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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 000-31332

LIQUIDMETAL TECHNOLOGIES, INC.

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

Delaware	20-0121262
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

100 North Tampa St., Suite 3150
Tampa, Florida 33602
(address of principal executive office, zip code)

Registrant's telephone number, including area code: **(813) 314-0280**

LIQUIDMETAL TECHNOLOGIES
(Former Name)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes ☒ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☒

As of August 14, 2003, there were 41,599,652 shares of the registrant's common stock, $0.001 par value, outstanding.

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PART I
FINANCIAL INFORMATION

Item 1 – Financial Statements and Independent Accountants' Report

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

	June 30, 2003	December 31, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13,998	$ 26,003
Marketable securities held-for-sale	—	3,068
Trade receivables, net	9,190	6,404
Inventories	4,270	2,506
Prepaid expenses and other current assets	1,208	2,112
Total current assets	28,866	40,093
PROPERTY, PLANT AND EQUIPMENT, NET	22,896	23,505
GOODWILL	184	184
OTHER INTANGIBLE ASSETS, NET	911	785
OTHER ASSETS	337	438
Total assets	$ 52,994	$ 65,005
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 7,975	$ 11,174
Net liabilities of discontinued operations	135	1,148
Deferred revenue	930	1,397
Other liabilities, current portion	110	19
Total current liabilities	9,150	13,738
LONG-TERM DEBT	5,449	—
OTHER LONG-TERM LIABILITIES, NET OF CURRENT PORTION	257	74
Total liabilities	14,856	13,812
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	23	21
SHAREHOLDERS' EQUITY:		
Common stock, $0.001 per share; 100,000,000 shares authorized; 41,599,652 issued and outstanding at June 30, 2003 and no par value; 200,000,000 shares authorized; 41,009,245 issued and outstanding at December 31, 2002	42	106,554
Paid in capital	127,339	20,326
Unamortized stock-based compensation	(395)	(480)
Accumulated deficit	(89,074)	(76,940)
Accumulated comprehensive income	203	1,712
Total shareholders' equity	38,115	51,172
Total liabilities and shareholders' equity	$ 52,994	$ 65,005

See notes to condensed consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
REVENUE	$ 6,409	$ 2,144	$ 12,968	$ 3,607
COST OF SALES	6,389	1,187	10,272	1,869
Gross profit	20	957	2,696	1,738
OPERATING EXPENSES:				
Selling, general, and administrative	4,704	2,860	9,211	5,129
Research and development	2,809	1,660	6,847	4,356
Total expenses	7,513	4,520	16,058	9,485
LOSS BEFORE INTEREST, OTHER INCOME, INCOME TAXES, MINORITY INTEREST AND DISCONTINUED OPERATIONS	(7,493)	(3,563)	(13,362)	(7,747)
Interest expense	(115)	(791)	(178)	(1,103)
Interest income	102	96	233	96
Gain on sale of marketable securities held-for-sale	1,178	—	1,178	—
LOSS BEFORE INCOME TAXES, MINORITY INTEREST AND DISCONTINUED OPERATIONS	(6,328)	(4,258)	(12,129)	(8,754)
Income taxes	(8)	—	(8)	—
LOSS BEFORE MINORITY INTEREST AND DISCONTINUED OPERATIONS	(6,336)	(4,258)	(12,137)	(8,754)
Minority interest in loss (income) of consolidated subsidiary	10	(10)	3	(10)
LOSS FROM CONTINUING OPERATIONS	(6,326)	(4,268)	(12,134)	(8,764)
Gain from disposal of discontinued retail golf segment, net	—	1,038	—	508
NET LOSS	(6,326)	(3,230)	(12,134)	(8,256)
Foreign exchange translation gain	1,099	161	159	37
Net unrealized loss on marketable securities held-for-sale (including transfer of realized gain of $1,178)	(527)	—	(1,668)	—
COMPREHENSIVE LOSS	$(5,754)	$(3,069)	$(13,643)	$(8,219)
PER COMMON SHARE BASIC AND DILUTED:				
Loss from continuing operations	$ (0.15)	$ (0.11)	$ (0.29)	$ (0.24)
Income from discontinued operations	$ 0.00	$ 0.03	$ 0.00	$ 0.01
Net loss	$ (0.15)	$ (0.09)	$ (0.29)	$ (0.23)

See notes to condensed consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Six months Ended June 30, 2003
(in thousands, except share data)
(unaudited)

	Common Shares	Common Stock	Paid in Capital	Unamortized Stock-Based Compen-sation	Accumu-lated Deficit	Compre-hensive Income (Loss)	Total
Balance, December 31, 2002	41,009,245	$ 106,554	$ 20,326	$(480)	$(76,940)	$ 1,712	$ 51,172
Stock options exercised	684,165	1,149	—	—	—	—	1,149
Repurchase of shares	(93,758)	(653)	—	—	—	—	(653)
Change in par value due to reincorporation	—	(107,008)	107,008	—	—	—	—
Stock-based compensation amortization	—	—	—	85	—	—	85
Exercise of warrants	—	—	5	—	—	—	5
Foreign exchange translation gain	—	—	—	—	—	159	159
Unrealized loss on marketable securities	—	—	—	—	—	(1,668)	(1,668)
Net loss	—	—	—	—	(12,134)	—	(12,134)
Balance, June 30, 2003	41,599,652	$ 42	$127,339	$(395)	$(89,074)	$ 203	$ 38,115

See notes to condensed consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share data)
(unaudited)

	For the Six Months Ended June 30,	
	2003	2002
OPERATING ACTIVITIES:		
Net loss	$(12,134)	$ (8,256)
Gain on disposition of discontinued operations	—	(508)
Loss from continuing operations	(12,134)	(8,764)
Adjustments to reconcile loss from continuing operations to net cash used by operating activities:		
Write-off of property and equipment	313	—
Gain on sale of marketable securities held-for-sale	(1,178)	(19)
Minority interest in (loss) income of consolidated subsidiary	(3)	10
Depreciation and amortization	2,273	498
Amortization of debt discount	—	912
Stock-based compensation	85	1,585
Bad debt expense	118	70
Warranty expense	362	—
Changes in operating assets and liabilities:		
Accounts receivable	(2,904)	(1,236)
Inventories	(268)	(182)
Prepaid expenses and other current assets	904	229
Other assets	101	36
Accounts payable and accrued expenses	(3,964)	108
Deferred revenue	(467)	72
Other liabilities	—	(92)
Net cash used by continuing operations	(16,762)	(6,773)
Net cash used by discontinued operations	(1,013)	(2,268)
Net cash used by operating activities	(17,775)	(9,041)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,616)	(2,758)
Proceeds from sale of property and equipment	—	129
Proceeds from sale of marketable securities held-for-sale	2,578	—
Purchase price of 51% investment in subsidiary, net of cash received of $407	—	74
Investment in patents and trademarks	(167)	(78)
Net cash used by investing activities	(205)	(2,633)
FINANCING ACTIVITIES:		
Proceeds from borrowings	5,488	3,500
Repayment of borrowings	—	(7,400)
Repayment of other liabilities	(17)	(4)
Proceeds from issuance of common stock (net of offering costs)	—	70,953
Stock warrants exercised	5	—
Stock options exercised	899	460
Net cash provided by financing activities	6,375	67,509
EFFECT OF FOREIGN EXCHANGE TRANSLATION	(400)	135
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,005)	55,970
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	26,003	2,230
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 13,998	$58,200
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 145	$ 439
Taxes paid	$ 126	$ —

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(in thousands, except share data)
(unaudited)

During the six months ended June 30, 2003, the Company reclassified $1,496 of machines from property, plant and equipment to inventory because the machines were sold in 2003.

During the six months ended June 30, 2003, the change in the foreign exchange between the U.S. Dollar and the South Korean Won resulted in a $39 gain related to the note payable, a $525 gain related to property, plant and equipment and a $5 loss related to minority interest in consolidated subsidiary.

During the six months ended June 30, 2003, an option holder surrendered 93,758 shares of the Company's common stock in-lieu of cash payment for the option exercise price of $250 and income taxes payable by the option holder of $403. The Company immediately canceled the common shares received in lieu of cash payment upon receipt of the shares.

During the six months ended June 30, 2003, the Company entered into a lease agreement for $291 of laboratory equipment that was recorded as a capital lease obligation. During the six months ended June 30, 2002, the Company entered into a lease agreement for $107 of office furniture that was recorded as a capital lease obligation.

During the six months ended June 30, 2002, the Company incurred $223 of costs related to its initial public offering that had not been paid as of June 30, 2002.

During the six months ended June 30, 2002, the Company recorded a net addition to shareholders' equity of $1,613 comprised of stock-based compensation in the discontinued retail golf operations. Additionally, there was a $98 foreign exchange loss effect in the discontinued retail golf operations.

See notes to condensed consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2003 and 2002
(in thousands, except share data)
(unaudited)

1. Description of Business

Liquidmetal Technologies, Inc. and its subsidiaries (collectively, the "Company") are in the business of developing, manufacturing, and marketing products made from amorphous alloys. Liquidmetal Technologies, Inc. markets and sells Liquidmetal® alloy industrial coatings and also manufactures, markets and sells products and components from bulk Liquidmetal alloys that can be incorporated into the finished goods of its customers across a variety of industries.

The Company classifies operations into two reportable segments: Liquidmetal alloy industrial coatings and bulk Liquidmetal alloys. Liquidmetal alloy industrial coatings are used primarily as a protective coating for industrial machinery and equipment, such as drill pipe used by the oil drilling industry and boiler tubes used by coal-burning power plants. Bulk Liquidmetal alloys include market opportunities to manufacture and sell components for electronic devices, medical devices, sporting goods, tooling and prototype sampling, and metal processing equipment. In addition, such alloys are used to generate research and development services revenue for developing uses related primarily to defense and medical applications.

On May 21, 2003, the Company completed a reincorporation by transitioning from a California corporation to a Delaware corporation. The reincorporation was effected though the merger of the former California entity into its newly created wholly owned Delaware subsidiary. In connection with the reincorporation, the number of authorized common shares was reduced from 200,000,000 to 100,000,000. Additionally, the par value of the common stock was changed from no par value common stock to common stock with a par value of $0.001 per share. For purposes of these notes, the term "Company" refers to the former California entity with respect to periods prior to May 21, 2003.

2. Basis of Presentation and Recent Accounting Pronouncements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. In addition, certain reclassifications have been made for consistent presentation. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for any future periods or the year ending December 31, 2003. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2003.

Stock-based compensation. The Company applies Accounting Principles Board ("APB") Opinion No. 25 for options when the exercise price of options granted to employees is less than the fair value of the underlying stock on the date of grant. The Company applies Statement of Financial Accounting Standards ("SFAS") No. 123 for options granted to nonemployees who perform services for the Company.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2003 and 2002
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Had the Company determined stock-based 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 loss from continuing operations and basic and diluted loss per share from continuing operations would have been as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
Loss from continuing operations:				
As reported	$ (6,326)	$(3,230)	$(12,134)	$ (8,256)
Add: stock-based employee compensation expense included in reported net loss, net of related tax effects	27	66	54	169
Deduct: total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(4,691)	(3,216)	(5,287)	(4,829)
Proforma loss from continuing operations	$(10,990)	$(6,380)	$(17,367)	$(12,916)
Basic and diluted loss per share from continuing operations:				
As reported	$ (0.15)	$ (0.11)	$ (0.29)	$ (0.24)
Proforma	(0.26)	(0.17)	(0.42)	(0.35)

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

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated With Exit or Disposal Activities* ("SFAS No. 146"). SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. SFAS No. 146 requires costs associated with exit or disposal activities to be recognized when the costs are incurred, rather than at a date of commitment to an exit or disposal plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on the Company's financial statements.

In December 2002, SFAS No. 148, *Accounting for Stock-Based Compensation - -Transition and Disclosure* ("SFAS No. 148") was issued by the FASB. This standard amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this standard amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. The Company implemented SFAS No. 148 effective January 1, 2003 regarding disclosure requirements for condensed financial

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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statements for interim periods. The Company has not yet determined whether it will voluntarily change to the fair value based method of accounting for stock-based employee compensation.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("Interpretation 45"). Interpretation 45 changes the accounting for and the disclosure of guarantees. Interpretation 45 requires that guarantees meeting the characteristics described in the Interpretation be initially recorded at fair value in contrast to FASB No. 5, which requires recording a liability when a loss is probable and reasonably estimable. The disclosure requirements of Interpretation 45 are effective for financial statements and annual periods ending after December 31, 2002. The initial recognition and initial measurement provisions of Interpretation 45 are effective on a prospective basis to guarantees issued or modified after December 30, 2002. The adoption of Interpretation 45 did not have a material impact on the Company's financial statements.

3. Trade Receivables

Trade receivables from continuing operations were comprised of the following:

	June 30, 2003	December 31, 2002
Accounts receivable	$9,607	$6,681
Less: Allowance for doubtful accounts	(417)	(277)
Account receivable, net	$9,190	$6,404

4. Inventories

Inventories from continuing operations were comprised of the following:

	June 30, 2003	December 31, 2002
Raw materials	$2,542	$1,585
Work in process	1,056	592
Finished goods	672	329
Total inventories	$4,270	$2,506

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	June 30, 2003	December 31, 2002
Machinery and equipment	$11,810	$11,002
Office and computer equipment, software, furnishings, and improvements	3,031	2,465
Buildings	11,211	11,084
Construction in process of machinery and equipment and plant	12	403
Total	26,064	24,954
Accumulated depreciation	(3,168)	(1,449)
Total property, plant and equipment, net	$22,896	$23,505

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

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Depreciation expense was approximately $884 and $146 for the three months ended June 30, 2003 and 2002, respectively; and $2,232 and $450 for the six months ended June 30, 2003 and 2002, respectively.

6. Other Intangible Assets

Other intangible assets consisted of the following:

	June 30, 2003	December 31, 2002
Purchased and licensed patent rights	$ 458	$ 458
Internally developed patents	770	622
Trademarks	66	56
Total	1,294	1,136
Accumulated amortization	(383)	(351)
Total intangible assets, net	$ 911	$ 785

Amortization expense was approximately $21 and $29 for the three months ended June 30, 2003 and 2002, respectively; and $41 and $48 for the six months ended June 30, 2003 and 2002, respectively. The estimated aggregate amortization expense for each of the five succeeding years is as follows:

December 31,	Aggregate Amortization Expense
2004	$78
2005	75
2006	74
2007	74
2008	74

7. Product Warranty

Due to the lack of historical information for warranty expense related to bulk alloy products, management estimates product warranties as a percentage of bulk alloy product sales earned during the period. During the three and six months ended June 30, 2003, the Company recorded $124 and $362 of warranty expense, respectively. The product warranty accrual balance is included in accounts payable and accrued expenses and the warranty expense is included in selling, general, and administrative expenses.

8. Long-term Debt

On February 4, 2003, our Korean subsidiary received 6,500,000 in South Korean Won, or approximately $5,488, under a loan from Kookmin Bank of South Korea. The principal and interest under this loan is payable in equal monthly installments beginning eighteen months from the origination date until the maturity date on December 20, 2007. During the first eighteen months from the origination date, interest is payable on a monthly basis. The loan bears interest at an annual rate of 7.1%. In the event of delayed repayment, the interest increases to a maximum of 21%, depending on the length of time the repayment is delayed. This loan is collateralized by the plant facilities and certain equipment in South Korea. Since this loan is denominated in South Korea Won, the balance fluctuates with the exchange rate between the U.S. Dollar and the South Korean Won, resulting in the recognition of foreign exchange gains or losses that are included in other comprehensive income (loss). At June 30, 2003,

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

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For the Six Months Ended June 30, 2003 and 2002
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the balance was $5,449 resulting in the recognition of a cumulative foreign exchange gain of $39, which is included in the net foreign exchange gain included in other comprehensive income (loss) for the six months ended June 30, 2003.

9. Discontinued Operations

On April 30, 2002, management terminated the operations of the retail golf segment by completing the liquidation of substantially all of the retail golf assets and liabilities. The disposition of the retail golf operations represented the disposal of a business segment. Accordingly, the accompanying condensed consolidated financial statements reflect the retail golf segment as a discontinued operation for all periods presented.

During the three and six months ended June 30, 2003, there was no change in the estimate of expenses associated with the disposal of the discontinued retail golf operations. During the six months ended June 30, 2002, the Company recorded a net gain change in estimate of $1,038 on the disposal of the discontinued retail golf segment that was primarily due to a change in the estimated value of stock-based compensation. The change in estimated value of the stock-based compensation was a result of a decrease in the fair market value of the common shares underlying the options granted to Paul Azinger of $1,607 in June 2002. This gain was partially offset by other changes in the estimated loss on disposal that included $312 of additional operating expenses, $57 increase in the allowance for doubtful accounts and $200 primarily for the reduction of the estimated disposal value of work-in-process inventory and equipment.

At June 30, 2003, the net liabilities of the discontinued operations consisted entirely of current liabilities. There were no assets associated with discontinued retail golf operations at June 30, 2003.

10. Stock Compensation Plan

On April 4, 2002, the Company’s shareholders and Board of Directors adopted the 2002 Equity Incentive Plan (“2002 Equity Plan”). The 2002 Equity Plan authorizes the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries. In addition, the plan permits the granting of stock appreciation rights, with, or independently of, options, as well as stock bonuses and rights to purchase restricted stock. A total of 10,000,000 shares of common stock may be granted under the 2002 Equity Plan. As of June 30, 2003, there are 375,684 options outstanding under the 2002 Equity Plan. The stock options are exercisable over a period determined by the Board of Directors or the Compensation Committee, but no longer than 10 years.

Prior to the approval of the 2002 Equity Plan, options were primarily granted under the Company’s 1996 Stock Option Plan (“1996 Company Plan”). On April 4, 2002, the Company’s Board of Directors terminated the 1996 Company Plan. The termination will not affect any outstanding options under the 1996 Company Plan and all such options will continue to remain outstanding and be governed by the plan. No additional options may be granted under the 1996 Company Plan. As of June 30, 2003, there were 3,808,829 options outstanding under the 1996 Company Plan.

On April 4, 2002, the Company’s shareholders and Board of Directors adopted the 2002 Non-employee Director Stock Option Plan (“2002 Director Plan”). Only non-employee directors are eligible for grants under the 2002 Director Plan. A total of 1,000,000 shares of the Company’s common stock may be granted under the 2002 Director Plan. There are 200,000 options outstanding under the 2002 Director Plan as of June 30, 2003.

Additionally, the Company has 2,221,508 options outstanding at June 30, 2003 which were granted outside the 1996 Company Plan, the 2002 Equity Plan and the 2002 Director Plan.

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 six months ended June 30, 2003 and 2002, respectively: expected volatility of 100% for all periods; dividend yield of 0.0% for all periods; expected option life of

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2003 and 2002
(in thousands, except share data)
(unaudited)

approximately 5 years; and a risk-free interest rate ranging from 2.6% to 3.8%.

The following table summarizes the Company's stock option transactions for the six months ended June 30, 2003:

	Number of Shares	Weighted Average Price
Options outstanding at December 31, 2002	8,182,348	$ 5.37
Granted	158,556	9.17
Exercised	(684,165)	(1.68)
Forfeited	(1,050,718)	(3.16)
Options outstanding at June 30, 2003	6,606,021	6.20

The following table summarizes the Company's stock option transactions for the six months ended June 30, 2002:

	Number of Shares	Weighted Average Price
Options outstanding at December 31, 2001	8,166,703	$ 4.53
Granted	467,314	15.03
Exercised	(283,873)	(1.62)
Forfeited	(298,068)	(3.44)
Options outstanding at June 30, 2002	8,052,076	5.28

The weighted average fair value of options granted during the six months ended June 30, 2003 and 2002, was $6.95 and $11.41, respectively. There were 4,621,476 options with a weighted average exercise price of $5.22 exercisable at June 30, 2003 and 4,212,585 options with a weighted average exercise price of $4.25 exercisable at June 30, 2002.

Included in the above tables are certain options granted where their exercise prices were below the fair market value of the common stock at the measurement date ("in-the-money"). In-the-money options of 557,765 with a weighted average fair value of $4.54 were outstanding at June 30, 2003 and 1,246,670 options with a weighted average fair value of $4.56 were outstanding at June 30, 2002.

The following table summarizes the Company's stock options outstanding and exercisable by ranges of option prices as of June 30, 2003:

	Options Outstanding			Options Exercisable	
Range of Option Price	Number of options Outstanding	Weighted Average Remaining Contract Life (Years)	Weighted Average Option Price	Number of Options Exercisable	Weighted Average Option Price
$0.00 - $1.55	376,345	7.5	$ 1.16	376,345	$ 1.16
$1.56 - $3.10	300,774	4.8	2.33	300,774	2.33
$3.11 - $4.65	2,260,299	7.5	4.65	1,977,389	4.65
$4.66 - $6.20	2,702,785	7.9	6.20	1,743,336	6.20
$6.21 - $7.75	7,540	9.4	7.25	—	—
$7.76 - $9.30	15,637	7.0	8.87	3,226	9.30
$9.31 - $10.85	203,065	9.4	10.41	—	—
$10.86 - $12.40	339,040	8.1	12.40	132,314	12.40
$12.41 - - $15.50	400,536	8.5	15.04	88,092	15.04
Total Options	6,606,021	7.7	6.20	4,621,476	5.22

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11. Segment Reporting

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, requires companies to provide certain information about their operating segments. In April 2002, the Company began classifying operations into two reportable segments: Liquidmetal alloy industrial coatings and bulk Liquidmetal alloys. Liquidmetal alloy industrial coatings are used primarily as a protective coating for industrial machinery and equipment, such as drill pipe used by the oil drilling industry and boiler tubes used by coal burning power plants. The bulk Liquidmetal alloy segment includes market opportunities to manufacture and sell casing components for electronic devices, medical devices, sporting goods, tooling, prototype sampling, defense applications and metal processing equipment. Primarily, the expenses incurred by the bulk Liquidmetal alloy segment are research and development costs and selling expenses associated with identifying and developing market opportunities. Bulk Liquidmetal alloy products can be distinguished from Liquidmetal alloy coatings in that the bulk Liquidmetal alloy can have significant thickness, up to approximately one inch, which allows for its use in a wider variety of applications other than a thin protective coating applied to machinery and equipment. Revenue and expenses associated with research and development services are included in the bulk Liquidmetal alloy segment. The accounting policies of the reportable segments are the same as those described in Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2003.

Summarized financial information concerning the Company's reportable segments is shown in the following tables:

	Coatings	Bulk Alloy Products	Segment Totals
Three months ended June 30, 2003:			
Revenue from external customers	$ 708	$ 5,701	$ 6,409
Gross profit (loss)	337	(317)	20
Total segment income (loss)	144	(4,515)	(4,371)
Total identifiable assets at end of period	882	35,432	36,314
Three months ended June 30, 2002:			
Revenue from external customers	$1,336	$ 808	$ 2,144
Gross profit	643	314	957
Total segment income (loss)	463	(2,080)	(1,617)
Six months ended June 30, 2003:			
Revenue from external customers	$1,480	$11,488	$12,968
Gross profit	716	1,980	2,696
Total segment income (loss)	18	(6,958)	(6,940)
Six months ended June 30, 2002:			
Revenue from external customers	$2,628	$ 979	$ 3,607
Gross profit	1,255	483	1,738
Total segment income (loss)	926	(5,035)	(4,109)

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Reconciling information between reportable segments and the Company's net loss is shown in the following table:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
Total segment loss	$(4,371)	$(1,617)	$ (6,940)	$(4,109)
General and administrative expenses not allocated to segments	(3,122)	(1,946)	(6,422)	(3,638)
Loss before interest, other income, income taxes, minority interest and discontinued operations	(7,493)	(3,563)	(13,362)	(7,747)
Interest expense	(115)	(791)	(178)	(1,103)
Interest income	102	96	233	96
Gain on sale of marketable securities held-for-sale	1,178	—	1,178	—
Income taxes	(8)	—	(8)	—
Minority interest in loss (income) of consolidated subsidiary	10	(10)	3	(10)
Gain from disposal of discontinued retail golf segment, net	—	1,038	—	508
NET LOSS	$(6,326)	$(3,230)	$(12,134)	$(8,256)

Excluded general and administrative expenses are attributable to the Company's corporate headquarters. These expenses primarily include corporate salaries, consulting, professional fees and facility costs. Research and development expenses are included in the operating costs of the segment that performed the research and development.

Reconciling information between reportable segments and the Company's consolidated assets is shown in the following table:

	June 30, 2003
Total segment assets	$36,314
Cash and cash equivalents	13,472
Prepaid expenses and other current assets	258
Other property, plant and equipment	1,949
Other intangible assets, net	911
Other assets	90
Total consolidated assets	$52,994

Assets excluded from segment assets include assets attributable to the Company's corporate headquarters. The largest asset represents the Company's cash balances, primarily generated from the Company's stock offering, proceeds from the sale of marketable securities and proceeds from the Kookmin loan (See note 8).

12. Income Taxes

The provision for income tax benefit (expense) for the six months ended June 30, 2003 and 2002, respectively, is calculated, when applicable, through the use of an estimated annual income tax rate based on projected annualized income (loss). The Company estimated that the effective tax rate for the six months ended June 30, 2003 is insignificant. The

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Company estimated an effective tax rate of 0% for the six months ended June 30, 2002 based on the Company's reported losses.

13. 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Weighted average basic shares	41,586,986	37,697,190	41,409,218	36,395,648
Effect of dilutive securities:				
Stock options	—	—	—	—
Warrants	—	—	—	—
Diluted shares	41,586,986	37,697,190	41,409,218	36,395,648

The effect of outstanding options and warrants to purchase common stock was excluded in the periods presented because the inclusion would have been antidilutive.

14. Commitments

In March 1996, the Company entered into a distribution agreement whereby it granted to a third party exclusive rights to market and sell golf products incorporating Liquidmetal technology to certain Japanese sporting equipment companies. The third party paid the Company a $1.0 million distribution fee as part of this agreement, of which a portion was refundable according to a formula based on the gross profit earned by the third party. The remaining unearned distribution fee of $830 has not been refunded as of June 30, 2003. On March 28, 2003, the distribution agreement was terminated and the Company entered into a new agreement to pay to the same third party a commission on the net sales price of all Liquidmetal golf equipment that is shipped by the Company or its affiliates to Japanese golf companies for sale into the Japanese end-market. This commission will apply to golf equipment shipped by the Company or its affiliates during the period beginning on March 28, 2003 and ending on March 28, 2006. If by March 28, 2006, the Company has not paid $350 in commission payments, the balance between commissions paid and $350 will be paid by April 30, 2006, thereby guaranteeing the third party a $350 minimum payment during the term of the agreement. The Company will recognize the unearned distribution fee of $830 as revenue proportionately with the payment of commissions under the new agreement.

On December 20, 2002, the Company entered into an agreement with a third-party supplier to purchase raw materials during 2003 for a total of $3,488, of which the Company had purchased $845 as of July 30, 2003. On July 30, the Company and the third-party agreed to cancel this purchase agreement. On July 22, 2003, the Company entered into another agreement with a separate third party supplier to purchase a different type of raw materials for a total of $2,500 within twelve months from the date of this agreement.

During the second quarter of 2003, the Company sold notes receivable with recourse. As of August 14, 2003, the Company has a $15 contingent obligation for a note receivable sold with recourse prior to June 30, 2003.

The Company is from time to time a party to certain legal proceedings arising in the ordinary course of business. Although outcomes cannot be predicted with certainty, the Company does not believe that any legal proceedings to which it

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is a party will have a material adverse effect on the Company's financial position, results of operations, and cash flows.

15. Related Party Transactions

In June 2003, the Company entered into an exclusive ten-year license agreement with LLPG, Inc. ("LLPG"), a corporation headed by a former director of the Company. Under the terms of the agreement, LLPG has the right to commercialize Liquidmetal alloys, particularly precious-metal based compositions, in the jewelry and high-end luxury products market. The Company, in turn, will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by LLPG. In conjunction with its technology licensing contract, LLPG purchased two proprietary Liquidmetal alloy melting machines and three proprietary Liquidmetal alloy casting machines for a total purchase price of $2,000.

On July 29, 2002, the Company invested $2,000 in Growell Metal, Inc. ("Growell Metal"), a metals processing company located in South Korea and publicly traded on South Korea's KOSDAQ stock market. The Company acquired 891,100 shares (or approximately 5%) of Growell Metal's outstanding common stock in this transaction. During the fourth quarter of 2002, Growell Metal's spin-off of its electronics division resulted in the creation of a new company named Growell Electronics Inc ("Growell Electronics"). As a result of the spin-off, 30% of the Company's 891,100 common shares of Growell Metal were exchanged for an equal number of shares in the common stock of Growell Electronics. During the year ended December 31, 2002, the Company sold its shares in Growell Electronics for approximately $1,432, resulting in a realized gain of $832. In April, 2003, the Company sold its remaining shares in Growell Metal for approximately $2,578, resulting in a realized gain of approximately $1,178 and the reversal of the accumulated unrealized gain of $1,668 which is reported as other comprehensive loss in the accompanying condensed consolidated statement of operations. Currently, Growell Metal holds 92,167 shares (or approximately 0.2%) of the Company's outstanding common stock.

Under the terms of a supply agreement, the Company has engaged Growell Metal to produce Liquidmetal alloy ingots ("ingots") for the Company to purchase and use as a raw material in the manufacturing of products and components made of Liquidmetal alloys. The agreement is for a five-year period beginning in June 2002. Under the terms of this cost-plus arrangement, Growell Metal is paid a processing fee plus the cost of the raw materials used to produce the ingots. During the six months ended June 30, 2003, Growell Metal purchased $2,636 of raw materials from the Company's own raw material stock to use in the production of the ingots. The Company purchased $3,149 of ingots from Growell Metal during the six months ended June 30, 2002. The net profit on the sale of the raw materials sold to Growell Metal is netted against the cost of the ingots purchased from Growell Metal. At June 30, 2003, the Company had a net payable to Growell Metal of $186 related to these transactions.

During the first quarter of 2003, the Company sold $2,544 of casting equipment to Growell Metal for use in the processing of bulk Liquidmetal alloy products. As part of a five-year strategic agreement finalized in March 2003, Growell Metal has the exclusive right to manufacture and market automotive parts made from Liquidmetal alloys for customers in South Korea. The Company will receive royalty payments from the sale of Liquidmetal alloy parts produced and sold by Growell. At June 30, 2003, the Company had a receivable from Growell Metal of $2,057 related to the sale of this equipment.

During the year ended December 31, 2002, the Company sold $1,569 of furnace equipment to Growell Metal to produce ingots for the Company. The accumulated profit on these sales, $80, was deferred and will be amortized against cost of sales over the remaining term of the technology transfer agreement between Growell Metal and the Company. The agreement is for a two-year period beginning in February 2002. At June 30, 2003, the remaining deferred profit was $32. During the six months ended June 30, 2003, the Company sold $7 of products and services to Growell Metal related to the maintenance of this furnace equipment. At June 30, 2003, the Company had a receivable from Growell Metal of $157 related to the sale of this equipment to Growell Metal.

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The Company is a party to a license agreement with California Institute of Technology ("Caltech") under which the Company exclusively licenses from Caltech certain inventions and technology relating to amorphous alloys. Professor William Johnson, the Vice Chairman of the Company's Board of Directors, is a professor at Caltech, and substantially all of the amorphous alloy technology licensed to the Company under the Caltech license agreement was developed in Professor Johnson's Caltech laboratory. During each of the six months ended June 30, 2003 and 2002, the Company paid $50 to Caltech representing, respectively, the second and final installments on the $150 aggregate fees related to this agreement. Additionally, the Company reimburses Caltech for laboratory expenses incurred by Professor Johnson's Caltech laboratory, which during the six months ended June 30, 2003, amounted to $22 in reimbursements.

16. Cost Reduction Measures

During the second quarter of 2003, the Company initiated activities to reduce the number of employees and consolidate manufacturing and administrative facilities to improve operational effectiveness and efficiency and reduce expenses. The total amount of the charges expected to be incurred in connection with these actions during the second and third quarters of 2003 is $1,112, including $288 for write-off of certain property and equipment, $16 for termination of a lease contract, $32 for relocation of property and equipment and other related expenses, and $776 for voluntary termination benefits paid to an estimated 208 employees. The Company is recognizing the costs associated with these activities when incurred. During the three months ended June 30, 2003, the Company incurred $800 of selling, general, and administrative expenses as a result of these cost reduction measures, including $288 for the write-off of certain property and equipment, $13 for relocation of property and equipment, and $499 for voluntary termination benefits to be paid to 152 employees that accepted a voluntary termination package prior to June 30, 2003. All of these costs relate to the operations of the bulk alloy segment.

Based on the Company's current business plan, the Company anticipates that its current cash and cash equivalents, together with anticipated cash flow from operations, will be sufficient to meet its projected cash needs for at least the next 12 months. However, because the Company's business is based on commercializing an entirely new and unique technology, its current business plan contains a variety of assumptions and expectations that are subject to uncertainty, including assumptions and expectations about order flow, unit volumes, manufacturing efficiencies, product cost and pricing, continuing technology improvements, customer adoption practices, and other relevant matters. These assumptions take into account recent significant cost reductions, as well as recent improvements to the manufacturing process. The Company's assumptions and expectations could change rapidly and dramatically, especially when compared to more traditional businesses whose expectations are rooted in historical experience. If any of the Company's assumptions or expectations prove to be incorrect or do not come to fruition, it is possible that available funds and cash generated from operations could become strained in the early part of 2004, and the Company may therefore need to raise additional capital to fund its cash needs. There is no assurance that additional capital, whether through selling additional debt or equity securities or obtaining a line of credit or other loan, will be available to the Company or, if available, will be on acceptable terms. If the Company issues additional securities to raise funds, these securities may have rights, preferences, or privileges senior to those of the Company's common stock, and current stockholders may experience dilution.

INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed consolidated balance sheet of Liquidmetal Technologies, Inc. and subsidiaries (the "Company") as of June 30, 2003, the related condensed consolidated statements of operations and comprehensive loss for the three and six-month periods ended June 30, 2003 and 2002, of shareholders' equity for the six months ended June 30, 2003, and of cash flows for the six months ended June 30, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Liquidmetal Technologies, Inc. and subsidiaries as of December 31, 2002, and the related consolidated statements of operations and comprehensive loss, of shareholders' equity and of cash flows for the year then ended (not presented herein); and in our report dated February 4, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Tampa, Florida
July 15, 2003

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidmetal Technologies, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition
And Results of Operations

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

This management's discussion and analysis, as well as other sections of this report on Form 10-Q, may contain "forward-looking statements" that involve risks and uncertainties, including statements regarding our plans, future events, objectives, expectations, forecasts, or assumptions. Any statement that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as "believe," "estimate," " project," "expect," "intend," "may," "anticipate," "plans," "seeks," and similar expressions identify forward-looking statements. These statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or results, and undue reliance should not be placed on these statements. These risks and uncertainties include, but are not limited to, the matters discussed under the caption "Factors Affecting Future Results" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and other risks and uncertainties discussed in filings made with the Securities and Exchange Commission (including risks described in subsequent reports on Form 10-Q, Form 10-K, Form 8-K, and other filings). Liquidmetal Technologies, Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

OVERVIEW

We are a materials technology company that develops, manufactures, and markets products made from amorphous alloys. Our Liquidmetal® family of alloys consists of a variety of coatings, powders, bulk alloys, and composites that utilize the advantages offered by amorphous alloy technology. We develop, manufacture, and sell products and components from bulk amorphous alloys that are incorporated into the finished goods of our customers, and we also market and sell amorphous alloy industrial coatings. We have the exclusive right to develop, manufacture, and sell what we believe are the only commercially viable bulk amorphous alloys.

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

Our revenues are derived from two principal operating segments: Liquidmetal alloy coatings and bulk Liquidmetal alloy products. Liquidmetal alloy coatings are used primarily as a protective coating for industrial machinery and equipment, such as drill pipe used by the oil drilling industry and boiler tubes used in coal-burning power plants. The historical operating information for the three and six months ended June 30, 2002 contained in this section is based substantially on sales of Liquidmetal alloy coatings; however, this is a diminishing percentage of our business. In the second half of 2002, we began producing bulk Liquidmetal alloy components and products for incorporation into our customers' finished goods. Bulk Liquidmetal alloy segment revenue includes sales of parts or components of electronic devices, medical products, and sports and leisure goods; tooling and prototype parts (including demonstration parts and test samples) for customers with products in development; metal processing equipment; and research and development revenue relating primarily to defense and medical applications. We have been focusing our initial commercialization efforts for bulk Liquidmetal alloys primarily on applications for products with high unit volumes that are sold in major industries. We expect that these new sources of

revenue will continue to significantly change the size and character of our revenue mix.

The cost of sales for our Liquidmetal coatings segment consists primarily of the costs of outsourcing our manufacturing to third parties. Consistent with our expectations, our cost of sales has been increasing over historical results as we further build our bulk Liquidmetal alloy business. Although we plan to continue outsourcing the manufacturing of our coatings, we will internally manufacture many products derived from our bulk Liquidmetal alloys and could require continued capital expenses as we expand our manufacturing capabilities.

Selling, general, and administrative expenses currently consist primarily of salaries and related benefits, travel, consulting and professional fees, depreciation and amortization, insurance, office and administrative expenses, and other expenses related to our operations.

Research and development expenses represent salaries, related benefits expense, stock-based compensation, depreciation of research equipment, consulting and contract services, expenses incurred for the design and testing of new processing methods, expenses for the development of sample and prototype products, and other expenses related to the research and development of Liquidmetal 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.

Our historical operations, prior to 2002, 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 and the board of directors of Liquidmetal Golf voted to discontinue the retail golf operations of Liquidmetal Golf in order to conform our operations to our broader corporate business strategy, although Liquidmetal Golf continues to market and develop golf club components for other golf club manufacturers. 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 reclassified our consolidated financial statements to reflect the discontinuation of Liquidmetal Golf's retail golf operations. The revenue, costs and expenses, assets and liabilities, and cash flows of the retail golf business were segregated in our Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Loss, and Consolidated Statements of Cash Flows. The net operating results, net assets, and net cash flows of the retail golf business were reported as discontinued operations in our annual consolidated financial statements and in the condensed consolidated financial statements included in this report on Form 10-Q. On April 30, 2002, management terminated the operations of the retail golf segment by completing the liquidation of the retail golf assets and liabilities.

In May 2003, we completed a reincorporation from a California corporation to a Delaware corporation. The reincorporation changed the legal domicile of our company but did not result in any change to our business, management, employees, fiscal year, assets or liabilities, or location of facilities. As part of the reincorporation, each share of the California corporation was automatically converted into one share of the Delaware corporation.

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 three months ended June 30, 2003 and 2002

Revenue. Revenue increased $4.3 million to $6.4 million in the three months ended June 30, 2003 from $2.1 million in the three months ended June 30, 2002. The revenue increase was due to the $4.9 million increase in revenue earned by our bulk Liquidmetal alloys segment in the three months ended June 30, 2003. This increase in our bulk Liquidmetal alloy segment consisted of a revenue increase of $3.4 million from the sale of metal processing equipment primarily for use in the processing of bulk Liquidmetal alloy products, an increase of $0.6 million from research and development services related primarily to defense and medical applications, and an increase of $0.9 million from the sale and prototyping of parts manufactured from bulk Liquidmetal alloys. The increase in revenue earned by our bulk Liquidmetal alloy segment was

offset by a decrease of $0.6 million in the revenue earned by our coatings business as compared to the three months ended June 30, 2002.

Cost of Sales. Cost of sales increased to $6.4 million, or 99.7% of revenue, during the three months ended June 30,2003 from $1.2 million, or 55.4% of revenue, in the three months ended June 30, 2002. The cost of sales as a percentage of revenue increased due to several factors, including: our continued shift in revenue mix to a higher percentage of bulk alloy products, which currently carry a lower margin than coatings; inadequate pricing on one cell phone component that has since been re-priced; and a higher percentage of plant operating costs allocated to manufacturing, as opposed to research and development expense, compared to the same period of 2002. Additionally, during the second quarter of 2003, $1.3 million of costs were incurred associated with the production of certain unprofitable parts that have now been discontinued and $0.8 million for a part that is being phased out of production. A factor that offsets the increased cost of sales as a percentage of revenue is the lower percentage of costs of sales related to equipment sales and certain research and development revenue included in the bulk Liquidmetal alloy business during the three months ended June 30, 2003.

Although the cost to manufacture parts from our bulk Liquidmetal alloys is variable and differs based on the unique design of each product, we expect gross margin to improve in the upcoming quarters, based on experience and development of new gate-keeping measures to more effectively determine which products are profitably suited for us, along with continued improvements to plant costs and manufacturing process. However, the cost of sales for the products sold by the coatings business is expected to remain generally consistent because Liquidmetal coatings products are produced by third parties and sold wholesale to various industries.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased to $4.7 million, or 73% of revenue, in the three months ended June 30, 2003 from $2.9 million, or 133% of revenue, in the three months ended June 30, 2002. This increase was primarily a result of: costs associated with restructuring our business which includes severance costs of $0.5 million and costs for consolidating our manufacturing and administrative facilities of $0.3 million; increased professional fees, consultant fees, and contract services of $0.2 million; increased insurance expense of $0.2 million; increased travel expenses of $0.1 million; increased property rent of $0.2 million; increased product warranty expense of $0.1 million; and increased depreciation expense of $0.1 in the three months ended June 30, 2003. These and other increases in selling, general and administrative expenses are associated with the development of our bulk Liquidmetal alloy business.

Research and Development Expenses. Research and development expenses increased to $2.8 million, or 44% of revenue, in the three months ended June 30, 2003 from $1.7 million, or 77% of revenue, in the three months ended June 30, 2002. This increase was partially a result of expenses related to the continued research and development of new Liquidmetal alloys and related processing capabilities, including the hiring of additional research employees, developing new manufacturing techniques, and the cost of supplies and prototype samples for newly developed products. Salaries and wages increased $0.1 million; travel decreased $0.1 million; professional fees, consultant fees, and contract services decreased $0.1 million; and laboratory and prototyping expenses increased $1.2 million.

Interest Expense. Interest expense was $0.1 million, or 2% of revenue, in the three months ended June 30, 2003 and was $0.8 million, or 37% of revenue, in the three months ended June 30, 2002. During the three months ended June 30, 2003, the interest expense was primarily due to interest accrued on the Kookmin Bank loan to our South Korean subsidiary funded on February 4, 2003. During the three months ended June 30, 2002, the interest expense was primarily due to the amortization of the fair value of warrants granted in connection with subordinated promissory notes we issued in February 2001.

Interest Income. Interest income was $0.1 million, or 2% of revenue, in the three months ended June 30, 2003 due to interest earned on short-term, investment grade, interest-bearing securities. During the three months ended June 30, 2002, interest income was $0.1 million, or 4% of revenue.

Comparison of the six months ended June 30, 2003 and 2002

Revenue. Revenue increased $9.4 million to $13.0 million in the six months ended June 30, 2003 from $3.6 million in

the six months ended June 30, 2002. The increase was due to the $10.5 million increase in revenue earned by our bulk Liquidmetal alloys segment in the six months ended June 30, 2003. This increase in our bulk Liquidmetal alloy segment revenue consisted of a revenue increase of $6.3 million from the sale of metal processing equipment primarily for use in the processing of bulk Liquidmetal alloy products, an increase of $2.2 million from the sale and prototyping of parts manufactured from bulk Liquidmetal alloys, and an increase of $2.0 million from research and development services related primarily to defense and medical applications. The increase in revenue earned by our bulk Liquidmetal alloy segment was offset slightly by a decrease of $1.1 million in the revenue earned by our coatings business as compared to the six months ended June 30, 2002.

Cost of Sales. Cost of sales increased to $10.3 million, or 79% of revenue, during the six months ended June 30,2003 from $1.9 million, or 52% of revenue, in the six months ended June 30, 2002. The cost of sales as a percentage of revenue increased due to several factors including: our continued shift in revenue mix to a higher percentage of bulk alloy products, which currently carry a lower margin than coatings; inadequate pricing on one cell phone component that has since been re-priced; and a higher percentage of plant operating costs allocated to manufacturing, as opposed to research and development expense, compared to the same period of 2002. Additionally, during the second quarter of 2003, $1.3 million of costs were incurred associated with the production of certain unprofitable parts that have now been discontinued and $0.8 million for a part that is being phased out of production. A factor that offsets the increased cost of sales as a percentage of revenue is the lower percentage of costs of sales related to equipment sales and certain research and development revenue included in the bulk Liquidmetal alloy business during the six months ended June 30, 2003.

Although the cost to manufacture parts from our bulk Liquidmetal alloys is variable and differs based on the unique design of each product, we expect gross margin to improve in the upcoming quarters, based on experience and development of new gate-keeping measures to more effectively determine which products are profitably suited for us, along with continued improvements to plant costs and manufacturing process. However, the cost of sales for the products sold by the coatings business is expected to remain generally consistent because Liquidmetal coatings products are produced by third parties and sold wholesale to various industries.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased to $9.2 million, or 71% of revenue, in the six months ended June 30, 2003 from $5.1 million, or 142% of revenue, in the six months ended June 30, 2002. This increase was primarily a result of: increased wages of $0.5 million; severance costs of $0.5 million; costs for consolidating our manufacturing and administrative facilities of $0.3 million; increased professional fees, consultant fees, and contract services of $0.7 million; increased insurance expense of $0.4 million; increased travel expenses of $0.3 million; increased property rent of $0.4 million; increased product warranty expense of $0.4 million; and increased depreciation expense of $0.2 million in the six months ended June 30, 2003. These and other increases in selling, general and administrative expenses are associated with the development of our bulk Liquidmetal alloy business.

Research and Development Expenses. Research and development expenses increased to $6.8 million, or 53% of revenue, in the six months ended June 30, 2003 from $4.4 million, or 121% of revenue, in the six months ended June 30, 2002. This increase was partially a result of expenses related to the continued research and development of new Liquidmetal alloys and related processing capabilities, including the hiring of additional research employees, developing new manufacturing techniques, and contracting with consultants and providing research grants to various institutions to advance the development of Liquidmetal alloys. Salaries and wages increased $0.3 million; travel decreased $0.1 million; professional fees, consultant fees, and contract services increased $0.2 million; laboratory and prototyping expenses increased $1.5 million; depreciation of research equipment increased $0.4 million; and research grants to educational institutions increased $0.2 million.

Interest Expense. Interest expense was $0.2 million, or 1% of revenue, in the six months ended June 30, 2003 and was $1.1 million, or 31% of revenue, in the six months ended June 30, 2002. During the six months ended June 30, 2003, the interest expense was primarily due to interest accrued on the Kookmin Bank loan to our South Korean subsidiary funded on February 4, 2003. During the six months ended June 30, 2002, the interest expense was primarily due to the amortization of the fair value of warrants granted in connection with subordinated promissory notes we issued in February 2001.

Interest Income. Interest income was $0.2 million, or 2% of revenue, in the six months ended June 30, 2003 due to

interest earned on short-term, investment grade, interest-bearing securities. During the six months ended June 30, 2002, interest income was $0.1 million, or 3% of revenue.

LIQUIDITY AND CAPITAL RESOURCES

Our operating activities, including our discontinued retail golf operations, used cash of $17.8 million for the six months ended June 30, 2003 and $9.0 million for the six months ended June 30, 2002. Cash used in operating activities for the six months ended June 30, 2003 resulted from net cash used by discontinued operations of $1.0 million and net cash used by continuing operations of $16.8 million. Cash used in operating activities for the six months ended June 30, 2002 resulted from net cash used by discontinued operations of $2.3 million and net cash used by continuing operations of $6.8 million. We have working capital of $19.7 million as of June 30, 2003. Cash used by continuing operations in the six months ended June 30, 2003 resulted primarily from operating losses from continuing operations of $12.1 million, a decrease in accounts payable and accrued liabilities of $4.0 million, and an increase in accounts receivable of $2.9 million.

Our investing activities used cash of $0.2 million for the six months ended June 30, 2003 for the acquisition of property and equipment of $2.6 million and investment in patents and trademarks of $0.2 million. These expenditures were partially offset by the net proceeds from the sale of marketable securities of $2.6 million.

Our financing activities provided $6.4 million in cash for the six months ended June 30, 2003, which consists of $5.5 million in proceeds from borrowings from Kookmin Bank and $0.9 million in proceeds from exercised stock options.

We currently anticipate substantially lower capital expenditures for at least the next 12 months, given the completion of construction and purchase of manufacturing equipment for our plant in Pyongtaek, South Korea. We anticipate that our capital expenditures will be approximately $4.0 to $5.0 million for the full year 2003 for manufacturing equipment and the acquisition of furniture, fixtures, and other business equipment. This amount is subject to change, however, depending upon the nature and the amount of the orders that we actually receive from customers.

Our capital requirements during the next 12 months will depend on numerous factors, including the success of our existing products, the development of new applications for Liquidmetal alloys, and the resources we devote to develop and support our Liquidmetal alloy products. During the next 12 months, we expect to continue to devote capital to our research and development activities, to further develop and strengthen our manufacturing capabilities, and for working capital and other general corporate purposes. These expenses and capital expenditures will consume a material amount of our cash resources, including a portion of the net proceeds of our initial public offering. Our liquidity is not dependent upon the use of off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities.

We intend to continue to develop our manufacturing resources and capabilities. Additionally, we anticipate growth in our working capital requirements from our expanding bulk Liquidmetal alloy business. However, the amount of these requirements will depend on the nature and amount of orders we receive for the purchase of our bulk Liquidmetal alloy products.

Based on our current business plan, we anticipate that our current cash and cash equivalents, together with anticipated cash flow from operations, will be sufficient to meet our projected cash needs for at least the next 12 months. However, because our business is based on commercializing an entirely new and unique technology, our current business plan contains a variety of assumptions and expectations that are subject to uncertainty, including assumptions and expectations about order flow, unit volumes, manufacturing efficiencies, product cost and pricing, continuing technology improvements, customer adoption practices, and other relevant matters. These assumptions take into account recent significant cost reductions, as well as recent improvements to our manufacturing process. Our assumptions and expectations could change rapidly and dramatically, especially when compared to more traditional businesses whose expectations are rooted in historical experience. If any of our assumptions or expectations prove to be incorrect or do not come to fruition, it is possible that our available funds and cash generated from operations could become strained in the early part of 2004, and we may therefore need to raise additional capital to fund our cash needs. We cannot be certain that additional capital, whether through selling additional debt or equity securities or obtaining a line of credit or other loan, will be available to us or, if available, will be on terms acceptable to us. If we issue additional securities to raise funds, these securities may have rights, preferences, or privileges senior to those of our common stock, and our current stockholders may experience dilution.

In March 1996, we entered into a distribution agreement whereby we granted to a third party exclusive rights to market

and sell golf products incorporating Liquidmetal technology to certain Japanese sporting equipment companies. The third party paid us a $1.0 million distribution fee as part of this agreement, of which a portion was refundable according to a formula based on the gross profit earned by the third party. The remaining unearned distribution fee of $0.8 million has not been refunded as of March 31, 2003, and we do not believe the third party is entitled to a refund. On March 28, 2003, the distribution agreement was terminated and we entered into a new agreement to pay to the same third party a commission on the net sales price of all Liquidmetal golf equipment that is shipped by our company or its affiliates to Japanese golf companies for sale into the Japanese end-market. This commission will apply to golf equipment shipped by our company or its affiliates during the period beginning on March 28, 2003 and ending on March 28,2006. If, by March 28, 2006, we have not paid $0.4 million in commission payments, the balance between commissions paid and $0.4 million will be paid by April 30, 2006, thereby guaranteeing the third party a $0.4 million minimum payment during the term of the agreement. We will recognize the unearned distribution fee of $0.8 million as revenue proportionately with the payment of commissions under the letter agreement.

USE OF PROCEEDS

Pursuant to our Registration Statement on Form S-1 (Registration No. 333-73716), as amended, initially filed with the Securities and Exchange Commission on November 20, 2001 and declared effective May 21, 2002, we closed an initial public offering of 5,000,000 shares of common stock on May 28, 2002, plus an additional 229,000 shares on June 10, 2002 pursuant to an overallotment option, at a price of $15.00 per share (which sale is referred to herein as the “Offering”). The Offering generated aggregate cash proceeds during the second quarter 2002 of $78.4 million. The net proceeds were $70.7 million after deducting underwriting commissions of $5.5 million and other transaction fees of $2.2 million. The managing underwriters for the Offering were Merrill Lynch & Co., UBS Warburg, and Robert W. Baird & Co.

As of June 30, 2003, we had used approximately $67.9 million of net proceeds from the Offering. We used approximately $7.8 million of the net proceeds from the Offering to repay all outstanding promissory notes and accrued interest, $11.1 million to fund the construction of our manufacturing facility in South Korea, $14.0 million to purchase equipment used to manufacture Liquidmetal parts, $0.4 million to purchase assets related to production and sale of equipment used in the production process of Liquidmetal alloy products, and $0.3 million to purchase the 51% interest in our majority owned Dongyang subsidiary. During the third quarter of 2002, we used $2.0 million to invest in the common stock of Growell Metal, which supplies a portion of the Liquidmetal alloy ingots used in our manufacturing operations in Korea, although we have since sold such stock. As of June 30, 2003, we used approximately $30.2 million of the net proceeds for working capital, excluding $2.1 million paid to Paul Azinger for amounts due under the terms of his terminated endorsement agreement. We have invested the remaining net proceeds of this offering in short-term, investment grade, interest-bearing securities. We intend to use the remaining net proceeds of the offering for working capital purposes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

- We record an accrual for potential product warranty costs. Due to the lack of historical information for warranty expense related to bulk alloy products, management estimates product warranties as a percentage of bulk alloy product sales earned during the period. In the event in future periods the actual product warranty costs consistently exceed the estimate for product warranty costs, an adjustment would be made and income would decrease in the period of such determination. Likewise, in the event we determine that actual product warranty costs are consistently lower than the estimate for product warranty costs, an adjustment would be made and income would increase in the period of such determination.

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

- We value inventories at lower of cost or net realizable value. Management has determined net realizable value to be equal to the selling price of the products to be produced and sold less the cost of disposal. In the event, in future periods, the actual selling prices exceed the estimate for selling prices less cost to sell, an adjustment would be made and income would increase in the period of such determination. Likewise, in the event, in future periods, actual selling prices are lower than the estimate for selling prices, an adjustment would be made and income would decrease in the period of such determination.

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated With Exit or Disposal Activities*. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (*EITF*) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. SFAS No. 146 requires costs associated with exit or disposal activities to be recognized when the costs are incurred, rather than at a date of commitment to an exit or disposal plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on our financial statements.

In December 2002, SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, was issued by the FASB. This standard amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this standard amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the

method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. We implemented SFAS No. 148 effective January 1, 2003 regarding disclosure requirements for condensed financial statements for interim periods. We have not yet determined whether we will voluntarily change to the fair value based method of accounting for stock-based employee compensation.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("Interpretation 45"). Interpretation 45 changes the accounting for and the disclosure of guarantees. Interpretation 45 requires that guarantees meeting the characteristics described in the Interpretation be initially recorded at fair value in contrast to FASB No. 5, which requires recording a liability when a loss is probable and reasonably estimable. The disclosure requirements of Interpretation 45 are effective for financial statements and annual periods ending after December 31, 2002. The initial recognition and initial measurement provisions of Interpretation 45 are effective on a prospective basis to guarantees issued or modified after December 30, 2002. The adoption of Interpretation 45 did not have a material impact on our financial statements.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rates. We are exposed to market risks relating to changes in interest rates. Some of the proceeds of our initial public offering are 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 increase.

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

Item 4 – Controls and Procedures

Liquidmetal Technologies, Inc. (the “Company”) has carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures are effective in timely alerting them to material information relating to the Company, including its consolidated subsidiaries, required to be included in this quarterly report on Form 10-Q. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of our evaluation.

PART II
OTHER INFORMATION

Item 1 — Legal Proceedings.

We may be involved in various legal proceedings in the normal course of business. We are not a party to any proceedings that involve amounts that would have a material effect on our financial position or results of operations if such proceedings were resolved unfavorably.

Item 2 — Change in Securities and Use of Proceeds.

Pursuant to the our Registration Statement on Form S-1, as amended, initially filed with the Securities and Exchange Commission on November 20, 2001 and declared effective May 21, 2002 (Registration No. 333-73716), we closed an initial public offering of 5,000,000 shares of common stock on May 28, 2002, plus an additional 229,000 shares on June 10, 2002 pursuant to an overallotment option, at a price of $15.00 per share (which sale is referred to herein as the "Offering"). The Offering generated aggregate cash proceeds during the 2002 second quarter of $78.4 million. The net proceeds were $70.7 million after deducting underwriting commissions of $5.5 million and other transaction fees of $2.2 million. The managing underwriters for the Offering were Merrill Lynch & Co., UBS Warburg and Robert W. Baird & Co.

As of June 30, 2003, we had used approximately $67.9 million of net proceeds from the Offering. We used approximately $7.8 million of the net proceeds from the Offering to repay all of our outstanding promissory notes and accrued interest, $11.1 million to fund the construction of our manufacturing facilities in South Korea, $14.0 million to purchase equipment used to manufacture Liquidmetal parts, $0.4 million to purchase assets related to the production and sale of equipment used in the production process of Liquidmetal alloy products, and $0.3 million to purchase the 51% interest in our majority owned Dongyang subsidiary. During the third quarter of 2002, we used $2.0 million to invest in the common stock of Growell Metal, which supplies a portion of the Liquidmetal alloy ingots used in our manufacturing process in Korea, although we have since sold such stock. As of June 30, 2003, we used approximately $30.2 million of the net proceeds for working capital, excluding $2.1 million paid to Paul Azinger for amounts due under the terms of his endorsement agreement. We have invested the remaining net proceeds of this offering in short-term, investment grade, interest-bearing securities. We intend to use the remaining net proceeds of the offering for working capital purposes.

Item 4 — Submission of Matters to a Vote of Security Holders.

On May 20, 2003, Liquidmetal Technologies, Inc. (the "Company") held its Annual Meeting of Shareholders near the Company's principal executive offices in Tampa, Florida. At the meeting, John Kang, William Johnson, and Tjoa Thian Song were elected as directors to serve until the 2005 Annual Meeting of Shareholders, and Henri Tchen and Jeffrey Oster were elected as directors to serve until the 2006 Annual Meeting of Shareholders. Additionally, the Company's shareholders approved (i) the reincorporation of the Company from California to Delaware and the adoption of a new charter and bylaws in connection with the reincorporation, and (ii) the ratification of Deloitte & Touche LLP as the Company's principal independent public accountants for the year 2003.

The voting results for the election of Directors were as follows:

	Votes For	Votes Withheld
John Kang	33,335,298	677,613
William Johnson	33,334,379	678,532
Tjoa Thian Song	33,441,184	571,727
Henri Tchen	26,077,350	7,935,561
Jeffrey Oster	33,440,184	572,727

The voting results for the proposal to reincorporate the Company from California to Delaware were as follows:

Votes For	Votes Against	Votes Abstaining
25,406,567	786,119	5,305

The voting results for the ratification of Deloitte & Touche LLP for 2003 were as follows:

Votes For	Votes Against	Votes Abstaining
33,990,089	13,911	8,911

Item 6 – Exhibits and Reports on Form 8-K.

(a) Exhibits

The following documents are filed as an exhibit to this Report:

Exhibit Number	Description of Document
2.1	Agreement and Plan of Merger, dated May 21, 2003, between Liquidmetal Technologies, Inc. and Liquidmetal Technologies.
3.1	Certificate of Incorporation.
3.2	Bylaws.
4.1	Reference is made to Exhibits 3.1 and 3.2.
4.2	Form of Common Stock Certificate.
10.1	Form of Indemnity Agreement entered into between Liquidmetal Technologies, Inc. and each of its directors and executive officers.
15.0	Awareness Letter from Independent Auditors
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-15 (e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-15 (e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350

(b) Reports on Form 8-K

1. A Report on Form 8-K was filed on April 14, 2003 (Items 7 and 12.). The report contained information regarding Liquidmetal Technologies, Inc.’s earnings release issued on April 14, 2003.

2. A Report on Form 8-K was filed on May 1, 2003 (Items 7 and 12.). The report contained information regarding Liquidmetal Technologies, Inc.’s earnings release issued on May 1, 2003.

SIGNATURES

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

LIQUIDMETAL TECHNOLOGIES
(Registrant)

Date: August 14, 2003 /s/ John Kang

John Kang
President & Chief Executive Officer
(Principal Executive Officer)

Date: August 14, 2003 /s/ Brian McDougall

Brian McDougall
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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15.0	Awareness Letter from Independent Auditors
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32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350

EXHIBIT 2.1

AGREEMENT AND PLAN OF MERGER OF

LIQUIDMETAL TECHNOLOGIES, INC. (A DELAWARE CORPORATION)

AND

LIQUIDMETAL TECHNOLOGIES (A CALIFORNIA CORPORATION)

THIS AGREEMENT AND PLAN OF MERGER, dated as of May 21, 2003 (the "Agreement"), is made by and between Liquidmetal Technologies, Inc., a Delaware corporation ("Liquidmetal Delaware"), and Liquidmetal Technologies, a California corporation ("Liquidmetal California"). Liquidmetal Delaware and Liquidmetal California are sometimes referred to herein as the "Constituent Corporations."

RECITALS

A. Liquidmetal Delaware is a corporation duly organized and existing under the laws of the State of Delaware and has an authorized capital of 110,000,000 shares, 100,000,000 of which are Common Stock, $0.001 par value per share, and 10,000,000 of which Preferred Stock, $0.001 par value per share. The Preferred Stock of Liquidmetal Delaware is undesignated as to series, rights, preferences, privileges, or restrictions. As of the date hereof, 100 shares of Common Stock of Liquidmetal Delaware were issued and outstanding, all of which were held by Liquidmetal California, and no shares of Preferred Stock of Liquidmetal Delaware were issued and outstanding.

B. Liquidmetal California is a corporation duly organized and existing under the laws of the State of California and has an authorized capital of 210,000,00 shares, 200,000,00 of which are Common Stock, no par value, and 10,000,000 of which Preferred Stock, no par value.

C. The Board of Directors of Liquidmetal California has determined that, for the purpose of effecting the reincorporation of Liquidmetal California in the State of Delaware, it is advisable and in the best interests of Liquidmetal California and its shareholders that Liquidmetal California merge with and into Liquidmetal Delaware upon the terms and conditions herein provided.

D. The respective Boards of Directors of Liquidmetal Delaware and Liquidmetal California have approved this Agreement and have directed that this Agreement be submitted to a vote of their respective sole stockholder and shareholders and executed by the undersigned officers.

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, Liquidmetal Delaware and Liquidmetal California hereby agree, subject to the terms and conditions hereinafter set forth, as follows:

ARTICLE I

MERGER

1.1. Merger. In accordance with the provisions of this Agreement, the Delaware General Corporation Law and the California General Corporation Law, Liquidmetal California shall be merged with and into Liquidmetal Delaware (the "Merger"), the separate existence of Liquidmetal California shall cease, and Liquidmetal Delaware shall survive the Merger and shall continue to be governed by the laws of the State of Delaware. Liquidmetal Delaware shall be, and is herein sometimes referred to as, the "Surviving Corporation." The name of the Surviving Corporation shall be Liquidmetal Technologies, Inc.

1.2. Filing and Effectiveness. The Merger shall become effective when the following actions shall have been completed: (i) this Agreement and Merger shall have been adopted and approved by the stockholders of each Constituent Corporation in accordance with the requirements of the Delaware General Corporation Law and the California Corporations Code; (ii) all of the conditions precedent to the consummation of the Merger specified in this Agreement shall have been satisfied or duly waived by the party entitled to satisfaction thereof; (iii) an executed Certificate of Merger or an executed counterpart of this Agreement meeting the requirements of the Delaware General Corporation Law shall have been filed with the Secretary of State of the State of Delaware; and (iv) an executed Certificate of Merger or an executed counterpart of this Agreement meeting the requirements of the California General Corporation Law shall have been filed with the Secretary of State of the State of California. The date and time when the Merger shall become effective, as aforesaid, is herein called the "Effective Date of the Merger."

1.3. Effect of the Merger. Upon the Effective Date of the Merger, the separate existence of Liquidmetal California shall cease and Liquidmetal Delaware, as the Surviving Corporation, (i) shall continue to possess all of its assets, rights, powers and property as constituted immediately prior to the Effective Date of the Merger, (ii) shall be subject to all actions previously taken by its and Liquidmetal California's Board of Directors, (iii) shall succeed, without other transfer, to all of the assets, rights, powers and property of Liquidmetal California in the manner more fully set forth in Section 259 of the Delaware General Corporation Law, (iv) shall continue to be subject to all of the debts, liabilities and obligations of Liquidmetal Delaware as constituted immediately prior to the Effective Date of the Merger, and (v) shall succeed, without other transfer, to all of the debts, liabilities and obligations of Liquidmetal California in the same manner as if Liquidmetal Delaware had itself incurred them, all is more fully provided under the applicable provisions of the Delaware General Corporation Law and the California General Corporation Law.

ARTICLE II

CHARTER DOCUMENTS, DIRECTORS AND OFFICERS

2.1. Certificate of Incorporation. The Certificate of Incorporation of Liquidmetal Delaware as in effect immediately prior to the Effective Date of the Merger shall

continue in full force and effect as the Certificate of Incorporation of the Surviving Corporation until duly amended in accordance with the provisions thereof and applicable law.

2.2. Bylaws. The Bylaws of Liquidmetal Delaware as in effect immediately prior to the Effective Date of the Merger shall continue in full force and effect as the Bylaws of the Surviving Corporation until duly amended in accordance with the provisions thereof and applicable law.

2.3. Directors and Officers. The directors and officers of Liquidmetal California immediately prior to the Effective Date of the Merger shall be the directors and officers of the Surviving Corporation until their successors shall have been duly elected and qualified or until as otherwise provided by law, or the Certificate of Incorporation of the Surviving Corporation or the Bylaws of the Surviving Corporation.

ARTICLE III

MANNER OF CONVERSION OF STOCK

3.1. Liquidmetal California Common Stock. Upon the Effective Date of the Merger, each share of Liquidmetal California Common Stock issued and outstanding immediately prior thereto shall, by virtue of the Merger and without any action by the Constituent Corporations, the holder of such shares or any other person, be converted into and exchanged for one (1) fully paid and nonassessable share of Common Stock, $0.001 par value per share, of the Surviving Corporation.

3.2. Liquidmetal California Options and Employee Benefits.

(a) Upon the Effective Date of the Merger, the Surviving Corporation shall assume and continue the stock option and related plans and all other employee benefit plans of Liquidmetal California. Each outstanding and unexercised option or other right to purchase Liquidmetal California Common Stock shall become an option or right to purchase the Surviving Corporation's Common Stock on the basis of one share of the Surviving Corporation's Common Stock for each share of Liquidmetal California Common Stock issuable pursuant to any such option or related right, on the same terms and conditions and at an exercise price per share equal to the exercise price applicable to any such Liquidmetal California option or related right at the Effective Date of the Merger.

(b) A number of shares of the Surviving Corporation's Common Stock shall be reserved for issuance upon the exercise of options and related rights equal to the number of shares of Liquidmetal California Common Stock so reserved immediately prior to the Effective Date of the Merger.

3.3. Liquidmetal Delaware Common Stock. Upon the Effective Date of the Merger, each share of Common Stock, no par value, of Liquidmetal Delaware issued and outstanding immediately prior thereto shall, by virtue of the Merger and without any action by Liquidmetal Delaware, the holder of such shares or any other person, be canceled and returned to the status of authorized but unissued shares.

3.4. Exchange of Certificates. After the Effective Date of the Merger, each holder of an outstanding certificate representing shares of Liquidmetal California Common Stock may, at such stockholder's option, surrender the same for cancellation to American Stock Transfer & Trust Company, as exchange agent (the "Exchange Agent"), and each such holder shall be entitled to receive in exchange therefor a certificate or certificates representing the number of shares of the Surviving Corporation's Common Stock into which the surrendered shares were converted as herein provided. Unless and until so surrendered, each outstanding certificate theretofore representing shares of Liquidmetal California Common Stock shall be deemed for all purposes to represent the number of shares of the Surviving Corporation's Common Stock into which such shares of Liquidmetal California Common Stock were converted in the Merger. The registered owner on the books and records of the Surviving Corporation or the Exchange Agent of any shares of stock represented by such outstanding certificate shall, until such certificate shall have been surrendered for transfer or conversion or otherwise accounted for to the Surviving Corporation or the Exchange Agent, have and be entitled to exercise any voting and other rights with respect to and to receive dividends and other distributions upon the shares of Common Stock of the Surviving Corporation represented by such outstanding certificate as provided above. Each certificate representing Common Stock of the Surviving Corporation so issued in the Merger shall bear the same legends, if any, with respect to the restrictions on transferability as the certificates of Liquidmetal California so converted and given in exchange therefore, unless otherwise determined by the Board of Directors of the Surviving Corporation in compliance with applicable laws, or other such additional legends as agreed upon by the holder and the Surviving Corporation. If any certificate for shares of Liquidmetal Delaware stock is to be issued in a name other than that in which the certificate surrendered in exchange therefor is registered, it shall be a condition of issuance thereof that the certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer, that such transfer otherwise be proper and comply with applicable securities laws and that the person requesting such transfer pay to Liquidmetal Delaware or the Exchange Agent any transfer or other taxes payable by reason of issuance of such new certificate in a name other than that of the registered holder of the certificate surrendered or establish to the satisfaction of Liquidmetal Delaware that such tax has been paid or is not payable.

ARTICLE IV

GENERAL

4.1. Covenants of Liquidmetal Delaware. Liquidmetal Delaware covenants and agrees that it will, on or before the Effective Date of the Merger: (a) qualify to do business as a foreign corporation in the State of California and in connection therewith irrevocably appoint an agent for service of process as required under the provisions of Section 2105 of the California General Corporation Law; (b) file any and all documents with the California Franchise Tax Board necessary for the assumption by Liquidmetal Delaware of all of the franchise tax liabilities of Liquidmetal California; and (c) take such other actions as may be required by the California General Corporation Law.

4.2. Further Assurances. From time to time, as and when required by Liquidmetal Delaware or by its successors or assigns, there shall be executed and delivered on

behalf of Liquidmetal California such deeds and other instruments, and there shall be taken or caused to be taken by Liquidmetal Delaware and Liquidmetal California such further and other actions as shall be appropriate or necessary in order to vest or perfect in or conform of record or otherwise by Liquidmetal Delaware the title to and possession of all the property, interests, assets, rights, privileges, immunities, powers, franchises and authority of Liquidmetal California and otherwise to carry out the purposes of this Agreement, and the officers and directors of Liquidmetal Delaware are fully authorized in the name and on behalf of Liquidmetal California or otherwise to take any and all such action and to execute and deliver any and all such deeds and other instruments.

4.3. Abandonment. At any time before the Effective Date of the Merger, this Agreement may be terminated and the Merger may be abandoned for any reason whatsoever by the Board of Directors of either Liquidmetal California or of Liquidmetal Delaware, or of both, notwithstanding the approval of this Agreement by the shareholders of Liquidmetal California or by the sole stockholder of Liquidmetal Delaware, or by both.

4.4. Amendment. The Boards of Directors of the Constituent Corporations may amend this Agreement at any time prior to the filing of this Agreement (or certificate in lieu thereof) with the Secretaries of State of the States of Delaware and California, provided that an amendment made subsequent to the adoption of this Agreement by the stockholders of either Constituent Corporation shall not: (i) alter or change the amount or kind of shares, securities, cash, property and/or rights to be received in exchange for or on conversion of all or any of the shares of any class or series thereof of such Constituent Corporation; (ii) alter or change any term of the Certificate of Incorporation of the Surviving Corporation to be effected by the Merger; or (iii) alter or change any of the terms and conditions of this Agreement if such alteration or change would adversely affect the holders of any class or series of capital stock of any Constituent Corporation.

4.5. Agreement. Executed copies of this Agreement will be on file at the principal place of business of the Surviving Corporation at 100 North Tampa Street, Suite 3150, Tampa, Florida 33602.

4.6. Governing Law. This Agreement shall in all respects be construed, interpreted and enforced in accordance with and governed by the laws of the State of Delaware and, so far as applicable, the merger provisions of the California General Corporation Law.

4.7. Counterparts. This, this Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which, together, shall constitute the same instrument.

IN WITNESS WHEREOF, the parties hereto executed this Agreement as of the day and year first written above.

LIQUIDMETAL TECHNOLOGIES,
a California corporation

By: /s/ John Kang

President and Chief Executive Officer

LIQUIDMETAL TECHNOLOGIES, INC.,
a Delaware corporation

By: /s/ John Kang

President and Chief Executive Officer

EXHIBIT 3.1

CERTIFICATE OF INCORPORATION

OF

LIQUIDMETAL TECHNOLOGIES, INC.

ARTICLE I

The name of the corporation is Liquidmetal Technologies, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle 19801. The name of the Corporation's registered agent at such address is CT Corporation System.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as the same may be amended or supplemented from time to time (the "DGCL").

ARTICLE IV

The Corporation shall have authority to issue One Hundred Ten Million (110,000,000) shares of capital stock, consisting of One Hundred Million (100,000,000) shares of Common Stock, $0.001 par value per share, and Ten Million (10,000,000) shares of Preferred Stock, $0.001 par value per share. The Preferred Stock authorized by the Certificate of Incorporation may be issued from time to time in one or more series. The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or of any of them.

ARTICLE V

The name and mailing address of the incorporator is:

Steven Vazquez
Foley & Lardner
100 North Tampa Street, Suite 2700
Tampa, FL 33602

ARTICLE VI

To the fullest extent permitted by the DGCL, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended after the effective date of this Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

The Corporation shall indemnify to the fullest extent permitted by the DGCL (including, without limitation, Section 145 thereof), as the same may be amended and supplemented from time to time, any and all persons whom it shall have power to indemnify under the DGCL. The indemnification provided for herein shall not be exclusive of any other rights to which those seeking indemnification may be entitled as a matter of law under any Bylaw, agreement, vote of stockholders or disinterested directors of the Corporation, or otherwise, both as to action in such indemnified person's official capacity and as to action in another capacity while serving as a director, officer, employee, or agent of the Corporation, and shall continue as to a person who has ceased to be a director, officer, employee, or agent of the Corporation, and shall inure to the benefit of the heirs, executors and administrators of such person.

Any repeal or modification of this Article VI or amendment to the DGCL shall not adversely affect any right or protection of a director, officer, agent, or other person existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director, officer, or agent occurring prior to, such repeal, modification, or amendment.

ARTICLE VII

The Board of Directors shall have the power to adopt, amend, or repeal Bylaws of the Corporation, subject to the right of the stockholders of the Corporation to adopt, amend, or repeal any Bylaw. In addition, the Bylaws may be amended by the affirmative vote of holders of majority of the outstanding shares of voting stock of the Corporation entitled to vote at an election of directors.

ARTICLE VIII

The number of directors of the Corporation shall be determined by resolution of the Board of Directors. Elections of directors need not be by written ballot, unless the Bylaws of the Corporation shall so provide.

Advance notice of stockholder nominations for the election of directors and of any other business to be brought before any meeting of the stockholders shall be given in the manner provided in the Bylaws of the Corporation. At each annual meeting of stockholders, directors of the Corporation shall be elected to hold office until the expiration of the term for which they are elected, or until their successors have been duly elected and qualified; except that if any such election shall not be so held, such election shall take place at a stockholders' meeting called and held in accordance with the DGCL.

Vacancies occurring on the Board of Directors for any reason may be filled by vote of a majority of the remaining members of the Board of Directors, even if less than a quorum, at any meeting of the Board of Directors. A person so elected by the Board of Directors to fill a vacancy shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been duly elected and qualified.

ARTICLE IX

The Corporation reserves the right to amend, alter, change, or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, the undersigned incorporator has executed this Certificate of Incorporation on May 15, 2003.

/s/ Steven Vazquez

Steven Vazquez, Incorporator

EXHIBIT 3.2

BYLAWS

OF

LIQUIDMETAL TECHNOLOGIES, INC.

ARTICLE I

OFFICES

Section 1.1 Registered Office. The registered office of the Corporation shall be located in the City of Wilmington, County of New Castle, State of Delaware.

Section 1.2 Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

STOCKHOLDERS

Section 2.1 Place of Meeting. All meetings of the stockholders for the election of directors shall be held at such place as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2.2 Annual Meeting. Annual meetings of stockholders shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. At each annual meeting, the stockholders shall elect directors to succeed those directors whose terms expire in that year and shall transact such other business as may properly be brought before the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

Section 2.3 Special Meetings. Special meetings of stockholders for any purpose or purposes may be held at any time upon call of the Board of Directors. A special meeting of the stockholders of the Corporation shall be called by the President or the Secretary upon the written request of the stockholders who together own of record 25% of the outstanding

stock of all classes entitled to vote at such meeting. The request shall state the date, time, and place by which stockholders and proxy holders may be deemed to be present and vote at such meeting and purpose or purposes of the proposed meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 2.4 Notice of Meetings. Written notice of stockholders' meetings, stating the place, date, and hour thereof, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by or at whose direction the notice is being issued. A copy of the notice of any meeting shall be delivered personally or shall be mailed, not less than ten days but not more than sixty days before the date of such meeting, unless a different period is prescribed by law. If mailed, the notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to each stockholder at such stockholder's address as it appears on the records of the Corporation, unless such stockholder shall have filed with the Secretary of the Corporation a written request that such notice be mailed to some other address, in which case it shall be directed to such other address. Notice of any meeting of stockholders need not be given to any stockholder who shall attend the meeting, other than for the express purpose of objecting at the beginning thereof to the transaction of any business because the meeting is not lawfully called or convened, or who shall submit, either before or after the time stated therein, a written waiver of notice. Unless the Board of Directors, after an adjournment is taken, shall fix a new record date for an adjourned meeting or unless the adjournment is for more than thirty days, notice of an adjourned meeting need not be given if the place, date and time to which the meeting shall be adjourned are announced at a meeting at which the adjournment is taken.

Without limiting the manner by which notice otherwise may be given effectively to stockholders, unless excepted under Sections 164, 296, 311, 312, or 324 of the Delaware General Corporation Law, any notice to stockholders given by the Corporation under any provision of these Bylaws or the Certificate of Incorporation shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if (1) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (2) such inability becomes known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Notice given by a form of electronic transmission shall be deemed given: (1) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (4) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Electronic transmission includes any form of communication not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

Whenever any notice is required to be given under the provisions of any law, or under the provisions of the Certificate of Incorporation of the Corporation or these Bylaws, a waiver thereof in writing, or a waiver by electronic transmission, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 2.5 Quorum. Except as otherwise provided by law or in the Certificate of Incorporation of the Corporation or these Bylaws, at any meeting of stockholders, the holders of a majority of the outstanding shares of each class of stock entitled to vote thereat shall be present or represented by proxy in order to constitute a quorum for the transaction of any business. In the absence of a quorum, a majority in interest of the stockholders present or the chairman of the meeting may adjourn the meeting from time to time in the manner provided for in this Section 2.5 until a quorum shall attend.

In case a quorum shall not be present at any meeting, a majority in interest of the stockholders entitled to vote thereat, present in person or by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting of the time, place, if any, thereof by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, until the requisite amount of stock entitled to vote shall be present. At any such adjourned meeting at which the requisite amount of stock entitled to vote shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed; but only those stockholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof.

Section 2.6 Conduct of Meeting. The Chairman of the Board of Directors, if any, or, in his absence, the Chief Executive Officer, or in his absence, the President, or in their absence, any Vice President, shall call to order meetings of stockholders and shall act as chairman of such meetings. If none of the forgoing is present, the stockholders entitled to vote and who are present in person or represented by proxy at the meeting shall appoint any person to act as chairman of the meeting. The Secretary of the Corporation shall act as secretary of all meetings of stockholders, but, in the absence of the Secretary, the chairman of the meeting may appoint any other person to act as secretary of the meeting. The order of business at all meetings of the stockholders shall be as determined by the chairman of the meeting.

At any meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting (a) pursuant to the corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the corporation who is a stockholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Bylaw; provided, however, that business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

For business to be properly brought before any meeting by a stockholder pursuant to clause (c) above of this Section 2.6, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than one hundred twenty (120) days prior to the date of the meeting. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, (c) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder of record and by the beneficial owner, if any, on whose behalf of the proposal is made, and (d) any material interest of such stockholder of record and the beneficial owner, if any, on whose behalf the proposal is made in such business.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in this Section 2.6. The presiding officer of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures prescribed by this Section 2.6, and if such person should so determine, such person shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.6, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 12.

Section 2.7 Voting. Except as otherwise provided by law or in the Certificate of Incorporation of the Corporation or these Bylaws, any corporate action to be taken by a vote of the stockholders, other than for the election of directors, at any meeting duly called and held at which a quorum is present, shall be authorized by the affirmative vote of a majority of the shares present or represented by proxy at the meeting and entitled to vote on the subject matter. At any meeting of the stockholders duly called and held for the election of directors at which a quorum is present, those persons receiving a plurality of the votes cast whether in person or represented by proxy and entitled to vote for the election of directors shall be elected.

Section 2.8 Stockholder List. A complete list of the stockholders entitled to vote at the ensuing election, arranged in alphabetical order, with the address of each, and the number of shares held by each, shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (1) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (2) during ordinary business hours, at the principal place of business of the Corporation. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be

produced and kept at the place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 2.9 Written Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the Certificate of Incorporation of the Corporation, any action required to be taken or which may be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed, in person or by proxy, by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted in person or by proxy and shall be delivered to the Corporation as required by law. An electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed, and dated for the purposes of this section, provided that any such electronic transmission sets forth or is delivered with information from which the Corporation can determine (1) that the electronic transmission was transmitted by the stockholder or proxyholder, or by a person or persons authorized to act for the stockholder or proxyholder and (2) the date on which such stockholder or proxyholder or authorized person or persons transmitted such electronic transmission. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1 Function. The business and affairs of the Corporation shall be managed by, or under the direction of, the Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 3.2 Number and Term of Office. Except as otherwise provided in the Certificate of Incorporation of the Corporation, until such time as the Board of Directors determines otherwise, the number of directors shall initially be seven (7). The directors shall be classified, with respect to the time for which they severally hold office, into three (3) classes, Class I, Class II, and Class III, each of which shall be as nearly equal in number as possible. Class I shall be established for a term expiring at the annual meeting of shareholders to be held in 2005 and shall consist initially of two (2) directors. Class II shall be established for a term expiring at the annual meeting of shareholders to be held in 2006 and shall consist initially of two (2) directors. Class III shall be established for a term expiring at the annual meeting of shareholders to be held in 2004 and shall consist initially of three (3) directors. Each director shall hold office until his or her successors are elected and qualified, or until such director's earlier death, resignation or removal as hereinafter provided. At each annual meeting of the stockholders, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third (3rd) year following the year of their election. The number of directors may be reduced or

increased from time to time by action of a majority of the directors then in office, and the board of directors shall determine the class or classes to which the increased or decreased number of directors shall be apportioned; provided, however, that no decrease in the number of directors shall affect the term of any director then in office.

Section 3.3 Chairman of the Board. The directors may elect one of their members to be Chairman of the Board of Directors. The Chairman of the Board of Directors shall be subject to the control of, and may be removed by, the Board of Directors. He shall perform such duties as may from time to time be assigned to him by the Board of Directors.

Section 3.4 Meetings. The annual meeting of the Board of Directors shall be held either without notice immediately after the annual meeting of stockholders and in the same place, if any, or at such time and place, if any, as shall be fixed by the vote of the stockholders at the annual meeting or as soon as practicable after the annual meeting of stockholders on such date and at such time and place if any, as the Board of Directors determines from time to time.

The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular and special meetings of the Board of Directors shall be held at such time and place if any, as shall be designated in the notice of the meeting whenever called by the Chairman of the Board of Directors, if any, or the Chief Executive Officer, and shall be called by the Chief Executive Officer or Secretary upon the written request of a majority of the directors then in office. The request shall state the date, time, place, and purpose or purposes of the proposed meeting.

Section 3.5 Notice of Meetings. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board. Special meetings of the Board may be called by the Chairman of the Board or the Chief Executive Officer on twelve (12) hours' notice to each director either personally or by telephone, facsimile, or electronic mail; special meetings shall be called by the Chief Executive Officer or Secretary in like manner and on like notice on the written request of a majority of the Board unless the Board consists of only one director, in which case special meetings shall be called by the Chairman of the Board, the Chief Executive Officer, or Secretary in like manner and on like notice on the written request of the sole director. A written waiver of notice, signed by the person entitled thereto, whether before or after the time of the meeting stated therein, shall be deemed equivalent to notice.

Section 3.6 Quorum and Conduct of Meetings. Except as otherwise provided in these Bylaws or by statute, a majority of the Board shall constitute a quorum for the transaction of business, but, if at any meeting of the Board of Directors (whether or not adjourned from a previous meeting) there shall be less than a quorum present, a majority of those present may adjourn the meeting to another time and place, and the meeting may be held as adjourned without further notice or waiver.

Except as otherwise provided by law or in the Certificate of Incorporation of the Corporation or these Bylaws, a majority of the directors present at any meeting at which a quorum is present may decide any question brought before such meeting. Meetings shall be presided over by the Chairman of the Board of Directors, if any, or in his absence, by the Chief

Executive Officer, or in the absence of both, by such other person as the directors may select. The Secretary of the Corporation shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The order of all business at all meetings of the Board of Directors shall be determined by the person presiding over the meeting.

Section 3.7 Committees. The Board of Directors may, by resolution adopted by a majority of the Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business, property, and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have power or authority in reference to amending the Certificate of Incorporation of the Corporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors pursuant to authority expressly granted to the Board of Directors by the Certificate of Incorporation of the Corporation and the General Corporation Law, fix the designation and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of the assets of the Corporation, or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease, or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of dissolution, or amending these Bylaws; and, unless such resolution or resolutions expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law. Each committee which has been established by the Board of Directors pursuant to these Bylaws may fix its own rules and procedures; provided that a majority of all the members of a committee shall constitute a quorum for the transaction of business, and the vote a majority of all the members of a committee present at a meeting at which a quorum is present shall be the act of the committee. Notice of meetings of committees, other than of regular meetings provided for by committee rules, shall be given to committee members. All action taken by committees shall be recorded in minutes of the meetings.

Section 3.8 Action Without Meeting. Unless otherwise prohibited by law or the Certificate of Incorporation of the Corporation, the Board of Directors or any committee thereof may take any action required or permitted to be taken by them without a meeting if all of the members of the Board of Directors or committee, as the case may be, consent in writing or by means of electronic transmissions, and such written consent or electric transmission is filed with

the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 3.9 Telephonic Meetings. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at the meeting.

Section 3.10 Removal. A director may be removed at any time, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

Section 3.11 Compensation. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 3.12 Resignations. Any director may resign at any time by giving written notice or by electronic transmission of his resignation to the Corporation. A resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt.

Section 3.13 Vacancies. Except as otherwise provided in the Certificate of Incorporation of the Corporation, any vacancy in the Board of Directors arising from an increase in the number of directors or otherwise may be filled by the vote of a majority of the directors then in office, even if less than a quorum, or by sole remaining director, and the directors so chosen shall hold office until the next election of the class for which such directors were chosen and until their successors are duly elected and qualified or until earlier resignation or removal. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

ARTICLE IV

OFFICERS

Section 4.1 Executive Officers. The executive officers of the Corporation shall be a President, a Chief Financial Officer, and a Secretary, each of whom shall be appointed by the Board of Directors. The Board of Directors also may elect or appoint such other officers (including, without limitation, a Chief Executive Officer, Treasurer, one or more Vice Presidents, and one or more Assistant Treasurers and Assistant Secretaries) as it may deem necessary or desirable for the conduct of business of the Corporation, and each of whom shall have such powers and duties as the Board of Directors determines. Each officer shall hold office

for such term as may be prescribed by the Board of Directors from time to time. Any person may hold at one time two or more offices.

Section 4.2 Powers and Duties.

(a) Chairman of the Board. The Chairman of the Board, if such an officer is elected, shall exercise and perform such powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the Bylaws.

(b) Chief Executive Officer. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the Chief Executive Officer shall be the Chief Executive Officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the Corporation. He shall preside at all meetings of the stockholders. He shall have the general powers and duties of management usually vested in the office of the Chief Executive Officer of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

(c) President. In the absence or disability of the Chief Executive Officer, the President shall perform all the duties of the Chief Executive Officer, and when so acting shall have all of the powers of, and be subject to all the restrictions upon, the Chief Executive Officer. The President shall have such other powers and perform such other duties as from time to time may be prescribed by the Board of Directors or the Bylaws or the Chief Executive Officer or the Chairman of the Board.

(d) Chief Financial Officer. The Chief Financial Officer shall have care and custody of the corporate funds and shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transaction 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 render to the Chief Executive Officer and the Board, 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 power and perform such other duties as may be prescribed by the Board of Directors of the Bylaws.

(e) 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 or 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 the Directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board of Directors a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and

date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by the Bylaws or Bylaw to be given, and he shall keep the seal of the corporation if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

Section 4.3 Resignations. Any officer may resign at any time by giving written notice of his resignation to the Corporation. A resignation shall take effect at the time specified therein, or if the time when it shall become effective shall not be specified therein, immediately upon its receipt.

Section 4.4 Vacancies and Term. If an office becomes vacant for any reason, the Board of Directors may fill the vacancy, and such officer so elected or appointed shall serve for the remainder of his predecessor's term and until his successor shall have been elected or appointed and shall have qualified. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors.

ARTICLE V

CAPITAL STOCK

Section 5.1 Stock Certificates. The certificates representing shares of the capital stock of the Corporation shall be in such form as shall be prescribed by law and approved, from time to time, by the Board of Directors. Each certificate shall be signed in the name of the Corporation by the President or any Vice President and by the Secretary, any Treasurer, any Assistant Secretary or any Assistant Treasurer. Any or all of the signatures on a certificate may be a facsimile. In case any officer who shall have signed or whose facsimile signature shall have been placed on any certificate shall have ceased to be such officer before the certificate shall be issued, the certificate may be issued by the Corporation with the same effect as if he were such officer, at the date of issue.

Section 5.2 Transfer of Shares. Transfers of shares shall be registered on the books of the Corporation maintained for that purpose after due presentation of the stock certificates therefor, appropriately endorsed or accompanied by proper evidence of succession, assignment or authority to transfer.

Section 5.3 Fixing Record Date. For purposes of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or to express consent to corporate action in writing without a meeting, or 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 change, conversion, or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which

record date shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

Section 5.4 Lost Certificates. The Board of Directors or any transfer agent of the Corporation may direct a new certificate or certificates representing stock of the Corporation to be issued in place of any certificate or certificates theretofore issued by the Corporation, alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors (or any transfer agent of the Corporation authorized to do so by a resolution of the Board of Directors) may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum as the Board of Directors (or any transfer agent so authorized) shall direct to indemnify the Corporation against any claim that may be made against the Corporation with respect to the certificate or certificates alleged to have been lost, stolen, or destroyed or the issuance of such new certificate or certificates, and such requirement may be general or confined to specific instances.

Section 5.5 Regulations. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer, registration, cancellation, and replacement of certificates representing stock of the Corporation.

ARTICLE VI

INDEMNIFICATION

Section 6.1 Indemnification. The Corporation shall, to the fullest extent permitted by Section 145 of the General Corporation Law or any successor provision or statute, as the same may be amended from time to time, indemnify any director, officer, employee or agent of the Corporation or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

Section 6.2 Advancement of Expenses. Expenses (including attorneys' fees) incurred by any person in his capacity as a director or an officer of the Corporation in defending a civil, criminal, administrative or investigative action, suit or proceeding of the type contemplated by Section 145 of the General Corporation Law, or any successor provision or statute, as the same may be amended from time to time, shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VI.

Section 6.3 Other Rights and Remedies. The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of stockholders or

disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 6.4 Insurance. Upon resolution passed by the Board of Directors, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article VI.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization, and the words "Corporate Seal" and "Delaware."

Section 7.2 Fiscal Year. The fiscal year of the Corporation shall end on December 31 or such date as otherwise determined by the Board of Directors.

Section 7.3 Stock of Other Corporations or Other Interests. Unless otherwise ordered by the Board of Directors, the President, the Secretary, and such attorneys or agents of the Corporation as may be, from time to time, authorized by the Board of Directors or the President shall have full power and authority on behalf of the Corporation to attend and to act and vote in person or by proxy at any meeting of the holders of securities of any corporation or other entity in which the Corporation may own or hold shares or other securities, and at such meetings shall possess and may exercise all the rights and powers incident to the ownership of such shares or other securities which the Corporation, as the owner or holder thereof, might have possessed and exercised if present. The President, Secretary, or such attorneys or agents may also execute and deliver on behalf of the Corporation powers of attorney, proxies, consents, waivers, and other instruments relating to the shares or securities owned or held by the Corporation.

Section 7.4 Variations in Pronouns. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context requires.

ARTICLE VIII

AMENDMENTS

These Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the affirmative vote of holders of at least a majority of the outstanding voting stock

of the corporation. These Bylaws may also be altered, amended or repealed or new Bylaws may be adopted by the Board of Directors, when such power is conferred upon the Board of Directors by the Certificate of Incorporation. The foregoing may occur at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal, or adoption of new Bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal Bylaws is conferred upon the Board of Directors by the Certificate of Incorporation, it shall not divest or limit the power of the stockholders to adopt, amend, or repeal Bylaws.

ARTICLE IX

CERTIFICATE OF INCORPORATION

These Bylaws shall be subject to the Certificate of Incorporation of the Corporation. All references in these Bylaws to the Certificate of Incorporation of the Corporation shall be construed to mean the Certificate of Incorporation of the Corporation and any Certificate of Designation to the Certificate of Incorporation of the Corporation, as the same may be amended from time to time.

EXHIBIT 4.2

[LOGO OF LIQUIDMETAL TECHNOLOGIES, INC.]

Number	Shares
LMT	
COMMON STOCK	COMMON STOCK

INCORPORATED UNDER
THE LAWS OF
THE STATE OF DELAWARE

CUSIP 53634X 10 0

THIS CERTIFIES THAT

SEE REVERSE FOR
CERTAIN DEFINITIONS

IS THE REGISTERED HOLDER OF

SHARES OF COMMON STOCK, $0.001 PAR VALUE, FULLY PAID AND NON-ASSESSABLE OF

LIQUIDMETAL TECHNOLOGIES INC.

transferable on the books of the Corporation by the holder hereof, in person or by Attorney, upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

[CORPORATE SEAL OF LIQUIDMETAL TECHNOLOGIES, INC.]

SECRETARY PRESIDENT

COUNTERSIGNED AND REGISTERED:
AMERICAN STOCK TRANSFER & TRUST COMPANY TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

LIQUIDMETAL TECHNOLOGIES, INC.

Liquidmetal Technologies, Inc. will furnish to any holder of its Common Stock or Preferred Stock, upon request and without charge, a full statement of the designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such designations, preferences and/or rights. Such requests shall be made to the Secretary of the Corporation at the principal office of the Corporation.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, OR DESTROYED, THE CORPORATION MAY REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -	as tenants in common	UNIF GIFT MIN ACT
TEN ENT -	as tenants by the entireties	
JT TEN -	as joint tenants with right of survivorship and not as tenants in common	
		UNIF TRF MIN ACT

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign, and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

- ---

- ---

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

- ---

- ---

- --- shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

Attorney

- ---
to transfer the said stock on the books of the within-named Corporation with
full power of substitution in the premises.

Dated

Signature:

- -----------------------------------
NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST
CORRESPOND WITH THE NAME AS WRITTEN
UPON THE FACE OF THE CERTIFICATE IN
EVERY PARTICULAR, WITHOUT ALTERATION
OR ENLARGEMENT OR ANY CHANGE
WHATEVER.

SIGNATURE (S) GUARANTEED:
- --
THE SIGNATURES SHOULD BE GUARANTEED BY AN ELIGIBLE
GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND
LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN
AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM),
PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 10.1

LIQUIDMETAL TECHNOLOGIES, INC.

INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT ("Agreement") is made and entered into as of this 21st day of May, 2003, by and between LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation ("Company"), and _____, a director and/or officer of the Company or an Affiliate ("Executive").

WITNESSETH:

A. WHEREAS, the Company and the Executive recognize that the vagaries of public policy and the interpretation of, among other things, Delaware General Corporation Law Section 145, court opinions and the Company's certificate of incorporation and bylaws are often ambiguous, conflicting and/or uncertain and, therefore, fail to provide the Company's directors and/or officers (collectively, "executive(s)") with adequate or reliable advance knowledge or guidance with respect to the legal risks and potential liabilities to which they may become personally exposed as a result of performing their duties for the Company or by reason of their status as such executives.

B. WHEREAS, the Company and the Executive are aware of the substantial growth in the number of lawsuits filed against corporate directors and/or officers in connection with their activities in such capacities and by reason of their status as such and, in particular, those lawsuits appearing to be promoted by attorneys who seem to encourage and specialize in the filing of such lawsuits for the main purpose of seeking a settlement thereof in order to personally collect attorneys' fees rather than attempting to obtain an equitable resolution of such litigation that would ultimately be in the interests of the stockholders of such corporation.

C. WHEREAS, the Company and the Executive recognize that the cost of defending against such lawsuits, whether or not meritorious, is typically well beyond the financial resources of most executives.

D. WHEREAS, the Company and the Executive recognize that the legal risks and potential liabilities, and the very threat thereof, associated with lawsuits filed against the executives, and the resultant substantial time, expense, harassment, ridicule, abuse and anxiety spent and endured in defending against such lawsuits bears no reasonable or logical relationship to the amount of compensation received by the executives and, thus, poses a significant deterrent to experienced and capable individuals, such as the Executive, agreeing to serve as an executive.

E. WHEREAS, Section 145 of the Delaware General Corporation Law and the Company's Bylaws, which set forth certain provisions relating to the mandatory and permissive indemnification of directors and officers (amongst others) by the Company, are specifically not exclusive of other rights to which those indemnified thereunder may be entitled under any bylaw,

agreement, vote of stockholders or disinterested directors or otherwise and thus does not by itself limit the extent to which the Company may indemnify, contribute or advance expenses to persons serving as its executives (amongst others).

F. WHEREAS, previous indemnification agreements have been executed by the Company with its directors and officers ("Prior Indemnification Agreements") when the Company was incorporated in California.

G. WHEREAS, in order to induce and encourage highly experienced and capable individuals, such as the Executive, to serve as an executive and to foster an atmosphere in which such executives will feel unrestrained by the threat of incurring personal liability and, therefore, take the business and entrepreneurial risks necessary to ensure the continued success and growth of the Company, secure in the knowledge that they will receive the maximum indemnification protection against such risks and liabilities as may be afforded by law, the Company's Board of Directors ("Board") has determined, after due consideration and investigation of the terms and provisions of this Agreement, in light of the circumstances and considerations set forth in the foregoing recitals and in the exercise of its good faith business judgment, that this Agreement is not only reasonable, fair and prudent, but also necessary to promote and ensure the best interests of the Company and its stockholders.

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements of the parties contained herein and the mutual benefits to be derived from this Agreement, and the delivery of other good and valuable consideration by the Executive, the receipt and sufficiency of which is hereby acknowledged by the Company, the parties hereto, intending to be legally bound, hereby covenant and agree as follows:

1. Certain Definitions. The following terms as used in this Agreement shall be defined as follows:

a. "Action(s)" shall include, without limitation, any threatened, pending or completed action, claim, litigation, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative, whether predicated on foreign, Federal, state or local law (including any brought under and/or predicated upon the Securities Act of 1933, as amended, and/or the Securities Exchange Act of 1934, as amended, and/or their respective state counterparts and/or any rule or regulation promulgated thereunder), whether a Derivative Action and whether formal or informal.

b. "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust, or other similar enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company.

c. "Authority" shall mean the panel of arbitrators or independent legal counsel selected under Paragraph 5 of the Agreement.

d. "Breach of Duty" shall mean the Executive breached or failed to perform his duties to the Company or an Affiliate, as the case may be, and the Executive's breach of or failure to perform those duties constitute:

(1) a breach of "duty of loyalty" (as defined herein) to the Company or its stockholders;

(2) acts or omissions not in "good faith" (as further defined herein) or which involve intentional misconduct or a knowing violation of the law;

(3) a violation of Section 174 of the Delaware General Corporation Law; or

(4) a transaction from which the Executive derived an improper personal financial profit (unless such profit is determined to be immaterial in light of all the circumstances).

In determining whether the Executive has acted or omitted to act otherwise than in "good faith," as such term is used herein, the Authority, or the court, shall determine solely whether the Executive (i) in the case of conduct in his "official capacity" (as defined herein) with the Company, believed in the exercise of his business judgment, that his conduct was in the best interests of the Company; and (ii) in all other cases, reasonably believed that his conduct was at least not opposed to the best interests of the Company.

e. "Derivative Action" shall mean any Action brought by or in the right of the Company and/or an Affiliate.

f. "Duty of loyalty" shall mean a breach of fiduciary duty by the Executive which constitutes a willful failure to deal fairly with the Company or its stockholders in connection with a transaction in which the Executive has a material undisclosed personal conflict of interest.

g. "Expenses" shall include, without limitation, any and all expenses, fees, costs, charges, attorneys' fees and disbursements, other out-of-pocket costs, reasonable compensation for time spent by the Executive in connection with the Action for which he or she is not otherwise compensated by the Company, any Affiliate, any third party or other entity, and any and all other direct and indirect costs of any type or nature whatsoever.

h. "Liabilities" shall include, without limitation, judgments, amounts incurred in settlement, fines, penalties, and, with respect to any employee benefit plan, any excise tax or penalty incurred in connection therewith, and any and all liabilities of every type or nature whatsoever.

i. "Official capacity" shall mean the office of director or officer of the Company, membership on any committee of directors, any other offices of the Company held by

the Executive and any other employment or agency relationship between the Executive and the Company and "official capacity," as such term is used herein, shall not include service for any Affiliate or other foreign or domestic corporation or any partnership, joint venture, trust, employee benefit plan, or other enterprise.

j. "Statute" shall mean Delaware General Corporation Law Section 145 (or any successor provisions).

k. "Termination Date" shall mean the date the Executive ceases, for whatever reason, to serve as a director or in an employment relationship with the Company and/or any Affiliate.

2. Not an Employment Contract. Nothing contained in this Agreement shall create or constitute a contract of employment between the Company and the Executive and the termination of the Executive's relationship with the Company and/or any Affiliate by either party hereto shall not be restricted by this Agreement. This Agreement supersedes any Prior Indemnification Agreement between the Company and Executive (unless the California Corporations Code is deemed to be applicable in any Action, in which case Executive shall, in addition to the rights herein, be entitled to any rights to which Executive was entitled under any Prior Indemnification Agreement that was in effect prior to the reincorporation of the Company from California to Delaware).

3. Indemnity.

a. In consideration of Executive's continued service to the Company and/or its Affiliates and the consideration set forth in the recitals to this Agreement, in all cases other than those set forth in Paragraph 3b hereof, the Company hereby covenants and agrees, subject to the conditions and limitations set forth hereinafter in this Paragraph 3 and elsewhere in this Agreement, to indemnify and hold the Executive harmless if he is or was a party, or is threatened to be made a party, to any Action by reason of his status as, or the fact that he is or was or has agreed to become, a director or officer of the Company, and/or is or was serving or has agreed to serve as a director or officer of an Affiliate, and/or as to acts performed in the course of the Executive's duty to the Company and/or to an Affiliate, against Liabilities and reasonable Expenses incurred by or on behalf of the Executive in connection with any Action, including, without limitation, in connection with the investigation, defense, settlement or appeal of any Action; provided, that it is not determined by the Authority, or by a court, pursuant to Paragraph 5 that the Executive has engaged in misconduct which constitutes a Breach of Duty.

b. To the extent the Executive has been successful on the merits or otherwise in connection with any Action, including, without limitation, the settlement, dismissal, abandonment or withdrawal of any such Action where the Executive does not pay, incur or assume any material Liabilities, or in connection with any claim, issue or matter therein, he shall be indemnified by the Company against reasonable Expenses incurred by or on behalf of him in connection therewith. The Company shall pay such Expenses to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Paragraph 4), or to such other

person or entity as the Executive may designate in writing to the Company, within ten (10) days after the receipt of the Executive's written request therefor, without regard to the provisions of Paragraph 5. In the event the Company refuses to pay such requested Expenses, the Executive may petition a court to order the Company and the Shareholder to make such payment pursuant to Paragraph 6.

c. Notwithstanding any other provisions contained in this Agreement to the contrary, the Company shall not:

(1) indemnify, contribute or advance Expenses to the Executive with respect to any Action initiated or brought voluntarily by the Executive and not by way of defense, except with respect to Actions:

(a) brought to establish or enforce a right to indemnification, contribution and/or an advance of Expenses under Paragraph 6 of this Agreement or under the Statute as it may then be in effect or any other applicable statute or law or otherwise as required;

(b) initiated or brought voluntarily by the Executive to the extent the Executive is successful on the merits or otherwise in connection with such Action in accordance with and pursuant to Paragraph 3b. of this Agreement; or

(c) as to which the Board determines it be appropriate.

(2) indemnify the Executive against judgments, fines or penalties incurred in a Derivative Action if the Executive is finally adjudged liable to the Company by a court (unless the court before which such Derivative Action was brought determines that the Executive is fairly and reasonably entitled to indemnity for any or all of such judgments, fines or penalties); or

(3) indemnify the Executive under this Agreement for any amounts paid in settlement or any Action effected without the Company's written consent.

The Company shall not settle any Action in any manner which would impose any Liabilities or other type of limitation on the Executive without the Executive's written consent. Neither the Company nor the Executive shall unreasonably withhold their consent to any proposed settlement.

d. The Executive's conduct with respect to an employee benefit plan sponsored by or otherwise associated with the Company and/or an Affiliate for a purpose he reasonably believed to be in the interests of the participants in and beneficiaries of such plan is conduct which does not constitute a breach or failure to perform his duties to the Company or an Affiliate, as the case may be.

4. Advance Payment of Expenses.

a. The Company shall pay to the Executive, or such other person or entity as the Executive may designate in writing to the Company, in advance of the final disposition or conclusion of any Action (or claim, issue or matter associated with such Action) the Executive's reasonable Expenses incurred by or on behalf of the Executive in connection with such Action (or claim, issue or matter associated with any such Action), within ten (10) days after the receipt of Executive's written request therefor; provided, the following conditions are satisfied:

(1) the Executive has first requested an advance of such Expenses in writing (and delivered a copy of such request to the Company) from the insurance carrier(s), if any, to whom a claim has been reported under an applicable insurance policy purchased by the Company and each such insurance carrier, if any, has declined to make such an advance;

(2) the Executive furnishes to the Company an executed written statement affirming his good faith belief that he has not engaged in misconduct constituting a Breach of Duty; and

(3) the Executive furnishes to the Company an executed written agreement to repay any advances made under this Paragraph 4 if it is ultimately determined that he is not entitled to be indemnified by the Company for such Expenses pursuant to this Agreement.

b. In the event the Company makes an advance payment of Expenses to the Executive pursuant to this Paragraph 4, the Company shall be subrogated to every right of recovery the Executive may have against any insurance carrier from whom the Company has purchased insurance for such purpose.

5. Determination of Right to Indemnification.

a. Except as otherwise set forth in this Paragraph 5 or in Paragraph 3c, any indemnification to be provided to the Executive by the Company under Paragraph 3a. of this Agreement upon the final disposition or conclusion of any Action, or a claim, issue or matter associated with any such Action, unless otherwise ordered by a court, shall be paid by the Company to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Paragraph 4), or to such other person or entity as the Executive may designate in writing to the Company within sixty (60) days after the receipt of Executive's written request therefor. Such request shall include an accounting of all amounts for which indemnification is being sought. No further corporate authorization for such payment shall be required other than this Paragraph 5a.

b. Notwithstanding the foregoing, the payment of such requested indemnifiable amounts pursuant to Paragraph 3a may be denied by the Company in the event:

(1) the Board by a majority vote thereof determines that the Executive engaged in misconduct which constitutes a Breach of Duty; or

(2) a majority of the Board are party in interest to such Action.

In either event of nonpayment, the Board shall immediately authorize and direct, by resolution, that an independent determination be made as to whether the Executive engaged in misconduct which constitutes a Breach of Duty and, therefore, whether indemnification of the Executive is proper pursuant to this Agreement.

c. Such independent determination shall be made, at the option of the Executive, by (i) a panel of three arbitrators (selected as set forth in Paragraph 5e from the panels of arbitrators of the American Arbitration Association) in either Hillsborough County, Florida or Orange County, California (as selected by the Executive), in accordance with the Commercial Arbitration Rules then prevailing of the American Arbitration Association; (ii) an independent legal counsel mutually selected by the Executive and the Board by a majority vote of a quorum thereof consisting of directors who were not parties in interest to such Action (or, if such quorum is not obtainable, by a majority vote of the entire Board); or (iii) a court in accordance with Paragraph 5i of this Agreement.

d. In any such determination there shall exist a rebuttable presumption that the Executive has not engaged in misconduct which constitutes a Breach of Duty and, therefore, is entitled to indemnification pursuant to this Agreement. The burden of rebutting such presumption by clear and convincing evidence shall be on the Company, the Shareholder and any other party challenging such indemnification.

e. In the event a panel of arbitrators is to be employed hereunder, one of such arbitrators shall be selected by the Board by a majority vote of a quorum thereof consisting of directors who were not parties in interest to such Action (or, if such quorum is not obtainable, by an independent legal counsel chosen by a majority vote of the entire Board), the second by the Executive and the third by the previous two arbitrators.

f. The Authority shall make its independent determination hereunder within sixty (60) days of being selected and shall simultaneously submit a written opinion of its conclusions to the Company and the Executive.

g. In the event the Authority determines that the Executive is entitled to be indemnified for any amounts pursuant to this Agreement, the Company shall pay such amounts to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Paragraph 4), or to such other person or entity as the Executive may designate in writing to the Company, within ten (10) days of receipt of such opinion.

h. The Expenses associated with the indemnification process set forth in this Paragraph 5, including, without limitation, the Expenses of the Authority selected hereunder, shall be paid by the Company.

i. In the event that the Executive elects to have the independent determination made by a court pursuant to Paragraph 5c(iii), the following shall apply:

(i) If the court determines that the Executive has engaged in misconduct which constitutes a Breach of Duty, it may nonetheless order indemnification to be paid by the Company if it determines that the Executive is fairly and reasonably entitled to indemnification in view of all of the circumstances of such Action.

(ii) In the event the court determines that the Executive is entitled to be indemnified for any Liabilities and/or Expenses, or to receive the advancement of Expenses, pursuant to this Agreement, unless otherwise ordered by such court, the Company shall pay such Liabilities and/or Expenses to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Paragraph 4), including reasonable interest thereon as provided in Paragraph 8c, or to such other person or entity as the Executive may designate in writing to the Company, within ten (10) days of the rendering of such determination.

(iii) The Executive shall pay all Expenses incurred by the Executive in connection with any judicial determination provided in this Paragraph 5i, unless it shall ultimately be determined by the court that he is entitled, in whole or in part, to be indemnified by, or to receive advances from, the Company as authorized by this Agreement. All Expenses incurred by the Executive in connection with any subsequent appeal of any judicial determination provided for in this Paragraph 5i shall be paid by the Executive regardless of the disposition of such appeal.

j. In the event the Company does not (a) advance requested Expenses to the Executive within ten (10) days of the Executive's compliance with Paragraph 4; or (b) indemnify the Executive with respect to requested Expenses under Paragraph 3b within ten (10) days of Executive's written request therefor, the Executive may petition the court before which such Action was brought, if any, or any other court of competent jurisdiction to order the Company to pay such reasonable Expenses immediately. Such court, after giving any notice the court considers necessary, shall order the Company to pay such Expenses if it determines that the Executive has complied with the applicable provisions of Paragraph 4 or 3b, as the case may be.

6. Termination of an Action Nonconclusive. The adverse termination of any Action against the Executive by judgment, order, settlement, conviction, or upon a plea of no contest or its equivalent, shall not, of itself, create a presumption that the Executive has engaged in misconduct which constitutes a Breach of Duty.

7. Partial Indemnification; Reasonableness; Interest.

a. In the event it is determined by the Authority, or by a court, that the Executive is entitled to indemnification as to some claims, issues or matters, but not as to other claims, issues or matters, involved in any Action, the Authority, or the court, shall authorize the reasonable proration and payment by the Company of such Liabilities and/or reasonable Expenses, with respect to which indemnification is sought by the Executive, among such claims, issues or matters as the Authority, or the court, shall deem appropriate in light of all of the circumstances of such Action.

b. In the event it is determined by the Authority, or by a court, that certain Expenses incurred by the Executive are for whatever reason unreasonable in amount, the Authority, or the court, shall nonetheless authorize indemnification to be paid by the Company to the Executive for such Expenses as the Authority, or the court, shall deem reasonable in light of all of the circumstances of such Action.

c. Interest shall be paid by the Company to the Executive, to the extent deemed appropriate by the Authority, or a court, at a reasonable interest rate, for amounts for which the Company indemnifies or advances to the Executive.

8. Insurance; Subrogation.

a. The Company may purchase and maintain insurance on behalf of the Executive against any Liability and/or Expense asserted against him and/or incurred by or on behalf of him in such capacity as an executive or other employee or agent of the Company and/or of an Affiliate, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such Liability or advance of Expenses under the provisions of this Agreement or under the Statute as it may then be in effect. Except as expressly provided herein, the purchase and maintenance of such insurance shall not in any way limit or affect the rights and obligations of the Company and/or the Executive under this Agreement and the execution and delivery of this Agreement by the Company and the Executive shall not in any way be construed to limit or affect the rights and obligations of the Company and/or of the other party or parties thereto under any such policy or agreement of insurance.

b. In the event the Executive shall receive payment from any insurance carrier and/or from the plaintiff in any Action against the Executive in respect of indemnified amounts after payments on account of all or part of such indemnified amounts have been made by the Company pursuant to this Agreement, the Executive shall promptly reimburse the Company for the amount, if any, by which the sum of such payment by such insurance carrier and/or such plaintiff and payments by the Company to the Executive exceeds such indemnified amounts;

provided, however, that such portions, if any, of such insurance proceeds that are required to be reimbursed to the insurance carrier under the terms of its insurance policy, such as co-insurance, retention or deductible amounts, shall not be deemed to be payments to the Executive hereunder.

c. In addition, upon payment of indemnified amounts under this Agreement, the Company shall be subrogated to the Executive's right against any insurance carrier in respect of such indemnified amounts and the Executive shall execute and deliver any and all instruments and/or documents and perform any and all other acts or deeds which the Company deems necessary or advisable to secure such rights. The Executive shall do nothing to prejudice such rights of recovery or subrogation.

9. Witness Expenses. The Company shall pay in advance or reimburse any and all reasonable Expenses incurred by the Executive in connection with his appearance as a witness in any Action at a time when he has not been formally named a defendant or respondent to such an Action, within ten (10) days after the receipt of the Executive's written request therefor.

10. Contribution.

a. Subject to the limitations of this Paragraph 10, in the event the indemnity provided for in Paragraph 3 of this Agreement is unavailable to the Executive for any reason whatsoever, the Company, in lieu of indemnifying the Executive, shall contribute to the amount incurred by or on behalf of the Executive, whether for Liabilities and/or for reasonable Expenses in connection with any Action, in such proportion as is deemed fair and reasonable by the Authority, or by a court, in light of all of the circumstances of such Action in order to reflect:

(1) the relative benefits received by the Company and the Executive as a result of the event(s) and/or transaction(s) giving cause to such Action; and/or

(2) the relative fault of the Company (and its other executives, employees and/or agents) and the Executive in connection with such event(s) and/or transaction(s).

b. The relative fault of the Company (and its other executives, employees and/or agents), on the one hand, and of the Executive, on the other hand, shall be determined by reference to among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such Liabilities and/or Expenses. The Company and the Executive agree that it would not be just and equitable if contribution pursuant to this Paragraph 10 were determined by pro rata allocation or any other method of allocation which does not take into account the foregoing equitable considerations.

c. The Executive shall not be entitled to contribution from the Company under this Paragraph 10 in the event it is determined by the Authority, or by a court, that the Executive engaged in misconduct which constitutes a Breach of Duty, unless a court otherwise determines.

d. The Company's payment of, and the Executive's right to, contribution under this Paragraph 10 shall be made and determined in accordance with, pursuant to and in the same manner as, the provisions in Paragraph 5 and/or 6 hereof relating to the Company's payment of, and the Executive's right to, indemnification under this Agreement.

11. Nonexclusivity of Agreement. The rights to indemnification, contribution and the advancement of Expenses provided to the Executive by this Agreement shall not be deemed exclusive of any other rights to which the Executive may be entitled under any charter provision, bylaw, agreement, resolution, vote of stockholders or disinterested directors of the Company or otherwise, including, without limitation, under the Statute as it may then be in effect, both as to acts in his official capacity as such executive or other employee or agent of the Company and/or of an Affiliate or as to acts in any other capacity while holding such office or position, whether or not the Company would otherwise have the power to indemnify, contribute or advance Expenses to the Executive.

12. Notice to the Company; Defense of Actions.

a. The Executive agrees to promptly notify the Company in writing upon being served with or having actual knowledge of any citation, summons, complaint, indictment or any other similar document relating to any Action which may result in a claim of indemnification, contribution or advancement of Expenses hereunder, but the omission so to notify the Company will not relieve the Company from any liability which it may have to the Executive otherwise than under this Agreement unless the Company shall have been irreparably prejudiced by such omission.

b. With respect to any such Action as to which the Executive notifies the Company of the commencement thereof:

(1) The Company shall be entitled to participate therein at its own expense; and

(2) Except as otherwise provided below, to the extent that it may wish, the Company (or any other indemnifying party, including any insurance carrier, similarly notified by the Executive and/or the Company) shall be entitled to assume the defense thereof, with counsel selected by the Company (or such other indemnifying party) and reasonably satisfactory to the Executive.

c. After notice from the Company (or such other indemnifying party) to the Executive of its election to assume the defense of an Action, the Company shall not be liable to the Executive under this Agreement for any Expenses subsequently incurred by the Executive in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. The Executive shall have the right to employ his counsel in such Action but the Expenses of such counsel incurred after notice from the Company (or such other indemnifying party) of its assumption of the defense thereof shall be at the expense of the Executive unless (i) the employment of counsel by the Executive has been authorized by the Company; (ii) the

Executive shall have reasonably concluded that there may be a conflict of interest between the Company (or such other indemnifying party) and the Executive in the conduct of the defense of such Action; or (iii) the Company (or such other indemnifying party) shall not in fact have employed counsel to assume the defense of such Action, in each of which cases the Expenses of counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any Derivative Action or any Action as to which the Executive shall have made the conclusion provided for in clause (ii) above.

13. Continuation of Rights and Obligations. Subject to Paragraph 15, the terms and provisions of this Agreement shall continue as to the Executive subsequent to the Termination Date, and such terms and provisions shall inure to the benefit of the heirs, executors, estate and administrators of the Executive and the successors and assigns of the Company, including, without limitation, any successor to the Company by way of merger, consolidation and/or sale or disposition of all or substantially all of the assets or capital stock of the Company. Except as provided herein, all rights and obligations of the Company and the Executive hereunder shall continue in full force and effect despite the subsequent amendment or modification of the Company's Certificate of Incorporation or bylaws, as such are in effect on the date hereof, and such rights and obligations shall not be affected by any such amendment or modification, any resolution of directors or stockholders of the Company, or by any other corporate action which conflicts with or purports to amend, modify, limit or eliminate any of the rights or obligations of the Company and/or of the Executive hereunder.

14. Amendment. This Agreement may only be amended, modified or supplemented by the written agreement of the Company and the Executive.

15. Assignment. This Agreement shall not be assigned by the Company or the Executive without the prior written consent of the other party hereto, except that the Company may freely assign its rights and obligations under this Agreement to any Affiliate for whom the Executive is serving as an executive thereof; provided, however, that no permitted assignment shall release the Company from its obligations hereunder.

16. Governing Law. All matters with respect to this Agreement, including, without limitation, matters of validity, construction, effect and performance shall be governed by the internal laws of the State of Delaware applicable to contracts made and to be performed therein between the residents thereof (regardless of the laws that might otherwise be applicable under principles of conflicts of law).

17. Counterparts. This Agreement may be executed in two or more fully or partially executed counterparts each of which shall be deemed an original binding the signer thereof against the other signing parties, but all counterparts together shall constitute one and the same instrument. Executed signature pages may be removed from counterpart agreements and attached to one or more fully executed copies of this Agreement.

18. Headings. The headings used in this Agreement are for convenience and reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

19. Severability. If any provision of this Agreement shall be deemed invalid or inoperative, or in the event a court of competent jurisdiction determines that any of the provisions of this Agreement contravene public policy in any way, this Agreement shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further action or deed on the part of any person, to be modified, amended and/or limited, but only to the limited extent necessary to render the same valid and enforceable, and the Company shall indemnify and hold harmless the Executive against Liabilities and reasonable Expenses with respect to any Action to the fullest extent permitted by any applicable provision of this Agreement that shall not have been invalidated and otherwise to the fullest extent otherwise permitted by the Statute as it may then be in effect.

20. Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand or when mailed by certified registered mail, return receipt requested, with postage prepaid:

If to the Executive, to his or her address as set forth on the signature page below. or to such other person or address which the Executive shall furnish to the Company in writing pursuant to the above.

If to the Company, to:

Liquidmetal Technologies, Inc.
100 North Tampa St., Suite 3150
Tampa, Florida 33602
Attention: General Counsel

or to such other person or address as the Company shall furnish to the Executive in writing pursuant to the above.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

LIQUIDMETAL TECHNOLOGIES, INC.
("Company")

By:_____

EXECUTIVE

Sign: _____

Name: _____

Address: _____

_____

EXHIBIT 15.0

AWARENESS LETTER FROM INDEPENDENT AUDITORS

July 15, 2003

Board of Directors
Liquidmetal Technologies, Inc.
100 North Tampa Street
Suite 3150
Tampa, Florida 33602

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Liquidmetal Technologies, Inc. and subsidiaries for the periods ended June 30, 2003 and 2002 as indicated in our report dated July 15, 2003; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated by reference in Registration Statement No. 333-101447 on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

DELOITTE & TOUCHE LLP
Tampa, Florida

EXHIBIT 31.1

CERTIFICATION

I, John Kang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liquidmetal Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor's and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to

adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material , that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

/s/ John Kang

John Kang, President and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Brian McDougall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liquidmetal Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor's and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to

adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material , that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

/s/ Brian McDougall

Brian McDougall, Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

WRITTEN STATEMENT OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350

Solely for the purposes of complying with 18 U.S.C. 1350, I, the undersigned Chief Executive Officer of Liquidmetal Technologies, Inc. (the "Company"), hereby certifies, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2003, (the "Report") fully complies with the requirements of Section 13 (a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John Kang

_____

John Kang, Chief Executive Officer
August 14, 2003

EXHIBIT 32.2

WRITTEN STATEMENT OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350

Solely for the purposes of complying with 18 U.S.C. 1350, I, the undersigned Chief Financial Officer of Liquidmetal Technologies, Inc. (the "Company"), hereby certifies, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2003, (the "Report") fully complies with the requirements of Section 13 (a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian McDougall

_____

Brian McDougall, Chief Financial Officer
August 14, 2003