.e., hallways, restrooms, elevators, parking garage, storage areas and equipment rooms) are placed at Tenant's sole risk and Landlord assumes no responsibility whatsoever for any loss or damage as regards same.

14. Tenant will allow no maintenance or repairs to be done in, on, to or about the Premises other than by a contractor (such term to include all degrees of subcontractors) approved by Landlord in writing prior to any such maintenance or repairs being undertaken. Landlord shall be entitled to require such contractor to be bonded and insured in such amounts and with such companies as Landlord may in its discretion prescribe.

15. Smoking within the Building (to include the Premises and the Building's common areas and appurtenances) is strictly and absolutely prohibited. Landlord may, however, if (but not otherwise) it so chooses, designate certain areas outside the Building where smoking will be permitted. Landlord reserves the right to revoke any such designation(s) the subject of the immediately preceding sentence.

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EXHIBIT "B-1"

BUILDING STANDARD TENANT FINISHES

A. Diffusers by Kruger (or equal) laid-in, perforated ventilation model no. 4504F236, to be installed into ceiling grid. Thermostat controls for each zone located throughout the Premises.

B. Acoustical ceiling tile as provided by Armstrong, premium quality soft textured Cirrus Travertone #BF584 reveal edge style in 24" square size. Suspended ceiling grid system by Armstrong, Prelude T-Bar 15/16" wide 2' x 2' grid. #7300 main runners; #7342 4' cross tees; # 7324 2' cross tees; # 7800 wall molding. Color matched with tile.

C. Light fixtures by Metalux, 2' x 4' parabolic, fluorescent, with three 40-watt warm white bulbs with electronic solid state ballasts and return air slots.

D. One inch window blinds by Bali, "Classic", custom color to match mullions at all exterior windows.

E. Finish Hardware

Manufacturer: Schlage

Series Selection: "L" Series

Trim Assembly Style Selection: #17 Design

Finish Selections:

1. Locksets, Latchsets, Pulls & Plates, Hinges, Flush Bolts: US10(612) - Satin Bronze, Clear Coated.

2. Closers (covers & arms)

Paint finish color as selected by Landlord's architect.

F. Interior partitions (measured through door openings) consisting of 25 gage, 2-1/2" metal studs, 24" on center from floor to ceiling grid with 1/2" gypsum wallboard on each side.

G. Common partitions between the Premises and common areas or other adjoining tenant space consisting of 25 gage, 2-1/2" metal studs, 16" on center from floor to underside of slab above, with 1/2" gypsum wallboard and 2-1/2" mineral fiber insulation between studs.

H. Solid core entrance doors of 3'0" x 8'7" x 1-3/4", dimension, premium grade, plain sliced Honduran Mahogany finish RA-969-O by Algoma Hardwoods placed in metal frames of 16 gage cold rolled steel, with frames to be primed and painted with 2 coats of oil base paint.

I. Solid core interior doors of 3'0" x 8'0" x 1-3/4", premium grade Honduran Mahogany finish RA-969-0 by Algoma Hardwoods with frames and hardware as above.

J. Electrical duplex outlet in ivory color, "Decora" style.

K. Wall switches in "Decora" rocker type, ivory color.

L. Telephone outlets, plug-in type, ivory color installed in wall with conduit stubbed in wall 6" above ceiling grid. Tenant is responsible for installation of all phone equipment.

M. Fire exit signs by Lithonia, 277V, red letters, brushed aluminum panel color; installed as determined by City Fire Codes.

N. Fire enunciator speakers by Pyrotonics (or equal) installed as determined by Codes.

O. Carpet 30 oz. from Landlord's selection.

P. Two coats of prime quality latex paint on all walls.

EXHIBIT 10.5

STANDARD LEASE

EXHIBITS

THE SUBMISSION OF THIS STANDARD LEASE FOR EXAMINATION BY TENANT AND/OR EXECUTION THEREOF BY TENANT DOES NOT CONSTITUTE A RESERVATION OF OR OPTION FOR THE LEASED PREMISES AND THIS LEASE SHALL BECOME EFFECTIVE ONLY UPON EXECUTION BY ALL PARTIES HERETO AND DELIVERY OF A FULLY EXECUTED COUNTERPART HEREOF BY LANDLORD TO TENANT.

STANDARD LEASE

This Standard Lease ("Lease") is entered into by and between the undersigned Landlord and Tenant on this the 27th day of May, 2001, in accordance with the terms and conditions hereinafter set forth.

ARTICLE 1. BASIC PROVISIONS AND CERTAIN DEFINED LEASE

1.1. When used herein, the following terms shall have the indicated meanings:

A. "Landlord": Investors Equity Fund, Inc.

B. "Landlord's Agent": TNRG Property Services, Inc.
Address of Landlord's Agent: 17449 Village Green Dr.
Houston, TX, 77040

C. "Tenant": Amorphous Technologies International
Billing Address of Tenant: 16621 West Hardy,
Houston. Texas 77060

D. "Leased Premises": Approximately 5,993 square feet in a building located at 16621 West Hardy, Houston, Texas 77060, which is 5.8% (the "Tenant's Proportionate Share") of the Development. The Leased Premises being shown and outlined in red on the floor plan attached hereto as EXHIBIT "A" (if not attached hereto on the date hereof, EXHIBIT "A" shall be attached at a later date prior to the Commencement Date) and being a part of the Development.

E. "Development": The real property described in EXHIBIT "B", and all improvements thereon, together with such additions and extensions as Landlord may, from time to time, designate as included within the Development.

F. "Lease Term": Beginning on the Commencement Date and expiring on the Termination Date.

G. "Commencement Date": October 1, 1998 (unless modified under Article 3).

H. "Termination Date" shall mean forty-eight (48) months from the Commencement Date, except that in the event the Commencement Date is a date other than the first day of a calendar month, the Lease Term shall extend for said number of months in addition to the remainder of the calendar month following the Commencement Date.

I. "Rent":

(1) Total Base Rental $119,380.56 (does not include C.A.M. charges) payable in monthly installments of:

10-01-1998 to 09-31-2000	$2,397.20	($.40/psf) per month
10-01-2000 to 09-31-2001	$2,517.06	($.42/psf) per month
10-01-2001 to 09-31-2002	$2,636.92	($.44/psf) per month

(2) Estimated C.A.M. charges are $.03 per square foot per month to be calculated and adjusted pursuant to Section 20.2.

(3) Tenant shall pay, as additional rental, Tenant's Proportionate Share of Operating Costs in excess of $1,116 per square foot per year as detailed in Article 20.

J. "Prepaid Rent": $2,576.99

K. "Security Deposit": $2,816.71

L. "Permitted Use": Office Use and Storage

M. "Real Estate Broker": The National Realty Group, Inc.

N. "Lease Guarantor": N/A

1.2. Each of the foregoing Basic Provisions and Certain Defined Lease Terms shall be construed in conjunction with the references thereto contained in the other provisions of this Lease and shall be limited by such other provisions. Each reference in this Lease to any of the foregoing Basic Provisions and Certain Defined Lease Terms shall be construed to incorporate each term set forth above.

ARTICLE 2. GRANTING CLAUSE

2.1. In consideration of the obligation of Tenant to pay Rent as herein provided and in consideration of the other terms, covenants and conditions hereof, Landlord hereby leases to Tenant, and Tenant hereby takes from Landlord the Leased Premises for the Lease Term commencing on the Commencement Date and ending on the Termination Date, unless sooner terminated in accordance with the terms and conditions set forth below.

2.2. EXCEPT AS SPECIFICALLY PROVIDED IN THIS LEASE, TENANT ACKNOWLEDGES THAT LANDLORD HAS MADE NO WARRANTIES TO TENANT AS TO THE CONDITION OF THE LEASED PREMISES, EITHER EXPRESS OR IMPLIED, AND LANDLORD EXPRESSLY DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY, MARKETABILITY, OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE 3. CONSTRUCTION AND ACCEPTANCE OF LEASED PREMISES

3.1. The Leased Premises shall be constructed in accordance with the Construction Rider attached as EXHIBIT "C".

3.2. Tenant acknowledges that (a) it has inspected and accepts the Leased Premises, specifically including the existing leasehold improvements that will remain and benefit Tenant (b) the buildings and improvements comprising the Leased Premises are suitable for the purposes for which they are leased, (c) the Leased Premises are in rood and satisfactory condition, and (d) no representation as to the repair of the Leased Premises, nor promises to alter, remodel or improve the Leased Premises have been made by Landlord, unless otherwise expressly set forth in the Construction Rider.

3.3. If this Lease is executed before the Leased Premises become vacant or otherwise available and ready for occupancy, or if any present Tenant or occupant of the Leased Premises holds over, and Landlord cannot acquire possession of the Leased Premises prior to the Commencement Date, Landlord shall not be deemed to be in default hereunder and Tenant agrees to accept possession of the Leased Premises at such time as Landlord is able to tender the same, which date shall be deemed the Commencement Date and Landlord hereby waives payment of Rent covering any period prior to the tendering of possession to Tenant hereunder.

3.4. In determining the floor area of the Leased Premises, distance shall measured from the exterior face of all exterior walls and the center of all partition walls which separate the Leased Premises from any interior area.

3.5. Landlord and Tenant further agree that Tenant's obligations, privileges, covenants and agreements contained in this Lease shall be operative and effective regardless of whether the Leased Premises are ever occupied by Tenant and whether or not this Lease is fully exhibited. If Tenant fails to occupy the Leased Premises for any reason after substantial completion of any improvements constructed in accordance with the Construction Rider, or if Tenant whether constructively or actively prevents or hinders Landlord from constructing the improvements contemplated by the Construction Rider, this Lease shall be deemed to have been commenced automatically and the Commencement Date shall be deemed to be the date on which the improvements would have been completed in Landlord's sole, but reasonable judgment, but for such hindrance or prevention by Tenant.

3.6. Provided that Tenant obtains and delivers to Landlord the certificates or policies of insurance called for in Article 10, Landlord, in its sole discretion, may permit Tenant and its employees, agents, contractors and suppliers to enter the Leased Premises prior to the Commencement Date (and such entry alone, shall not constitute Tenant's taking possession of the Leased Premises for the purpose of this Article 3) to prepare the Leased Premises for Tenant's occupancy. Tenant and each other person or firm who or which enters the Leased Premises before the Commencement Date shall conduct itself so as to not interfere with Landlord or other occupants of the Development. Landlord may withdraw any permission granted pursuant to this Section upon 24 hours notice to Tenant if Landlord, in its sole discretion, determines that any such interference has been or may be caused. Any prior entry shall be under all of the terms of this Lease (other than the obligation to pay Rent) and at Tenant's sole risk.

Landlord shall not be liable in any way for personal injury, death or property damage (including damage to any personal property which Tenant may bring into, or any work which Tenant may perform in, the Leased Premises) which may occur in or about the Development by Tenant or such other person or firm as a result of any prior entry.

ARTICLE 4. RENT

4.1. Rental shall accrue hereunder from the Commencement Date and shall be payable at the address of Landlord's Agent or such other place as Landlord shall designate in writing to Tenant. Landlord hereby acknowledges receipt from Tenant of the Prepaid Rent stated in Section 1.1(I) above, to be applied to the first accruing installments of Rent.

4.2. Tenant shall pay to Landlord the Rent in monthly installments in the amounts specified in Section 1.1(I) above, without demand, deduction or setoff. The first monthly installment of Rent shall be due and payable on or before the Commencement Date, and installments in the respective amounts specified in Section 1.1(1) shall be due and payable on or before the first day of each succeeding calendar month during the Lease Term; provided, that if the Commencement Date should fall on a date other than the first day of a calendar month, there shall be due and payable on or before the Commencement Date, as rental for the balance of the calendar month during which the Commencement Date shall fall, a sum equal to that proportion of the Rent specified for the first full calendar month as herein provided, which the number of days from the Commencement Date to the end of the calendar month during which the Commencement Date shall fall bears to the total number of days in such month, and all succeeding installments of Rent shall be payable in the respective amounts specified in Section 1.1(H) on or before the first day of each succeeding calendar month during the Lease Term.

4.3. Tenant agrees to deposit with Landlord on the date hereof the Security Deposit which shall be held by Landlord, without obligation for interest, as security for the performance of Tenant's obligations under this Lease. It being expressly understood and agreed that the Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of an Event of Default, Landlord may use all or part of the Security Deposit to pay past due Rent or other payments due Landlord under this Lease, and the cost o an o her damage, injury, expense or liability caused by such Event of Default without prejudice to any other remedy provided herein or provided by law. On demand, Tenant shall pay Landlord the amount that will restore the Security Deposit to its original amount. If Tenant is not then in default hereunder, any remaining balance of the Security Deposit shall be returned by Landlord to Tenant upon termination of this Lease; provided, however, should the Lease terminate, as herein provided, during the middle of any year, Landlord shall be permitted to retain the Security Deposit to secure the payment of any and all amounts of Rent escalations, which are provided for in this Lease, which might be due for the Tenant's pro-rata portion of the year that Tenant had occupied the Leased Premises. The Security Deposit shall be promptly returned to Tenant if Landlord determines that no escalations are due by the Tenant for such year. If Tenant owes any such escalations, the same shall be deducted from the Security Deposit, and the balance thereof, if any, remitted to the Tenant.

4.4. Should Landlord fail to receive any Rent due under this Lease within five (5) days after such payment is due, Tenant agrees to pay Landlord as a late charge, ten percent (10%) of

any such payment in order to compensate Landlord for expenses incurred for processing late payments.

4.5. Tenant agrees to furnish to Landlord, concurrently with the execution of this Lease, a Lease Guaranty Agreement in the form attached as EXHIBIT "D" executed by the Lease Guarantor.

ARTICLE 5. USE AND CARE OF PREMISES

5.1. The Leased Premises shall be used only for the purpose stated in Section 1.1(L). Outside storage, including without limitation, trucks and other vehicles, is prohibited without Landlord's prior written consent, which consent shall not be unreasonably withheld. Tenant shall at its own cost and expense obtain any and all licenses and permits necessary for any such use. Tenant shall comply with all governmental orders and directives for the correction, prevention and abatement of nuisances in or upon, or connected with the Leased Premises, all at Tenant's sole expense. Tenant shall take care of the Leased Premises and not permit any unreasonably objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Leased Premises and not take any other action which would constitute a nuisance or would unreasonably disturb or endanger any other tenants of the Development or unreasonably interfere with such Tenant's use of their respective leased premises. Without Landlord's prior written consent, Tenant shall not receive, store or otherwise handle any product, material, or substance which is explosive, highly inflammable or hazardous waste. Tenant will not permit the Leased Premises to be used for any purpose or in any manner (including without limitation any method of storage) which would (a) render the insurance thereon void or the insurance risk more hazardous; (b) cause the State Board of Insurance or other insurance authority to disallow any sprinkler credits; or (c) increase the fire and extended coverage insurance rate on the building or structure of which the Leased Premises are a part or its contents. If any increase in the fire and extended coverage insurance premiums paid by Landlord for the building in which Tenant occupies space is caused by Tenant's use and occupancy of the Leased Premises, or if Tenant vacates the Leased Premises and causes an increase in such premiums, then Tenant shall pay to Landlord as additional rental the amount of such increase.

5.2. Tenant shall, at its own expense, comply with all laws, orders, and requirements of all governmental entities with reference to the use and occupancy of the Leased Premises. Tenant and Tenant's agents, employees and invitees shall fully comply with any rules and regulations governing the use of the buildings or other improvements to the Leased Premises as required by Landlord. Landlord may make reasonable changes in its Building Rules and Regulations from time to time as deemed advisable for the safety, care and cleanliness of the Leased Premises, provided same are in writing and are not in conflict with this Lease.

5.3. In the event the Leased Premises constitute a portion of a multiple occupancy building, Tenant and its employees, agents, customers, invitees, and/or licensees shall have the right to use the parking areas, if any, as may be designated by Landlord in writing, subject to such reasonable rules and regulations as Landlord may from time to time prescribe and subject to rights of ingress and egress of other lessees. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. Tenant shall, at its own cost and expense, keep its employees, agents, customers, invitees, and/or licensees from parking on any streets running

through or contiguous to the Development or any other areas as designated by Landlord. Tenant hereby consents to the removal of any vehicle in violation of the foregoing designated areas of parking as established by Landlord.

5.4. Tenant agrees to comply with the terms, covenants and provisions of the Environmental/Hazardous Waste Agreement which is attached as EXHIBIT "E".

ARTICLE 6. MAINTENANCE AND REPAIR OF PREMISES AND ALTERATIONS

6.1. Landlord, at its own cost and expense, shall keep the foundation, exterior walls (except plate glass, windows, doors, door closure devises, window and door frames, molding, locks and hardware, and interior painting or other interior treatments of exterior walls), and roof of the Leased Premises in good repair; except that Landlord shall not be required to make any repairs occasioned by an act of willful negligence by Tenant, its employees, subtenants, licensees and concessionaires. In the event that the Leased Premises should become in need of repairs required to be made by the Landlord, Tenant shall give immediate notice thereof to Landlord, and Landlord shall proceed with reasonable diligence to make such repairs. Landlord's obligation to maintain the aforementioned items shall be limited solely to the cost of such repairs or maintenance or the curing of any defect in the same.

6.2. Landlord shall perform the paving maintenance, common area and landscape replacement and maintenance, exterior painting, common water and sewage line plumbing, and any other common maintenance items and Tenant shall be liable for Tenant's Proportionate Share of the cost and expense of such repair, replacement, and maintenance. Landlord reserves the right to perform any obligations that are otherwise Tenant's obligations in Paragraph 6.4, in which event Tenant shall promptly reimburse Landlord for the entirety of the costs of such performance.

6.3. Landlord reserves the right to alter or modify the building of which the Leased Premises are a part and/or common areas associated therewith, when such alterations or modifications are required by governmental laws, codes, ordinances, regulations, or any other applicable authorities, including, without limitation, the Americans with Disabilities Act of 1990 (the "ADA"), in which event Tenant shall be liable for Tenant's Proportionate Share of such cost. If such modification is a capital modification for the general benefit of the Development, and is required regardless of Tenant's particular use of the Leased Premises, then the cost shall be an Operating Cost allocated over the lesser of five (5) years or the useful life of the modification. Notwithstanding the foregoing, if such modification is predicated by Tenant's particular use of the Leased Premises or is principally for the benefit of Tenant (and not other lessees of the Development) the cost shall be borne entirely by Tenant and Tenant shall reimburse Landlord for same promptly upon demand.

6.4. Tenant shall keep the Leased Premises in a good and clean condition and shall at its sole cost, and expense make all needed repairs and replacements, including replacement of cracked or broken glass, any special store front, windows, doors, heating system, plumbing work, pipes and fixtures, air-conditioning equipment, and the interior of the building generally and other improvements of the Tenant on the Development outside the Leased Premises, together

with such repairs, replacements and alterations required by any governmental authority; except for repairs and replacements required to be made by Landlord under the provisions of this Article 6 and Article 12. Tenant shall also make all necessary repairs and replacements of its fixtures required for the proper conduct of its business and any damage due to vandalism or malicious mischief. If any repairs required to be made by Tenant hereunder are not initiated and pursued diligently within ten (10) days after notice is delivered to Tenant by Landlord, Landlord may at its option make such repairs, and Tenant shall pay to Landlord upon demand as additional rental hereunder the reasonable cost of such repairs. At the expiration or earlier termination of this Lease, Tenant shall surrender the Leased Premises, including all improvements located thereon (except as otherwise provided in Section 6.6) in good condition, reasonable wear and tear excepted. Landlord agrees to afford to Tenant the benefit of any guaranties or warranties of third parties which may be applicable to air-conditioning equipment and other machinery and equipment installed by Landlord in the Leased Premises, without recourse upon Landlord.

6.5. Tenant, at its own cost and expense, shall enter into a regularly scheduled preventative maintenance/service contract with a maintenance contractor approved by Landlord or servicing all hot water, heating and air conditioning systems and equipment within the Leased Premises. The service contract must include all services suggested by the equipment manufacturer in its operations/maintenance manual and must become effective and a copy thereof delivered to Landlord within thirty (30) days of the date Tenant takes possession of the Leased Premises.

6.6. Tenant shall not make any openings in the roof or exterior walls, nor make any alterations, additions, or improvements to the Leased Premises without the prior written consent of Landlord (which consent shall not be unreasonably withheld or delayed), except for the installation of unattached removable trade fixtures which may be installed without drilling, cutting or otherwise defacing the Leased Premises. All alterations, additions, improvements and fixtures (other than unattached, movable trade fixtures and equipment which may be made or installed by either party hereto) upon the Leased Premises, including, but not limited to, the HVAC system, pipes, paneling or other wall covering, any linoleum or other floor covering of similar character which may be cemented or otherwise adhesively affixed to the floor of the Leased Premises, shall remain upon and be surrendered with the Leased Premises and become the property of Landlord at the expiration or earlier termination of this Lease, all without credit or compensation to Tenant unless Landlord requests their removal, in which event Tenant shall remove the same and restore the Leased Premises to its original condition at Tenant's sole cost and expense. All plumbing or other electrical wiring connections exposed as result of the removal of Tenant's removable trade fixtures, shall be kept by Tenant in a safe and workmanlike manner.

6.7. All construction work done by Tenant within the Leased Premises shall be performed in a good and workmanlike manner, in compliance with all governmental requirements, and at such times and in such manner as to cause a minimum of interference with other construction in progress and with the transaction of business in the Development. Without limitation on the generality of the foregoing, Landlord shall have the right to require that such work be performed in accordance with rules and regulations which Landlord may from time to time reasonably prescribe. All costs of such work shall be paid promptly so as to prevent the assertion of any liens for labor or materials. Tenant agrees to indemnify Landlord and hold

Landlord harmless against any loss, liability or damage resulting from such work and Tenant shall, if requested by Landlord, furnish a reasonable bond or other security satisfactory to Landlord against any such loss, liability or damage. Whenever Tenant proposes to do any construction work within the Leased Premises, it shall first furnish to Landlord plans and specifications in such detail as Landlord may request covering all such work. Such plans and specifications shall comply with such requirements as Landlord may from time to time reasonably prescribe for construction within the Development. In no event shall any construction work be commenced within the Leased Premises without Landlord's written approval of such plans and specifications, which consent shall not be unreasonably withheld or delayed.

ARTICLE 7. LANDLORD'S RIGHT OF ACCESS

7.1. Landlord, its employees, contractors, agents and representatives, shall have the right to enter upon the Leased Premises during normal business hours, unless for emergency reasons, for the purpose of inspecting the same, or of making repairs or additions to the Leased Premises, or of making repairs, alterations, or additions to adjacent premises, or of showing the Leased Premises to prospective purchasers, tenants or lenders. In an emergency, Landlord (or such other persons and firms) may use any means to open any door into or in the Leased Premises without any liability therefor.

ARTICLE 8. SIGNS; STORE FRONTS; ROOF

8.1. Tenant shall not, without Landlord's prior written consent,, which consent shall not be unreasonably withheld or delayed, (a) install outside the interior surface of the perimeter walls of the Leased Premises any lighting or awnings, or any decorations or paintings, (b) install any drapes, blinds, shades, or other coverings on display windows and entrance doors, or (c) erect or install any signs, window or door lettering, placards, decorations, or advertising media or any type which can be viewed from outside of the Leased Premises. All signs and graphics shall conform to the sign criteria established by Landlord for the Development. Landlord shall have the right to remove any sign or signs in order to paint the building or Leased Premises or to make any other repairs or alterations. All signs installed shall be kept in good condition and in proper operating order at all times. Tenant shall repair, paint, and/or replace the building facia surface to which its signs are attached upon vacation of the Leased Premises, or the removal or alteration of its signage. All signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations visible from outside the Leased Premises shall conform at Tenant's expense in all respects to the criteria established by Landlord and any applicable governmental laws, ordinances, regulations, or other requirements. Use of the roof is reserved to the Landlord, provided such use does not unreasonably interfere with Tenant's occupancy.

ARTICLE 9. UTILITIES

9.1. Landlord agrees to cause to be provided and maintained the necessary mains, conduits and other facilities necessary to supply normal water, gas (if applicable), electricity, and sewerage service to the Leased Premises. The cost of maintaining the above shall be as is stated in Article 20.

9.2. Tenant shall promptly pay all charges for separately metered utilities furnished to the Leased Premises. In the event water is not separately metered to Tenant, Tenant agrees that it will not use water for uses other than normal domestic restroom and kitchen usage without Landlord's prior written consent. Tenant further agrees to reimburse Landlord for the entire amount of common water costs as additional rental if, in fact, Tenant uses water for uses other than normal domestic restroom and kitchen uses without first obtaining Landlord's written permission. If reasonably requested by Landlord, Tenant agrees in such event to install at its own expense, a submeter to determine Tenant's usage. Tenant further agrees to notify Landlord of any other sewer use ("Excess Sewer Use") and also agrees to reimburse Landlord for the costs and expenses related to Tenant's Excess Sewer Use, which shall include, but not limited to, the cost of acquiring additional sewer capacity to service Tenant's Leased Premises.

9.3. Landlord shall not be liable for any interruption whatsoever in utility services not furnished by it, nor for interruptions in utility services furnished by it which are due to fire, accident, strike, acts of God, or other causes beyond the control of Landlord or in order to make alterations, repairs or improvements.

ARTICLE 10. INSURANCE

10.1 Landlord shall cause to be maintained upon all of the buildings situated within the Development, fire and extended coverage insurance and such other insurance as Landlord may deem appropriate. Tenant shall pay to Landlord, as additional rental upon demand, Tenant's Proportionate Share of the increased cost of all of such insurance, as is stated in Section 20.1

10.2 Tenant shall obtain and maintain through the Lease Term the following policies of insurance:

A. Fire and extended coverage insurance, with vandalism, malicious mischief and sprinkler leakage endorsements, covering the replacement costs of (i) all alterations, additions, partitions and improvements installed or placed on the Leased Premises by Tenant or by Landlord on behalf of Tenant, including existing leasehold improvements and (ii) all of Tenant's personal property located in and on the Leased Premises (including, but not limited to, the HVAC system and plate glass).

B. Commercial general liability insurance against claims for bodily injury, death, sickness and property damage occurring in or about the Leased Premises, such insurance to afford protection of not less than $1,000,000.00 combined single limit per occurrence, subject to an aggregate limit of $1,000,000.00.

C. Such other policy or policies of insurance as Landlord may reasonably require or as Landlord is then requiring from one or more other tenants of the Development.

Tenant shall deliver to Landlord, prior to the Commencement Date, certificates of such insurance and shall, at all times during the Lease Term, deliver to Landlord upon request, true and correct copies of said insurance policies. The policy described in clause (b) shall (i) name Landlord and Landlord's Agent as additional insured, (ii) provide that it will not be canceled or reduced in

coverage, (iii) contain a loss payable clause designating Tenant and Landlord as loss payees as their respective interest may appear, (iv) insure performance of the indemnities of Tenant contain in Section 10.4 and elsewhere in this Lease, (v) contain a replacement cost endorsement, Texas Standard Form 164, and (vi) be primary coverage; so that any insurance coverage obtained by Landlord shall be in excess thereto. Tenant shall deliver to Landlord certificates of renewal at least 30 days prior to the expiration date of each such policy and copies of new policies at least 30 days prior to terminating any such policies. All policies of insurance required to be obtained and maintained by Tenant shall be subject to the reasonable approval of Landlord as to terms coverage, deductibles and issuer.

10.3 Landlord and Tenant hereby waive all claims, rights of recovery and causes of action that either party or any party claiming by, through or under such party may now or hereafter have by subrogation or otherwise against the other party or against any of the other party's officers, directors, shareholders, partners or employees for any loss or damage that may occur to the Development, the Leased Premises, Tenant's improvements or any of the contents of any of the foregoing by reason of fire or other casualty, or by reason of any other cause except gross negligence or willful misconduct (thus including simple negligence of the parties hereto or their officers, directors, shareholders, partners or employees), that could have been insured against under the terms of (a) in the case of Landlord, the standard fire and extended coverage insurance policies available in the state where the Development is located at the time of the casualty, and (b) in the case of Tenant, the fire and extended coverage insurance policy required to be obtained and maintained under Section 10.2; provided, however, that the waiver set forth in this Section 10.3 shall (y) be ineffective against any insurer of Landlord or Tenant to the extent that the waiver is prohibited by the laws or insurance regulations of the state in which the Development is located or would invalidate any insurance coverage of Landlord or Tenant, and (z) not apply to any deductibles on insurance policies carried by Landlord or to any coinsurance penalty which Landlord might sustain. Landlord and Tenant hereby agree to cause (if available) an endorsement to be issued to their respective insurance policies recognizing this waiver of subrogation.

10.4 Tenant hereby assumes liability for, and agrees to defend, indemnify, protect and hold harmless Landlord, its successors, assigns, affiliates, directors, shareholders, partners, contractors, employees and agents (all of the prior parties individually and collectively, the "Landlord's Related Parties") from and against, all liabilities, obligations, fines, demands, judgments, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorneys' fees) of every kind or character (a) arising from any breach, violation or non-performance of any term, provision, covenant, agreement or condition on the part of Tenant hereunder (b) recovered from or asserted against any of the Landlord's Related Parties on account of injury or damage to person or property to the extent that any such damage or injury may be incident to, arise out of or be caused, either approximately or remotely, wholly or in part, by any act, omission, negligence or misconduct on the part of Tenant or any of its agents, servants, employees, contractors, or invitees or of any other person entering upon the Leased Premises under or with the express or implied invitation or permission of Tenant, (c) arising from or arising out of the occupancy or use by Tenant, its agents, servants, employees, contractors or invitees of the Leased Premises or arising any event, circumstance, or occurrence within the Leased Premises, howsoever caused, and/or (d) suffered by, recovered from or asserted against any of the Landlord's Related Patties by Tenant's

employees, agents, servants, contractors or invitees. Such indemnification of any of the Landlord's Related Parties by Tenant shall be effective (i) unless such damage to property results from the gross negligence or willful misconduct of Landlord or any of its duly authorized agents or employees, (ii) unless such injury to person results from the negligence or willful misconduct by Landlord or any of its duly authorized agents or employees.

10.5 Tenant covenants and agrees and in case any of the Landlord's Related Parties shall be made a party to any litigation commenced by or against Tenant with respect to which Tenant has agreed to indemnify the Landlord's Related Parties hereunder or relating to this Lease or to the Leased Premises, then Tenant shall and will pay all costs and expense, including reasonable fees and any court costs, incurred by or imposes upon any of the Landlord's Related Parties by virtue of any such litigation and the amount of all such costs and expense, including reasonable attorney's fees and court costs, shall be a demand obligation owing by Tenant to the Landlord's Related Parties.

10.6 The provisions of Section 10.4 shall survive the expiration or termination of this Lease with respect of any claim or liability occurring prior to such expiration or termination. The indemnification provided by Section 10.4 is subject to the Landlord's waiver of recovery specified in Section 10.3, to the extent of Landlord's recovery of loss proceeds under policies of insurance described therein.

ARTICLE 11. NON-LIABILITY FOR CERTAIN DAMAGES

11.1 Except as specifically provided herein, Landlord and Landlord's Related Parties shall have no responsibility or liability to Tenant, or to Tenant's officers, directors, shareholders, partners, employees, agents, contractors or invitees, and Tenant hereby waives and releases any claims against Landlord and Landlord's Related Parties for bodily injury, death, property damage, business interruption, loss of profits, loss of trade secrets or other direct or consequential damages occasioned by (a) the acts or omissions of any other tenant or such other tenant's officers, directors, shareholders, partners, employees, agents, contractors or other invitees within the Development, (b) force majeure, (c) vandalism, theft, burglary, robbery, rape, murder, assault and other criminal acts (other than those committed by Landlord and its employees), (d) water leakage, the backing up of drains or flooding, or (e) the repair, replacement, maintenance, damage, destruction or relocation of the Leased Premises.

11.2 Any and all security of any kind for Tenant, Tenant's agents, employees or invitees, the Leased Premises, or any personal property thereon (including, without limitation, any personal property of any sublessee) shall be the sole responsibility and obligation of Tenant, and shall be provided by Tenant at Tenant's sole cost and expense. Tenant acknowledges and agrees that the Landlord shall have no obligation or liability whatsoever with respect to the same. Tenant shall indemnify and hold Landlord harmless from and against any and all loss, cost, damage or other liability arising directly or indirectly from security measures or the absence thereof with respect to the Leased Premises and the Development. Tenant may, at Tenant's sole cost and expense, install alarm systems in the Leased Premises provided such installation complies with the provisions of Article 6 hereof. Removal of such alarm systems shall be Tenant's sole responsibility and, at Tenant's sole cost and expense, shall be completed prior to the Lease termination and all affected areas of the Leased Premises shall be repaired and/or

restored in a good and workmanlike manner to the condition that existed prior to such installation. Notwithstanding the foregoing, Landlord may elect in Landlord's sole discretion, to contract for common security services, to whatever extent Landlord may deem appropriate, for the Development; provided, however Tenant acknowledges and agrees that Landlord shall in no event be obligated to provide any such services and the provision of such services shall not alter or modify Tenant's indemnification of Landlord or the obligation of Tenant to provide its own security as set forth herein. The cost of any security services contracted for by Landlord shall be treated as an Operating Cost pursuant to Article 20 hereof.

ARTICLE 12. DAMAGE BY CASUALTY

12.1 Tenant shall give immediate notice to Landlord of any damage caused to the Leased Premises by fire or other casualty.

12.2 If the Development or the Leased Premises are totally destroyed, or if the Development or the Leased Premises are partially destroyed but in Landlord's reasonable opinion, they cannot be restored to an economically viable and quality project, or if the insurance proceeds payable to Landlord as a result of any casualty are, in Landlord's reasonable opinion, inadequate to restore the portion remaining to an economically viable and quality office warehouse, Land lord may, at its election exercisable by the giving of notice to Tenant within sixty (60) days after the casualty, terminate this Lease as of the date of the casualty or the date Tenant is deprived of possession of the Leased Premises (whichever is later). If this Lease is not terminated as a result of a casualty, Landlord shall (subject to Section 12.4) restore the Leased Premises to substantially the condition in which the same existed prior to the casualty. During the period of restoration, Rent shall be abated to the extent that the Leased Premises are rendered untenable and, after the period of restoration, Rent shall be reduced in the proportion that the area of the Leased Premises remaining tenable after the casualty bears to the area of the Leased Premises just prior to the casualty. If any portion of Rent is abated under this Section, Landlord may elect to extend the expiration date of the Lease Term for the period of the abatement.

12.3 Notwithstanding any provision to this Lease to the contrary, if the Leased Premises or the Development are damaged or destroyed as a result (i) vandalism, malicious mischief, burglary or theft, or (ii) of a casualty arising from the acts or omissions of Tenant, or any of Tenant's officers, directors, shareholders, partners, employees, contractors, agents, invitees or representatives, (a) Tenant's obligation to pay Rent and to perform its other obligations under this Lease shall not be abated, reduced or altered in any manner, (b) Landlord shall not be obligated to repair or restore the Leased Premises or the Development, and (c) Tenant shall be obligated, at Tenant's costs, to repair and restore the Leased Premises or the Development to the condition they were in just prior to the damage or destruction under the direction and supervision of, to the satisfaction of, Landlord.

12.4 Notwithstanding anything herein to the contrary, in the event the holder of any indebtedness secured by mortgage or deed of trust covering the Development requires that the insurance proceeds be applied to such indebtedness, Landlord shall have the right to terminate this Lease by delivering notice of termination to Tenant within fifteen (15) days after such requirement is made known by any such holder, whereupon all rights and obligations hereunder shall cease and terminate.

12.5 If the insurance policies maintained by Landlord with respect to the Development contain a deductible feature, then Tenant, in the event of a loss to the Leased Premises, shall pay to Landlord, Tenant's pro rata share thereof, based upon the amount of such deductible feature multiplied by a fraction, the numerator of which is the total number of square feet comprising the Leased Premises and the denominator of which is the aggregate number of square feet of the total floor area leased to all Tenants in the Development whose Premises have been damaged or destroyed by such casualty. Tenant's pro rata share of such deductible amount shall be payable to Landlord within ten (10) days of receipt from Landlord of a statement therefore and a payment thereof by Tenant shall be a condition precedent to Landlord's obligations to repair or restore the Leased Premises as provided above.

ARTICLE 13. CONDEMNATION

13.1 If all of the Development is taken (as defined below), or if so much of the Development is taken that, in Landlord's opinion, the remainder cannot be restored to an economically viable and quality office warehouse, or if the award payable to Landlord as a result of any taking is in Landlord's opinion, inadequate to restore the remainder to an economically viable and quality office warehouse, Landlord may, at its election, exercisable by the giving of notice to Tenant within sixty (60) days after the date of the taking, terminate this Lease as of the date of the taking or the date Tenant is deprived of possession of the Leased Premises (whichever is later). As used herein, the terms "taken" or "taking" shall mean the actual constructive condemnation, or the actual constructive acquisition by or under threat of condemnation, eminent domain or similar proceeding to any public or quasi-public use under governmental law, ordinance or regulation, or by private purchase in lieu thereof. If this Lease is not terminated as a result of a taking, Landlord shall restore the Leased Premises remaining after the taking to substantially the condition to which the same existed prior to the taking. During the period of restoration, Rent shall be abated to the extent the Leased Premises are rendered untenable and, after the period of restoration, Rent shall be reduced in the proportionate of the area of the Leased Premises taken or otherwise rendered untenable bears to the area of the Leased Premises just prior to the taking. If any portion of Rent is abated under this Section, Landlord may elect to extend the expiration date of the Lease Term for the period of the abatement. All awards, proceeds, compensation or other payments from or with respect to any taking of the Development or any portion thereof shall belong to Landlord, Tenant. hereby assigning to Landlord all of its right, title, interest and claim to same, Tenant shall have the right to assert a separate claim for and recover from the condemning authority, but not from Landlord, such compensation as may be awarded to Tenant for loss of business or good will, Tenant's moving and relocation expenses, and depreciation to and loss of Tenant's fixtures, improvements and moveable personal property, if a separate award for such items is made to Tenant.

ARTICLE 14. ASSIGNMENT AND SUBLETTING

14.1 Tenant shall not assign this Lease nor sublet all or any part of the Leased Premises without prior written consent of Landlord; provided, however, if the proposed assignee would not compete in the use of the Leased Premises with any of the then existing tenants of the Development and is, in the reasonable opinion of Landlord, of equal or better financial condition to Tenant, Landlord shall not unreasonably withhold its consent to the assignment. Any

attempted assignment, subletting, transfer or encumbrance by Tenant in violation of this Section 14.1 shall be void. In the event of a permitted assignment, Landlord shall have the option, upon receipt from Tenant of written request for Landlord's consent to assignment to (i) cancel this Lease as of the date the requested assignment is to be effective, or (ii) consent to the assignment in which event Tenant shall, at all times, remain fully responsible and liable for the payment of Rent and for the compliance of all of its obligations under the terms, provisions and covenants of this Lease. If Landlord elects the option specified in (ii) above, all rentals due and payable by any assignee under any permitted assignment shall be retained by Tenant. The option granted to Landlord shall be exercised within fifteen (15) days following the Landlord's receipt of notice from Tenant by delivery to Tenant of notice of Landlord's election. In the event notice of Landlord's election is not given within the time period specified above, Landlord shall be deemed to have elected option (ii) above. U p on the occurrence of an Event of Default (as defined in Section 16.1 below), if all or any part of the Leased Premises are then assigned or sublet, Landlord, in addition to any other remedies provided by this Lease or provided by law, may, at its option, collect directly from the assignee or subtenant all Rent becoming due to the Tenant by reason of the assignment or subletting, and Landlord shall have a security interest in all properties on the Leased Premises to secure payment of such sums. Any sums collected directly by Landlord from the assignee or subtenant shall not be construed to constitute a novation or a release of Tenant from the further performance of its obligations under this Lease. For purposes of this paragraph, a sale or transfer of more than 50% of the assets of Tenant shall be deemed to be an assignment, unless the transferee is a wholly owned subsidiary, parent or affiliate of Tenant.

14.2 If this Lease is assigned to any person or entity pursuant to the provision of the Bankruptcy Code, 11 U.S.C. ss. 101 et. seq., (the "Bankruptcy Code"), any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord.

14.3 Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed, without further act or deed, to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

14.4 Landlord shall have the right to transfer, assign, sublet or encumber in whole or in part, its rights and obligations in the building and property that are the subject of this Lease. In the event of the transfer and assignment by Landlord of its interest in this Lease and in the building containing the Leased Premises to a person expressly assuming the Landlord's obligations under this Lease, Landlord shall thereby be released from any further responsibility hereunder, and Tenant agrees to look solely to such successor in interest of the Landlord for performance of such obligations. Any security given by Tenant to Landlord to secure performance of Tenant's obligations hereunder may be assigned and transferred by Landlord to such successor in interest of Landlord; and, upon acknowledgment by such successor of receipt

of such security and its express assumption of the obligation to account to Tenant for such security in accordance with the terms of this Lease, Landlord shall thereby be discharged of any further obligation relating thereto.

ARTICLE 15. PROPERTY TAXES AND ASSESSMENTS

15.1 Subject to the provision of Section 15.2 below, Landlord agrees to pay before they become delinquent all real estate taxes and special assessments lawfully levied or assessed against the Leased Premises or any part thereof owned by Landlord; provided, however, Landlord may, at its sole cost and expense dispute and contest the same, and in such case, such disputed item need not be paid until finally adjudged to be valid. The Landlord shall have the right to employ a tax consulting firm to attempt to assure a fair tax burden on the Development with the applicable taxing authority. Tenant agrees to pay Tenant's Proportionate Share of the costs of such consultant.

15.2 Tenant shall be liable for all taxes levied or assessed against any personal property or fixtures placed in the Leased Premises. If any such taxes are levied or assessed against Landlord or Landlord's property and (a) Landlord pays the same, or (b) the assessed value of Landlord's property is increased by inclusion of such personal property and fixtures and Landlord pays the increased taxes, then, upon demand, Tenant shall pay to Landlord such taxes.

15.3 If, at any time during the primary term of this Lease or any renewal or extension thereof, any special assessments should be made against the Development whether for street improvements or other purposes, each monthly installment of Rent required to be paid by Tenant to Landlord under the terms of this Lease shall be increased by a sum equal to the fraction (having a numerator of one and a denominator of the number of months the appropriate governmental agency levying such assessment permits Landlord to pay for same) of the amount of Tenant's Proportionate Share of such assessment, plus interest Landlord must pay thereon. Such increase shall become effective on the first day of the month following the month in which such assessment or expenditure is required to be paid by Landlord and shall continue until the expiration or earlier termination of the Lease Term and any renewals or extensions thereof, or until the expiration of that number of months (being the number of months the appropriate governmental agency levying such assessment permits Landlord to pay for same) after the first such increased Rent payment shall become due, whichever event shall first occur. If, at any time, during the primary term of this Lease or any renewal or extension thereof, any governmental agency or body requires a modification or change in the Leased Premises or any part thereof, Tenant shall pay to the Landlord, on demand, the total cost of such modification or change; provided, however, if any such modifications or change is required to be made to the entire Development, or a building or buildings therein, Tenant shall pay to Landlord, on demand, Tenant's Proportionate Share thereof. Should any governmental body or agency determine that the Tenant's use of the sanitary sewer system serving the Development causes the sewerage standards of the Development to exceed certain maximum permitted requirements promulgated by such governmental body or agency, which causes an increase in the sanitary sewer rates or charges applicable to the building or buildings within the Development, Tenant shall, at the option of the Landlord, be required to (a) pay the amount of such increased charges; or (b) install, at Tenant's sole cost and expense, a separate water meter and sanitary sewer line serving the Leased Premises.

ARTICLE 16. DEFAULTS AND REMEDIES

16.1 The following events shall be deemed to be "Events of Default" by Tenant under this Lease:

A. Tenant shall fail to pay any installment of Rent hereby reserved promptly when due.

B. Tenant shall fail to comply with any term, provision, or covenant of this Lease, other than the payment of Rent, and shall not begin and pursue with reasonable diligence the cure of such failure within fifteen (15) days after written notice thereof to Tenant; provided, however, after Landlord has given Tenant written notice pursuant to this clause on two (2) separate occasions with regard to the same or substantially similar Event of Default within one (1) calendar year, Landlord shall not be required to give Tenant any further notice under this clause.

C. Tenant or the Lease Guarantor shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors.

D. Tenant or Lease Guarantor shall file a petition under any section or chapter of the Bankruptcy Code, or under any similar law or statute of the United States of America or any State thereof; or Tenant or the Lease Guarantor shall be adjudged bankrupt or insolvent in proceedings filed against Tenant or such guarantor thereunder.

E. A receiver or trustee shall be appointed for the Leased Premises or for all or substantially all of the assets of Tenant or the Lease Guarantor.

F. Tenant shall fail to occupy, desert, abandon or vacate any substantial portion of the Leased Premises.

G. Tenant shall do or permit to be done anything which creates a lien upon the Leased Premises, except were Tenant in good faith disputes the underlying charges, established an escrow for the disputed amount, and pursues with reasonable diligence the resolution of such claim and lien.

16.2 Upon the occurrence of any such Event of Default, Landlord shall have the option to pursue any one or more of the following remedies in addition to all other rights, remedies and recourses afforded Landlord hereunder or by law or equity, without any notice or demand whatsoever, except as may be specifically provided herein:

A. Terminate this Lease.

B. Enter upon and take possession of the Leased Premises without terminating this Lease.

C. Alter all locks and other security devices at the Leased Premises with or without terminating this Lease, and pursue, at Landlord's option, one or more remedies

pursuant to this Lease, Tenant hereby specifically waiving any state or federal law to the contrary.

D. Enter upon the Leased Premises using whatever legal means available to Landlord, and do whatever Tenant is obligated to do under the terms of this Lease; and Tenant further agrees that Landlord shall not be liable for any damages resulting to the Tenant from such action, unless caused by the gross negligence or willful misconduct of Landlord;

16.3 Upon any such Event of Default, Tenant shall immediately upon demand surrender the Leased Premises to Landlord, and if Tenant fails so to do, Landlord, without waiving any other remedy it may have, may enter upon and take possession of the Leased Premises and expel or remove Tenant and any other person who may be occupying such Leased Premises or any part thereof using whatever legal means available to Landlord. Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or violation of any of the terms, provisions and covenants herein contained. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default. Landlord may seek to restrain or enjoin any Event of Default or threatened Event of Default without the necessity of proving the inadequacy of any legal remedy or irreparable harm.

16.4 If Landlord terminates this Lease, at Landlord's option, Tenant shall be liable for and shall pay to Landlord, the sum of all Rent and other payments owed to Landlord hereunder accrued to the date of such termination, plus, as liquidated damages, an amount equal to the present value (using the current "prime" interest rate of Texas Commerce Bank, N.A., or should such financial institution no longer exist, a comparable financial institution) of the total Rent and other payments owed hereunder for the remaining portion of the Lease Term, calculated as if the Lease Term expired on the date set forth in Paragraph 1.1(F), less the then fair market rental of the Leased Premises for such period, which because of the difficulty of ascertaining such value, Landlord and Tenant stipulate and agree, shall in no event be deemed to exceed seventy-five percent (75 %) of the total rental amount (including any and all amounts due as additional rental) set forth in Paragraph 1.1(I).

16.5 If Landlord repossesses the Leased Premises without terminating the Lease, Tenant, at Landlord's option, shall be liable for and shall pay Landlord on demand all Rent and other payments owed to Landlord hereunder, accrued to the date of such repossession, plus all amounts required to be p aid by Tenant to Landlord until the date of expiration of the Lease Term as stated in Paragraph 1.1(F), diminished by all amounts received by Landlord through reletting of the Leased Premises during such remaining term (but only to the extent of the Rent herein reserved). Actions to collect amounts due by Tenant to Landlord under this Section 16.5 may be brought from time to time, on one or more occasions, without the necessity of Landlord's waiting until expiration of the Lease Term.

16.6 If Landlord repossesses the Leased Premises pursuant to the authority herein granted, then Landlord shall have the right to (i) keep in place and use, or (ii) remove and store, all of the furniture, fixtures and equipment at the Leased Premises, including that which is owned

by or leased to Tenant at all times prior to any foreclosure thereon by Landlord or repossession thereof by any lessor thereof or third party having a lien thereon. Landlord also shall have the right to relinquish possession of all or any portion of such furniture, fixtures, equipment and other property to any person ("Claimant") who presents to Landlord a copy of any instrument represented by Claimant to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into the authenticity or legality of such instrument.

16.7 Upon termination of this Lease or upon termination of Tenant's right to possession of the Leased Premises, Landlord may, but shall not be obligated to, attempt to relet the Leased Premises. If Landlord does elect to relet, Landlord may relet such portion of the Leased Premises, for such period, to such tenant, and for such use and purpose as Landlord, in the exercise of its reasonable discretion, may choose. Tenant shall not be entitled to the excess of any rent obtained by reletting over the Rent herein reserved.

16.8 The rights, remedies and recourses of Landlord for an Event of Default shall be cumulative and no right, remedy or recourse of Landlord, whether exercised by Landlord or not, shall be deemed to be in exclusion of any other.

16.9 Provisions of this Lease may not be waived orally or impliedly, but only by the party entitled to the benefit of the provision evidencing the waiver in writing. Thus, neither the acceptance of Rent by Landlord following an Event of Default (whether known to Landlord or not), nor any other custom or practice followed in connection with this Lease, shall constitute a waiver by Landlord of such Event of Default or any other or future Event of Default. Further, the failure by Landlord to complain of any action or inaction by Tenant, or to assert that any action or inaction by Tenant constitutes (or would constitute, with the giving of notice and the passage of time) an Event of Default, regardless of how long such failure continues, shall not extinguish, waive or in any way diminish the rights, remedies and recourses of Landlord with respect to such action or inaction. No waiver by Landlord of any provision of this Lease or of any breach by Tenant of any obligation of Tenant hereunder shall be deemed to be a waiver of any other provision hereof, or of any subsequent breach by Tenant of the same or any other provision hereof. Landlord's consent to any act by Tenant requiring Landlord's consent shall not be deemed to render unnecessary the obtaining of Landlord's consent to any subsequent act of Tenant. No act or omission by Landlord (other than Landlord's execution of a document acknowledging such surrender) or Landlord's agents, including the delivery of the keys to the Leased Premises, shall constitute an acceptance of a surrender of the Leased Premises.

16.10. Upon any Event of Default, Tenant shall also pay to Landlord all reasonable costs and expenses incurred by Landlord, including court costs and expenses incurred by Landlord, in (a) retaking or otherwise obtaining possession of the Leased Premises, (b) removing and storing Tenant's or any other occupant's property, (c) repairing, restoring, or otherwise putting the Leased Premises into as good a condition as that in which it was originally delivered to Tenant, (d) reletting all or any part of the Leased Premises, (e) paying or performing the underlying obligation which Tenant failed to pay or perform, and (f) enforcing any of Landlord's rights, remedies or recourses arising as a consequence of the Event of Default.

16.11. Landlord shall be in default hereunder only if Landlord has failed, within thirty (30) days from the receipt by Landlord of notice from Tenant of any alleged default by Landlord, to begin and pursue with reasonable diligence the cure of any alleged default of Landlord hereunder. Unless or until Landlord fails to commence cure any default after the receipt of such notice and the passage of such time, Tenant shall not have any remedy or cause of action by reason thereof. In the event of any default by Landlord, Tenant's exclusive remedy shall be an action for damages or a suit for specific performance (Tenant hereby waiving the benefit of any laws granting Tenant a lien upon the property of Landlord and/or upon Rent due to Landlord or the right to terminate this Lease). Landlord's obligations hereunder shall be construed as covenants, not conditions.

16.12. If Landlord defaults under this Lease and, as a consequence of the default, Tenant recovers a money judgment against Landlord and/or any of the Landlord Related Parties, the judgment shall be satisfied only out of, and Tenant hereby agrees to look solely to, the interest of Landlord and/or any of the Landlord Related Parties in the Development as the same may then be encumbered, and neither Landlord nor any Landlord Related Parties shall otherwise be liable for any deficiency. In no event shall Tenant have the right to levy execution against any property of Landlord other than their interest in the Development. Under no circumstances whatsoever shall Landlord or any Landlord Related Part y ever be liable hereunder in any capacity for consequential damages or special damages. This Section shall not limit any right of Tenant to obtain specific performances of Landlord's obligations hereunder.

ARTICLE 17. LANDLORD'S LIEN

17.1 In addition to the statutory landlord's lien, Landlord shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Tenant, and to secure payments of any damages or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant presently, or which may hereafter be, situated on the Leased Premises, and all proceeds therefrom and such property shall not be removed from the Leased Premises without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. Upon the occurrence of an event of default by Tenant, Landlord may, in addition to any other remedies provided herein or by law, enter upon the Leased Premises and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant situated on the Leased Premises, without liability for trespass or conversion, an d sell the same at private or public sale, with or without having such property at the sale, after giving Tenant reasonable notice of the time and place of any public sale or of the time after which any private sale is to be made. Unless otherwise required by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice to Tenant of a private or public sale shall be met if such notice is given in the manner prescribed in Article 21 of this Lease at least ten (10) days before the time of sale, Tenant agreeing that such notice affords Tenant sufficient opportunity prior to sale to obtain a hearing if desired by Tenant. Any public sale made under this Article 17 shall be deemed to have been conducted in a

commercially reasonable manner if held in the Leased Premises or where the property is located, after the time, place and method of sale and a general description of the type of property to be sold have been advertised in a daily newspaper published in Harris County, Texas, for five (5) consecutive days before the date of the sale. Landlord or its assigns may purchase at a public sale, and unless prohibited by law, at a private sale. The proceeds from any disposition dealt with in this Article 17, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorney's fees and legal expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this Article 17. Any surplus shall be paid to Tenant or as otherwise required by law; Tenant shall pay any deficiencies forthwith. The statutory lien for Rent is not hereby waived, the security interest herein granted being in addition and supplementary thereto.

17.2 Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Uniform Commercial Code in force in the State of Texas. Tenant hereby appoints Landlord its agent and attorney-in-fact for purposes of filing UCC-1 statements in the appropriate governmental offices to evidence the liens herein granted.

ARTICLE 18. SURRENDER AND HOLDING OVER

18.1 Upon the expiration or termination of the Lease Term for whatever cause, or upon the exercise by Landlord of its right to re-enter the Leased Premises without terminating this Lease, Tenant shall immediately, quietly and peaceably surrender to Landlord possession of the Leased Premises in "broom clean" and good order, condition and repair, except only for ordinary wear and tear, damage by casualty not covered by Section 6.4 and repairs to be made by Landlord pursuant to Section 6.1. If Tenant fails to surrender possession as herein required, Landlord may initiate any and all legal action as Landlord may elect to dispossess Tenant and all of its property, and all persons or firms claiming by, through or under Tenant and all of their property, from the Leased Premises, and may remove from the Leased Premises and store (without any liability for loss, theft, damage or destruction thereto) any such property at Tenant's cost and expense. For so long as Tenant remains in possession of the Leased Premises after such expiration, termination or exercise by Landlord of its re-entry right, Tenant shall be deemed to be occupying the Leased Premises as a tenant-at-sufferance, subject to all of the obligations of Tenant under this Lease, except that the daily Rent shall be twice the per day Rent in effect immediately prior to such expiration, termination or exercise by Landlord. No such holding over shall extend the Lease Term. If Tenant fails to surrender possession of the Leased Premises in the condition herein required, Landlord may, at Tenant's expense, restore the Leased Premises to such condition.

18.2 Tenant shall be liable to Landlord for all loss or damage on account of any such holding over against Landlord's will after the termination of this Lease, whether such loss or damage may be contemplated at this time or not.

ARTICLE 19. SUBORDINATION, ATTORNMENT AND ESTOPPEL

19.1 Tenant accepts this Lease subject and subordinate to any mortgage, deed of trust, or other lien presently existing or hereafter placed upon the Leased Premises or upon the Development as a whole, and to any renewals and extensions thereof; but Tenant agrees that any such mortgagee shall have the right at any time to subordinate such mortgage, deed of trust or other lien to this Lease on such terms and subject to such conditions as such mortgagee may deem appropriate in its discretion. Landlord is hereby irrevocable vested with full power and authority, if it so elects at any time, to subordinate this Lease to any mortgage, deed of trust, or other lien hereafter placed upon the Leased Premises or upon the Development as a whole. Tenant agrees, upon demand to execute such further instruments subordinating this Lease as Landlord may reasonably request, provided such subordination shall be upon the express condition that this Lease shall be recognized by the mortgagee, and that the rights of Tenant shall remain in full force and effect during the term of this Lease so long as Tenant shall continue to perform all of the covenants and conditions of this Lease. In the event that Tenant should fail to execute any such instrument promptly as reasonably requested, Tenant hereby irrevocably constitutes Landlord its attorney-in-fact to execute such instrument in Tenant's name, place and stead.

19.2 Upon the written request of any person or party succeeding to the interest of Landlord under this Lease, Tenant shall automatically become the tenant of and attorn to such successor in interest without any change in any of the terms of this Lease. No successor in interest shall be (a) bound by any payment of rent for more than one month in advance, except payments of security for the performance by Tenant of Tenant's obligations under this Lease, (b) subject to any offset, defense or damages arising out of a default or any obligations of any preceding Landlord, or (c) bound by any amendment of this Lease entered into after Tenant has been given notice of the name and address of Landlord's mortgagee and without the written consent of Landlord's mortgagee or such successor in interest. The subordination, attornment and mortgage protection clauses of this Section 19 shall be self-operative and no further instruments of subordination, attornment or mortgagee protection need be required by any mortgagee or successor in interest thereto. Nevertheless, upon the written request therefor and without any compensation or consideration being payable to Tenant, Tenant agrees to execute, have acknowledged and deliver such instruments as may be reasonably requested to confirm the same.

19.3 Tenant agrees that it will from time to time upon request by Landlord execute and deliver to the Landlord, an Estoppel Certificate , certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified) and further stating the dates to which rent and other charges payable under this Lease have been paid. Tenant shall agree to sign the Estoppel Certificate, within three (3) business days of same being presented by Landlord

ARTICLE 20. OPERATING COSTS AND C.A.M.

20.1 In the event the Operating Costs (as defined below) of Landlord upon the building and/or Development of which the Leased Premises are a part shall, in any calendar year during the term of this Lease, exceed the amount stated in Section 1.1 (I), Tenant agrees to pay to

Landlord as additional rental, upon demand, Tenant's Proportionate Share of any such excess Operating Costs. In the year in which this Lease terminates, Landlord, in lieu of waiting until the close of the calendar year in order to determine any excess Operating Costs, has the option to charge Tenant for Tenant's Proportionate Share of the Operating Costs based upon the previous year's excess Operating Costs, if any. In order to calculate the Operating Cost, Landlord and Tenant agree as follows:

A. The term "Operating Costs" as used above includes all expenses incurred by Landlord with respect to the ownership, maintenance and operation of the building and/or Development of which the Leased Premises are a part, including, but not limited to, maintenance and repair costs, management fees, wages and fringe benefits payable to employees of Landlord whose duties are connected with the operation and maintenance of the building and/or Development, amounts paid to contractors and subcontractors for work or services performed in connection with the operation and maintenance and repair of the building and/or Development, all services, supplies, repairs, replacements or other expenses for maintaining and operating the building and/or Development. Operating Costs also includes all real property taxes, assessments (whether general or special) and governmental charges of any kind and nature whatsoever including assessments due to deed restrictions and/or owner's associations, which accrue against the building and/or Development of which the Leased Premises are a part during the term of this Lease as well as all insurance premiums Landlord is required to pay or deems necessary to pay, including without limitation public liability insurance and fire and extended coverage insurance with respect to the building and/or Development. Operating Costs does not include any capital costs for roof or parking lot replacement, nor shall it include repairs, restoration or other work occasioned by fire, windstorm or other casualty to the extent of net insurance proceeds received by Landlord with respect thereto, income and franchise taxes of Landlord, expenses incurred in leasing to or procuring of tenants, leasing commissions, advertising expenses, expenses for the renovating of space for tenants, interest or principal payments on any mortgage or other indebtedness of Landlord, nor depreciation allowance or expense.

B. If at any time during the term of this Lease, the present method of taxation shall be changed so that in lieu of the whole or part of any taxes, assessments or governmental charges levied, assessed or imposed on real estate and the improvements thereon, there shall be levied, assessed or imposed on Landlord a capital levy or other tax directly on the rents received therefrom and/or a franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon such rents for the present or any future building or buildings in the Development, then all such taxes, assessments, levies or charges, or the part thereof so measured or based, shall be deemed to be included within the term "taxes" for the purposes ----- hereof.

C. Any payment to be made pursuant to this Section 20.1 with respect to the calendar year in which this Lease commences or terminates shall be prorated.

20.2 Tenant agrees to pay Landlord, as additional rental, Tenant's Proportionate Share of the Common Area Maintenance (C.A.M.) expenses for the Development in monthly installments. The estimated C.A.M. charges at the time of the execution of this Lease is stated in Section 1.1 (I). Future C.A.M. charges will be based on actual expenses, but in no event shall the C.A.M. charges be less than the amount stated in Section 1.1 (I). C.A.M. charges include, but are not limited to, landscaping, water, sewer, common area lighting, window cleaning, termite/pest control, trash and snow removal, security, common area parking costs, and other expenses incurred with respect to repair, replacement, maintenance and operation of the Development.

20.3 Unless and until Landlord delivers to Tenant a revision of the estimated additional rental, Tenant shall pay to Landlord, coincident with the Tenant's payment of Rent, an amount equal to the estimated additional rental for the remainder of such year divided by the number of months remaining in such year. From time to time during any year, Landlord may re-estimate the additional rental to be due by Tenant for that year and deliver a copy of the estimate to Tenant. Thereafter, the monthly installments of additional rental payable by Tenant shall be proportionately adjusted in accordance with the estimation so that, by the end of the year, Tenant shall have paid all of the additional rental as estimated by Landlord.

20.4 After the conclusion of each year during the Lease Term, and after termination or expiration of the Lease Term, Landlord shall deliver to Tenant a statement of actual additional rental due by Tenant for the year (or, with respect to termination or expiration, the portion of the year) just ended. Within thirty (30) days thereafter, Tenant shall pay to Landlord, the difference between the actual additional rental due for such year and the estimated additional rental paid by Tenant during such year. Tenant shall have the right to review, at Tenant's expense and after giving twenty (20) days prior notice to Landlord, Landlord's records relating to Operating Costs or C.A.M. charges for any periods within two (2) years prior to the review; provided, however, no review shall extend to periods of time preceding the Commencement Date.

ARTICLE 21. NOTICES

21.1 All notices and other communications given pursuant to this Lease shall be in writing and shall either be mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, and addressed as set forth in this Section 21.1, or delivered in person to the intended addressee, or sent by facsimile or telecopy followed by a confirmatory letter. Notice mailed shall become effective three (3) business days after deposit. Notice given in any other manner, shall be effective only upon receipt. For the purposes of notice, the address of (a) Landlord shall be at the Landlord's Agent's address specified in Section 1.1(B), and (b) Tenant shall be the address recited in Section 1.1(C). Each party shall have the continuing right to change its address for notice hereunder by the giving of 15 days' prior notice to the other party in accordance with this Section 21.1.

21.2 If and when included within the term "Landlord", as used in this Lease, there is more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of such a notice specifying some individual at some specific address for the receipt of notices and payments to Landlord. If and when included within the term "Tenant", as used in this Lease, there is more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of such a notice specifying some individual at some

specific address for the receipt of notices and payments to Tenant. All parties included within the terms "Landlord" and "Tenant", respectively, shall be bound by notices and payments given in accordance with the provisions of this Article 21 to the same effect as if each had received such notice or payment.

ARTICLE 22. MISCELLANEOUS

22.1 Nothing herein contained 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 of joint venture between the parties hereto. It expressly understood and agreed a neither the method of computation of rent, nor any other provisions contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of landlord and tenant.

22.2 The captions used in this Lease are for convenience only and do not in any way limit or amplify the terms and provisions hereof.

22.3 Whenever a period of time is herein prescribed for action to be taken by Landlord or Tenant, neither shall be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations, or restrictions or any other causes of any kind whatsoever which are beyond the reasonable control of Landlord or Tenant.

22.4 All obligations of Landlord and Tenant under the terms of this Lease shall be payable in Houston, Harris County, Texas and performable in the County in which the Leased Premises is located. The laws of the State of Texas shall govern the interpretation, validity, performance, and enforcement of this Lease.

22.5 Landlord hereby covenants and agrees that if Tenant shall perform all of the covenants and agreements herein required to be performed on the part of the Tenant, Tenant shall, subject to the terms of this Lease, at all times during the continuance of this Lease have the peaceable and quiet enjoyment and possession of the Leased Premises.

22.6 Words of any gender used in this Lease shall be held and construed to include any gender and words in the singular number shall be held to include the plural, unless the context otherwise requires.

22.7 This Lease, together with the attached exhibits, contains the entire agreement between the parties, and supersedes any prior understandings or written or oral agreements between the parties. No amendment, modification or alteration of this Lease shall be effective to change, modify or terminate this Lease in whole or in part unless such agreement is in writing and duly signed by the party against whom enforcement of such change, modification or termination is sought.

22.8 Time is of the essence with respect to each date or time specified in this Lease by which an event is to occur.

22.9 The terms, provisions and covenants contained in this Lease shall apply to, inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors in interest, legal representatives and assigns, except as otherwise herein expressly provided or limited. All rights, powers, privileges, immunities and duties of Landlord under this Lease, including but not limited to any notices required or permitted to be delivered by Landlord to Tenant hereunder, may, at Landlord's option, be exercised or performed by Landlord's Agent or attorney.

22.10. In the event that Landlord shall make any expenditures for which Tenant is responsible or which Tenant should make, then the amount thereof may at the Landlord's election, be added to and be deemed a part of the installment of rent next falling due.

22.11. All parking within the Development shall be common unless Landlord, in its sole election, designates parking for the Development in order to improve the peaceable enjoyment by all Tenants of their respective premises. In the event of such election by Landlord, Tenant agrees that all its employees and invitees shall use only those parking areas designated by Landlord for Tenant's use.

22.12. If any provision of this Lease should be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions of this Lease shall not be affected thereby.

22.13. The obligations of Tenant to pay Rent and to perform the other undertakings of Tenant hereunder constitute independent unconditional obligations to be performed at the times specified hereunder, regardless of any breach or default by Landlord hereunder. Tenant shall have no right, and Tenant hereby waives and relinquishes all rights which Tenant might otherwise have, to withhold, deduct from or offset against any Rent or other sums to be paid to Landlord by Tenant.

22.14. If applicable in the jurisdiction where the Leased Premises are situated, Tenant shall pay and be liable for all rental. sales, and use taxes or other similar taxes, if any, levied or imposed by any City, State, County or other governmental body having authority, such payments to be in addition to all other payments by Tenant under the terms of this Lease. Any such payments shall be paid concurrently with the payment of the rent upon which the tax is based as set forth above.

22.15. Except as designated in Section 1.1(M), Tenant hereby warrants and represents to Landlord that it has not incurred or authorized any brokerage commission, finder's fees or similar payments in connection with this Lease, and agrees to defend, indemnify and hold Landlord harmless from and against any claim for brokerage commission, finder's fees or similar payment arising by virtue of authorization of Tenant, or any affiliate of Tenant, in connection with this Lease.

22.16. Any amount due from Tenant to Landlord which is not paid when due shall bear interest at the lesser of the maximum rate allowed by law, or eighteen percent (18%) per annum, from the date such payment is due until paid, but the payment of such interest shall not excuse or cure the default in payment.

22.17. As used in this Lease, the symbol "$" shall mean United States dollars, the lawful currency of the United States.

22.18. The person executing this Lease on behalf of Tenant personally warrants and represents to Landlord that (a) if Tenant is duly organized, legally existing, and in good standing in the state Texas; (b) Tenant has full right and authority to execute, deliver and perform this Lease; (c) the person executing this Lease on behalf of Tenant was authorized to do so; and, (d) upon request of Landlord, such person will deliver to Landlord satisfactory evidence of his or her authority to execute this Lease on behalf of Tenant.

22.19. Neither this Lease (including any Exhibit hereto) nor any memorandum hereof shall be recorded without the prior written consent of Landlord.

22.20. All Exhibits and written addenda hereto are incorporated herein for any and all purposes.

22.21. This Lease may be executed in multiple counterparts, each of which shall be an original, but all of which shall constitute but one instrument.

22.22. OTHER CONDITIONS:

A. Landlord to make the following improvements to the space.

1. Paint office area and replace all damaged ceiling tiles.

2. Install carpet, base in the office area and vinyl flooring in restrooms and break area. The workroom shall remain a concrete floor.

3. Service overhead doors.

4. Install a 10' wide overhead door on the South wall of the Lease Premises.

5. Service and warrant for ninety (90) days from Tenant's occupancy HVAC, electrical and plumbing.

B. Tenant shall be allowed to occupy the Leased Premises by July 1, 1998.

LANDLORD:

DATE: 6/3/98

Investors Equity Fund, Inc.

By: /s/ Don Eastveld

Name: Don Eastveld

Title: Vice President

TENANT:

DATE: 5/27/98

Amorphous Technologies International

By: /s/ James Kang

Name: James Kang

Title:

LEASE AGREEMENT

This agreement is made on the 2nd July, 2001 between President, Eunsook Park of Keumkwang (Landlord) and the Tenant, Liquidmetal Technologies (represented by Abraham Yoo).

1. PREMISES

Real property commonly known by the street address of 130 BL/ Lot3, Namdong Industrial Complex, 695-2, Gojan-Dong, Namdong-Ku, Incheon, Korea.

Used for Manufacturing Plant approximately 9,000 square feet. (Refer to the attachment)

Electricity: Industrial high voltage 100 KW

Security deposit: 55,000,000 Won

Monthly base rent: 5,500,000 Won per month (VAT excluded)

Lease term: Commencement date - 07/07/2001

Termination date - 07/06/2002

2. USE

The Premises shall be used and occupied only for product manufacturing and for no other purpose.

3. EXTENSION OR TERMINATION OF THE AGREEMENT

If both parties don't give any further notice within 3 months ahead of lease termination, this agreement shall be extended for another year under the same condition.

4. TERMINATION DURING THE LEASE TERM

Premature termination of the lease shall require at least 3-month advanced notice in written statement. Otherwise, Tenant shall pay the amount of 3-month rent for compensation with no objection.

5. BASE RENT

Base rent will be the amount set forth above in the article 1. (VAT excluded)

6. DELIVERY OF BASE RENT

Tenant shall pay the monthly installment of base rent in cash by the last day of each calendar month succeeding to the commencement date upon signing this agreement. If Tenant is delinquent in any monthly installment of base rent for more than 60 days, Landlord can unilaterally terminate the agreement and request vacation of the Premises.

7. BASE RENT IS DEEMED TO THE AMOUNT BASED ON NUMBER OF DAYS, NOT MONTH, NO MATTER WHICH DATE OF THE MONTH WAS THE DATE OF COMMENCEMENT.

8. RENT INCREASE

Base rent is subject to the changes of prices and expenses to maintain the Premises. Landlord may increase base rent unilaterally every year.

9. BASIC DATE OF RENT

In case of delay in commencement, Tenant shall be obligated to pay rent. If Landlord is unable to deliver possession as agreed, the rent shall be calculated based on the date of actual possession by Tenant.

10. PAYMENT OF BASE RENT

The security deposit and rent shall be payable in lawful money of the Republic of Korea in cash.

11. SECURITY DEPOSIT

Tenant shall pay 5,500,000 Won, 10% equal to the security deposit, 55,000,000 Won on signing the agreement, then pay the reminder of the amount by July 7th, 2001 in full. No interest shall be paid to the deposit during the lease term defined. If Tenant fails to pay rent or other charges due hereunder, Landlord may use, apply or retain all or any portion of deposit for the payment of any rent or other charge in default or for the payment of any sum to which Landlord may become obligated by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer thereby. Tenant shall also pay the portion of deposit deducted in 15 days, otherwise Landlord may claim 10% equal to deposit for compensation.

12. RETURN OF SECURITY DEPOSIT

The deposit shall be returned at the expiration of the term there of, and after Tenant have vacated the Premises. If Tenant fails to move in as well as pay the rent in time more than 2 months, the lease can be terminated unilaterally, even though Tenant holds the mutual agreement in written statement. If any portion of deposit has been deducted, only the reminder of the amount from deposit shall be returned. If Tenant infringes the agreement, Landlord can deduct 10 % equal to deposit for compensation.

13. DELAY IN COMMENCEMENT

If possession is not delivered within 60 days after the commencement date, Landlord may request unilateral termination of lease and make claim for compensation.

14. PROHIBITION ON TRANSFER OF RIGHT AND SUBLET

1) Without Landlord's prior consent, Tenant shall not assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises and shall be void and of no effect.

2) Tenant shall obtain the prior consent of Landlord, Master Lessor to any subletting.

3) If Tenant fails to keep the agreement above, the lease shall be automatically terminated and Tenant shall evacuate the Premises with no objection.

15. ALTERATIONS, ADDITIONS OR IMPROVEMENTS TO THE PREMISES

Any Alterations, additions or improvement made by or on behalf of Tenant to the Premises shall be subject to Landlord's prior consent and shall be done at Tenant's expenses. Details of alterations, additions or improvements. 1) through 7)

16. LANDLORD'S LIMITATION OF LIABILITY

1) Landlord shall not be subject to responsibilities in damages caused by natural disasters or any causes that can't be reverted to its responsibilities.

2) Any damages by Tenant and its occupants during the lease term shall be repaired by Tenant's own expenses.

3) Any civil or criminal cases involving environmental issues occurred during the lease term shall be Tenant's responsibility. Landlord shall disclaim all the responsibility in the matter of legal issues.

17. FIRE PREVENTION

Tenant is subject to insure the Premises against fire valid from the commencement date as well as furnish the property with fire extinguishers. Tenant shall train its occupants for fire prevention.

18. EVACUATION OF THE PREMISES

1) If Tenant fails to pay the rental installment, Landlord may terminate the lease or refuse to extend it. Landlord may request immediate evacuation of the Premises.

2) Tenant shall vacate the Premises within five days once the lease is terminated or canceled. The Premises shall be remained in a sound condition when evacuated.

(handwritten note says) To install partitions, Tenant shall pay 2,000,000 Won at its expense, and leave as it is when vacating unless Landlord asks to remove.

19. LANDLORD'S RIGHT OF PROPERTY DISPOSAL

1) Tenant's absence from the country shall not be excused from any legal responsibilities. If the lease terminates while Tenant's out of country without any notice and rent is not completely paid, Landlord may dispose of the facilities by auction.

2) Landlord shall obtain the priority to settle default payment from the disposal.

20. INSPECTION

Landlord, its agents, and contractors may enter the Premises to inspect the Premises or to show the Premises to prospective tenants and purchasers. Tenant shall not refuse to get the inspection without appropriate reasons.

21. NOTICE ON ANY CHANGES OF TENANT'S STATUS

Tenant shall give a notice to Landlord regarding any changes of address, name of business, representative, or the purpose of business in written statement.

22. TAXES

Landlord shall pay all taxes, however, taxes that accrue against the Project during the Lease Term shall be included as part of the operating expenses charged to Tenant.

23. TENANT'S REPAIRS

Tenant shall compensate any damages on the Premises caused by Tenant, visitors or others related at its expenses. It shall cover damages by accident as well as the ones on purpose.

24. TERMINATION OF LEASE

Landlord can terminate the lease without delay in case of:

1) In case of bankruptcy, provisional attachment, attachment, or any relevant changes that prove serious menace to the lease based on Landlord's judgment.

2) If Tenant fails to keep the agreement

3) Even after the termination of the agreement, Landlord may make claim for compensation.

25. ELECTRICITY

Tenant shall be the operator of the electric facilities on the Premises and have an independent obligation to ensure the safety from any accident or damages caused by electric problems.

ADDENDUM (DETAILS NOT TRANSLATED.)

1. Payment of delayed rent and tax

2. Supplement to the article 16-3

3. More about eviction

Both parties shall keep the original copy signed by each representative.

July 2nd, 2001

Landlord: Keumkwang Inc. /s/ Eunsook Park

Tenant: Liquidmetal Technologies /s/ Abraham Yoo

ATTACHMENT:

1. Floor Plan. (omitted)

2. Certified copy of Building registration issued by District Court of Incheon. (omitted)

TRANSLATION CERTIFICATE

THE UNDERSIGNED OFFICER 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.

BY: /s/ JOHN KANG

John Kang, President
of Liquidmetal Technologies

EXHIBIT 10.7

AMORPHOUS TECHNOLOGIES INTERNATIONAL

1996 STOCK OPTION PLAN

NOTICE: QUALIFIED OPTIONS UNDER THIS PLAN BEAR RESTRICTIONS GOVERNED BY SECTION 422 OF THE INTERNAL REVENUE CODE. PLAN PARTICIPANTS ARE URGED TO READ SECTION 422 AN]) TO UNDERSTAND THE RESTRICTIONS CONTAINED THEREIN. NOT ALL SECTION 422 RESTRICTIONS ARE REFERENCED IN THIS PLAN. PLAN PARTICIPANTS ARE URGED TO CONSULT WITH THEIR TAX AND LEGAL ADVISORS CONCERNING THE NATURE AN]) RESTRICTIONS UPON THE OPTIONS GOVERNED HEREBY.

1. Purposes.

(a) the purpose of the Plan is to provide a means by which selected employees, Directors and Consultants of the Company and its Affiliates, may be given an opportunity to benefit from increases in value of the stock of the Company through the granting of Incentive Stock Options and Nonstatutory Stock Options, as defined below.

(b) The Company, by means of the Plan, seeks to retain the services of persons who are now Employees, Directors or Consultants of the Company or its Affiliates, to secure and retain the services of new Employees, Directors and Consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

(c) The Company intends that the Options issued under the Plan shall, in the discretion of the Board or any Committee to which responsibility for administration of the Plan has been delegated pursuant to Section 3(c), be either Incentive Stock Options and Nonstatutory Stock Options. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and in such form as issued pursuant to Section 6, and a certificate or certificates will be issued for shares purchased on exercise of such Options.

2. Definitions.

(a) "Affiliate" means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f) respectively, of the Code.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means a Committee appointed by the Board in accordance with Section 3(c) of the Plan.

(e) "Company" means Amorphous Technologies International, a California corporation.

(f) "Consultant" means any person, including an advisor, engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services, provided that the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(g) "Continuous Status as an Employee. Director or Consultant" means the employment or relationship as a Director or Consultant is not interrupted or terminated. The Board, in its sole discretion, may determine whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave or any other personal leave; provided, however, that for purposes of Incentive Stock Options, any such leave may not exceed three (3) months, unless reemployment upon the expiration of such leave is guaranteed by contract, Company policies or statute; or (ii) transfers between locations of the Company or between the Company, Affiliates or their successors.

(h) "Covered Employee" means the Chief Executive Officer and the four (4) other highest compensated officers of the Company.

(i) "Director" means a member of the Board.

(j) "Disinterested Person" means a Director who either (i) was not during the one year prior to service as an administrator of the Plan granted or awarded equity services pursuant to the Plan or any other plan of the Company or any of its affiliates except as permitted by Rule 16b-3(c)(2)(i) promulgated under the Exchange Act; or (ii) is otherwise considered to be a "disinterested person" in accordance with Rule 16b-3(c)(2)(i), or any other applicable rules, regulations or interpretations of the Securities and Exchange Commission.

(k) "Employee" means any person, including Officers and Directors, employed by the Company or any Affiliate of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" means, as of any date, the value of the Common Stock of the Company determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAO") System, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such

system or exchange on the last market trading day prior to the day of determination, as reported in the Wall Street Journal or such other source as the Board deems reliable;

(ii) If the Common Stock is quoted on the NASDAQ System (but not on the National Market System thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a share of Common Stock shall be the mean between the bid and asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in the Wall Street Journal or such other source as the Board deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(n) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(o) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(p) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(q) "Option" means a stock option granted pursuant to the Plan.

(r) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(s) "Optionee" means an Employee, Director or Consultant who holds an outstanding Option.

(t) "Outside Director" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (as defined in the Treasury regulations promulgated under Section 162(m) of the Code), if not a former employee of the Company or an affiliated corporation receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an affiliated corporation at any time, and is not currently receiving compensation for personal services in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(u) "Participant" means an Employee, Director or Consultant who is granted Options.

(v) "Plan" means this 1996 Stock Option Plan.

(w) "Rule 1 6b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 1 6b-3, as in effect when discretion is being exercised with respect to the Plan.

(x) "Securities Act" means the Securities Act of 1933, as amended.

3. Administration.

(a) The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee, as provided in Section 3(c).

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Options; when and how Options shall be granted; whether an Option will be an Incentive Stock Option or a Nonstatutory Stock Option, the provisions of each Option granted (which need not be identical), including the vesting schedule for the Options, and the number of shares underlying such Options to be granted to each such person.

(ii) To construe and interpret the Plan and Options granted under it, and to establish amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Option Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or advisable to promote the best interests of the Company.

(c) The Board may delegate administration of the Plan to a committee composed of not fewer than two (2) members of the Board (the "Committee"), all of the members of which Committee shall be Disinterested Persons and may also be, in the discretion of the Board, Outside Directors. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board (and references in this Plan to the Board shall thereafter be to the Committee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. Notwithstanding anything in this Section 3 to the contrary, the Board or the Committee may delegate to a committee of one or more members of the Board the authority to grant Options to eligible persons who (1) are not then subject to Section 16 of the Exchange Act, and/or (2) are either (i) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Option, or (ii) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code.

(d) Any requirement that an administrator of the Plan be a Disinterested Person shall not apply if the Board or the Committee expressly declares that such requirement shall not apply. Any Disinterested Person shall otherwise comply with the requirements of Rule 1 6b-3.

4. Shares Subject to the Plan.

Subject to the provisions of Section 11 relating to adjustments upon changes in stock, the stock that may be issued pursuant to Options shall not exceed in the aggregate one million (1,000,000) shares of the Company's Common Stock. If any Option shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the stock not acquired under such Option shall revert to and again become available for issuance under the Plan.

5. Eligibility.

(a) INCENTIVE STOCK OPTIONS MAY BE GRANTED ONLY TO EMPLOYEES. Nonstatutory Stock Options may be granted only to Employees, Directors or Consultants.

(b) A Director shall in no event be eligible for the benefits of the Plan unless at the time discretion is exercised in the selection of the Director as a person to whom Options may be granted, or in the determination of the number of shares which may be covered by Options granted to the Director: (i) the Board has delegated its discretionary authority over the Plan to a Committee which consists solely of Disinterested Persons; or (ii) the Plan otherwise complies with the requirements of Rule 16b-3. THIS SECTION 5(B) SHALL NOT APPLY IF THE BOARD OR COMMITTEE EXPRESSLY DECLARES THAT IT SHALL NOT APPLY.

(c) No person shall be eligible for the grant of an Incentive Stock Option if, at the time of grant, such person owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates unless the exercise price of such Incentive Stock Option is at least one hundred ten percent (110%) of the Fair Market Value of such stock at the date of grant and the Incentive Stock Option is not exercisable after the expiration of five (5) years from the date of grant.

6. Option Provisions.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) Price. The exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the

date the Option is granted. Notwithstanding the foregoing, the exercise price of any Incentive Stock Option granted hereunder to any stockholder possessing at least 10% of the total combined voting power of all classes of stock of the Company shall be not less than one hundred ten percent (110%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted.

(c) Consideration. The purchase price of stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised, (ii) at the discretion of the Board or the Committee, either at the time of the grant or exercise of the Option, by delivering to the Company other shares of Common Stock of the Company (provided that the shares have been held for the period required to avoid a charge to the Company's reported earnings), (iii) at the discretion of the Board or the Committee, either at the time of the grant or exercise of the Option, by delivering to the Company all or any part of an Option granted under this Plan for a cashless exercise (provided that such cashless exchange will not result in a charge to the Company's reported earnings), or (iv) by tendering any other form of legal consideration that may be acceptable to the Board.

(d) Transferability. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the Incentive Stock Option is granted only by such person. A Nonstatutory Stock Option granted to an Optionee subject to Section 16 of the Exchange Act on the date of grant shall not be transferable except by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order satisfying the requirements of Rule 16b-3 and the rules thereunder (a "QDRO"), and shall be exercisable during the lifetime of the person to whom the Option is granted only by such person or any transferee pursuant to a QDRO. A Nonstatutory Stock Option granted to an Optionee who is not subject to Section 16 of the Exchange Act on the date of grant may not be transferable except by will or by the laws of descent and distribution, unless otherwise permitted by the Board. The person to whom the Option is granted may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionee, shall thereafter be entitled to exercise the Option.

(e) Vesting. The total number of shares of stock subject to an Option may, but need not, be allotted in periodic installments (which may, but need not, be equal). The Option Agreement may provide that from time to time during each of such installment periods, the Option may become exercisable ("vest") with respect to some or all of the shares allotted to that period, and may be exercised with respect to some or all of the shares allotted to such period and/or any prior period as to which the Option became vested but was not fully exercised. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The provisions of this Section 6(e) are subject to any Option provisions governing the minimum number of shares as to which an Option may be exercised.

(f) Termination of Employment or Relationship as a Director or Consultant. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates (other than upon the Optionee's death or disability), the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it at the date of termination) but only within such period of time ending on the earlier of (i) the date ninety (90) days after the termination of the Optionee's Continuous Status as an Employee, Director or Consultant (or such longer period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionee does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(g) Disability of Optionee. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates as a result of the Optionee's disability, the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it at the date of termination), but only within such period of time ending on the earlier of (i) the date six (6) months following such termination (or such longer period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(h) Death of Optionee. In the event of the death of an Optionee during, or within a period specified in the Option after the termination of, the Optionee's Continuous Status as an Employee, Director or Consultant, the Option may be exercised (to the extent the Optionee was entitled to exercise the Option at the date of death) by the Optionee's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionee's death pursuant to subsection 6(d), but only within the period ending on the earlier of (i) the date twelve (12) months following the date of death (or such longer period specified in the Option Agreement), or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

7. Cancellation and Regrant of Options.

(a) The Board or the Committee shall have the authority to effect, at any time and from time to time, (i) the repricing of any outstanding Options under the Plan, and/or (ii) with the consent of the affected holders of Options, the cancellation of any outstanding Options

under the Plan and the grant in substitution therefor of new Options under the Plan covering the same or different numbers of shares of stock, but having an exercise price per share not less than one hundred percent (100%) of the Fair Market Value in the case of an Incentive Stock Option or, in the case of a ten percent (10%) stockholder (as described in Section 5(c)) not less than one hundred ten percent (110%) of the Fair Market Value) in the case of an Incentive Stock Option per share of stock on the new grant date.

(b) Shares subject to an Option cancelled under this Section 7 shall continue to be counted against the maximum award of Options permitted to be granted pursuant to Section 5(d) of the Plan. The repricing of an Option under this Section 7, resulting in a reduction of the exercise price, shall be deemed to be a cancellation of the original Option and the grant of a substitute Option; in the event of such repricing, both the original and the substituted Options shall continue to be counted against the maximum award of Options permitted to be granted pursuant to Section 5(d) of the Plan. THE PROVISIONS OF THIS SECTION 7(b) SHALL BE APPLICABLE ONLY TO THE EXTENT REQUIRED BY SECTION 162(m) OF THE CODE.

8. Covenants of the Company.

(a) During the terms of the Options, the Company shall keep available at all times the number of shares of stock which would be issuable under such outstanding Options.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the Options; provided, however, that this undertaking shall not require the Company to register under the Securities Act either the Plan, any Options or any stock issued or issuable pursuant to any such Options. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Options unless and until such authority is obtained.

9. Use of Proceeds from Stock.

Proceeds from the sale of Common Stock upon exercise of the Options shall constitute general funds of the Company.

10. Miscellaneous.

(a) Neither an Optionee nor any person to whom an Option is transferred under Section 6(d) shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Option unless and until such person has satisfied all requirements for exercise of the Option pursuant to its terms.

(b) Nothing in the Plan or any Option granted pursuant thereto shall confer upon any Employee, Director, Consultant or other holder of Options any right to continue in the employ of the Company or any Affiliate (or to continue acting as a Director or Consultant) or

shall affect the right of the Company or any Affiliate to terminate the employment or relationship as a Director or Consultant of any Employee, Director, Consultant or other holder of Options with or without cause.

(c) TO THE EXTENT THAT THE AGGREGATE FAIR MARKET VALUE (DETERMINED AT THE TIME OF GRANT) OF STOCK WITH RESPECT TO WHICH INCENTIVE STOCK OPTIONS ARE EXERCISABLE FOR THE FIRST TIME BY AN OPTIONEE DURING ANY CALENDAR YEAR UNDER ALL PLANS OF THE COMPANY AND ITS AFFILIATES EXCEEDS ONE HUNDRED THOUSAND DOLLARS ($100,000), THE OPTIONS OR PORTIONS THEREOF WHICH EXCEED SUCH LIMIT (ACCORDING TO THE ORDER IN WHICH THEY WERE GRANTED) SHALL BE TREATED AS NONSTATUTORY STOCK OPTIONS.

(d) The Company may require any person to whom an Option is granted, or any person to whom an Option is transferred under Section 6(d), as a condition of exercising any Option, (1) to give written assurances satisfactory to the Company as to such person's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option; and (2) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the Option for such person's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (i) the issuance of the shares upon the exercise of acquisition of stock under the Option has been registered under a then currently effective registration statement under the Securities Act, or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(e) To the extent provided by the terms of an Option Agreement, the person to whom an Option is granted may, at the discretion of the Board, satisfy any mandatory federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under an Option by any of the following means or by a combination of such means: (1) tendering cash payment; (2) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of stock under the Option provided that such arrangement will not result in a charge to the Company's reported earnings; or (3) delivering to the Company owned and unencumbered shares of the Common Stock of the Company that have been held for the period required to avoid a charge to the Company's reported earnings. The exercise of the Option may be conditioned upon the receipt by the Company of satisfactory evidence of the Participant's satisfaction of any withholding obligations.

11. Adjustments Upon Changes in Stock.

(a) Subject to any required action by stockholders, the number of shares which may be purchased upon the exercise of each outstanding Option shall be proportionately increased or decreased upon the occurrence of any change, increase or decrease in the number and type of issued shares of Common Stock of the Company, without receipt of consideration by the Company, which change results from a stock split, a stock dividend, a merger, consolidation, reorganization, reincorporation, a recapitalization, a combination of shares, change in corporate structure or other like capital adjustment, so that upon the exercise of each Option the holders of such Options shall receive the number and type of securities which the holders would have received had the Options been exercised on the date preceding such change, increase or decrease. In the event of any such adjustment, the exercise price for each share shall be likewise adjusted in inverse proportion to the increase or decrease in the number of shares purchasable.

(b) In the event of: (1) a dissolution, liquidation or sale of substantially all of the assets of the Company; (2) a merger or consolidation in which the Company is not the surviving corporation; or (3) a reverse merger in which the Company is the surviving corporation but the shares of the Company's Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then to the extent permitted by applicable law: (i) any surviving corporation shall assume any Options outstanding under the Plan or shall substitute similar Options for those outstanding under the Plan, or (ii) such Options shall continue in full force and effect. In the event any surviving corporation refuses to assume or continue such Options, or to substitute similar options for those outstanding under the Plan, then, with respect to Options held by persons then performing services as Employees, Directors or Consultants, the time during which such Options shall be accelerated and the Options terminated if not exercised prior to such event.

12. Amendment of the Plan.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company within twelve (12) months before or after the adoption of the amendment, where the amendment will:

(i) Increase the number of shares reserved for Options under the Plan; (ii) Modify the requirements as to eligibility for participation in the Plan (to the extent such modification requires stockholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code); or

(iii) Modify the Plan in any other way if such modification requires stockholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code or to comply with the requirements of Rule 1 6b-3.

(b) The Board may in its sole discretion submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations promulgated thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees, Directors or Consultants with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) Rights and obligations under any Option granted before amendment of the Plan shall not be altered or impaired by any amendment of the Plan unless (i) the Company requests the consent of the person to whom the Option was granted, and (ii) such person consents in writing.

13. Termination or Suspension of the Plan.

(a) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on July 31, 2006, which shall be within ten (10) years from the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any Option granted while the Plan is in effect shall not be altered or impaired by suspension or termination of the Plan, except with the consent to the person to whom the Option was granted.

14. Effective Date of Plan.

The Plan shall become effective as determined by the Board, but no Options granted under the Plan shall be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

15. Financial Information.

The Company will provide to each Optionee financial statements of the Company at least annually in accordance with Section 260. 140.46 of Tide 10 of the California Code of Regulations.

AMENDMENT NO. 1 TO LIQUIDMETAL TECHNOLOGIES
1996 STOCK OPTION PLAN

THIS AMENDMENT NO. 1 is made May 21, 2001, to the Liquidmetal Technologies 1996 Stock Option Plan, f/k/a the Amorphous Technologies International 1996 Stock Option Plan (the "Plan"). All capitalized terms not specifically defined in this Amendment shall have the meanings provided to them in the Plan.

WHEREAS, the Board of Directors and shareholders of the Company have approved an amendment to the Plan increasing the number of shares of Common Stock subject to the Plan.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. The first sentence of Section 4 of the Plan is hereby deleted in its entirety and replaced with the following:

> Subject to the provisions of Section 11 relating to adjustments upon changes in stock, the stock that may be issued pursuant to Options shall not exceed in the aggregate forty million (40,000,000) shares of the Company's Common Stock.

4. Except to the extent amended hereby, the terms and provisions of the Plan shall remain in full force and effect.

5. This Amendment was duly adopted by a resolution approved by the Board and by the shareholders of the Company.

IN WITNESS WHEREOF, this Amendment No. 1 is adopted effective as of the date first written above.

By: /s/ James Kang

James Kang, Chief Executive Officer

OPTION TO PURCHASE COMMON STOCK
OF
LIQUIDMETAL TECHNOLOGIES
VOID AFTER

This certifies that _____ ("HOLDER") is entitled to purchase from Liquidmetal Technologies, a California corporation (the "Corporation"), _____ (_____) shares of Common Stock, of the Corporation (the "SHARES"), subject to the terms and conditions of the Corporation's 1996 Stock Option Plan (the "PLAN") and such additional terms and conditions contained herein. Any conflict between the terms and conditions of the Plan and those contained herein shall be resolved in favor of the Plan. A copy of the Plan is attached hereto as Exhibit A. Capitalized terms not otherwise defined herein shall have such definition as is set forth in the Plan. The number of shares of Common Stock purchasable hereunder may be adjusted upon the occurrence of certain events, as specified in the Plan and as set forth below.

The options granted hereby are (check one): [X] Qualified [ ] Nonqualified; and are governed by the terms of the Plan concerning such type of options thereunder. IMPORTANT! IF THESE ARE QUALIFIED OPTIONS, YOU ARE URGED TO REVIEW CAREFULLY THE REQUIREMENTS AND RESTRICTIONS OF QUALIFIED OPTIONS UNDER THE PLAN AND SECTION 422 OF THE INTERNAL REVENUE CODE.

The purchase price to be paid for the Shares upon the exercise of all or any portion of this Option shall be _____ ($_____) per share of Common Stock purchased (the "PURCHASE PRICE").

1. Exercise of Option: Vesting.

Holder may exercise this Option at any time until 5:00 P.M., California time on _____ (the "Expiration Date"), in accordance with the Vesting Schedule (the "Vesting Schedule") set forth below by delivery to the Corporation, at its principal office, of:

(a) this Option,

(b) the Exercise Form attached to this Option, duly executed and specifying the number of Shares of Common Stock to be purchased hereunder, and

(c) cash or a certified or official bank check payable to the order of the Corporation in the amount of the aggregate Purchase Price for the number of Shares to be purchased.

Upon receipt thereof, the Corporation shall, as promptly as practicable, and in any event within 30 days thereafter, cause to be executed and delivered to Holder a certificate or certificates for the aggregate number of the Shares issuable upon such exercise. If this Option shall have been exercised only in part of the total number of vested options, the Corporation shall, at the time of delivery of such certificate or certificates, deliver to Holder a new Option evidencing the rights of Holder to purchase the remaining Shares of Common Stock called for by this Option, pursuant to the same terms and conditions and with the same restrictions specified herein, and which new

Option shall be of like tenor to this Option. The Corporation shall pay all expenses, taxes and other charges payable in connection with the preparation, issuance and delivery of stock certificates. All shares of Common Stock issuable upon the exercise of this Option will be validly issued, fully paid and nonassessable.

The Options shall vest in accordance with the following Vesting Schedule:

2. Lost. Stolen. Mutilated or Destroyed Option.

If this Option is lost, stolen, mutilated or destroyed, the Corporation may, on such terms as to indemnity or otherwise as the Corporation may in its discretion impose (which shall, in the case of a mutilated Option, include the surrender thereof), issue a new Option of like denomination, tenor and date as this Option.

3. Restrictions on Transfer: Compliance with Securities Act: Legend Condition.

Neither this Option nor the right to purchase shares of Common Stock upon exercise of this Option may be transferred by Holder in whole or in part except that this Option may be exercised by Holder's conservator, trustee or estate subject to all the terms and conditions set forth herein. To the extent not exercised by Holder on the Expiration Date, this Option and all rights hereunder shall expire and the Option and such rights shall thereupon automatically be cancelled and shall cease to exist. Common Stock issued upon valid exercise of this Option in whole or in part shall not be transferable by Holder other than in accordance with the Securities Act of 1933, as amended (securities Acts), and the rules and regulations promulgated thereunder, together with applicable state securities laws. Certificates evidencing shares of the Common Stock issued upon exercise of this Option shall bear the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED FOR RESALE OR RESOLD UNLESS REGISTERED PURSUANT TO THE PROVISIONS OF THAT ACT, UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

4. Notices.

Any notice or other document required or permitted to be given or delivered to Holder shall be deemed given to him if given to him at the following address:

Holder:

Any such notice or other document shall be mailed first-class, postage prepaid, to such address or such other address as shall have been furnished to the Corporation in writing by Holder. Any notice or other document required or permitted to be given or delivered to the Corporation shall

be mailed first-class, postage prepaid to the Corporation at its principal executive offices, 25800 Commercentre Drive, Suite 100, Lake Forest, California 92630, Attention: Secretary.

5. Applicable Law.

This Option shall be construed and enforced in accordance with and governed by the laws of the State of California.

6. Headings.

The headings herein are for convenience only and are not part of this Option and shall not affect the interpretation hereof.

IN WITNESS WHEREOF, the Corporation has caused this Option to be executed in its name by its duly authorized officers.

Dated: ----------

LIQUIDMETAL TECHNOLOGIES,
a California corporation

By: ----------

EXERCISE FORM

(To be signed only upon exercise of Option)

To _____;

The undersigned, being the holder of the within Option, hereby irrevocably elects to exercise the rights represented by such Option for, and to purchase thereunder, * _____shares of Common Stock of Liquidmetal Technologies (subject to adjustment as provided in such Option) and herewith makes payment of $ _____therefor, and requests that the certificates for such shares be issued in the name of, and be delivered to _____ at the following address:

- ---

- ---

The undersigned hereby represents and warrants that he is acquiring such shares of Common Stock for his own account, for investment and not with a view to or for resale in connection with the distribution thereof.

Dated: _____ _____

(Signature must conform in all respects to name of Holder as specified in the within Option)

*Insert here all or such portion of the number of shares specified at the beginning of the within Option with respect to which the Holder desires to exercise his purchase right, without adjustment for any other or additional stock or other securities, property or cash that may be delivered on such exercise.

INVESTOR'S CERTIFICATE

(complete upon grant of option)

The undersigned, as a condition to receiving an Option for the purchase of _____ shares of Common Stock (the Option and the Common Stock issuable upon its conversion referred to collectively herein as the "Securities") of Liquidmetal Technologies (the "Company"), certifies to the Company as follows:

1. My full name, residence address and business address are as follows:

Name	Residence Address	Business Address

2. I am purchasing the Securities in my own name and for my own account (or for a trust account if I am a trustee), and no other person has any interest in or right with respect to the Securities, nor have I agreed to give any person any such interest or right in the future except as follows:

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- ---

(If none so, state)

3. I am acquiring the Securities for investment and not with a view to or for sale in connection with any distribution to the Securities. I recognize that the Securities have not been registered under the Federal Securities Act of 1933 or qualified under the California Corporate Securities Law of 1968, that any disposition of the Securities is subject to restrictions imposed by federal and state law, and that the certificates representing the Securities will bear a restrictive legend. I also recognize that I cannot dispose of the Securities absent registration and qualification, or an available exemption from registration and qualification, and that no undertaking has been made with regard to registering or qualifying the Securities in the future. I understand that the availability of an exemption in the future will depend in part on circumstances outside my control and that I may be required to hold the Securities for a substantial period. I recognize that no public market exists with respect to the Securities and no representation has been made to me that such a public market will exist at a future date. I understand that the California Commissioner of Corporations has made no finding or determination relating to the fairness for investment of the Securities offered by the Company and that the Commissioner has not and will not recommend or endorse the Securities.

4. I have not seen or received any advertisement or general solicitation with respect to the sale of the Securities.

5. The total consideration to be paid by me for the Option shall be $_____.

6. I have a preexisting personal or business relationship with the Company or one or more of its officers, directors or controlling persons more fully described as follows:

(Describe relationship. If none, so state.)

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7. I believe, by reason of my business or financial experience described below, or by reason of the business or financial experience of my professional advisor named below, who is unaffiliated with and who is not compensated, directly or indirectly, by the Company or any affiliate or selling agent of the Company, that I am capable of evaluating the merits and risks of this investment and of protecting my own interests in connection with this investment.

(Describe experience. If none, so state.)

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If a professional advisor is used, please complete the following:

I designate _____ (name) as my professional advisor with regard to my investment in the Securities. I understand that this professional advisor is unaffiliated with and will not be compensated by the Company or any affiliate or selling agent of the Company.

Occupation and business address of professional advisor:

- ---

- ---

- ---

Describe business or financial experience of professional advisor:

- ---

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8. I acknowledge that during the course of this transaction and before purchasing the Securities I have been provided with financial and other written information about the Company and the terms and conditions of the offering. I have been given the opportunity by the Company to obtain any information and ask questions concerning the Company, the Securities, and my investment that I felt necessary, and to the extent I availed myself of that opportunity, I have received satisfactory information and answers. If I requested any additional information that the Company possessed or could acquire without unreasonable effort to expense and that was necessary to verify the accuracy of the financial and other written information furnished to me by the Company, that additional information was provided to me and was satisfactory. In reaching the decision to invest in the Securities, I have carefully evaluated my financial resources and investment position and the risks associated with this investment, and I acknowledge that I am able to bear the economic risks of this investment. By electing to participate in this investment I realize I may lose my entire investment. I

further acknowledge that my financial condition is such that I am not under any present necessity or constraint to dispose of the Securities to satisfy any existing or contemplated debt or undertaking.

9. Before purchasing the Securities, I received a brief description in writing of any written information concerning the offering that had been provided by the Company to any other prospective purchaser of the Securities, and that notice, if received by me, included information as to how I might request that the written information also be provided to me. If I requested in writing that the information be furnished me, it was furnished before my purchase of the Securities.

Dated:

[Signature]

[Please Print Name]

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This is Amendment No. 1, dated June 28, 2001 (the "Amendment No. 1"), to an Employment Agreement dated December 31, 2000 (the "Employment Agreement"), between Liquidmetal Technologies, a California corporation (the "Company"), and John Kang (the "Employee").

BACKGROUND

WHEREAS, pursuant to the terms of the Employment Agreement, Employee is employed as Chairman of the Board of Directors of the Company; and

WHEREAS, effective as of the date hereof, the Board of Directors of the Company has appointed Employee as President and Chief Executive Officer of the Company, and Employee will no longer serve as Chairman of the Board; 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 3 of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

> "3. DUTIES. The Employee will 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 of the Company. 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 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 businesses and interests during Employee's employment by the Company."

3. Except as specifically set forth in this Amendment No. 1, all of the terms and provisions of the Employment Agreement shall continue to remain in full force and effect.

4. 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.

5. 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.

6. This instrument shall be binding upon, and shall inure to the benefit of, each of the parties' respective personal representatives, heirs, successors, and assigns.

7. 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/ John Kang

John Kang, individually

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into effective as of December 31, 2000 (the "Effective Date"), by and between LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), and JOHN 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 the fifth (5th) anniversary of the Effective Date (the "Initial Term"). Upon the expiration of the Initial Term, the term of employment shall automatically and continuously renew on a year-to-year basis (each such year being referred to as a "Renewal Term") unless and until the term of employment is terminated pursuant to Section 5 hereof.

3. DUTIES. The Employee will initially serve as the Chairman of the Board of Directors 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 of the Company. 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 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 businesses 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 Two Hundred Thousand and No/100 Dollars ($200,000.00). Such annual base salary shall be payable in equal 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 of the Company not less frequently than annually, and the annual base salary may be adjusted upward, although it may not be adjusted downward at any time. For purposes of this Agreement, the term "Salary Year" means the 365-day period that begins on the Effective Date and each successive 365-day 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 as may be granted to the Employee by the Board of Directors of the Company, in its sole discretion.

(c) Other Benefits; Use of Automobile. 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. In addition, the Company will provide the Employee with the full-time use of an automobile (to be selected by the Employee) at all times during the Employee's employment hereunder.

(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. 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 the date hereof, grant to the Employee an option to purchase up to 500,000 shares of the common stock of the Company at an exercise price of $15.00 per share. Such option shall be evidenced by a stock option agreement in 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 accordance with the terms and conditions of any disability policy covering the Employee 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 by the Company in its sole discretion, 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").

(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 materially perform Employee's duties under this Agreement; (2) intentional dishonesty, misconduct, or unlawful acts that materially and adversely affect the Company; (3) a material and intentional violation of the Company's policies or practices which reasonably justifies immediate termination; (4) pleading guilty or no contest to, or conviction of, a felony involving moral turpitude, fraud, dishonesty, or intentional misrepresentation; (5) the commission by the Employee of any intentional act which could reasonably be expected to materially injure the reputation, business, or business relationships of the Company or Related Entities; (6) the Employee's inability to materially perform an essential function of Employee's position; or (7) any material breach by Employee of this Agreement. The Company may terminate this Agreement for Cause, as defined in clauses (1), (3), (5), (6) and (7) above, upon thirty days prior written notice (the "Cause Notification Period") to Employee, but such termination shall only become effective in the event of Employee's failure to cure the applicable breach or violation, to the reasonable satisfaction of Company, prior to the end of the Cause Notification Period. The Company may terminate this Agreement for Cause, as defined in clauses (2) and (4) above, at any time with no 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, except that Employee shall be entitled to the annual base salary and all benefits that have accrued hereunder up to and including the effective date of termination.

(e) Termination by the 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 (but 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 also constitute "Good Reason"); (4) the requirement by the Company that the Employee be based anywhere outside the Tampa Bay 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, (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 Payment. In the event that the Company terminates the Employee's employment hereunder other than specifically pursuant to Section 5(a) or Section 5(d) 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.

(g) Additional Payment. Notwithstanding any other provision of this Agreement, if any portion of the Severance Payment or any other payments under this Agreement or under any other agreement or plan of the Company (in the aggregate, the "Total Payments"), are subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (or any successor provision), then the Company shall pay to the Employee an additional amount (the "Gross-Up Payment") equal to the sum of (i) any Excise Tax; (ii) any interest charges or penalties imposed by any taxing authority arising in respect of the imposition of such Excise Tax; and (iii) any federal, state or local income tax or Excise Tax imposed upon the Gross-Up Payment. For purposes of determining the amount of the Gross-up Payment, the Employee shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made, and the Employee shall be further deemed to pay state and local income taxes at the highest marginal rates of taxation in the state and locality of the Employee's domicile for income tax purposes on the date the Gross-Up Payment is made, net of the maximum reduction in federal income taxes that could be obtained from deduction of such state and local taxes.

6. NONCOMPETITION, 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) 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) Noncompetition and 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 first (1st) anniversary of the date on which the Employee's employment by the Company (or any Related Entity) expires or is terminated. The Employee agrees that, during the Restrictive Period, the Employee will not utilize his or her knowledge of the business of the Company or his or her relationships with investors, suppliers, customers, clients, or financial institutions to compete with the Company or any of the Related Entities in any business which is the same as, or substantially similar to, any business conducted by the Company or any of the Related Entities at any time during the Restrictive Period (a "Covered Business"). Additionally, 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 engage or invest in; own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of; be employed by, associated with, or in any manner connected with; lend the Employee's name or any similar name to; lend Employee's credit to; or render services or advice to, any business which competes with a Covered Business;

(ii) intentionally and knowingly assist, promote or encourage any existing or potential employees, customers, clients, or vendors of the Company or any Related Entity to terminate, discontinue, or materially reduce the extent of their relationship with the Company or a Related Entity; and/or

(iii) 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.

The Employee acknowledges 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 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. Furthermore, nothing set forth in this Agreement shall prohibit the Employee from working for, consulting with, investing in, or otherwise assisting a competitor of the Company if the Employee works for, consults with, invests in, or otherwise assists a division, subsidiary, or subpart of the competitor that is unrelated to a 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 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 (i) any information which is or does become generally available to the public other than as a result of disclosure by the Employee or any agent or representative of the Employee, (ii) any information that is independently developed by the Employee or any agent, representative, or affiliate of the Employee, and (iii) any information that is disclosed to the Employee on a non-confidential basis if such information is disclosed to the Employee subsequent to the termination of his employment with the Company and if the Employee has no reason to believe that such information is being wrongly disclosed. In addition to the foregoing, Company will be fully entitled to all of the protections and benefits afforded by the Florida Uniform Trade Secrets Act and other applicable law.

(d) Legal Proceedings. Notwithstanding the provisions of Section 6(c) above, the Employee shall be permitted to disclose Confidential Information if the Employee is legally compelled to make such disclosure or, alternatively, if such disclosure is necessary for the defense of any legal action brought against the Employee by the Company or any other party, provided that the Employee must provide the Company with reasonably prompt notice

of such legal proceeding so that the Company may seek an appropriate protective order or other appropriate relief, or waive compliance with the provisions of this Agreement.

(e) Removal and Return of Proprietary Items. 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 documents and other items containing Confidential Information in the Employee's possession or subject to the Employee's control.

(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 six (6) 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.

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.

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.

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.

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: James Kang

Name: James Kang
Title: President and CEO

Liquidmetal Technologies
25800 Commercentre Drive, Suite 100
Lake Forest, CA 92630 Facsimile
Number: [_____]

EMPLOYEE

By: /s/ John Kang

Printed Name: John Kang

Address and Facsimile Number:

EXHIBIT 10.10

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into effective as of October 1, 2001 (the "Effective Date"), by and between LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), and William Johnson (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 September 30, 2003 (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 pursuant to clause (2), (3), or (4) of Section 5(d), in which case the Employee's employment may be terminated immediately).

3. DUTIES. Employee will initially serve as Vice Chairman of Technology of the Company. The Employee will devote Employee's majority of business time, attention, skill, and energy exclusively to the business of the Company, 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, Chairman of the Board, President, or Chief Executive Officer of the Company. 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 their respective interests to the same extent as the interests of the Company without additional compensation. At all times, the Employee agrees that the Employee has read and will abide by, and prospectively will read and abide by, any employee

handbook, policy, or practice that the Company or Related Entities has or hereafter adopts with respect to its employees generally.

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 $300,000. Such annual base salary shall be payable in equal 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 365-day period that begins on the Effective Date and each successive 365-day 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 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 4 weeks paid vacation during each Salary Year during the term of the Employee's employment hereunder. 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.

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 accordance with the terms

and conditions of any disability policy covering the Employee 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 by the Company in its sole discretion, 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 continue to receive the Employee's base salary (as then in effect) during the 12-month period immediately following the effective date of the Termination Without Cause (the "Severance Period"). In addition to the severance pay described in the preceding sentence, the Employee shall continue to receive, during the Severance Period, all employee health and welfare benefits that Employee would have received during the Severance Period in the absence of such termination. Employee agrees and acknowledges, however, that Employee will forfeit the right to receive base salary and benefits during the Severance Period immediately upon the Employee's breach of any covenant set forth in Section 6 of this Agreement. Notwithstanding the foregoing, the termination of the Employee's employment pursuant to the second sentence of Section 2(b) of this Agreement shall not constitute a Termination Without Cause and shall not give rise to any severance payment or other benefits pursuant to this Section 5(c).

(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, misconduct, or unlawful acts that adversely affect the Company; (3) a material violation of the Company's policies or practices which reasonably justifies immediate termination; (4) pleading guilty or no contest to, or conviction of, a felony or any crime involving moral turpitude, fraud, dishonesty, or misrepresentation; (5) the commission by the Employee of any act which could reasonably be expected to materially injure the reputation, business, or business relationships of the Company or Related Entities; (6) the Employee's inability to perform an essential function of Employee's position; or (7) any material breach by Employee of this Agreement. The Company may terminate this Agreement for Cause, as defined in clauses (1), (5), (6) and (7) above, upon thirty days prior written notice (the "Cause Notification Period") to Employee, but such termination shall only become effective in the event of Employee's failure to cure the applicable breach or violation, to the reasonable satisfaction of Company, prior to the end of the Cause Notification Period. The Company may terminate this Agreement for Cause, as defined in clauses (2), (3), and (4) above, at any time with no 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.

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) 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. 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.

The Employee acknowledges 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 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.

(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 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 Act and other applicable law.

(d) Prevention of Premature Disclosure of Information. 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 preventing the premature public disclosure of the Company's proprietary information and technology, 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 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 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, 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 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.

(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 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. Notwithstanding the foregoing, the term "Employee Invention") shall not include any idea, invention, process, or improvement if (i) it is conceived by Employee as a direct and sole result of his activities as principal investigator for the Caltech Research Projects (as defined in Section 9 below), and (ii) the California Institute of Technology or any other sponsor of the Caltech Research Projects (such as DARPA or NASA) has exclusive rights to such invention, process or improvement pursuant to the policies of the California Institute of Technology or applicable law.

(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.

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. Notwithstanding the foregoing, the Company agrees and acknowledges that Employee is on a leave-of-absence from the California Institute of Technology and, during the term of the Employee's employment with the Company, the Employee will continue to act as principal investigator for those research projects at the California Institute of Technology that Employee was principal investigator for as of the Effective Date (the "Caltech Research Projects"). These Caltech projects include those supported by DARPA, NASA, DOE, and other government agencies. The employee declares that he has certain obligations to California Institute of Technology as set forward in the

attached memorandum of understanding (MOU). The company acknowledges and accepts the declaration of these obligations as set forward in the MOU.

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.

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 California 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 California, County of Orange, or, if it has or can acquire jurisdiction, in the United States District Court located in Orange County, California, 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.

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 25800
Commercentre Drive, Suite 100
Lake Forest, CA 92630 Facsimile
Number: [_____]

EMPLOYEE

By: /s/ William L. Johnson

William L. Johnson

Address and Facsimile Number:

137-38 Calif. Inst. of Tech.

Pasadena, CA 91125

(Fax: (626) 795-6132

October 1, 2001

EXHIBIT 10.11

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into effective as of December 31, 2000 (the "Effective Date"), by and between LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), and T. Scott Wiggins (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 the third (3rd) anniversary of the Effective Date (the "Initial Term"). Upon the expiration of the Initial Term, the term of employment shall automatically and continuously renew on a year-to-year basis (each such year being referred to as a "Renewal Term") unless and until the term of employment is terminated pursuant to Section 5 hereof.

3. DUTIES. The Employee will initially serve as the Executive Vice President 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 President of the Company. 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 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 businesses 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 One Hundred Seventy Five Thousand and No/100 Dollars ($175,000.00). Such annual base salary shall be payable in equal 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 of the Company not less frequently than annually, and the annual base salary may be adjusted upward, although it may not be adjusted downward at any time. For purposes of this Agreement, the term "Salary Year" means the 365-day period that begins on the Effective Date and each successive 365-day 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 as may be granted to the Employee by the Board of Directors of the Company, in its 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. 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 the date hereof, grant to the Employee an option to purchase up to 50,000 shares of the common stock of the Company at an exercise price of $15.00 per share. Such option shall be evidenced by a stock option agreement in 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 accordance with the terms and conditions of any disability policy covering the Employee 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 by the Company in its sole discretion, 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").

(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 materially perform Employee's duties under this Agreement; (2) intentional dishonesty, misconduct, or unlawful acts that materially and adversely affect the Company; (3) a material and intentional violation of the Company's policies or practices which reasonably justifies immediate termination; (4) pleading guilty or no contest to, or conviction of, a felony involving moral turpitude, fraud, dishonesty, or intentional misrepresentation; (5) the commission by the Employee of any intentional act which could reasonably be expected to materially injure the reputation, business, or business relationships of the Company or Related Entities; (6) the Employee's inability to materially perform an essential function of Employee's position; or (7) any material breach by Employee of this Agreement. The Company may terminate this Agreement for Cause, as defined in clauses (1), (3), (5), (6) and (7) above, upon thirty days prior written notice (the "Cause Notification Period") to Employee, but such termination shall only become effective in the event of Employee's failure to cure the applicable breach or violation, to the reasonable satisfaction of Company, prior to the end of the Cause Notification Period. The Company may terminate this Agreement for Cause, as defined in clauses (2) and (4) above, at any time with no 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, except that Employee shall be entitled to the annual base salary and all benefits that have accrued hereunder up to and including the effective date of termination.

(e) Termination by the Employee for Good Reason. The Employee may terminate this Agreement at any time for Good Reason. For purposes of this Agreement,

"Good Reason" means 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, (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 Payment. In the event that the Company terminates the Employee's employment hereunder other than specifically pursuant to Section 5(a) or Section 5(d) 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 one (1) times the annual base salary that is in effect on 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. NONCOMPETITION, 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) 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) Noncompetition and 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 first (1st) anniversary of the date on which the Employee's employment by the Company (or any Related Entity) expires or is terminated. The Employee agrees that, during the Restrictive Period, the Employee will not utilize his or her knowledge of the business of the Company or his or her relationships with investors, suppliers, customers, clients, or financial institutions to compete with the Company or any of the Related Entities in any business which is the same as, or substantially similar to, any business conducted by the Company or any of the Related Entities at any time during the Restrictive Period (a "Covered Business"). Additionally, 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 engage or invest in; own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of; be employed by, associated with, or in any

manner connected with; lend the Employee's name or any similar name to; lend Employee's credit to; or render services or advice to, any business which competes with a Covered Business;

(ii) intentionally and knowingly assist, promote or encourage any existing or potential employees, customers, clients, or vendors of the Company or any Related Entity to terminate, discontinue, or materially reduce the extent of their relationship with the Company or a Related Entity; and/or

(iii) 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.

The Employee acknowledges 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 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. Furthermore, nothing set forth in this Agreement shall prohibit the Employee from working for, consulting with, investing in, or otherwise assisting a competitor of the Company if the Employee works for, consults with, invests in, or otherwise assists a division, subsidiary, or subpart of the competitor that is unrelated to a 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 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 (i) any information which is or does become generally available to the public other than

as a result of disclosure by the Employee or any agent or representative of the Employee, (ii) any information that is independently developed by the Employee or any agent, representative, or affiliate of the Employee, and (iii) any information that is disclosed to the Employee on a non-confidential basis if such information is disclosed to the Employee subsequent to the termination of his employment with the Company and if the Employee has no reason to believe that such information is being wrongly disclosed. In addition to the foregoing, Company will be fully entitled to all of the protections and benefits afforded by the Florida Uniform Trade Secrets Act and other applicable law.

(d) Legal Proceedings. Notwithstanding the provisions of Section 6(c) above, the Employee shall be permitted to disclose Confidential Information if the Employee is legally compelled to make such disclosure or, alternatively, if such disclosure is necessary for the defense of any legal action brought against the Employee by the Company or any other party, provided that the Employee must provide the Company with reasonably prompt notice of such legal proceeding so that the Company may seek an appropriate protective order or other appropriate relief, or waive compliance with the provisions of this Agreement.

(e) Removal and Return of Proprietary Items. 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 documents and other items containing Confidential Information in the Employee's possession or subject to the Employee's control.

(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 six (6) 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.

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.

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.

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.

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

Name: John Kang
Title: President and CEO

Liquidmetal Technologies
25800 Commercentre Drive, Suite 100
Lake Forest, CA 92630
Facsimile Number: [_____]

EMPLOYEE

By: /s/ T. Scott Wiggins

Printed Name: T. Scott Wiggins

Address and Facsimile Number:

EXHIBIT 10.12

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into effective as of May 21, 2001 (the "Effective Date"), by and between LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), and Brian McDougall (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 of the fifth (5th) anniversary of the Effective Date (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 pursuant to clause (2), (3), or (4) of Section 5(d), in which case the Employee's employment may be terminated immediately).

3. DUTIES. Employee will initially serve as the Chief Financial Officer of the Company. The Employee will devote Employee's entire business time, attention, skill, and energy exclusively to the business of the Company, 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, Chairman of the Board, President, or Chief Executive Officer of the Company. 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 their respective interests to the same extent as the interests of the Company without additional compensation. At all times, the Employee agrees that the Employee has read and will abide by, and prospectively will read and abide by, any employee

handbook, policy, or practice that the Company or Related Entities has or hereafter adopts with respect to its employees generally.

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 One Hundred Seventy Five Thousand and No/100 Dollars ($175,000.00). Such annual base salary shall be payable in equal 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 365-day period that begins on the Effective Date and each successive 365-day 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 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 4 weeks paid vacation during each Salary Year during the term of the Employee's employment hereunder. 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, EXCEPTING THE FOLLOWING: THE EMPLOYEE WILL ONLY BE PAID FOR ACCRUED/UNUSED VACATION AVAILABLE AT THE TIME OF THE EMPLOYEE'S TERMINATION.

(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 the date hereof, grant to the Employee an option to purchase up to 50,000 shares of the common stock of the Company at an exercise price of $15.00 per share. Such option shall be evidenced by a stock option agreement in 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 accordance with the terms and conditions of any disability policy covering the Employee 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 by the Company in its sole discretion, 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. THE BENEFITS OF SHORT-TERM AND LONG-TERM DISABILITY INSURANCE, AS MAY BE ARRANGED FOR THROUGH THE COMPANY, WOULD CONTINUE IN ACCORDANCE WITH THE PROVISIONS OF SAID INSURANCE PLAN.

(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 continue to receive the Employee's base salary (as then in effect) during the 24-month period immediately following the effective date of the Termination Without Cause (the "Severance Period"). In addition to the severance pay described in the preceding sentence, the Employee shall continue to receive, during the Severance Period, all employee health and welfare benefits that Employee would have received during the Severance Period in the absence of such termination. Employee agrees and acknowledges, however, that Employee will forfeit the right to receive base salary and benefits during the Severance Period immediately upon the Employee's breach of any covenant set forth in Section 6 of this Agreement.

(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, misconduct, or unlawful acts that adversely affect the Company; (3) a material violation of the Company's policies or practices which reasonably justifies immediate termination; (4) pleading guilty or no contest to, or conviction of, a felony or any crime involving moral turpitude, fraud, dishonesty, or misrepresentation; (5) the commission by the Employee of any act which could reasonably be expected to materially injure the reputation, business, or business relationships of the Company or Related Entities; (6) the Employee's inability to perform an essential function of Employee's position; or (7) any material breach by Employee of this Agreement. The Company may terminate this Agreement for Cause, as defined in clauses (1), (5), (6) and (7) above, upon thirty days prior written notice (the "Cause Notification Period") to Employee, but such termination shall only become

effective in the event of Employee's failure to cure the applicable breach or violation, to the reasonable satisfaction of Company, prior to the end of the Cause Notification Period. The Company may terminate this Agreement for Cause, as defined in clauses (2), (3), and (4) above, at any time with no 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.

6. NONCOMPETITION, 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) 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) Noncompetition and 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. The Employee agrees that, during the Restrictive Period, the Employee will not utilize his or her knowledge of the business of the Company or his or her relationships with investors, suppliers, customers, clients, or financial institutions to compete with the Company or any of the Related Entities in 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 (a "Covered Business"). Additionally, 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 engage or invest in; own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of; be employed by, associated with, or in any manner connected with; lend the Employee's name or any similar name to; lend Employee's credit to; or render services or advice to, any business which competes with, is engaged in, or carries on any aspect of a Covered Business;

(ii) 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;

(iii) 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;

(iv) disparage the Company, any Related Entities, and/or any shareholder, director, officer, employee, or agent of the Company or any Related Entity; and/or

(v) 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 Employee acknowledges 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 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 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 Florida Uniform Trade Secrets Act and other applicable law.

(d) Prevention of Premature Disclosure of Information. 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 preventing the premature public disclosure of the Company's proprietary information and technology, 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 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 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, 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 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.

(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.

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.

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.

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.

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, Chairman

Liquidmetal Technologies 25800
Commercentre Drive, Suite 100
Lake Forest, CA 92630
Facsimile Number: 949-206-8008

EMPLOYEE

By: /s/ R. Brian McDougall

Printed Name: R. Brian McDougall

Address and Facsimile Number:

10203 Talbot Place

Tampa, FL 33626

BrianMcD@Tampabay.rr.com

EXHIBIT 10.13

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into effective as of August 1, 2001 (the "Effective Date"), by and between LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), and John A. Grant, Jr. (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 of the fifth (5th) anniversary of the Effective Date (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 pursuant to clause (2), (3), or (4) of Section 5(d), in which case the Employee's employment may be terminated immediately).

3. DUTIES. Employee will initially serve as the Vice President and General Counsel of the Company. The job shall initially include, but not be limited to serving as Chief Legal Officer of the Company and director of government and political relations. The Employee will devote Employee's entire business time, attention, skill, and energy exclusively to the business of the Company, 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, Chairman of the Board, President, or Chief Executive Officer of the Company. 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 their respective interests to the same extent as the interests of the Company without additional compensation. At all times, the Employee agrees that the Employee has read and

will abide by, and prospectively will read and abide by, any employee handbook, policy, or practice that the Company or Related Entities has or hereafter adopts with respect to its employees generally. Employee will primarily perform his duties of employment in Tampa, Florida, but may do so from any location he selects provided it does not compromise his ability to perform.

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 One Hundred Seventy Five Thousand and No/100 Dollars ($175,000.00). Such annual base salary shall be payable in equal 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 365-day period that begins on the Effective Date and each successive 365-day 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 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 4 weeks paid vacation during each Salary Year during the term of the Employee's employment hereunder. 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, EXCEPTING THE FOLLOWING: THE EMPLOYEE WILL ONLY BE PAID FOR ACCRUED/UNUSED VACATION AVAILABLE AT THE TIME OF THE EMPLOYEE'S TERMINATION.

(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 the date hereof, grant to

the Employee an option to purchase up to 500,000 shares of the common stock of the Company at an exercise price of $4.00 per share. Vesting of the options would occur such that fifty percent (50%) upon the effective date and ten (10%) upon each anniversary of the effective date. Such option shall be evidenced by a stock option agreement in 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 accordance with the terms and conditions of any disability policy covering the Employee 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 by the Company in its sole discretion, 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. THE BENEFITS OF SHORT-TERM AND LONG-TERM DISABILITY INSURANCE, AS MAY BE ARRANGED FOR THROUGH THE COMPANY, WOULD CONTINUE IN ACCORDANCE WITH THE PROVISIONS OF SAID INSURANCE PLAN.

(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 continue to receive the Employee's base salary (as then in effect) during the 24-month period immediately following the effective date of the Termination Without Cause (the "Severance Period"). In addition to the severance pay described in the preceding sentence, the Employee shall continue to receive, during the Severance Period, all employee health and welfare benefits that Employee would have received during the Severance Period in the absence of such termination. Employee agrees and acknowledges, however, that Employee will forfeit the right to receive base salary and benefits during the Severance Period immediately upon the Employee's breach of any covenant set forth in Section 6 of this Agreement. The Employee will be entitled to stock options that are fully vested at the time of the termination but will forfeit all options which are not vested as of the date of termination.

(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, misconduct, or unlawful acts that adversely affect the Company; (3) a material violation of the Company's policies or practices which reasonably

justifies immediate termination; (4) pleading guilty or no contest to, or conviction of, a felony or any crime involving moral turpitude, fraud, dishonesty, or misrepresentation; (5) the commission by the Employee of any act which could reasonably be expected to materially injure the reputation, business, or business relationships of the Company or Related Entities; (6) the Employee's inability to perform an essential function of Employee's position; or (7) any material breach by Employee of this Agreement. The Company may terminate this Agreement for Cause, as defined in clauses (1), (5), (6) and (7) above, upon thirty days prior written notice (the "Cause Notification Period") to Employee, but such termination shall only become effective in the event of Employee's failure to cure the applicable breach or violation, to the reasonable satisfaction of Company, prior to the end of the Cause Notification Period. The Company may terminate this Agreement for Cause, as defined in clauses (2), (3), and (4) above, at any time with no 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. Termination for cause or not for cause shall not, however, invalidate any stock option grants which are fully vested as of the date of termination.

6. NONCOMPETITION, 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) 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) Noncompetition and 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. The Employee agrees that, during the Restrictive Period, the Employee will not utilize his or her knowledge of the business of the Company or his or her relationships with investors, suppliers, customers, clients, or financial institutions to compete with the Company or any of the Related Entities in 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 (a "Covered Business"). Additionally, 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 engage or invest in; own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of; be employed by, associated with, or in any manner connected with; lend the Employee's name or any similar name to; lend Employee's credit to; or render services or advice to, any business which competes with, is engaged in, or carries on any aspect of a Covered Business;

(ii) 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;

(iii) 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;

(iv) disparage the Company, any Related Entities, and/or any shareholder, director, officer, employee, or agent of the Company or any Related Entity; and/or

(v) 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 Employee acknowledges 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 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 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 Florida Uniform Trade Secrets Act and other applicable law.

(d) Prevention of Premature Disclosure of Information. 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 preventing the premature public disclosure of the Company's proprietary information and technology, 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 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 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, 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 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.

(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.

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.

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.

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.

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 CEO

Liquidmetal Technologies 25800
Commercentre Drive, Suite 100
Lake Forest, CA 92630
Facsimile Number: [_____]

EMPLOYEE

By: /s/ John A. Grant, Jr.

Printed Name: John A. Grant, Jr.

Address and Facsimile Number:

NEITHER THIS NOTE NOR THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE 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 OR SHARES UNDER THE SECURITIES ACT OF 1933, AND OTHER APPLICABLE SECURITIES OR BLUE SKY LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO LIQUIDMETAL GOLF, THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND APPLICABLE STATUTES.

SUBORDINATED PROMISSORY NOTE

$1,500,000.00 Laguna Niguel, California
February 21, 2001

FOR VALUE RECEIVED, LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Maker"), promises to pay to the order of JOHN KANG AND RICARDO A. SALAS, or its successors or assigns (the "Holder") at 100 North Tampa Street, Suite 3150, Tampa, FL 33602 and 4300 West Cypress Street, Suite 900, Tampa, FL 33607, respectively, 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 FIVE HUNDRED THOUSAND DOLLARS ($1,500,000.00), together with interest thereon as set forth below. As additional consideration therefor, Holder shall receive warrants for the purchase of shares of common stock of the Maker, as described in that certain Warrant, dated of even date herewith.

1. Payment of Interest.

a. So long as there is no Event of Default, interest on the unpaid principal balance under this Note shall accrue at the rate of seven and one half percent (8.5%) per annum, beginning on February 22, 2001. 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. This Note shall be paid and converted as follows:

i. Payments of accrued but unpaid interest on the outstanding principal balance under this Note shall be due and payable upon scheduled maturity on December 31, 2002, unless such day is not a business day, in which case payment shall be due on the first Business Day after such day (an "Interest Payment Date");

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. The Maker may elect to repay the entire principal amount and all interest due thereon on or before the scheduled maturity date on December 31, 2002. The Maker shall provide written notice to the Holder of its intent to repay to the Holder at least three (3) days prior to the date on which the Maker intends to repay the obligation.

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 an IPO 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 Convertible 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 Convertible Subordinated Promissory Note has been executed as of the first date written above.

MAKER: LIQUIDMETAL TECHNOLOGIES,
a California corporation

By: /s/ James Kang

James Kang,
Chief Executive Officer

EXHIBIT 10.16

NEITHER THIS NOTE NOR THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE 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 OR SHARES UNDER THE SECURITIES ACT OF 1933, AND OTHER APPLICABLE SECURITIES OR BLUE SKY LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO LIQUIDMETAL GOLF, THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND APPLICABLE STATUTES.

SUBORDINATED PROMISSORY NOTE

$1,500,000.00 Laguna Niguel, California
February 21, 2001

FOR VALUE RECEIVED, LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Maker"), promises to pay to the order of TJOA THIAN SONG, or its successors or assigns (the "Holder") at 61A 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 FIVE HUNDRED THOUSAND DOLLARS ($1,500,000.00), together with interest thereon as set forth below. As additional consideration therefor, Holder shall receive warrants for the purchase of shares of common stock of the Maker, as described in that certain Warrant, dated of even date herewith.

1. Payment of Interest.

a. So long as there is no Event of Default, interest on the unpaid principal balance under this Note shall accrue at the rate of seven and one half percent (8.5%) per annum, beginning on February 22, 2001. 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. This Note shall be paid and converted as follows:

i. Payments of accrued but unpaid interest on the outstanding principal balance under this Note shall be due and payable upon scheduled maturity on December 31, 2002, unless such day is not a business day, in which case payment shall be due on the first Business Day after such day (an "Interest Payment Date");

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. The Maker may elect to repay the entire principal amount and all interest due thereon on or before the scheduled maturity date on December 31, 2002. The Maker shall provide written notice to the Holder of its intent to repay to the Holder at least three (3) days prior to the date on which the Maker intends to repay the obligation.

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 an IPO 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 Convertible 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 Convertible Subordinated Promissory Note has been executed as of the first date written above.

MAKER: LIQUIDMETAL TECHNOLOGIES,
a California corporation

By: /s/ James Kang

James Kang,
Chief Executive Officer

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 AMORPHOUS TECHNOLOGIES INTERNATIONAL, THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND APPLICABLE STATUTES.

SUBORDINATED PROMISSORY NOTE

$500,000.00 State of California
March 15, 2000

FOR VALUE RECEIVED, AMORPHOUS TECHNOLOGIES INTERNATIONAL, a California corporation (the "Maker"), promises to pay to the order of TJOA THIAN SONG, or its successors or assigns (the "Holder") at 61A 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 FIVE HUNDRED THOUSAND DOLLARS ($500,000.00), together with interest thereon as set forth below.

1. Payment of Interest.

a. So long as there is no Event of Default, interest on the unpaid principal balance under this Note shall accrue at the rate of seven and one half percent (7 1/2%) per annum, beginning on March 15, 2000. 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. This Note shall be paid at the Holder's option as follows: Payment of principal and interest under this Note shall be due and payable upon scheduled maturity on March 15, 2002, unless such day is not a business day, in which case payment shall be due on the first Business Day after such day; or

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. SUBJECT TO APPROVAL BY THE HOLDER, WHICH APPROVAL SHALL NOT BE UNREASONABLY WITHHELD, 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. The Maker shall not be entitled to make prepayments to the Holder of all or any part of the outstanding principal balance of this Note, together with accrued but unpaid interest thereon without the expressed written consent of the Holder.

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 $100,000 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 an initial public offering by the Maker.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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: AMORPHOUS TECHNOLOGIES INTERNATIONAL,
a California corporation

By: /s/ James Kang

James Kang, Chief Executive Officer

THIS WARRANT AND THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR TRANSFERRED IN VIOLATION OF SUCH ACT OR LAW OR THE PROVISIONS OF THIS WARRANT.

WARRANT FOR PURCHASE OF SHARES OF COMMON STOCK OF LIQUIDMETAL TECHNOLOGIES

For value received, JOHN KANG AND RICARDO SALAS ("Holder"), is entitled to purchase from LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), that amount of fully paid and nonassessable shares of the Company's Common Stock, as set forth in Section 2.3 hereof, pursuant to and subject to the terms and conditions set forth in this Warrant.

This Warrant is subject to the following provisions, terms and conditions.

1. Definitions.

In addition to the terms defined elsewhere in this Warrant, the following terms have the following respective meanings:

"Common Stock" shall mean the Company's Common Stock.

"Commission" shall mean the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"Exercise Date" shall mean the date on which this Warrant is exercised.

"Exercise Period" shall mean the period commencing on the date of this Warrant and terminating on December 31, 2005.

"Exercise Price" per share of Common Stock shall mean Fifteen Dollars ($15).

"Expiration Date" shall mean the last day of the Exercise Period.

"Restricted Stock" shall mean the shares of Common Stock of the Company issued upon the exercise of this Warrant and evidenced by a certificate required to bear the legend specified in Section 9.2.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in

effect at the time.

"Underlying Shares" shall mean the aggregate number of shares of Common Stock issuable upon exercise of this Warrant, as set forth in Section 2.3 to this Warrant, and as adjusted pursuant to Section 3 of this Warrant.

2. Exercise of Warrant.

2.1 Exercise Generally. Subject to the conditions hereinafter set forth, this Warrant is exercisable in whole as to the Underlying Shares during the Exercise Period, but in no event subsequent to the end of the Exercise Period, by delivery to the Company of an Exercise Notice (in the form set forth at the end hereof duly completed and executed) at the principal office of the Company in Laguna Niguel, California specified in Section 12.2. This Warrant and all rights and options hereunder shall expire at the Expiration Date, and shall be wholly null and void to the extent this Warrant is not exercised before that time.

2.2 Holder Representations and Warranties. In connection with any exercise of this Warrant, the Holder agrees to make such representations and warranties as may be necessary to demonstrate compliance with applicable securities laws, as may be reasonably requested by the Company.

2.3 Number of Shares. The number of shares issuable pursuant to this Warrant shall be equal to ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000) divided by the per share Exercise Price of the Warrant.

3. Reorganization.

3.1 Modifications of Number of Shares and Exercise Price. The number of shares purchasable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment as follows:

(a) Stock Dividends. If at any time after the date of the issuance of this Warrant (i) the Company shall fix a record date for the issuance of any stock dividend payable in shares of common shares or (ii) the number of shares of common shares shall have been increased by a subdivision or split-up of shares of common shares, then, on the record date fixed for the determination of holders of common shares entitled to receive such dividend or immediately after the effective date of subdivision or split-up, as the case may be, the number of shares to be delivered upon exercise of this Warrant will be increased so that the Holder will be entitled to receive the number of shares of common shares that such Holder would have owned immediately following such action had this Warrant been exercised immediately prior thereto, and the Exercise Price will be adjusted as provided below in paragraph (g).

(b) Combination of Stock. If the number of shares of common shares outstanding at any time after the date of the issuance of this Warrant shall have been decreased by a combination of the outstanding shares of common shares, then,

immediately after the effective date of such combination, the number of shares of common shares to be delivered upon exercise of this Warrant will be decreased so that the Holder thereafter will be entitled to receive the number of shares of common shares that such Holder would have owned immediately following such action had this Warrant been exercised immediately prior thereto, and the Exercise Price will be adjusted as provided below in paragraph (g).

(c) Reorganization, etc. If any capital reorganization of the Company, or any reclassification of the common shares, or any consolidation of the Company with or merger of the Company with or into any other person or any sale, lease or other transfer of all or substantially all of the assets of the Company to any other person, shall be effected in such a way that the holders of common shares shall be entitled to receive stock, other securities or assets (whether such stock, other securities or assets are issued or distributed by the Company or another person) with respect to or in exchange for common shares, then, upon exercise of this Warrant the Holder shall have the right to receive the kind and amount of stock, other securities or assets receivable upon such reorganization, reclassification, consolidation, merger or sale, lease or other transfer that such Holder would have been entitled to receive upon exercise of this Warrant had this Warrant been exercised immediately before such reorganization, reclassification, consolidation, merger or sale, lease or other transfer, subject to adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant.

(d) Fractional Shares. No fractional shares of common shares or scrip shall be issued to any Holder in connection with the exercise of this Warrant. Instead of any fractional shares of Common Shares that would otherwise be issuable to such Holder, the Company will pay to such Holder a cash adjustment in respect of such fractional interest in an amount equal to that fractional interest of the common shares.

(e) Carryover. Notwithstanding any other provision of this Warrant, no adjustment shall be made to the number of shares of common shares to be delivered to the Holder (or to the Exercise Price) if such adjustment represents less than 1% of the number of shares to be so delivered, but any lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment which together with any adjustments so carried forward shall amount to 1% or more of the number of shares to be so delivered.

(f) Exercise Price Adjustment. Whenever the number of shares purchasable upon the exercise of the Warrant is adjusted, as herein provided, the Exercise Price payable upon the exercise of this Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of the Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares purchasable immediately thereafter.

(g) Notice of Adjustment. Whenever the number of shares or the Exercise

Price of such shares is adjusted, as herein provided, the Company shall promptly mail by first-class, postage prepaid, to the Holder, notice of such adjustment or adjustments and a certificate of a firm of independent public accountants of recognized national standing selected by the Board of Directors of the Company (who shall be appointed at the Company's expense and who may be the independent public accountants regularly employed by the Company) setting forth the number of shares and the Exercise Price of such shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

4. No Impairment.

The Company may not, by amendment of its Articles of Incorporation or Bylaws, or through reorganization, consolidation, merger, dissolution, issue or sale of securities, sale of assets or any other voluntary action, willfully avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but shall at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the exercise of this Warrant.

5. Reservations.

The Company shall at all times reserve and keep available such number of authorized shares of its Common Stock, solely for the purpose of issue upon the exercise of the rights represented by this Warrant, as may at any time be issuable upon the exercise of this Warrant.

6. Fractional Shares.

Fractional shares shall not be issued upon the exercise of this Warrant. The Company shall, at its sole option, in lieu of issuing any fractional share (i) pay the Holder entitled to such fraction a sum in cash equal to the full market value of any such fractional interest as it shall appear on the public market or if there is no public market for such shares, then as shall be reasonably determined by the Company, or (ii) round-up to the nearest whole number.

7. Fully Paid Stock; Voting Rights; Taxes.

7.1 The Company covenants and agrees that the shares of its capital stock represented by each certificate to be delivered on the exercise of this Warrant shall, at the time of such delivery, be validly issued and outstanding, and be fully paid and nonassessable. The Company covenants and agrees that, upon issuance of the Underlying Shares, the Underlying Shares shall have voting rights equivalent to those of any other holder of Common Stock.

7.2 The Company covenants and agrees that it shall pay, when due and payable, any and all federal and state issuance or transfer taxes that may be payable in respect of this Warrant or any Common Stock or certificates issued hereunder. The Company shall not, however, be

required to pay any tax which may be payable in respect of any transfer involved in the transfer and delivery of stock certificates in the name other than that of the Holder, and any such tax shall be paid by the Holder at the time of presentation.

8. Closing of Transfer Books.

The right to exercise this Warrant shall not be suspended during any period that the stock transfer books of the Company for its Common Stock may be closed. The Company shall not be required, however, to deliver stock certificates upon such exercise while such books are duly closed for any purpose, but the Company may postpone the delivery of such certificates until the opening of such books. In such case, the certificates shall be delivered promptly after the books are opened.

9. Restrictions on Transferability of Warrant and Shares; Compliance With Laws.

Notwithstanding anything contained in this Warrant to the contrary, the terms and provisions of this Section 9 shall remain in full force and effect at all times up to and including the end of the Exercise Period and, unless otherwise specified herein, the term "Warrant" shall include the Underlying Shares, and the term "Restricted Stock" shall include such Underlying Shares as if they had been issued.

9.1 In General. This Warrant and the Restricted Stock shall not be transferable except upon the conditions hereinafter specified, which conditions are intended to ensure compliance with the provisions of the Securities Act (or any similar federal statute at the time in effect) and any applicable state securities laws in respect of the transfer of this Warrant or any Restricted Stock.

9.2 Restrictive Legends. Each certificate for Restricted Stock

shall, unless otherwise permitted by the provisions of this Section 9.2, bear on the face thereof a legend reading substantially as follows:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT AND ANY STATE SECURITIES LAWS THAT MAY BE APPLICABLE.

If the Company shall receive an opinion of counsel reasonably satisfactory to the Company (which shall include counsel to the Company and counsel to the original purchaser hereof) that, in the opinion of such counsel, such legend is not, or is no longer, necessary or required (including, without limitation, because of the availability of any exemption afforded by Rule 144 of the Commission), the Company shall, or shall instruct its transfer agents and registrars to, remove such legend from the certificates evidencing the Restricted Stock or issue new certificates without such legend.

10. Lost, Stolen Warrants, Etc.

If this Warrant shall be mutilated, lost, stolen or destroyed, the Company shall issue a new Warrant of like date, tenor and denomination and deliver the same in exchange and substitution for and upon surrender and cancellation of the mutilated Warrant, or in lieu of the Warrant lost, stolen or destroyed, upon receipt of evidence satisfactory to the Company of the loss, theft or destruction of such Warrant, and upon receipt of indemnity satisfactory to the Company.

11. Severability.

Should any part of this Warrant for any reason be declared invalid, such decision shall not affect the validity of any remaining portion, which shall remain in force and effect as if this Warrant had been executed with the invalid portion thereof eliminated. It is hereby declared the intention of the parties hereto that they would have executed and accepted the remaining portion of this Warrant without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid.

12. Miscellaneous.

12.1 Holder Not A Stockholder. Except as otherwise specifically provided herein, prior to the exercise of this Warrant, the Holder shall not be entitled to any of the rights of a stockholder of the Company with respect to any of the Underlying Shares, including the right as a stockholder to (a) vote or consent or (b) receive dividends or any other distributions made to stockholders.

12.2 Notices. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be delivered or mailed first class postage prepaid, registered or certified mail return receipt requested:

(a) If to the Holder or Holders of the Company Stock, addressed to such Holder at its address as shown on the books of the Company, or at such other address as such Holder may specify by written notice to the Company; or

(b) If to the Company, at 27722 El Lazo, Laguna Niguel, California 92667, or at such other address as the Company may specify by written notice to all Holders and Holders of Conversion Stock,

and such notices and other communication shall for all purposes of this Warrant be treated as being effective or having been given (i) when delivered, or (ii) if sent by mail, 48 hours after the same has been deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and postage prepaid as aforesaid, if the addressee refuses to accept or does not claim the mailed item.

12.3 Successors and Assigns. This Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and

the Holder. This Warrant is not assignable by Holder without the prior written consent of the Company, in its sole discretion.

12.4 Amendments. This Warrant sets forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersede all prior agreements, arrangements and understandings relating to the subject matter hereof. This Warrant may not be modified, supplemented, varied or amended except by an instrument in writing signed by the Company and the Holder.

12.5 Headings. The index and the descriptive headings of sections of this Warrant are provided solely for convenience of reference and shall not, for any purpose, be deemed a part of this Warrant.

12.6 Governing Law. THIS WARRANT AND ALL MATTERS CONCERNING THIS WARRANT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA FOR CONTRACTS ENTERED INTO AND TO BE PERFORMED IN SUCH STATE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed and delivered by a duly authorized officer as of the 21st day of February 2001.

LIQUIDMETAL TECHNOLOGIES

By: /s/ James Kang

James Kang
Chief Executive Officer

EXERCISE NOTICE

TO LIQUIDMETAL TECHNOLOGIES:

The undersigned registered holder of the Warrant dated as of February 21, 2001 (the "Warrant") hereby irrevocably exercises the Warrant, purchases the number of shares of Common Stock in the Company determined pursuant to Section 2.3 of the Warrant, and herewith makes payment of the Exercise Price (as defined in the Warrant), and requests that the certificate(s) for such shares be issued in the name of the undersigned Holder and delivered to it at Holder's address specified in Section 12.2 of the Warrant, all on the terms and subject to the conditions specified in the Warrant.

Date:
---------- ----------
[SIGNATURE]

THIS WARRANT AND THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR TRANSFERRED IN VIOLATION OF SUCH ACT OR LAW OR THE PROVISIONS OF THIS WARRANT.

WARRANT FOR PURCHASE OF SHARES OF COMMON STOCK OF LIQUIDMETAL TECHNOLOGIES

For value received, TJOA THIAN SONG ("Holder"), is entitled to purchase from LIQUIDMETAL TECHNOLOGIES, a California corporation (the "Company"), that amount of fully paid and nonassessable shares of the Company's Common Stock, as set forth in Section 2.3 hereof, pursuant to and subject to the terms and conditions set forth in this Warrant.

This Warrant is subject to the following provisions, terms and conditions.

1. Definitions.

In addition to the terms defined elsewhere in this Warrant, the following terms have the following respective meanings:

"Common Stock" shall mean the Company's Common Stock.

"Commission" shall mean the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"Exercise Date" shall mean the date on which this Warrant is exercised.

"Exercise Period" shall mean the period commencing on the date of this Warrant and terminating on December 31, 2005.

"Exercise Price" per share of Common Stock shall mean Fifteen Dollars ($15).

"Expiration Date" shall mean the last day of the Exercise Period.

"Restricted Stock" shall mean the shares of Common Stock of the Company issued upon the exercise of this Warrant and evidenced by a certificate required to bear the legend specified in Section 9.2.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Underlying Shares" shall mean the aggregate number of shares of Common Stock issuable upon exercise of this Warrant, as set forth in Section 2.3 to this Warrant, and as adjusted pursuant to Section 3 of this Warrant.

2. Exercise of Warrant.

2.1 Exercise Generally. Subject to the conditions hereinafter set forth, this Warrant is exercisable in whole as to the Underlying Shares during the Exercise Period, but in no event subsequent to the end of the Exercise Period, by delivery to the Company of an Exercise Notice (in the form set forth at the end hereof duly completed and executed) at the principal office of the Company in Laguna Niguel, California specified in Section 12.2. This Warrant and all rights and options hereunder shall expire at the Expiration Date, and shall be wholly null and void to the extent this Warrant is not exercised before that time.

2.2 Holder Representations and Warranties. In connection with any exercise of this Warrant, the Holder agrees to make such representations and warranties as may be necessary to demonstrate compliance with applicable securities laws, as may be reasonably requested by the Company.

2.3 Number of Shares. The number of shares issuable pursuant to this Warrant shall be equal to ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000) divided by the per share Exercise Price of the Warrant.

3. Reorganization.

3.1 Modifications of Number of Shares and Exercise Price. The number of shares purchasable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment as follows:

(a) Stock Dividends. If at any time after the date of the issuance of this Warrant (i) the Company shall fix a record date for the issuance of any stock dividend payable in shares of common shares or (ii) the number of shares of common shares shall have been increased by a subdivision or split-up of shares of common shares, then, on the record date fixed for the determination of holders of common shares entitled to receive such dividend or immediately after the effective date of subdivision or split-up, as the case may be, the number of shares to be delivered upon exercise of this Warrant will be increased so that the Holder will be entitled to receive the number of shares of common shares that such Holder would have owned immediately following such action had this Warrant been exercised immediately prior thereto, and the Exercise Price will be adjusted as provided below in paragraph (g).

(b) Combination of Stock. If the number of shares of common shares outstanding at any time after the date of the issuance of this Warrant shall have been decreased by a combination of the outstanding shares of common shares, then, immediately after the effective date of such combination, the number of shares of

common shares to be delivered upon exercise of this Warrant will be decreased so that the Holder thereafter will be entitled to receive the number of shares of common shares that such Holder would have owned immediately following such action had this Warrant been exercised immediately prior thereto, and the Exercise Price will be adjusted as provided below in paragraph (g).

(c) Reorganization, etc. If any capital reorganization of the Company, or any reclassification of the common shares, or any consolidation of the Company with or merger of the Company with or into any other person or any sale, lease or other transfer of all or substantially all of the assets of the Company to any other person, shall be effected in such a way that the holders of common shares shall be entitled to receive stock, other securities or assets (whether such stock, other securities or assets are issued or distributed by the Company or another person) with respect to or in exchange for common shares, then, upon exercise of this Warrant the Holder shall have the right to receive the kind and amount of stock, other securities or assets receivable upon such reorganization, reclassification, consolidation, merger or sale, lease or other transfer that such Holder would have been entitled to receive upon exercise of this Warrant had this Warrant been exercised immediately before such reorganization, reclassification, consolidation, merger or sale, lease or other transfer, subject to adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant.

(d) Fractional Shares. No fractional shares of common shares or scrip shall be issued to any Holder in connection with the exercise of this Warrant. Instead of any fractional shares of Common Shares that would otherwise be issuable to such Holder, the Company will pay to such Holder a cash adjustment in respect of such fractional interest in an amount equal to that fractional interest of the common shares.

(e) Carryover. Notwithstanding any other provision of this Warrant, no adjustment shall be made to the number of shares of common shares to be delivered to the Holder (or to the Exercise Price) if such adjustment represents less than 1% of the number of shares to be so delivered, but any lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment which together with any adjustments so carried forward shall amount to 1% or more of the number of shares to be so delivered.

(f) Exercise Price Adjustment. Whenever the number of shares purchasable upon the exercise of the Warrant is adjusted, as herein provided, the Exercise Price payable upon the exercise of this Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of the Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares purchasable immediately thereafter.

(g) Notice of Adjustment. Whenever the number of shares or the Exercise Price of such shares is adjusted, as herein provided, the Company shall promptly mail by

first-class, postage prepaid, to the Holder, notice of such adjustment or adjustments and a certificate of a firm of independent public accountants of recognized national standing selected by the Board of Directors of the Company (who shall be appointed at the Company's expense and who may be the independent public accountants regularly employed by the Company) setting forth the number of shares and the Exercise Price of such shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

4. No Impairment.

The Company may not, by amendment of its Articles of Incorporation or Bylaws, or through reorganization, consolidation, merger, dissolution, issue or sale of securities, sale of assets or any other voluntary action, willfully avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but shall at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the exercise of this Warrant.

5. Reservations.

The Company shall at all times reserve and keep available such number of authorized shares of its Common Stock, solely for the purpose of issue upon the exercise of the rights represented by this Warrant, as may at any time be issuable upon the exercise of this Warrant.

6. Fractional Shares.

Fractional shares shall not be issued upon the exercise of this Warrant. The Company shall, at its sole option, in lieu of issuing any fractional share (i) pay the Holder entitled to such fraction a sum in cash equal to the full market value of any such fractional interest as it shall appear on the public market or if there is no public market for such shares, then as shall be reasonably determined by the Company, or (ii) round-up to the nearest whole number.

7. Fully Paid Stock; Voting Rights; Taxes.

7.1 The Company covenants and agrees that the shares of its capital stock represented by each certificate to be delivered on the exercise of this Warrant shall, at the time of such delivery, be validly issued and outstanding, and be fully paid and nonassessable. The Company covenants and agrees that, upon issuance of the Underlying Shares, the Underlying Shares shall have voting rights equivalent to those of any other holder of Common Stock.

7.2 The Company covenants and agrees that it shall pay, when due and payable, any and all federal and state issuance or transfer taxes that may be payable in respect of this Warrant or any Common Stock or certificates issued hereunder. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the transfer

and delivery of stock certificates in the name other than that of the Holder, and any such tax shall be paid by the Holder at the time of presentation.

8. Closing of Transfer Books.

The right to exercise this Warrant shall not be suspended during any period that the stock transfer books of the Company for its Common Stock may be closed. The Company shall not be required, however, to deliver stock certificates upon such exercise while such books are duly closed for any purpose, but the Company may postpone the delivery of such certificates until the opening of such books. In such case, the certificates shall be delivered promptly after the books are opened.

9. Restrictions on Transferability of Warrant and Shares; Compliance With Laws.

Notwithstanding anything contained in this Warrant to the contrary, the terms and provisions of this Section 9 shall remain in full force and effect at all times up to and including the end of the Exercise Period and, unless otherwise specified herein, the term "Warrant" shall include the Underlying Shares, and the term "Restricted Stock" shall include such Underlying Shares as if they had been issued.

9.1 In General. This Warrant and the Restricted Stock shall not be transferable except upon the conditions hereinafter specified, which conditions are intended to ensure compliance with the provisions of the Securities Act (or any similar federal statute at the time in effect) and any applicable state securities laws in respect of the transfer of this Warrant or any Restricted Stock.

9.2 Restrictive Legends. Each certificate for Restricted Stock shall, unless otherwise permitted by the provisions of this Section 9.2, bear on the face thereof a legend reading substantially as follows:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT AND ANY STATE SECURITIES LAWS THAT MAY BE APPLICABLE.

If the Company shall receive an opinion of counsel reasonably satisfactory to the Company (which shall include counsel to the Company and counsel to the original purchaser hereof) that, in the opinion of such counsel, such legend is not, or is no longer, necessary or required (including, without limitation, because of the availability of any exemption afforded by Rule 144 of the Commission), the Company shall, or shall instruct its transfer agents and registrars to, remove such legend from the certificates evidencing the Restricted Stock or issue new certificates without such legend.

10. Lost, Stolen Warrants, Etc.

If this Warrant shall be mutilated, lost, stolen or destroyed, the Company shall issue a new Warrant of like date, tenor and denomination and deliver the same in exchange and substitution for and upon surrender and cancellation of the mutilated Warrant, or in lieu of the Warrant lost, stolen or destroyed, upon receipt of evidence satisfactory to the Company of the loss, theft or destruction of such Warrant, and upon receipt of indemnity satisfactory to the Company.

11. Severability.

Should any part of this Warrant for any reason be declared invalid, such decision shall not affect the validity of any remaining portion, which shall remain in force and effect as if this Warrant had been executed with the invalid portion thereof eliminated. It is hereby declared the intention of the parties hereto that they would have executed and accepted the remaining portion of this Warrant without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid.

12. Miscellaneous.

12.1 Holder Not A Stockholder. Except as otherwise specifically provided herein, prior to the exercise of this Warrant, the Holder shall not be entitled to any of the rights of a stockholder of the Company with respect to any of the Underlying Shares, including the right as a stockholder to (a) vote or consent or (b) receive dividends or any other distributions made to stockholders.

12.2 Notices. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be delivered or mailed first class postage prepaid, registered or certified mail return receipt requested:

(a) If to the Holder or Holders of the Company Stock, addressed to such Holder at its address as shown on the books of the Company, or at such other address as such Holder may specify by written notice to the Company; or

(b) If to the Company, at 27722 El Lazo, Laguna Niguel, California 92667, or at such other address as the Company may specify by written notice to all Holders and Holders of Conversion Stock,

and such notices and other communication shall for all purposes of this Warrant be treated as being effective or having been given (i) when delivered, or (ii) if sent by mail, 48 hours after the same has been deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and postage prepaid as aforesaid, if the addressee refuses to accept or does not claim the mailed item.

12.3 Successors and Assigns. This Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and

the Holder. This Warrant is not assignable by Holder without the prior written consent of the Company, in its sole discretion.

12.4 Amendments. This Warrant sets forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersede all prior agreements, arrangements and understandings relating to the subject matter hereof. This Warrant may not be modified, supplemented, varied or amended except by an instrument in writing signed by the Company and the Holder.

12.5 Headings. The index and the descriptive headings of sections of this Warrant are provided solely for convenience of reference and shall not, for any purpose, be deemed a part of this Warrant.

12.6 Governing Law. THIS WARRANT AND ALL MATTERS CONCERNING THIS WARRANT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA FOR CONTRACTS ENTERED INTO AND TO BE PERFORMED IN SUCH STATE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed and delivered by a duly authorized officer as of the 21st day of February 2001.

LIQUIDMETAL TECHNOLOGIES

By: /s/ James Kang

James Kang
Chief Executive Officer

EXERCISE NOTICE

TO LIQUIDMETAL TECHNOLOGIES:

The undersigned registered holder of the Warrant dated as of February 21, 2001 (the "Warrant") hereby irrevocably exercises the Warrant, purchases the number of shares of Common Stock in the Company determined pursuant to Section 2.3 of the Warrant, and herewith makes payment of the Exercise Price (as defined in the Warrant), and requests that the certificate(s) for such shares be issued in the name of the undersigned Holder and delivered to it at Holder's address specified in Section 12.2 of the Warrant, all on the terms and subject to the conditions specified in the Warrant.

Date:
---------- ----------
[SIGNATURE]

EXHIBIT 10.20

LIQUIDMETAL TECHNOLOGIES
NON-QUALIFIED STOCK OPTION AGREEMENT
FOR
PAUL AZINGER

AGREEMENT

1. Grant of Option. LIQUIDMETAL TECHNOLOGIES (the "Company") hereby grants, as of January 1, 2001, to PAUL AZINGER (the "Optionee") an option (the "Option") to purchase up to 316,666.64 shares of the Company's Common Stock, $0.01 par value (the "Stock" or "Common Stock"), at an exercise price per share of $3.75 (the "Option Price"). The Option shall be subject to the terms and conditions set forth herein. The Option is a non-qualified stock option, and not an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.

2. Exercise Schedule.

(a) Except as otherwise provided in Sections 2(b) or 5 of this Agreement, the Option is exercisable in installments as provided below, which shall be cumulative. To the extent that the Option has become exercisable with respect to a number of shares of Stock as provided below, the Option may thereafter be exercised by the Optionee, in whole or in part, at any time or from time to time prior to the expiration of the Option as provided herein. The following table indicates each date (the "Vesting Date") upon which the Optionee shall become entitled to exercise the Option with respect to the number of shares of Stock granted as indicated beside the date:

Number of Shares of Stock	Vesting Date
50,000.00	December 31, 2001
66,666.66	December 31, 2002
66,666.66	December 31, 2003
66,666.66	December 31, 2004
66,666.66	December 31, 2005

(b) Notwithstanding any other provisions of this Agreement, the date on which the Option otherwise would have become exercisable under Section 2(a) hereof shall be accelerated if and to the extent provided below:

(i) in the event that prior to December 31, 2002, either (x) the Optionee terminates the Endorsement Agreement pursuant to Section 18 of the Endorsement Agreement by reason of an Event of Default (as defined in Section 2(d) below) by the Company, or (y) the Company terminates the Endorsement Agreement for any reason other than on account

of an Event of Default by the Optionee, then the Optionee shall be immediately vested and entitled to exercise the Option with respect to the number of shares of Stock with Vesting Dates under Section 2(a) hereof that are on or before December 31, 2002;

(ii) in the event that, after December 31, 2002, either (x) the Optionee terminates the Endorsement Agreement pursuant to Section 18 of the Endorsement Agreement by reason of an Event of Default by the Company, or (y) the Company terminates the Endorsement Agreement for any reason other than on account of an Event of Default by the Optionee, then the Optionee shall be immediately vested and entitled to exercise the Option with respect to all of the shares of Stock with respect to which the Option has been granted;

(iii) in the event that a Change of Control, as defined in Section 2(d) hereof, occurs prior to a termination of the Endorsement Agreement by Optionee, the Optionee shall be, as of the date of termination by the Optionee, immediately vested and entitled to exercise the Option with respect to the number of shares of Stock with a Vesting Date under Section 2(a) that ends on December 31 of the year in which the Change of Control occurs, but only if Optionee terminates the Endorsement Agreement within 90 days of the effective date of the Change of Control; and

(iv) in the event that the Endorsement Agreement is terminated by the Company pursuant to Section 2(b) of the Endorsement Agreement, and within one year from the date on which the Endorsement Agreement is terminated, the Company retains another professional golfer to serve as its primary corporate spokesman at anytime during such one year period for golf products or the Company as a whole, then the Optionee shall be immediately vested and entitled to exercise the Option with respect to all of the shares of Stock subject to the Option.

(c) Within the first thirty (30) day period after each Vesting Date (as described in Section 2(a) hereof), the Optionee shall have the right to elect to receive a cash payment in cancellation of that portion of the Option that has first become (or in the absence of acceleration pursuant to Section 2(b) hereof would have become) newly vested on such Vesting Date. Upon the expiration of such 30-day period, the right set forth in the preceding sentence shall terminate and no longer be in effect with respect to such newly vested portion of the Option. The amount of the cash payment shall be equal to the product of (i) the number of shares of Stock subject to the portion of Option that shall be cancelled, and (ii) $11.25. Payment of the cash payment pursuant to this Section 2(c) shall be made by the Company to the Optionee within thirty (30) days after the date on which Optionee makes an election to cancel a portion of the Option pursuant to this Section 2(c).

(d) For purposes of this Agreement, the following terms shall have the meanings indicated:

(i) "Endorsement Agreement" shall mean that certain Endorsement Agreement, dated as of January 1, 2001, by and between the Company and Optionee.

(ii) "Event of Default" shall have the same meaning as indicated in

Section 17 of the Endorsement Agreement.

(iii) "Fair Market Value" of a share of Stock on any date of reference shall mean:

(x) In the event that the shares of the Common Stock of the Company are not registered on a nationally recognized securities exchange, the fair market value of a share of the Company's Common Stock on that date, as determined by the Board of Directors of the Company (the "Board") in a fair and uniform manner; provided, however, if the Optionee disagrees with the fair market value selected, the fair market value shall then be determined by an independent appraiser mutually agreed upon by the Company and the Optionee. If the Company and the Optionee cannot agree upon an independent appraiser, each party shall then select their own independent appraiser and then both of those independent appraisers shall select a third independent appraiser who shall make the final fair market value determination. For these purposes, the fair market value shall be determined without applying a discount for minority interest and/or lack of marketability. The appraisal costs shall be borne equally by both parties.

(y) In the event that the shares of Common Stock of the Company are registered on a nationally recognized securities exchange or otherwise publicly traded, the Fair Market Value shall mean the "Closing Price" (as defined below) of the Common Stock on the business day immediately preceding the date of reference. For the purpose of determining Fair Market Value, the "Closing Price" of the Common Stock on any business day shall be (1) if the Common Stock is listed or admitted for trading on any United States national securities exchange, or if actual transactions are otherwise reported on a consolidated transaction reporting system, the last reported sale price of Common Stock on such exchange or reporting system, as reported in any newspaper of general circulation, (2) if the Common Stock is quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), or any similar system of automated dissemination of quotations of securities prices in common use, the last reported sale price of Common Stock on such system or, if sales prices are not reported, the mean between the closing high bid and low asked quotations for such day of Common Stock on such system, as reported in any newspaper of general circulation or (3) if neither clause (1) or (2) is applicable, the mean between the high bid and low asked quotations for the Common Stock as reported by the National Quotation Bureau, Incorporated if at least two securities dealers have inserted both bid and asked quotations for Common Stock on at least five of the ten preceding days.

(iv) "Change in Control" shall mean

(x) Approval by the shareholders of the Company of (1) a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation or other transaction do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's

then outstanding voting securities, in substantially the same proportions as their ownership immediately prior to such reorganization, merger, consolidation or other transaction, or (2) a liquidation or dissolution of the Company or (3) the sale of all or substantially all of the assets of the Company (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned); or

(y) the acquisition by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Securities Exchange Act"), of beneficial ownership within the meaning of Rule 13-d promulgated under the Securities Exchange Act of 30% of either the then outstanding shares of the Company's Common Stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors (hereinafter referred to as the ownership of a "Controlling Interest") excluding, for this purpose, any acquisitions by (1) the Company or its subsidiaries, (2) any person, entity or "group" that as of the date of this Agreement owns beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act) of a Controlling Interest or (3) any employee benefit plan of the Company or its subsidiaries.

3. Method of Exercise. This Option shall be exercisable in whole or in part in accordance with the exercise schedule set forth in Section 2 hereof by written notice which shall state the election to exercise the Option, the number of shares of Stock in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Stock as may reasonably be required by the Company. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Company. The written notice shall be accompanied by payment of the exercise price. This Option shall be deemed to be exercised after receipt by the Company of such written notice accompanied by the exercise price. No shares of Stock will be issued pursuant to the Option unless and until such issuance and such exercise shall comply with all relevant provisions of applicable law, including the requirements of any stock exchange upon which the Stock then may be traded. The Optionee agrees and acknowledges with respect to any Stock acquired by exercise of the Option that has not been registered under the Securities Act of 1933, as amended (the "Securities Act") that (i) he or she will not sell or otherwise dispose of such Stock except pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or in a transaction which, in the opinion of counsel for the Company, is exempt from such registration, and (ii) a legend to such effect may be placed on the certificates for the Stock.

4. Method of Payment. Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of the Optionee: (a) cash; (b) check; or (c) such other consideration or in such other manner as may be determined by the Company in its absolute discretion. If the exercise price is paid in whole or in part with shares of Stock (if permitted by the Company, in its absolute discretion), or through the withholding of shares of Stock issuable upon exercise of the Option (if permitted by the Company, in its absolute discretion), the value of the shares of Stock surrendered or withheld shall be their Fair Market Value on the date the Option is exercised. In the event that the Option is exercised after

termination of the Endorsement Agreement, the Optionee and/or his Permitted Transferees may offset against the exercise price any amounts payable by the Company to the Optionee pursuant to, or by reason of the termination of, the Endorsement Agreement.

5. Termination of Option. The unexercised portion of the Option that has become exercisable pursuant to Section 2(a) or 2(b) hereof shall terminate on, and in no event shall the Option be exercisable after, the earlier of (i) the fifth anniversary of the date on which the Endorsement Agreement terminates, and (ii) December 31, 2010, unless sooner cancelled pursuant to Section 2(c) hereof. In the event that the Company terminates the Endorsement Agreement by reason of an Event of Default by the Optionee, or the Optionee terminates the Endorsement Agreement for a reason other than an Event of Default by the Company, then the unvested portion of the Option shall immediately terminate and be of no further force and effect as of the date on which the Endorsement Agreement is terminated, although the vested portion of the Option shall continue to remain exercisable in accordance with the terms of this Agreement. Except as otherwise provided in Section 2(b)(iv) hereof, in the event that the Company terminates the Endorsement Agreement as of December 31, 2002, pursuant to Section 2(b) thereof, the unvested portion of the Option shall immediately terminate and be of no further force and effect as of the effective date of termination, although the vested portion of the Option shall continue to remain exercisable in accordance with the terms of this Agreement.

6. Transferability. The Option is not transferable otherwise than (a) by will or the laws of descent and distribution, (b) to Optionee's spouse and/or lineal descendants, (c) to a trust solely for the benefit of the Optionee, his spouse and/or lineal descendants, or (d) to a partnership, limited liability company, corporation or other entity, all of the equity of which are owned by or for the benefit of the Optionee, the Optionee's spouse and/or lineal descendants (each permissible transferee under clauses (a) through (d) hereof being sometimes referred to as a "Permitted Transferee"); provided, however, that any such transferee shall agree to be subject to all such terms and conditions of this Agreement as though such transferee were a party hereto. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

7. Adjustment of Shares of Stock. If at any time while this Agreement is in effect, there shall be any increase or decrease in the number of issued and outstanding shares of Stock through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of shares, then and in such event appropriate adjustment shall be made (as determined by the Company in its reasonable discretion) in the number of shares of Stock and the Option Price per share thereof then subject to any outstanding Options, so that the same percentage of the Company's issued and outstanding shares of Stock immediately prior to such event shall remain subject to purchase at the same aggregate exercise price immediately after such event.

8. Registration Rights.

(a) The Company agrees that, if the Company proposes to register any of its equity securities under the Securities Act (other than a registration on Form S-8 or S-4 or any

successor or similar forms) whether or not for sale for its own account, in a manner which would permit registration of the Stock for sale to the public under the Securities Act, then the Company will notify the Optionee and, at the Optionee's request, will cause all shares of Stock subject to the Option or acquired as the result of an exercise of the Option to be included in such registration statement. All expenses of the transaction shall be borne by the Company.

(b) The Company shall indemnify the Optionee and his Permitted Transferees against all losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in any registration statement, prospectus, notification or offering circular (and as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus relating to the registration or qualification of the shares of Stock or caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading except insofar as such losses, claims, damages or liabilities are caused by any untrue statement or omission contained in information furnished in writing to the Company by the Optionee or the holder of shares of Stock expressly for use therein, and the Optionee will indemnify and hold harmless the Company and each of its officers who signs such registration statement and each of its directors and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act with respect to losses, claims, damages or liabilities which are caused by any untrue statement or omission contained in information furnished in writing to the Company by that person expressly for use therein.

(c) Notwithstanding the foregoing, if the managing underwriter or underwriters of a registered offering of the Common Stock deliver an opinion to the Optionee that the total amount of securities which such Optionee, the Company and any other persons (excluding officers of the Company or any of its affiliates) participating in such registration who have similar registration rights ("Other Selling Shareholders") propose to include in such offering is such as to adversely affect the success of such offering, then, the amount of securities to be included therein for the account of the Optionee (and any Permitted Transferees) and the Other Selling Shareholders will be reduced (to zero if necessary) pro rata among the Optionee and the Other Selling Shareholders on the basis of the Common Stock requested to be included therein by each such shareholder, to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters; provided that no securities of any person other than the Company and/or Other Selling Shareholder shall be included in such registration if any shares of the Optionee (or any Permissible Transferee) are excluded.

(d) The registration rights set forth in this Section 8 shall terminate upon the earlier of (i) the transfer by Optionee (other than a transfer to one of the Permitted Transferees listed in Section 6 hereof) of any Stock subject to the Option, but only to the extent of the transferred Stock, and (ii) the date on which such Stock becomes saleable pursuant to Rule 144(k) under the Securities Act without any volume limitation applicable thereto.

9. Tag-Along Take-Along Rights; Put Option.

(a) Notwithstanding anything in this Agreement to the contrary, in the event that holders (the "Holders") of shares of Common Stock enter into an agreement (or series of related agreements) for the sale of 50% or more of the outstanding capital stock of the Company (a "Proposed Sale"), then the Company shall cause the Holders to provide to the Optionee notice that the Holders have entered into such an agreement and that this Section 9 is applicable (the "Tag-Along Notice"). The Tag-Along Notice shall also set forth all of the information with respect to the Proposed Sale, including without limitation: (i) the shares of Common Stock proposed to be purchased (the "Tag-Along Offered Shares"); (ii) the proposed purchase price, including for this purpose any other consideration payable to all or any of the Holders which is payable in connection with such sale, except to the extent such other consideration is paid in exchange for securities of the Company other than Common Stock (the "Tag-Along Offered Price"); and (iii) the proposed terms of purchase (the "Tag-Along Offered Terms").

(b) Upon receipt of a Tag-Along Notice, the Optionee and/or his Permitted Transferees (each such person who exercises a right to participate hereunder being referred to as a "Participating Party") shall have the right to participate in such Proposed Sale, exercisable by delivery of a notice to the Holders (the "Participation Notice") within 30 days from the date of receipt of the Tag-Along Notice. The right of a Participating Party pursuant to this subsection (b) shall terminate if not exercised within 30 days after receipt of the Tag-Along Notice. The Participation Notice shall set forth the number of shares of Stock subject to the Option that the Participating Party desires to include in the proposed sale.

(c) Following the expiration of the 30-day period referred to in subsection (b), if a Participating Party has delivered the Participation Notice, the Holders shall notify the Participating Party of the number of shares of Stock which the Participating Party may include in the proposed transfer (the "Includible Shares"), which shall be the lesser of (A) the shares requested for inclusion by the Participating Party; and (B) the product of (1) the Tag-Along Offered Shares multiplied by (2) a fraction, the numerator of which is the total number of shares of Stock owned by the Participating Party as a result of the exercise of the Option and shares of Stock representing the unexercised portion of the Option (but only to the extent vested) and the denominator of which is the total shares of Common Stock beneficially owned by the Holders, the Optionee and his Permitted Transferees, and other shareholders of Common Stock and option holders having similar "tag-along" rights. Upon delivery of a Participation Notice, the Participating Party shall be entitled and obligated to sell to the proposed purchaser or purchasers his or her Includible Shares at the Tag-Along Offered Price pursuant to the Tag-Along Offered Terms, and the Common Stock which the Holders shall be entitled to sell to the proposed purchaser or purchasers shall be reduced accordingly.

(d) At the closing of the Proposed Sale (notice of the date, place and time of which shall be designated by the Holders and provided to the Participating Party in writing at least five business days prior thereto), the Electing Party shall deliver an instrument evidencing the Includible Shares, duly endorsed, or accompanied by written instruments of transfer in form

reasonably satisfactory to the purchaser or purchasers, duly executed by such Individual Shareholder.

(e) The Optionee and his Permitted Transferees hereby agree, upon request of the Company's Board of Directors, to include their shares of Stock that were acquired as a result of the exercise of the Option in any proposed sale (or series of related sales) of more than 50% of the outstanding capital stock of the Company (a "Sale Transaction") on a pro rata basis in the same percentage as the percentage of the shares of Stock being tendered by other shareholders of the Company bears to the percentage of all other outstanding shares; provided that the per share consideration to be received by the Optionee and his Permitted Transferees in the Sale Transaction is not less than, and is payable in the same form as, the per share consideration to be received by any other owner of shares pursuant to the Sale Transaction.

(f) At any time within one year after the termination of the Endorsement Agreement for any reason, if the Stock of the Company then is not registered under the Securities Exchange Act of 1934, the Company, upon request of the Optionee or a Permitted Transferee (each a "Requesting Party"), shall use its best efforts to find a buyer for any shares of Stock owned by the Requesting Party, for a price that is in excess of $15 per share, payable in cash. Alternatively, or in the event that the Company does not find a buyer for the shares that the Requesting Parties desire to sell, the Optionee and/or his Permitted Transferees each shall have the right (the "Put Right"), exercisable only during the 30-day period beginning one year after the termination of the Endorsement Agreement for any reason (the "Put Exercise Period"), to require that the Company repurchase, at a price of $15 per share (the "Redemption Price"), any or all of the shares of Stock acquired upon exercise of the Option; provided, however, that this Put Right only shall be exercisable if at the time of exercise the Stock is not registered under the Securities Exchange Act of 1934, as amended. In the event that the Optionee and/or his Permitted Transferees wish to exercise the Put Right (each an "Exercising Party"), he or it shall provide to the Company notice of the exercise of the Put Right (the "Put Exercise Notice")on or before the last day of the Put Exercise Period. The Company shall pay the Redemption Price for any shares of Stock that it is required to purchase pursuant to this Section 9 (f) either in cash or in the form of the Company's promissory note payable in up to 36 equal consecutive monthly installments, including interest at the rate equal to the prime rate of interest of Citibank, N.A., with the first payment being due on the date of the closing (such payment method to be selected by the Company, in its absolute discretion). The closing for the purchase and sale of any Stock as a result of the exercise of the Put Right pursuant to this Section 9(f) shall take place on the tenth business day following the date on which the Put Exercise Notice is provided to the Company. At the closing, each Exercising Party shall deliver the stock certificates evidencing the shares of Stock being resold to the Company duly endorsed in blank for transfer, or with separate stock power endorsed in blank for transfer to the Company.

10. Right of First Refusal. If the Optionee or a Permitted Transferee (each a "Selling Party") desires to effect a voluntary transfer of any of the shares of Stock acquired upon exercise of the Option (other than a transfer to a Permitted Transferee as defined in Section 6 hereof), during the period that the Stock is not registered under the Securities Exchange Act of 1934, as amended (the "Restricted Period"), the Selling Party first shall give written notice to the

Company of such intent to transfer (the "Offer Notice") specifying (i) the number of the shares of Stock (the "Offered Shares") and the date of the proposed transfer (which shall not be less than fifteen (15) days after the giving of the Offer Notice), (ii) the name, address, and principal business of the proposed transferee (the "Transferee"), and (iii) the price and other terms and conditions of the proposed transfer of the Offered Shares to the Transferee. The Office Notice by the Selling Party shall constitute an offer to sell all, but not less than all, of the Offered Shares, at the price and on the terms specified in such Offer Notice, to the Company. If the Company desires to accept the offer to sell by the Selling Party, the Company shall signify such acceptance by written notice to the Selling Party within fifteen (15) days following the giving of the Option Notice. Failing such acceptance, the Selling Party's offer to the Company shall lapse on the sixteenth day following the giving of the Option Notice. With such written acceptance, the Company shall designate a day not later than the later of (i) ten (10) days following the date of giving its notice of acceptance, or (ii) the closing date in the Offer Notice, on which the Company shall deliver the purchase price of the Offered Shares (in the same form as provided in the Offer Notice) and the Selling Party shall deliver to the Company, all certificates evidencing the Offered Shares endorsed in blank for transfer or with separate stock powers endorsed in blank for transfer. Upon the lapse without acceptance by the Company of the Selling Party's offer to sell the Offered Shares, the Selling Party shall be free to transfer the Offered Shares not purchased by the Company to the Transferee, for a price and on terms and conditions which are no more favorable to the Transferee than those set forth in the Offer Notice, for a period of thirty days thereafter, but after such period the restrictions of this Section 10 shall again apply to the shares of Stock. This provision shall cease to have any force or effect after the end of the Restricted Period.

11. No Rights of Stockholders. Neither the Optionee nor any personal representative (or beneficiary) or permitted assignee shall be, or shall have any of the rights and privileges of, a stockholder of the Company with respect to any shares of Stock purchasable or issuable upon the exercise of the Option, in whole or in part, prior to the date of exercise of the Option.

12. No Right to Continued Service. Neither the Option nor this Agreement shall confer upon the Optionee any right to continued service with the Company.

13. Law Governing. This Agreement shall be governed in accordance with and governed by the internal laws of the State of Florida.

14. Notices. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's offices at Liquidmetal Technologies, 25800 Commercentre Drive, Suite 100, Lake Forest, California 92630, or if the Company should move its principal office, to such principal office, and, in the case of the Optionee, to the Optionee's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the 1st day of January 2001.

COMPANY:

LIQUIDMETAL TECHNOLOGIES, a
California corporation

By: /s/ John Kang

Name: John Kang
Title: Chief Executive Officer

OPTIONEE:

By: /s/ Paul Azinger

PAUL AZINGER

EXHIBIT 21

Liquidmetal Technologies has three direct and indirect subsidiaries. Liquidmetal Technologies holds 80.2% of the issued and outstanding equity securities of Liquidmetal Golf, a California corporation. Liquidmetal Golf holds 97.5% of the issued and outstanding equity securities of Liquidmetal Golf (Europe) Limited, a United Kingdom limited company. Liquidmetal Technologies holds all of the issued and outstanding equity securities of Amorphous Technologies International (Asia) PTE Ltd., a Singapore corporation.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Liquidmetal Technologies on Form S-1 of our report dated November 15, 2001, appearing in the Prospectus, which is a part of this Registration Statement, and to the reference to us under the heading "Experts" in such Prospectus.

DELOITTE & TOUCHE LLP
Tampa, Florida

November 15, 2001