

LIQUIDMETAL TECHNOLOGIES INC

Form S-1/A

August 23, 2012

As filed with the Securities and Exchange Commission on August 23, 2012

Registration No. 333- 182729

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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Amendment No. 2 to  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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LIQUIDMETAL TECHNOLOGIES, INC.  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

2800  
(Primary Standard Industrial  
Classification Code Number)

33-0264467  
(I.R.S. Employer Identification  
Number)

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

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Thomas Steipp  
President and Chief Executive Officer  
Liquidmetal Technologies, Inc.  
30452 Esperanza  
Rancho Santa Margarita, California 92688  
Phone: (949) 635-2100  
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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement, as determined by the selling stockholders.

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>

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Table of Contents


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 CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock issuable upon conversion of Senior Convertible Notes due on September 1, 2013(1)	36,892,194 shares	\$ 0.352 (2)	\$ 12,986,053 (2)	\$ 1,489 (3)

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

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

(3) Previously paid.

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

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Table of Contents

SUBJECT TO COMPLETION, DATED AUGUST 23, 2012

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

LIQUIDMETAL TECHNOLOGIES, INC.

36,892,194 Shares  
Common Stock

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This prospectus covers an aggregate of up to 36,892,194 shares of our common stock, \$0.001 par value per share, that may be offered from time to time by the selling stockholders named in this prospectus. The shares being offered by this prospectus are issuable to such selling stockholders upon the conversion of our Senior Convertible Notes due on September 1, 2013 issued by us in connection with a private placement in July 2012.

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

We are registering these shares of our common stock for resale by the selling stockholders named in this prospectus, or their transferees, pledgees, donees or successors. We will not receive any proceeds from the sale of these shares by the selling stockholders. These shares are being registered to permit the selling stockholders to sell shares from time to time, in amounts, at prices and on terms determined at the time of offering. The selling stockholders may sell this common stock through ordinary brokerage transactions, directly to market makers of our shares or through any other means described in the section entitled "PLAN OF DISTRIBUTION" beginning on page 77.

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

Our common stock is currently quoted on the OTC Bulletin Board under the symbol "LQMT." On August 21, 2012, the last reported sales price of our common stock was \$0.31 per share.

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

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

The date of this prospectus is \_\_\_\_\_, 2012.



Table of Contents

## TABLE OF CONTENTS

<u>PROSPECTUS SUMMARY</u>	2
<u>RISK FACTORS</u>	6
<u>FORWARD-LOOKING STATEMENTS</u>	15
<u>DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES</u>	16
<u>SELLING STOCKHOLDERS</u>	25
<u>USE OF PROCEEDS</u>	27
<u>DIVIDEND POLICY</u>	27
<u>MARKET PRICE OF COMMON STOCK AND RELATED STOCKHOLDER MATTERS</u>	27
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	31
<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	43
<u>BUSINESS</u>	44
<u>MANAGEMENT</u>	57
<u>EXECUTIVE COMPENSATION</u>	59
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	65
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	66
<u>DESCRIPTION OF SECURITIES</u>	70
<u>PLAN OF DISTRIBUTION</u>	77
<u>LEGAL MATTERS</u>	78
<u>EXPERTS</u>	78
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	79
<u>INDEX TO DECEMBER 31, 2011 CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1
<u>INDEX TO (UNAUDITED) JUNE 30, 2012 CONSOLIDATED FINANCIAL STATEMENTS</u>	F-29
<u>SIGNATURES</u>	S-1

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

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

Table of Contents

PROSPECTUS SUMMARY

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

Overview

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

We are a materials technology company that develops and commercializes products made from amorphous alloys. Our Liquidmetal® family of alloys consists of a variety of proprietary bulk alloys and composites that utilize the advantages offered by amorphous alloy technology. We design, develop and sell products and components from bulk amorphous alloys to customers in various industries. We also partner with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products. We believe that our proprietary bulk alloys are the only commercially viable bulk amorphous alloys currently available in the marketplace.

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

Our revenues are derived from (1) selling our bulk Liquidmetal alloys products, which include non-consumer electronic devices, medical products, and sports and leisure goods, (2) selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development, and (3) product licensing and royalty revenue from our licensees. We expect that these sources of revenue will continue to significantly change the character of our revenue mix.

Our Strategy

The key elements of our strategy include:

Focusing our marketing activities on select products with expected higher gross-margins;

Pursuing strategic partnerships in order to more rapidly develop and commercialize products; and

Advancing the Liquidmetal® Brand by (1) positioning Liquidmetal alloys as a superior substitute for materials currently used in a variety of products across a range of industries and (2) establishing Liquidmetal alloys as an enabling technology that will facilitate the creation of a broad range of commercially viable new products.

#### Applications for Liquidmetal Alloys

We have focused our commercialization efforts for Liquidmetal alloys on three identified product areas. We believe that these areas are consistent with our strategy in terms of market size, building brand recognition, and providing an opportunity to develop and refine our processing capabilities. Although we believe that strategic partnership transactions could create valuable opportunities beyond the parameters of these target markets, we anticipate continuing to pursue these markets both internally and in conjunction with partners.



## Table of Contents

**Components for Non-Consumer Electronic Products.** We design, develop and produce components for non-consumer electronic devices utilizing our bulk Liquidmetal alloys and believe that our alloys offer enhanced performance and design benefits for these components in certain applications. Our strategic focus is primarily on higher-margin parts that command a price commensurate with the performance advantages of our alloys. These product categories in the non-consumer electronics field include, but are not limited to, parts for high-end printers, commercial imaging devices, aerospace components, medical devices, and industrial machines.

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

**Medical Devices.** We are engaged in product development efforts relating to various medical devices that could be made from bulk Liquidmetal alloys. We believe that the unique properties of bulk Liquidmetal alloys provide a combination of performance and cost benefits that could make them a desirable replacement to incumbent materials, such as stainless steel and titanium, currently used in various medical device applications. Our ongoing emphasis has been on surgical instrument applications for Liquidmetal alloys.

## Recent Developments

**July 2012 Private Placement of Convertible Notes and Warrants.** On July 2, 2012, the Company entered into definitive agreements relating to a private placement (the "Private Placement") of \$12.0 million in principal amount of Senior Convertible Notes due on September 1, 2013 (the "Convertible Notes") and Warrants to the purchasers of the Convertible Notes giving them the right to purchase up to an aggregate of 18,750,000 shares of the Company's common stock at an exercise price of \$0.384 per share (the "Warrants") (subject to adjustment as described below under "DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES" beginning on page 16 of this prospectus). The Convertible Notes are convertible at any time at the option of the holder into shares of the Company's common stock at \$0.352 per share (subject to adjustment as described below under "DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES" beginning on page 16 of this prospectus). The closing of the Private Placement occurred on July 2, 2012. The Convertible Notes and the Warrants were issued pursuant to a Securities Purchase Agreement, dated July 2, 2012, among the Company and the purchasers of the Convertible Notes (the "Securities Purchase Agreement"). In addition, in connection with the Private Placement, the Company entered into a Registration Rights Agreement under which it agreed to file a registration statement with the Securities and Exchange Commission (the "SEC") covering the resale of the shares of the Company's common stock issuable pursuant to the Convertible Notes and Warrants. The purchasers of the Convertible Notes and the Warrants in the Private Placement are the selling stockholders described in this prospectus. See "DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES" beginning on page 16 of this prospectus.

**June 2012 Transactions with Visser Precision Cast, LLC.** On June 1, 2012, we entered into a master transaction agreement (the "Visser Master Transaction Agreement") with Visser Precision Cast, LLC ("Visser") relating to a strategic transaction for manufacturing services and financing (the "Visser Transaction"). Pursuant to the terms of the Visser Master Transaction Agreement, the Company and Visser have entered into a manufacturing services agreement (the "Visser Manufacturing Services Agreement"), a subscription agreement (the "Visser Subscription Agreement"), a security agreement, a registration rights agreement, and a sublicense agreement. Pursuant to the terms of the Visser Manufacturing Services Agreement, the Company agreed to engage Visser as the exclusive manufacturer of conventional products and components and licensed products and components, which are products and components using or incorporating any of the Company's intellectual property for all fields of use other than consumer electronic products and fields of use covered by exclusive licenses and sublicenses existing on the date of the Visser Manufacturing Services Agreement. Pursuant to the terms of the Visser Subscription Agreement, the Company agreed to issue and sell to Visser in a private placement transaction (i) up to 30,000,000 shares of common stock at a purchase price of \$0.10 per share, (ii) warrants (the "Visser Warrants") to purchase up to 15,000,000 shares of common

stock at an exercise price of \$0.22 per share and (iii) a secured convertible promissory note (the “Visser Promissory Note”) in the aggregate principal amount of up to \$2,000,000, the principal of which is convertible into shares of common stock at a conversion rate of \$0.22 per share. All of the shares of common stock issuable pursuant to the Visser Subscription Agreement and upon exercise or conversion of the Visser Warrants and the Visser Promissory note, as the case may be, are subject to a lock-up period through December 31, 2016. On June 1, 2012, the Company issued and sold to Visser 20,000,000 shares of common stock and a warrant to purchase up to 11,250,000 shares of common stock for an aggregate purchase price of \$2,000,100 and also executed the Visser Promissory Note. On June 28, 2012, the Company issued and sold to Visser the remaining 10,000,000 shares of common stock and a warrant to purchase up to 3,750,000 shares of common stock for an aggregate purchase price of \$1,000,100. See “BUSINESS—Significant Transactions—June 2012 Transactions with Visser Precision Cast, LLC” beginning on page 49 of this prospectus.

Table of Contents

Corporate Information

We were originally incorporated in California in 1987, and we reincorporated in Delaware in May 2003. Our principal executive office is located at 30452 Esperanza, Rancho Santa Margarita, California 92688. Our telephone number at that address is (949) 635-2100. Our Internet website address is [www.liquidmetal.com](http://www.liquidmetal.com) and all of our filings with the Securities and Exchange Commission (“SEC”) are available free of charge on our website. Information contained on our website is not incorporated by reference into this prospectus, and such information should not be considered to be part of this prospectus.

The Offering

Common stock offered Up to 36,892,194 shares of our common stock are being offered by the selling stockholders. These shares are issuable upon the conversion of our Senior Convertible Notes due on September 1, 2013 (the “Convertible Notes”) at a conversion price of \$0.352 per share (subject to adjustment as described below under “DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES” beginning on page 16 of this prospectus), which Convertible Notes were issued by us to various selling stockholders in a private placement on July 2, 2012.

Shares of common stock outstanding after the offering 228,795,100 shares of common stock

Use of proceeds We will not receive any proceeds from the sale of the shares offered by the selling stockholders.

Risk factors See “RISK FACTORS” and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in the shares.

OTC Bulletin Board symbol LQMT

We are registering the shares being offered under this prospectus pursuant to the registration rights agreement that we entered into with the selling stockholders described below under “DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES” beginning on page 16 of this prospectus. See also “DESCRIPTION OF SECURITIES—Registration Rights” beginning on page 73 of this prospectus. We entered into the registration rights agreement in connection with a private placement (which closed on July 2, 2012) in which we offered and sold to the selling stockholders \$12.0 million in principal amount of the Convertible Notes (with a conversion price of \$0.352 per share, subject to adjustment as described below under “DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES” beginning on page 16 of this prospectus) together with common stock purchase warrants (“Warrants”) to purchase up to 18,750,000 shares of our common stock at an exercise price of \$0.384 per share (subject to adjustment as described below under “DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES” beginning on page 16 of this prospectus).

Table of Contents

The number of shares of common stock that will be outstanding immediately after this offering is based on the 191,902,906 shares of our common stock outstanding as of August 1, 2012 and assumes the full conversion of the Convertible Notes identified above. There is no guarantee that the Convertible Notes will be converted into common stock. The number of shares of common stock that will be outstanding immediately after this offering does not include:

18,750,000 shares of common stock issuable upon the exercise of Warrants outstanding as of August 1, 2012, at a conversion price of \$0.384 per share;

44,779,557 shares of common stock issuable upon the exercise of warrants (other than the Warrants) outstanding as of August 1, 2012, at a weighted average exercise price of \$0.40 per share;

4,171,800 shares of common stock issuable upon the exercise of options outstanding as of August 1, 2012, at a weighted average exercise price of \$0.42 per share;

16,896,073 shares of common stock issuable upon the conversion of the Series A-1 and A-2 Preferred Stock outstanding as of August 1, 2012, at prices of \$0.10 and \$0.22, respectively; and

30,000,000 shares of common stock reserved for future grant or issuance as of August 1, 2012 under our 2012 Equity Incentive Plan.

Table of Contents

RISK FACTORS

An investment in our securities involves a high degree of risk and many uncertainties. You should carefully consider the specific factors listed below together with the other information included in this prospectus before purchasing our securities in this offering. If any of the possibilities described as risks below actually occurs, our operating results and financial condition would likely suffer and the trading price of our securities could fall, causing you to lose some or all of your investment in the securities being offered. The risks described below are not the only ones facing us. Additional risks not currently known to us or that we currently believe are immaterial also may impair our business, operations, liquidity and stock price materially and adversely. The following is a description of what we consider the key challenges and material risks to our business and an investment in our securities.

We have limited funds to support our current operations.

We anticipate that our current capital resources, together with anticipated cash from operations, will be sufficient to fund our operations through the end of 2013. We have a relatively limited history of producing bulk amorphous alloy components and products on a mass-production scale. Furthermore, Visser's ability to produce our products in desired quantities and at commercially reasonable prices is uncertain and is dependent on a variety of factors that are outside of its control, including the nature and design of the component, the customer's specifications, and required delivery timelines. Such factors may require that we raise additional funds to support our operations beyond 2013. If funding is insufficient at any time in the future, we may be required to alter or reduce the scope of our operations.

Our indebtedness reduces our financial flexibility and could impede our ability to operate.

In a private placement completed on July 2, 2012, we issued an aggregate of \$12 million in principal amount of senior convertible notes. The notes are payable in twelve equal monthly installments beginning in October 2012. Although the notes are payable through the issuance of shares of our common stock to holders of the notes, the ability to issue stock in satisfaction of the note payments is subject to various conditions (including trading volume conditions) that we may not be able to meet. In such event, we could be required to use cash to repay some or all of a portion of the notes, and we may not have the funds to make such payments when due. Even if we do have the funds to make such cash payments, the payments may adversely affect our ability to fund our operations. Additionally, the notes issued in July 2012 impose certain restrictive covenants on us that may impede our ability to operate our company. For example, the notes prevent us from incurring additional debt, with certain exceptions, while the notes are still outstanding. Even if we have the right to satisfy the notes by issuing shares of our common stock, the shares issued to the holders of the notes could be highly dilutive to our shareholders.

We anticipate that we will make payments on the Convertible Notes in shares of our common stock, which could be highly dilutive to holders of our common stock.

As of the date of this prospectus, we do not believe that we will have the financial ability to make all payments on the Convertible Notes in cash when due. Accordingly, we intend, as of the date of this prospectus, to make such payments in shares of our common stock to the greatest extent possible. Because the price at which we will issue shares to pay the notes will vary with the market price of our common stock, the repayment of the Convertible Notes with shares of our common stock could be highly dilutive.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which would adversely affect our consolidated operating results, our ability to operate our business and our stock price.

We determined that we had a material weakness with respect to warrant recognition, resulting in a restatement of our financial statements for the year ended December 31, 2010 and for the quarters ended March 30, 2011, June 30, 2011 and September 30, 2011. We also determined that we had a material weakness with respect to earnings per share disclosure, resulting in a restatement of our financial statements for the year ended December 31, 2010.

As of December 31, 2011, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were not effective. Since the restatement, we have implemented new processes and procedures to improve our internal control over financial reporting. We believe that these actions will help to remediate the identified material weaknesses and internal control deficiencies.

We have incurred significant operating losses in the past and may not be able to achieve or sustain profitability in the future.

We have experienced significant cumulative operating losses since our inception. Our operating loss for the fiscal year ended December 31, 2011 was \$6.5 million while our operating income for the fiscal year ended December 31, 2010 was \$11.9 million. We had an accumulated deficit of approximately \$175.9 million at December 31, 2011. Of this accumulated deficit, \$52.1 million was attributable to losses generated by our discontinued parts manufacturing and coatings businesses. We anticipate that we may continue to incur operating losses for the foreseeable future. Consequently, it is possible that we may never achieve positive earnings and, if we do achieve positive earnings, we may not be able to achieve them on a sustainable basis.

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

We have a relatively limited history of producing bulk amorphous alloy components and products on a mass-production scale. Furthermore, our supplier's ability to produce our products in desired quantities and at commercially reasonable prices is uncertain and is dependent on a variety of factors that are outside of its control, including the nature and design of the component, the customer's specifications, and required delivery timelines.

Table of Contents

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

We have made assumptions regarding the market size for, and the manufacturing requirements of, our products and components based in part on information we received from third parties and also from our limited history. If these assumptions prove to be incorrect, we may not achieve anticipated market penetration revenue targets or profitability.

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

As a result of our limited history of developing and marketing bulk amorphous alloy components and products, as well as our new manufacturing strategy of partnering with contract manufacturers and alloy producers, our historical results of operations may not be indicative of our future results.

We have entered into an exclusive manufacturing arrangement with Visser Precision Cast, LLC.

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

A disruption of the operations of Visser could cause significant delays in shipments of our products and may adversely affect our revenue, cost of goods sold and results of operations. Furthermore, Visser’s ability to produce our products in desired quantities and at commercially reasonable prices is uncertain and is dependent on a variety of factors that are outside of its control, including the nature and design of the component, the customer’s specifications, and required delivery timelines.

In addition to the exclusive manufacturing arrangement with Visser Precision Cast, LLC, we rely on sole source suppliers for mold making, manufacturing and alloying of our bulk amorphous alloy and parts, as well as the manufacturing of our bulk amorphous alloy production machines.

We currently have one supplier who fulfills the mold making and manufacturing of our bulk amorphous alloy parts. Our supplier may allocate its limited capacity to fulfill the production requirements of its other customers. In the event of a disruption of the operations of our supplier, we may not have a secondary manufacturing source immediately available. Such an event could cause significant delays in shipments and may adversely affect our revenue, cost of goods sold and results of operations.

We currently have one supplier who fulfills our alloying/manufacturing of bulk amorphous alloys. In the event of a disruption of the operations of our alloy supplier, we may not have a secondary alloying source immediately available. Such an event could cause significant delays in shipments and may adversely affect our revenue, cost of goods sold

and results of operations.

Our bulk amorphous alloy production machines are manufactured by one supplier. Orders for additional machines are estimated to be built with a 26-week lead time. If our bulk alloy parts supplier requires more production machines to manufacture customer parts due to an unexpected demand, we may experience delays in shipment, increased cost of goods sold or loss in revenues. Additionally, in the event of a disruption in the operations of our production machine supplier, our bulk alloy parts supplier may not have a secondary machine manufacturer immediately available. Such an event could cause significant delays in fulfilling customers' orders and may adversely affect our revenue, cost of goods sold and results of operations.

7

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Table of Contents

We rely on a supplier that has limited experience in manufacturing our products, and our supplier may encounter manufacturing problems or delays or may be unable to produce high-quality products at acceptable costs.

We rely on our supplier to manufacture all of our Liquidmetal alloy products, including products that we develop in conjunction with our customers. Our supplier has limited experience in manufacturing our products and may be required to manufacture a range of products in high volumes while ensuring high quality and consistency. We cannot assure you that our supplier will be able to meet all of our manufacturing needs. We also cannot assure you that our supplier's will be able to produce the intended products with the production yields, quality controls, and production costs that we currently assume.

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

Our business is based upon the commercialization of a new and unique materials technology. Our ability to increase our revenues will depend on our ability to successfully maintain and establish relationships with customers who are willing to incorporate our proprietary alloys and technology into their finished products. However, we believe that the size of our company and the novel nature of our technology and manufacturing process may continue to make it challenging to maintain and establish such relationships. In addition, we rely and will continue to rely to a large extent on the manufacturing, research, and development capabilities, as well as the marketing and distribution capabilities, of our customers in order to commercialize our products. Our future growth and success will depend in large part on our ability to enter into these relationships and the subsequent success of these relationships. Even if our products are selected for use in a customer's products, we still may not realize significant revenue from that customer if that customer's products are not commercially successful.

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

Our ability to generate revenue from new customers is generally affected by the amount of time it takes for us to, among other things:

identify a potential customer and introduce the customer to Liquidmetal alloys;

work with the customer to select and design the parts to be fabricated from Liquidmetal alloys;

make the molds and tooling to be used to produce the selected part;

make prototypes and samples for customer testing;

work with our customers to test and analyze prototypes and samples; and