

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

Delaware
(State or other jurisdiction of
incorporation or organization)

2800
(Primary Standard Industrial
Classification Code Number)

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

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)

Thomas Steipp
President and Chief Executive Officer
Liquidmetal Technologies, Inc.
30452 Esperanza
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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

Accelerated filer

Non-accelerated
filer

Smaller reporting company

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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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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

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.

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.

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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.

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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.

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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.

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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 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).

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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.

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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.

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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.

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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
- with respect to some types of products, such as medical devices, obtain regulatory approvals.

We believe that our average sales cycle (the time we deliver a proposal to a customer until the time our customer fully integrates our Liquidmetal alloys into its product) could be a significant period of time. Our history to date has demonstrated that the sales cycle could extend significantly longer than we anticipate. The time it takes to transition a customer from limited production to full-scale production runs will depend upon the nature of the processes and products into which our Liquidmetal alloys are integrated. Moreover, we have found that customers often proceed very cautiously and slowly before incorporating a fundamentally new and unique type of material into their products.

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

Our experience has shown that our customers will perform numerous tests and extensively evaluate our components and products before incorporating them into their finished products. The time required for testing, evaluating, and designing our components and products into a customer's products, and in some cases, obtaining regulatory approval, can be significant, with an additional period of time before a customer commences volume production of products incorporating our components and products, if ever. Moreover, because of this lengthy development cycle, we may experience a delay between the time we accrue expenses for research and development and sales and marketing efforts and the time when we generate revenue, if any. We may incur substantial costs in an attempt to transition a customer from initial testing to prototype and from prototype to final product. If we are unable to minimize these transition costs, or to recover the costs of these transitions from our customers, our operating results will be adversely affected.

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

For the near future, we expect that a significant portion of our revenue may be concentrated in a limited number of customers. A reduction, delay, or cancellation of orders from one or more of these customers or the loss of one or more customer relationships could significantly reduce our revenue and harm our business. Unless we establish long-term sales arrangements with these customers, they will have the ability to reduce or discontinue their purchases of our products on short notice.

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

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

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

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

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

The future growth and success of our Liquidmetal alloy business will depend in part on our ability to establish and retain a technological advantage over other materials for our targeted applications. For many of our targeted applications, we will compete with manufacturers of similar products that use different materials, many of which have substantially greater financial and other resources than we do. These different materials may include plastics, titanium alloys, or stainless steel, among others, and we will compete directly with suppliers of the incumbent material. In addition, in each of our targeted markets, our success will depend in part on the ability of our customers to compete successfully in their respective markets. Thus, even if we are successful in replacing an incumbent material in a finished product, we will remain subject to the risk that our customer will not compete successfully in its own market.

Our bulk amorphous alloy technology is still at an early stage of commercialization relative to many other materials.

Our bulk amorphous alloy technology is a relatively new technology as compared to many other material technologies, such as plastics and widely-used high-performance crystalline alloys. Historically, the successful commercialization of a new materials technology has required the persistent improvement and refining of the technology over a sometimes lengthy period of time. Accordingly, we believe that our company's future success will be dependent on our ability to continue expanding and improving our technology platform by, among other things, constantly refining and improving our processes, optimizing our existing amorphous alloy compositions for various

applications, and developing and improving new bulk amorphous alloy compositions. Our failure to further expand our technology base could limit our growth opportunities and hamper our commercialization efforts.

Future advances in materials science could render Liquidmetal alloys obsolete.

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

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

Our business is based upon the commercialization of a new and unique materials technology. Our future growth and success will depend in part on our ability to retain key members of our management and scientific staff, who are familiar with this technology and the potential applications and markets for it. We do not have “key man” or similar insurance on any of the key members of our management and scientific staff. If we lose their services or the services of other key personnel, our financial results or business prospects may be harmed. Additionally, our future growth and success will depend in part on our ability to attract, train, and retain scientific engineering, manufacturing, sales, marketing, and management personnel. We cannot be certain that we will be able to attract and retain the personnel necessary to manage our operations effectively. Competition for experienced executives and scientists from numerous companies and academic and other research institutions may limit our ability to hire or retain personnel on acceptable terms. In addition, many of the companies with which we compete for experienced personnel have greater financial and other resources than we do. Moreover, the employment of otherwise highly qualified non-U.S. citizens may be restricted by applicable immigration laws.

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

As a part of our business strategy, we intend to pursue strategic partnering transactions that provide access to new technologies, products, markets, and manufacturing capabilities. These transactions could include licensing agreements, joint ventures, or business combinations. We believe that these transactions will be particularly important to our future growth and success due to the size and resources of our company and the novel nature of our technology. For example, we may determine that we may need to license our technology to a larger manufacturer in order to penetrate a particular market. In addition, we may pursue transactions that will give us access to new technologies that are useful in connection with the composition, processing, or application of Liquidmetal alloys. We may not be able to successfully identify any potential strategic partnerships. Even if we do identify one or more potentially beneficial strategic partners, we may not be able to consummate transactions with these strategic partners on favorable terms or obtain the benefits we anticipate from such a transaction.

We may derive some portion of our revenue from sales outside the United States which may expose the Company to foreign commerce risks.

We may sell a portion of our products to customers outside of the United States, and our operations and revenue may be subject to risks associated with foreign commerce, including transportation delays and foreign tax/legal compliance. Moreover, customers may sell finished goods that incorporate our components and products outside of the United States, which exposes us indirectly to additional foreign commerce risks.

A substantial increase in the price or interruption in the supply of raw materials for our alloys could have an adverse effect on our profitability.

Our proprietary alloy compositions are comprised of many elements, all of which are generally available commodity products. Although we believe that each of these raw materials is currently readily available in sufficient quantities from multiple sources on commercially acceptable terms, if the prices of these materials substantially increase or there is an interruption in the supply of these materials, such increase or interruption could adversely affect our profitability. For example, if the price of one of the elements included in our alloys substantially increases, we may not be able to pass the price increase on to our customers.

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

We expect to conduct business in various foreign currencies and will be exposed to market risk from changes in foreign currency exchange rates and interest rates. Fluctuations in exchange rates between the U.S. dollar and such foreign currencies may have a material adverse effect on our business, results of operations, and financial condition and could specifically result in foreign exchange gains and losses. The impact of future exchange rate fluctuations on our operations cannot be accurately predicted. To the extent that the percentage of our non-U.S. dollar revenue derived from international sales increases in the future, our exposure to risks associated with fluctuations in foreign exchange rates will increase further.

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Our inability to protect our licenses, patents, and proprietary rights in the United States and foreign countries could harm our business.

We own several patents relating to amorphous alloy technology, and we have other rights to amorphous alloy patents through an exclusive license from the California Institute of Technology (“Caltech”). Our success depends in part on our ability to obtain and maintain patent and other proprietary right protection for our technologies and products in the United States and other countries. If we are unable to obtain or maintain these protections, we may not be able to prevent third parties from using our proprietary rights. Specifically, we must:

protect and enforce our owned and licensed patents and intellectual property;

exploit our owned and licensed patented technology; and

operate our business without infringing on the intellectual property rights of third parties.

Our licensed technology is comprised of several issued United States patents covering the composition and method of manufacturing of the family of Liquidmetal alloys. We also hold several United States and corresponding foreign patents covering the manufacturing processes of Liquidmetal alloys and their use. Those patents have expiration dates between 2013 and 2028. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems and costs in protecting our proprietary rights in these foreign countries.

In August 2010, we entered into a license transaction with Apple Inc. (“Apple”) pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC (“CIP”), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. In connection with this transaction, our ongoing obligations to Apple (including the obligation to transfer new intellectual property to CIP) are secured through August 2012 by a security interest in substantially all of our assets, and if we are unable to comply with these obligations, Apple may be entitled to foreclose on such assets.

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

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

Our success depends, in part, on our ability to operate without infringing on valid, enforceable patents or proprietary rights of third parties and without breaching any licenses that may relate to our technologies and products. Future patents issued to third parties may contain claims that conflict with our patents and that compete with our products and technologies, and third parties could assert infringement claims against us. Any litigation or interference proceedings, regardless of their outcome, may be costly and may require significant time and attention of our management and

technical personnel. Litigation or interference proceedings could also force us to:

stop or delay using our technology;

stop or delay our customers from selling, manufacturing or using products that incorporate the challenged intellectual property;

pay damages; or

enter into licensing or royalty agreements that may be unavailable on acceptable terms.

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Evolving regulation of corporate governance and public disclosure may result in additional expenses and continuing uncertainty.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the SEC XBRL mandate and new SEC regulations, are creating uncertainty for public companies. As a result of these new rules and the size and limited resources of our company, we will incur additional costs associated with our public company reporting requirements, and we may not be able to comply with some of these new rules. In addition, these new rules could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and this could make it difficult for us to attract and retain qualified persons to serve on our board of directors.

We are presently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. These new or changed laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

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

Some of the applications for our Liquidmetal alloys that we have identified or may identify in the future may be subject to government regulations. For example, any medical devices made from our alloys likely will be subject to extensive government regulation in the United States by the Food and Drug Administration (“FDA”). Any medical device manufacturers to whom we sell Liquidmetal alloy products may need to comply with FDA requirements, including premarket approval or clearance under Section 510(k) of the Food Drug and Cosmetic Act before marketing Liquidmetal alloy medical device products in the United States. These medical device manufacturers may be required to obtain similar approvals before marketing these medical devices in foreign countries. Any medical device manufacturers with which we jointly develop and sell medical device products may not provide significant assistance to us in obtaining required regulatory approvals. The process of obtaining and maintaining required FDA and foreign regulatory approvals could be lengthy, expensive, and uncertain. Additionally, regulatory agencies can delay or prevent product introductions. The failure to comply with applicable regulatory requirements can result in substantial fines, civil and criminal penalties, stop sale orders, loss or denial of approvals, recalls of products, and product seizures.

In addition, the processing of beryllium, a minor constituent element of some of our alloys, can result in the release of beryllium into the workplace and the environment and in the creation of beryllium oxide as a by-product. Beryllium is classified as a hazardous air pollutant, a toxic substance, a hazardous substance, and a probable human carcinogen under environmental, safety, and health laws, and various acute and chronic health effects may result from exposure to beryllium. While we are not required to obtain a permit from the U.S. Environmental Protection Agency or other government agencies to process beryllium, our failure to comply with other present or future governmental regulations related to the processing of beryllium could result in suspension of manufacturing operations and substantial fines or

criminal penalties.

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

The existence of minority stockholders in our Liquidmetal Golf subsidiary creates potential for conflicts of interest.

We directly own 79% of the outstanding capital stock of Liquidmetal Golf, our subsidiary that has the exclusive right to commercialize our technology in the golf market. The remaining 21% of the Liquidmetal Golf stock is owned by approximately 95 stockholders of record. As a result, conflicts of interest may develop between us and the minority stockholders of Liquidmetal Golf. To the extent that our officers and directors are also officers or directors of Liquidmetal Golf, matters may arise that place the fiduciary duties of these individuals in conflicting positions.

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

As of August 1, 2012, our executive officers, directors and insiders and entities affiliated with them in the aggregate, beneficially owned approximately 41% of our common stock and 63% of our preferred stock. As a result, these shareholders, acting together, will be able to significantly influence all matters requiring shareholder approval, including the election and removal of directors and approval of significant corporate transactions such as mergers, consolidations and sales of assets. They also could dictate the management of our business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination, which could cause the market price of our common stock to fall or prevent you from receiving a premium in such a transaction.

Our stock price has experienced volatility and may continue to experience volatility.

During 2011, the highest bid price for our common stock was \$0.84 per share, while the lowest bid price during that period was \$0.12 per share. During the first six months of 2012, the highest bid price for our common stock was \$0.63 per share, while the lowest bid price during that period was \$0.12 per share. The trading price of our common stock could continue to fluctuate widely due to:

limited current liquidity and the possible need to raise additional capital;

quarter-to-quarter variations in results of operations;

announcements of technological innovations by us or our potential competitors;

changes in or our failure to meet the expectations of securities analysts;

new products offered by us or our competitors;

announcements of strategic relationships or strategic partnerships;

future sales of common stock, or securities convertible into or exercisable for common stock;

adverse judgments or settlements obligating us to pay damages;

future issuances of common stock in connection with acquisitions or other transactions;

acts of war, terrorism, or natural disasters;

industry, domestic and international market and economic conditions, including the global macroeconomic downturn over the last three years and related sovereign debt issues in certain parts of the world;

low trading volume in our stock;

developments relating to patents or property rights;

government regulatory changes; or

other events or factors that may be beyond our control.

In addition, the securities markets in general have experienced extreme price and trading volume volatility in the past. The trading prices of securities of many companies at our stage of growth have fluctuated broadly, often for reasons unrelated to the operating performance of the specific companies. These general market and industry factors may adversely affect the trading price of our common stock, regardless of our actual operating performance. If our stock price is volatile, we could face securities class action litigation, which could result in substantial costs and a diversion of management's attention and resources and could cause our stock price to fall.

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

Sales of a large number of shares of our common stock, or the availability of a large number of shares for sale, could adversely affect the market price of our common stock and could impair our ability to raise funds in additional stock offerings. In the event that we propose to register additional shares of common stock under the Securities Act of 1933 for our own account, certain shareholders are entitled to receive notice of that registration and to include their shares in the registration, subject to limitations described in the agreements granting these rights.

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We have never paid dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on our common stock to date. We currently intend to retain our future earnings, if any, to fund the development and growth of our businesses, and we do not anticipate paying any cash dividends on our capital stock for the foreseeable future. In addition, the terms of existing or any future debts may preclude us from paying dividends on our stock. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future for our common stockholders.

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

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

authorize our board of directors, without stockholder approval, to issue up to 10,000,000 shares of “blank check” preferred stock that could be issued by our board of directors to increase the number of outstanding shares and prevent a takeover attempt;

limit stockholders’ ability to call a special meeting of our stockholders; and

establish advance notice requirements to nominate directors for election to our board of directors or to propose matters that can be acted on by stockholders at stockholder meetings.

The provisions described above, as well as other provisions in our certificate of incorporation, our bylaws, and Delaware law could delay or make more difficult transactions involving a change in control of us or our management.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions, or future events. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions. Examples of forward-looking statements include, without limitation

statements regarding our strategies, results of operations or liquidity;

statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance;

statements of management’s goals and objectives;

projections of revenue, earnings, capital structure and other financial items;

assumptions underlying statements regarding us or our business; and

other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, factors discussed under the headings “RISK FACTORS,” “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS,” and “BUSINESS.”

Forward-looking 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. These risks include, but are not limited to, those listed below and those discussed in greater detail under the heading “RISK FACTORS” above:

our ability to fund our operations in the short and long term through financing transactions on terms acceptable to us, or at all;

our history of operating losses and the uncertainty surrounding our ability to achieve or sustain profitability;

our limited history of developing and selling products made from our bulk amorphous alloys;

lengthy customer adoption cycles and unpredictable customer adoption practices;

our ability to identify, develop, and commercialize new product applications for our technology;

competition from current suppliers of incumbent materials or producers of competing products;

our ability to identify, consummate, and/or integrate strategic partnerships;

the potential for manufacturing problems or delays;
potential difficulties associated with protecting or expanding our intellectual property position;
the volatility of our stock price; and
the unpredictability of the market for our common stock.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

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

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DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES

Description of Private Placement

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”). The closing of the Private Placement occurred on July 2, 2012. This prospectus covers the resale of the shares of the Company’s common stock issuable upon the conversion of the Convertible Notes.

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”). The purchasers of the Convertible Notes and the Warrants in the Private Placement are the selling stockholders described in this prospectus.

The Private Placement resulted in gross proceeds of \$12.0 million before placement agent fees and other expenses associated with the transaction. Approximately \$1.7 million of the proceeds were used to pay off the promissory note payable by the Company to Saga S.P.A. The remainder of the proceeds are required to be used for general corporate purposes.

The Convertible Notes are convertible at any time at the option of the holder into shares of the Company’s common stock at a conversion price that is initially \$0.352 per share, subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company’s common stock, rights to purchase shares of the Company’s common stock, or securities convertible into shares of the Company’s common stock for a price per share that is less than the conversion price then in effect, the conversion price then in effect will be decreased to equal such lower price. The foregoing adjustments to the conversion price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans.

On the first business day of each month beginning on October 1, 2012 through and including September 1, 2013 (the “Installment Dates”), the Company will pay to each holder of a Convertible Note an amount equal to (i) one-twelfth (1/12th) of the original principal amount of such holder’s Convertible Note (or the principal outstanding on the Installment Date, if less) plus (ii) the accrued and unpaid interest with respect to such principal plus (iii) the accrued and unpaid late charges (if any) with respect to such principal and interest. Prior to maturity, the Convertible Notes will bear interest at 8% per annum (or 15% per annum during an event of default) with interest payable monthly in arrears on the Installment Dates and on conversion dates. In the event that any principal under the Convertible Notes is converted by a selling stockholder prior to the scheduled payment date for such principal, then a “make-whole” payment will be payable to the selling stockholders in an amount equal to the interest that would have accrued on such principal if actually paid on the scheduled Installment Date.

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Each monthly payment may be made in cash, in shares of the Company's common stock, or in a combination of cash and shares. The Company's ability to make such payments with shares of the Company's common stock will be subject to various conditions, including the existence of an effective registration statement covering the resale of the shares issued in payment (or, in the alternative, the eligibility of the shares issuable pursuant to the Convertible Notes and the Warrants for sale without restriction or limitation under Rule 144) and certain minimum trading volumes in the stock to be issued. Such shares will be valued, as of the date on which notice is given by the Company that payment will be made in shares, at the lower of (1) the then applicable conversion price and (2) a price that is 87.5% of the arithmetic average of the ten (or in some cases fewer) lowest weighted average prices of the Company's common stock during the twenty trading day period ending two trading days before the applicable determination date (the "Measurement Period"). The Company's right to pay monthly payments in shares will depend on the following trading volume requirements in the Company's common stock: a minimum of \$250,000 in average daily trading volume during the Measurement Period, and a minimum of \$150,000 in daily trading volume during each of at least fifteen days during the Measurement Period.

Upon the occurrence of an event of default under the Convertible Notes, a holder of a Convertible Note may (so long as the event of default is continuing) require the Company to redeem all or a portion of its Convertible Note. Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the event of default and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

Subject to certain conditions, a holder of a Convertible Note may also require the Company to redeem all or a portion of its Convertible Note in connection with a transaction that results in a Change of Control (as defined in the Convertible Notes). Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the earlier to occur of (i) the consummation of the Change of Control and (ii) the public announcement of such Change of Control and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

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The Warrants are exercisable on or after the date that is six (6) months after the date of the issuance of the Warrants, and the exercise prices for the Warrants are subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company's common stock, rights to purchase shares of the Company's common stock, or securities convertible into shares of the Company's common stock for a price per share that is less than the exercise price then in effect, the exercise price of the Warrant will be reduced based on a weighted-average formula. The foregoing adjustments to the exercise price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, on the two year anniversary of the issuance date (the "Reset Date"), the then applicable exercise price will be reset to equal the lesser of (1) the then current exercise price and (2) 87.5% of the arithmetic average of the ten lowest weighted average prices of the common stock during the twenty trading day period ending two trading days immediately preceding the Reset Date. All of the Warrants will expire on the fifth (5th) anniversary of the date they first become exercisable.

If, during the period beginning on the date that all Registrable Securities (as defined in the Registration Rights Agreement) are registered pursuant to an effective registration statement and ending on the twenty-first (21st) month following the date of the closing of the Private Placement, the Company offers, sells, grants any option to purchase, or otherwise disposes of any of its or its subsidiaries' equity or equity equivalent securities (a "Subsequent Placement"), the Company must first notify each purchaser of the Convertible Notes of its intent to effect a Subsequent Placement. If a purchaser of the Convertible Notes wishes to review the details of a Subsequent Placement, the Company must provide such details to such purchaser along with an offer to issue and sell to or exchange with all such purchasers 30% of the securities being offered in the Subsequent Placement, initially allocated among such purchasers on a pro rata basis.

In connection with the Private Placement, the Company and the selling stockholders entered into a Registration Rights Agreement (the "Registration Rights Agreement") under which the Company is required, on or before thirty (30) days after the closing of the Private Placement, 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 and to use its best efforts to have the registration declared effective as soon as practicable (but in no event later than 75 days after the closing of the Private Placement if the registration statement is not subject to a full review by the SEC, or 105 days after the closing of the Private Placement if the registration statement is subject to a full review by the SEC). The Company will be subject to certain monetary penalties, as set forth in the Registration Rights Agreement, if the registration statement is not filed, does not become effective on a timely basis, or does not remain available for the resale of the Registrable Securities (as defined in the Registration Rights Agreement). We are registering the shares being offered under this prospectus pursuant to the Registration Rights Agreement.

Under the Registration Rights Agreement, the Company is required to register for resale 150% of the number of shares of the Company's common stock issuable pursuant to the Convertible Notes and the Warrants as of the trading day immediately preceding the applicable date of determination (which was July 2, 2012). This amount represents a good faith estimate of the maximum number of shares issuable pursuant to the Convertible Notes and the Warrants. However, the Company is not able to register the full number shares required to be registered by the Registration Rights Agreement at this time. Therefore, the Company will be obligated to file one or more additional registration statements to register the shares not covered by the registration statement of which this prospectus is a part.

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Dollar Value of Underlying Securities and Potential Profits on Conversion

The following table sets forth the potential profit to be realized upon conversion by the selling stockholders of the Convertible Notes based on the conversion price at July 2, 2012 and the closing price of our common stock on July 2, 2012 (the date the Convertible Notes were issued).

Potential Profit from Conversion of Convertible Notes
at Option of Selling Stockholders

Market price per share at July 2, 2012	\$ 0.30	
Conversion Price per share at July 2, 2012	\$ 0.352	
Total shares underlying Convertible Notes based on conversion price	34,090,909	
Aggregate market value of underlying shares based on market price as of July 2, 2012	\$ 10,227,273	
Aggregate conversion price of underlying shares	\$ 12,000,000	
Aggregate cash purchase price for Convertible Notes	\$ 12,000,000	
Total premium to market price of underlying shares	17.33	%

The following table sets forth the potential profit to be realized upon exercise of the Warrants by the selling stockholders based on the exercise price at July 2, 2012 and the closing price of our common stock on July 2, 2012 (the date the Warrants were issued).

Potential Profit from Exercise of Warrants

Market price per share at July 2, 2012	\$ 0.30	
Exercise Price per share at July 2, 2012	\$ 0.384	
Total shares underlying Warrants	18,750,000	
Aggregate market value of underlying shares based on market price as of July 2, 2012	\$ 5,625,000	
Aggregate exercise price of underlying shares	\$ 7,200,000	
Total premium to market price of underlying shares	28.00	%

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Shares issuable to Selling Stockholders in Satisfaction of Principal and Interest

The following table sets forth the total number of shares of Company common stock that would be issued to the selling stockholders if the Company elects to convert all principal and interest under the Convertible Notes into shares in lieu of paying cash. The following table assumes that principal and interest payments are made on the scheduled installment due dates, that the indicated conversion price remains the same from the date of the first payment until the Convertible Notes are paid in full, and that the selling stockholders do not convert the Convertible Notes at their election. This table is provided for illustration purposes only, as it is unlikely that these assumptions will be accurate at all relevant times.

Number of Shares issuable in satisfaction of Convertible Notes
based on various assumed conversion prices

Assumed Conversion Price*	Number of Shares Potentially Issuable
Initial conversion price (\$0.352 per share)	36,022,727
\$0.30 per share	42,266,667
\$0.26 per share	48,769,231
\$0.24 per share	52,833,333
\$0.20 per share	63,400,000

*Assumes that the conversion price remains the same throughout entire payment period, which is unlikely because the conversion price applicable to each Convertible Note payment will be based on the market price of the Company's common stock prior to such payment date.

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Payments to Selling Stockholders and Affiliates

In connection with the Convertible Notes and the Private Placement, we are or may be required to make the following payments to the selling stockholders and their affiliates:

Payee	Maximum Interest Payments(1)	Maximum Early Redemption Premiums(2)	Maximum Registration Penalties(3)	Total Maximum Payments During First 12 Months (4)
Selling Stockholders	\$ 680,000	\$ 15,850,000	\$ 1,440,000	\$ 2,100,000

- (1) Represents the maximum amount of interest payable by the Company to the selling stockholders under the Convertible Notes assuming that all installment payments under the Convertible Notes are timely made, that the Convertible Notes are not otherwise converted prior to the maturity date, that interest is paid in cash and that no Event of Default occurs.
- (2) Represents the cash amount that would be payable by the Company if the Company were required to redeem the Convertible Notes as a result of an event of default or change of control assuming the aggregate market value of the shares underlying the Convertible Notes is lower than 125% of the principal amount of the Convertible Notes together with accrued and unpaid interest and accrued and unpaid late charges and the amount of interest that would have accrued with respect to the amount being redeemed through the applicable Installment Date. The Company does not have a right to voluntarily redeem or repay the Convertible Notes prior to maturity. Not taking into account any incremental interest that would be payable by reason of an Event of Default. The default interest rate is 15% upon the occurrence and continuance of an Event of Default.
- (3) Represents the maximum monetary penalties that would be payable if the Company failed to timely file, obtain a declaration of effectiveness or maintain the effectiveness with respect to the registration statement required under the above-described Registration Rights Agreement.
- (4) Represents the maximum amounts payable in cash under the other columns in this table during the first twelve months after the sale of the Convertible Notes assuming that there is no redemption of Convertible Notes during the first year due to an event or default or change of control.

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Net Proceeds from Private Placement of Convertible Notes

The following table sets forth the gross proceeds received from the Private Placement and calculates the net proceeds from the Private Placement after deduction of the anticipated payments pursuant to the Convertible Notes and the other Private Placement documents. The net proceeds do not include the payment of any contingent payments, such as liquidated damages or repayment premiums in the case of default or a change in control. The net proceeds assumes that all interest and principal will be paid in cash notwithstanding that the Company may pay (and is expected to pay) interest and principal in shares of its common stock under specified circumstances, as described above. The interest amount reflected below assumes that all payments are made when due without any event of default, and the table assumes that none of the Convertible Notes are converted prior to maturity. Based on the foregoing assumptions, the net proceeds represent approximately 85% of the gross proceeds.

Gross Proceeds	\$ 12,000,000
Approximate Aggregate Interest Payments	\$ 680,000
Approximate Transaction Costs (including Placement Agent Fees)	\$ 1,110,000
Net Proceeds	\$ 10,210,000

Comparison of Issuer Proceeds to Potential Investor Profit

As discussed above, following the payment (on July 11, 2012) of approximately \$1.7 million of the gross proceeds to Saga S.P.A. in satisfaction of a promissory note, the Company plans to use the remainder of the proceeds from the sale of the Convertible Notes for general corporate purposes. The following table summarizes the potential proceeds the Company will receive pursuant to the Securities Purchase Agreement, the Convertible Notes, and the Warrants. For purposes of this table, we have assumed that the selling stockholders will exercise all of the Warrants on a cash basis. We have also assumed that the Convertible Notes will be held by the selling stockholders through the maturity date of the Convertible Notes.

Total Gross Proceeds Payable to Company in the Private Placement(1)	\$ 19,200,000
All Payments that have been made or may be required to be made by Company until Maturity(2)	\$ 2,120,000
Net Proceeds to Company Assuming Maximum Payments made by Company(3)	\$ 17,080,000
Total Possible Profit to the Selling Stockholders(4)	\$ 0.00
Percentage (%) of Payments and Profit over Net Proceeds(5)	12.41 %
Percentage (%) of Payments and Profit over Net Proceeds per year of Term(6)	10.64 %

(1) Includes gross proceeds payable to the Company on the sale of the Convertible Notes in the amount of \$12,000,000 and assumes full exercise of the Warrants to yield an aggregate exercise price of \$7,200,000. However, there is no assurance that any Warrants will actually be exercised.

(2) Total possible payments (excluding repayment of principal) payable by us to the selling stockholders or their affiliates assuming the Convertible Notes remain outstanding until the maturity date and that interest is paid in cash. Assumes that no liquidated damages are incurred and that no redemption premium on the Convertible Notes will be applicable.

- (3) Total net proceeds to the Company calculated by subtracting the result in footnote (2) from the result in footnote (1).

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- (4) This number represents the total possible profit to the selling stockholders based on the aggregate discount to market price of the shares underlying the Convertible Notes and Warrants as indicated in the above table entitled “Potential Profit from Conversion of Convertible Notes.” Because the conversion price of the Convertible Notes and exercise price of the Warrants was higher than market price on the date of the issuance of the Convertible Notes and Warrants (as reflected on such table), this number indicates a profit of zero. However, this does not mean that the selling stockholders will not recognize a profit on their investment in the Convertible Notes and Warrants.
- (5) Percentage of the total possible payments to the selling stockholders as calculated in footnote (2) plus profit calculated in footnote (4) compared to the net proceeds disclosed in footnote (3).
- (6) Based on 14-month term.

Comparison of Registered Shares to Outstanding Shares

The following table compares the number of shares held by persons other than the selling stockholders, affiliates of the Company, and affiliates of the selling stockholders with the number of shares registered for resale and sold by such parties in prior transactions as well as in the current transaction involving the Convertible Notes and Warrants:

Shares Outstanding Prior to Private Placement Held by Persons Other than the Selling Stockholders, or Affiliates of the Company or the Selling Stockholders	110,687,648
Shares Registered for Resale by the Selling Stockholders or Affiliates of the Selling Stockholders in Prior Registration Statements	-
Shares Registered for Resale by Selling Stockholders or Affiliates of the Selling Stockholders that Continue to be Held by Such Persons	-
Shares Sold in Registered Resale Transactions by the Selling Stockholders or Affiliates of the Selling Stockholders	372,897
Shares Registered for Resale on behalf of the Selling Stockholders or Affiliates of the Selling Stockholders in connection with the Private Placement	36,892,194

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Prior Transactions with Selling Stockholders

On January 3, 2007, the Company completed a private placement of \$16.3 million in principal amount of Convertible Subordinated Notes due January 2010 (the "Prior Transaction"). All of the notes issued in the Prior Transaction were paid in full in August 2009. One of the investors in that Prior Transaction, Iroquois Master Fund Ltd., also purchased Convertible Notes in the Private Placement. The following table summarizes the investment made by Iroquois Master Fund Ltd. in the Prior Transaction:

Name of Selling Stockholder	Total Shares Outstanding Prior to Transaction	Total Shares Outstanding Prior to Transaction Held by Persons Other than Selling Stockholders, or Affiliates of Company or Selling Stockholders	Total Shares Issued to Selling Stockholder in Connection with Prior Transaction	Percentage of Shares Issued to Selling Stockholder in Prior Transaction(1)	Market Price Per Share Immediately before Prior Transaction(2)	Current Market Price Per Share(3)
Iroquois Master Fund Ltd.	44,311,768	29,980,074	372,897(4)	0.84%	\$1.52	\$ 0.29

(1) Represents total issued and outstanding shares issued to Selling Stockholder in Prior Transaction as a percentage of outstanding shares immediately prior to the Prior Transaction.

(2) The closing price of the Company's common stock as of January 3, 2007.

(3) The closing price of the Company's common stock as of August 15, 2012.

(4) Issued pursuant to the conversion of the convertible notes issued in the Prior Transaction.

Other Information

As of the date of this prospectus, the Company does not believe that it will have the financial ability to make all payments on the Convertible Notes in cash when due. Accordingly, the Company intends, as of the date of this prospectus, to make such payments in shares of Company common stock to the greatest extent possible.

Each selling stockholder has advised the Company that it may enter into short sales in the ordinary course of its business of investing and trading securities. Each selling stockholder has advised the Company, and represented to the Company in Section 2(k) of the Securities Purchase Agreement, that no short sales were entered into during the period beginning when such selling stockholder obtained knowledge that the Company was contemplating a private placement and ending upon the public announcement of any such private placement. Additionally, each selling stockholder has agreed in the Securities Purchase Agreement that, so long as a selling stockholder holds any Convertible Note, the selling stockholder will not maintain a "net short position" in the Company's common stock, which generally means that the selling stockholder has agreed not to maintain a short position in the Company's common stock without maintaining an equivalent offsetting long position.

Other than with respect to the Prior Transaction (as described above), the Company has not had any material relationships or arrangements with any of the selling stockholders, their affiliates, or any person with whom any selling stockholder has a contractual relationship regarding the Private Placement (or any predecessors of those persons).

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SELLING STOCKHOLDERS

The shares of common stock being offered by the selling stockholders are issuable to the selling stockholders pursuant to the terms of the Convertible Notes. For additional information regarding the issuance of those Convertible Notes, see "DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES" beginning on page 16 of this prospectus. We are registering the shares of common stock in order to permit the selling stockholders to offer the shares for resale from time to time. Except for the ownership of the Convertible Notes and Warrants issued pursuant to the Securities Purchase Agreement and except for the transactions described above in the section of this prospectus entitled "DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES – Prior Transactions with Selling Stockholders," the selling stockholders have not had any material relationship with us or our affiliates within the past three years.

The table below lists the selling stockholders and other information regarding the beneficial ownership of the shares of common stock by each of the selling stockholders. The second column lists the number of shares of common stock beneficially owned by each selling stockholder, based on its ownership of the Convertible Notes and Warrants, as of July 2, 2012, assuming conversion of all Convertible Notes on that date, without regard to any limitations on conversions, amortizations, redemptions or exercises. The third column lists the shares of common stock being offered by this prospectus by the selling stockholders. The fourth column lists the number of shares of common stock anticipated to be beneficially owned by the selling stockholders following the offering, assuming the sale of all of the shares offered by the selling stockholders pursuant to this prospectus.

This prospectus covers the resale of 1.08 times the number of shares of common stock issuable pursuant to the Convertible Notes as of July 2, 2012. Because the conversion price of the Convertible Notes may be adjusted, the number of shares that will actually be issued may be more or less than the number of shares being offered by this prospectus.

Under the terms of the Convertible Notes, a selling stockholder may not convert the Convertible Notes to the extent such conversion would cause such selling stockholder, together with its affiliates, to beneficially own a number of shares of common stock which would exceed 4.99% of our then outstanding shares of common stock following such conversion or exercise, excluding for purposes of such determination shares of common stock issuable upon conversion of the Convertible Notes which have not been converted. The number of shares in the second column does not reflect this limitation (the "Maximum Percentage"). The selling stockholders may sell all, some or none of their shares in this offering. See "Plan of Distribution."

Name of Selling Stockholder	Number of Shares of Common Stock Owned Prior to Offering	Maximum Number of Shares of Common Stock to be Sold Pursuant to this Prospectus (11)	Number of Shares of Common Stock Owned After Offering
Kingsbrook Opportunities Master Fund LP (1)	12,784,091 (2)	13,834,573	0
Hudson Bay Master Fund Ltd. (3)	5,681,819 (4)	6,148,699	0
Empery Asset Master Ltd. (5)	3,267,046 (6)	3,535,502	0
Hartz Capital Investments, LLC (7)	6,676,137 (8)	7,224,721	0
Iroquois Master Fund Ltd. (9)	5,681,819 (10)	6,148,699	0

(1) Kingsbrook Partners LP ("Kingsbrook Partners") is the investment manager of Kingsbrook Opportunities Master Fund LP ("Kingsbrook Opportunities") and consequently has voting control and investment discretion over securities held by Kingsbrook Opportunities. Kingsbrook Opportunities GP LLC ("Opportunities GP") is the general partner of Kingsbrook Opportunities and may be considered the beneficial owner of any securities deemed to be beneficially owned by Kingsbrook Opportunities. KB GP LLC ("GP LLC") is the general partner of Kingsbrook Partners and may be considered the beneficial owner of any securities deemed to be beneficially owned by Kingsbrook Partners. Ari J. Storch, Adam J. Chill and Scott M. Wallace are the sole managing members of Opportunities GP and GP LLC and as a result may be considered beneficial owners of any securities deemed beneficially owned by Opportunities GP and GP LLC. Each of Kingsbrook Partners, Opportunities GP, GP LLC and Messrs. Storch, Chill and Wallace disclaim beneficial ownership of these securities.

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(2) Represents 12,784,091 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exercisable until six (6) months after the date of issuance.

(3) Hudson Bay Capital Management LP, the investment manager of Hudson Bay Master Fund Ltd., has voting and investment power over these securities. Sander Gerber is the managing member of Hudson Bay Capital GP LLC, which is the general partner of Hudson Bay Capital Management LP. Sander Gerber disclaims beneficial ownership over these securities.

(4) Represents 5,681,819 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exercisable until six (6) months after the date of issuance.

(5) Empery Asset Management LP, the authorized agent of Empery Asset Master Ltd ("EAM"), has discretionary authority to vote and dispose of the shares held by EAM and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have investment discretion and voting power over the shares held by EAM. Mr. Hoe and Mr. Lane disclaim any beneficial ownership of these shares.

(6) Represents 3,267,046 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exercisable until six (6) months after the date of issuance.

(7) Empery Asset Management LP, the authorized agent of Hartz Capital Investments, LLC ("HCI"), has discretionary authority to vote and dispose of the shares held by HCI and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have investment discretion and voting power over the shares held by HCI. Mr. Hoe and Mr. Lane disclaim any beneficial ownership of these shares.

(8) Represents 6,676,137 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exercisable until six (6) months after the date of issuance.

(9) Iroquois Capital Management L.L.C. ("Iroquois Capital") is the investment manager of Iroquois Master Fund, Ltd ("IMF"). Consequently, Iroquois Capital has voting control and investment discretion over securities held by IMF. As managing members of Iroquois Capital, Joshua Silverman and Richard Abbe make voting and investment decisions on behalf of Iroquois Capital in its capacity as investment manager to IMF. As a result of the foregoing, Mr. Silverman and Mr. Abbe may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange Act of 1934, as amended) of the securities held by IMF. Notwithstanding the foregoing, Mr. Silverman and Mr. Abbe disclaim such beneficial ownership.

(10) Represents 5,681,819 shares of Common Stock issuable pursuant to the terms of the Convertible Notes without regard to the Maximum Percentage. Does not include the shares of Common Stock issuable upon exercise of the Warrants, since the Warrants are not exercisable until six (6) months after the date of issuance.

(11) On July 2, 2012, we entered into a Registration Rights Agreement with the selling stockholders listed in this table. See the section of this prospectus entitled "DESCRIPTION OF PRIVATE PLACEMENT AND CONVERTIBLE NOTES." Under the Registration Rights Agreement, we are required to file a resale registration statement for the shares underlying the Convertible Notes and Warrants to enable the resale of such shares by the

selling stockholders on a delayed or continuous basis under Rule 415 of the Securities Act. Pursuant to the terms of the Convertible Notes, we may make interest and/or installment payments with shares of our common stock, and we are including in this registration statement 1.08 times the number of shares issuable upon the conversion of the Convertible Notes as of the date of the Registration Rights Agreement. Accordingly, the full number of shares set forth in this column may not ultimately become issuable to the selling stockholders under such Convertible Notes.

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USE OF PROCEEDS

The selling stockholders will receive all of the proceeds from the sale of the common stock offered by this prospectus. We will not receive any of the proceeds from the sale of common stock by the selling stockholders.

DIVIDEND POLICY

We have never paid a cash dividend on our common stock. We do not anticipate paying any cash dividends on our common stock in the foreseeable future, and we plan to retain our earnings to finance our operations and future growth.

MARKET PRICE OF COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Market for Our Common Stock

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.

Number of Common Shareholders

As of August 1, 2012, we had 214 active record holders of our common stock.

Quarterly High/Low Bid Quotations

The following table sets forth, on a per share basis, the range of high and low bid information for the shares of our common stock for each full quarterly period within the two most recent fiscal years and any subsequent interim period for which financial statements are included, as reported by the OTC Bulletin Board. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
Year Ended December 31, 2010:		
First Quarter	\$ 0.16	\$ 0.08
Second Quarter	\$ 0.40	\$ 0.08
Third Quarter	\$ 1.76	\$ 0.11
Fourth Quarter	\$ 0.85	\$ 0.33
Year Ended December 31, 2011:		
First Quarter	\$ 0.84	\$ 0.42
Second Quarter	\$ 0.63	\$ 0.41
Third Quarter	\$ 0.51	\$ 0.17
Fourth Quarter	\$ 0.23	\$ 0.12
Year Ending December 31, 2012:		
First Quarter	\$ 0.35	\$ 0.12
Second Quarter	\$ 0.63	\$ 0.15

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Equity Compensation Plan Information

Our executive officers, directors, and all of our employees are allowed to participate in our equity incentive plans. We believe that providing them with the ability to participate in such plans provides them with a further incentive towards ensuring our success and accomplishing our corporate goals.

The following table provides information regarding the securities authorized for issuance under our equity compensation plans as of December 31, 2011:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights [a]	Weighted-average exercise price of outstanding options, warrants, and rights [b]	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column [a]) [c]
Equity compensation plans approved by stockholders	4,679,807	\$ 0.42	6,221,419
Equity compensation plans not approved by stockholders	--	--	--
Total	4,679,807		6,221,419

The number of securities and types of plans available for future issuances of stock options as of December 31, 2011 were as follows:

Options and Warrants for Common Shares

Plan Name	Authorized	Exercised	Outstanding	Available
1996 Stock Option Plan	12,903,226	1,974,365	3,226	--
2002 Equity Incentive Plan	10,000,000	102,000	4,676,581	5,221,419
2002 Non-employee Director Stock Option Plan	1,000,000	--	--	1,000,000
Total Stock Options	23,903,226	2,076,365	4,679,807	6,221,419

1996 Stock Option Plan

Our 1996 Stock Option Plan (the "1996 Plan") provides for the grant of stock options to employees, directors, and consultants of our company and its affiliates. The purpose of the 1996 Plan is to retain the services of existing employees, directors, and consultants; to secure and retain the services of new employees, directors, and consultants; and to provide incentives for such persons to exert maximum efforts for our success. The 1996 Plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and for the granting to employees and consultants of nonstatutory stock options. Our board of

directors terminated the 1996 Plan on April 4, 2002. The termination will not affect any outstanding options under the 1996 Plan, and all such options will continue to remain outstanding and be governed by the 1996 Plan.

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

As of December 31, 2011, options to purchase 3,226 shares of common stock were outstanding and exercisable at a weighted average price of \$15.00 per share under the 1996 Plan. As of December 31, 2011, options to purchase 1,974,365 shares had been issued upon exercise of options under the 1996 Plan.

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2002 Equity Incentive Plan

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

The plan is administered by our board of directors or a committee appointed by our board of directors. All members of such a committee must be a non-employee director and an outside director, as defined in the 2002 Plan. Subject to the limitations set forth in the 2002 Plan, the administrator has the authority to select the persons to whom grants are to be made, to designate the number of shares to be covered by each stock award, to determine whether an option is to be an incentive stock option or a non-statutory stock option, to establish vesting schedules, to specify the option exercise price and the type of consideration to be paid upon exercise, and, subject to some restrictions, to specify other terms of stock awards.

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

Options granted under the 2002 Plan are generally not transferable by the optionee except by will or the laws of descent and distribution, and to certain related individuals with the consent of the administrator. Options generally must be exercised within three months after the optionee’s termination of employment for any reason other than disability or death, or within 12 months after the optionee’s termination by disability. Options granted under the 2002 Plan vest at the rate specified in the option agreement. However, in no event may an option be exercised later than the earlier of the expiration of the term of the option or 10 years from the date of the grant of the option, or when an optionee owns stock representing more than 10% of the voting power, five years from the date of the grant of the option in the case of incentive stock options.

Any incentive stock options granted to an optionee which, when combined with all other incentive stock options becoming exercisable for the first time in any calendar year that are held by that person, would have an aggregate fair market value in excess of \$0.1 million, shall automatically be treated as non-statutory stock options.

There were 4,676,581 outstanding options or stock awards at a weighted average price of \$0.41 under the 2002 Plan as of December 31, 2011. There were 2,157,681 options exercisable and 102,000 shares had been issued upon exercise of options under the 2002 Plan as of December 31, 2011.

The 2002 Plan expired by its terms in April 2012. The 2002 Plan will remain in effect only with respect to the equity awards that have been granted under the 2002 Plan prior to its expiration.

2002 Non-employee Director Stock Option Plan

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

Only non-employee directors are eligible for grants under the 2002 Non-Employee Director Plan. The 2002 Non-Employee Director Plan will provide for an initial grant to a new non-employee director of an option to purchase 50,000 shares of our common stock. Subsequent to the initial grants, each non-employee director will be automatically granted on the first business day of January commencing January 1, 2003, an option to purchase 10,000 shares of our common stock.

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The term of the options granted under the 2002 Non-Employee Director Plan is 10 years, but the options expire 12 months after the termination of the optionee's status as a director or three months if the termination is due to the voluntary resignation of the optionee. The option grants will vest and become exercisable as to one-fifth of the shares on the date that is one year after the date of grant and an additional one-fifth of the shares subject to the option on a cumulative basis will vest and become exercisable annually thereafter.

As of December 31, 2011, there were no options outstanding under the 2002 Non-Employee Director Plan.

The 2002 Non-Employee Director Plan expired by its terms in April 2012. The 2002 Non-Employee Director Plan will remain in effect only with respect to the equity awards that have been granted under the 2002 Non-Employee Director Plan prior to its expiration.

2012 Equity Incentive Plan

On June 28, 2012, at our annual meeting of stockholders, our stockholders approved our 2012 Equity Incentive Plan.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

When you read this section of this prospectus, it is important that you also read the consolidated financial statements and related notes included elsewhere in this prospectus. This section of this prospectus contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations, and intentions. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons set forth herein, including the factors described below and in "RISK FACTORS."

OVERVIEW

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 alloy 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 cost of sales consists primarily of the costs of outsourcing our manufacturing to third parties. 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, 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 bulk 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.

SIGNIFICANT TRANSACTIONS

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”). 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”). The purchasers of the Convertible Notes and the Warrants in the Private Placement are the selling stockholders described in this prospectus.

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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 for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company's common stock, rights to purchase shares of the Company's common stock, or securities convertible into shares of the Company's common stock for a price per share that is less than the conversion price then in effect, the conversion price then in effect will be decreased to equal such lower price. The foregoing adjustments to the conversion price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, the conversion price is subject to adjustment upon stock splits, reverse stock splits, and similar capital changes.

On the first business day of each month beginning on October 1, 2012 through and including September 1, 2013 (the "Installment Dates"), the Company will pay to each holder of a Convertible Note an amount equal to (i) one-twelfth (1/12th) of the original principal amount of such holder's Convertible Note (or the principal outstanding on the Installment Date, if less) plus (ii) the accrued and unpaid interest with respect to such principal plus (iii) the accrued and unpaid late charges (if any) with respect to such principal and interest. Prior to maturity, the Convertible Notes will bear interest at 8% per annum (or 15% per annum during an event of default) with interest payable monthly in arrears on the Installment Dates and on conversion dates.

Each monthly payment may be made in cash, in shares of the Company's common stock, or in a combination of cash and shares of the Company's common stock. The Company's ability to make such payments with shares of the Company's common stock will be subject to various conditions, including the existence of an effective registration statement covering the resale of the shares issued in payment (or, in the alternative, the eligibility of the shares issuable pursuant to the Convertible Notes and the Warrants (as defined below) for sale without restriction under Rule 144 and without the need for registration) and certain minimum trading volumes in the stock to be issued. Such shares will be valued, as of the date on which notice is given by the Company that payment will be made in shares, at the lower of (1) the then applicable conversion price and (2) a price that is 87.5% of the arithmetic average of the ten (or in some cases fewer) lowest weighted average prices of the Company's common stock during the twenty trading day period ending two trading days before the applicable determination date (the "Measurement Period"). The Company's right to pay monthly payments in shares will depend on the following trading volume requirements in the Company's common stock: a minimum of \$250,000 in average daily trading volume during the Measurement Period, and a minimum of \$150,000 in daily trading volume during each day during the Measurement Period, with certain exceptions.

Upon the occurrence of an event of default under the Convertible Notes, a holder of a Convertible Note may (so long as the event of default is continuing) require the Company to redeem all or a portion of its Convertible Note. Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the event of default and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

Subject to certain conditions, a holder of a Convertible Note may also require the Company to redeem all or a portion of its Convertible Note in connection with a transaction that results in a Change of Control (as defined in the Convertible Notes). Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would

have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the earlier to occur of (i) the consummation of the Change of Control and (ii) the public announcement of such Change of Control and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

The Warrants are exercisable on or after the date that is six (6) months after the date of the issuance of the Warrants, and the exercise prices for the Warrants are subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company's common stock, rights to purchase shares of the Company's common stock, or securities convertible into shares of the Company's common stock for a price per share that is less than the exercise price then in effect, the exercise price of the Warrant will be reduced based on a weighted-average formula. The foregoing adjustments to the exercise price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, on the two year anniversary of the issuance date (the "Reset Date"), the then applicable exercise price will be reset to equal the lesser of (1) the then current exercise price and (2) 87.5% of the arithmetic average of the ten lowest weighted average prices of the common stock during the twenty trading day period ending two trading days immediately preceding the Reset Date. All of the Warrants will expire on the fifth (5th) anniversary of the date they first become exercisable.

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If, during the period beginning on the date that all Registrable Securities (as defined in the Registration Rights Agreement) are registered pursuant to an effective registration statement and ending on the twenty-first (21st) month following the date of the closing of the Private Placement, the Company offers, sells, grants any option to purchase, or otherwise disposes of any of its or its subsidiaries' equity or equity equivalent securities (a "Subsequent Placement"), the Company must first notify each purchaser of the Convertible Notes of its intent to effect a Subsequent Placement. If a purchaser of the Convertible Notes wishes to review the details of a Subsequent Placement, the Company must provide such details to such purchaser along with an offer to issue and sell to or exchange with all such purchasers 30% of the securities being offered in the Subsequent Placement, initially allocated among such purchasers on a pro rata basis.

The Private Placement resulted in gross proceeds of \$12.0 million before placement agent fees and other expenses associated with the transaction. The proceeds will be used for general corporate purposes and have been used for purposes of satisfying the \$1.7 million promissory note payable by the Company to Saga S.P.A.

In connection with the Private Placement, the Company and the selling stockholders entered into a Registration Rights Agreement (the "Registration Rights Agreement") under which the Company is required, on or before thirty (30) days after the closing of the Private Placement, 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 and to use its best efforts to have the registration declared effective as soon as practicable (but in no event later than 75 days after the closing of the Private Placement if the registration statement is not subject to a full review by the SEC, or 105 days after the closing of the Private Placement if the registration statement is subject to a full review by the SEC). The Company will be subject to certain monetary penalties, as set forth in the Registration Rights Agreement, if the registration statement is not filed, does not become effective on a timely basis, or does not remain available for the resale of the Registrable Securities (as defined in the Registration Rights Agreement). We are registering the shares being offered under this prospectus pursuant to the Registration Rights Agreement.

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 (the "Visser Security Agreement"), a registration rights agreement (the "Visser Registration Rights Agreement"), and a sublicense agreement (the "Visser 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 (such intellectual property, the "LMT Technology"). The Company has further agreed that it 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 Visser Sublicense Agreement, the Company agreed to sublicense to Visser, on a fully-paid up, royalty-free, irrevocable, perpetual, worldwide basis, all rights held by the Company in the LMT Technology. In

addition, Visser has a right of first refusal over any proposed transfer by the Company of LMT Technology pursuant to any license, sublicense, sale or other transfer, other than a license to a machine or alloy vendor.

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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 (the “Visser 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. The issuance and sale of the shares of common stock and Visser Warrants occurred in two closings. 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.

The Company negotiated the transactions contemplated by the Visser Master Transaction Agreement beginning in December 2011. Although many of the material terms of the transactions remained unresolved until just prior to the initial closing of the transaction, the Company negotiated the purchase price of the common stock to be sold to Visser pursuant to the Visser Subscription Agreement, and the exercise and conversion prices of the Visser Warrants and the Visser Promissory Notes, respectively, at the time the negotiations commenced, when the trading price of the Company’s common stock was between approximately \$0.12 and \$0.19.

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. A portion of the purchase price was paid by cancellation of outstanding promissory notes issued by the Company to Visser in the aggregate principal amount of \$1,050,000 plus accrued and unpaid interest. 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.

The exercise price per share of common stock purchasable upon exercise of the Visser Warrants is \$0.22 and is subject to appropriate adjustment for certain dilutive issuances of common stock and changes in the Company’s capital structure, such as stock dividends, stock splits, reorganizations or similar events. The Visser Warrants are exercisable immediately upon issuance and expire on June 1, 2017. The Visser Warrants include a cashless exercise feature and all shares of common stock issuable upon exercise of the Visser Warrants are subject to a lock-up period through December 31, 2016. The holders of Visser Warrants are entitled to five days’ notice before the record date for certain distributions to holders of common stock and other corporate events. In addition, if certain “fundamental transactions” occur, such as a merger, consolidation, sale of substantially all of the Company’s assets, tender offer or exchange offer with respect to the common stock or reclassification of the common stock, the holders of Visser Warrants will be entitled to receive thereafter, in lieu of common stock, the consideration (if different from common stock) that the holders of Visser Warrants would have been entitled to receive upon the occurrence of the “fundamental transaction” as if the Visser Warrants had been exercised immediately before the “fundamental transaction.” If any holder of common stock is given a choice of consideration to be received in the “fundamental transaction,” then the holders of Visser Warrants shall be given the same choice upon the exercise of the Visser Warrants following the “fundamental transaction.” In addition, in the event of a “fundamental transaction” that is an all cash transaction pursuant to which holders of common stock are entitled to receive cash consideration only, then the Visser Warrants will automatically terminate and the holders of the Visser Warrants will receive an amount of cash equal to the greater of (i) the product of (a) the number of shares of common stock representing the unexercised portion of the Visser Warrants and (b) the difference between (x) the per share consideration to be received by holders of common stock in the all-cash “fundamental transaction” and (y) the current exercise price per share of the Visser Warrants and (ii) the Black-Scholes value of the remaining unexercised portion of the Visser Warrants, which will be calculated using variables defined in the Visser Warrants.

Pursuant to the terms of the Visser Promissory Note, the Company may request an advance of up to \$1,000,000 on September 15, 2012 and an additional advance of up to \$1,000,000 on November 15, 2012, for an aggregate principal

amount of all advances under the Visser Promissory Note of \$2,000,000. Visser's obligation to fund the advances is subject to the satisfaction of customary closing conditions and no Event of Default (as described below) under the Visser Promissory Note. The Visser Promissory Note will rank senior to all other indebtedness of the Company, other than outstanding indebtedness to Apple, Inc. ("Apple"), and is secured by assets of the Company pursuant to the Visser Security Agreement. The Visser Promissory Note will bear interest at the rate of 6% per annum and is due and payable on September 15, 2015, if not sooner repaid or converted. The Company may prepay the Visser Promissory Note without premium or penalty by providing 30 days' prior written notice to the holder of the Visser Promissory Note. The outstanding principal and accrued but unpaid interest (and any related penalties thereon) under the Visser Promissory Note can be converted into shares of common stock at the option of the holder at the rate of \$0.22 per share. The conversion price is subject to appropriate adjustment for certain dilutive issuances of common stock and changes in the Company's capital structure, such as stock dividends, stock splits, reorganizations or similar events. All shares of common stock issuable upon conversion of the Visser Promissory Note are subject to a lock-up period through December 31, 2016. Upon the occurrence of an "Event of Default," such as the Company's failure to pay any amount due under the Visser Promissory Note as and when due, any default under certain of the Company's other indebtedness that is not cured within applicable time periods or any voluntary or involuntary bankruptcy, general assignment for the benefit of creditors or liquidation, the holder of the Visser Promissory Note will have the right to cause the Company to redeem all or any portion of the Visser Promissory Note at a price equal to the greater of (i) the outstanding principal and accrued but unpaid interest (and any related penalties thereon) under the Visser Promissory Note and (ii) the product of (a) the total number of shares of common stock into which the Visser Promissory Note is convertible and (b) the closing sale price of the common stock on the trading day immediately preceding the "Event of Default." Upon the occurrence of a "Change in Control," such as a merger, consolidation, sale of substantially all of the Company's assets, tender offer or exchange offer with respect to the common stock or reclassification of the common stock, the holder of the Visser Promissory Note will have the right to cause the Company to redeem the Visser Promissory Note for an amount of cash equal to (i) the outstanding principal and accrued but unpaid interest (and any related penalties thereon) plus (ii) the Black-Scholes value of the holder's right to convert the outstanding principal and accrued but unpaid interest (and any related penalties thereon) into shares of common stock, which will be calculated using variables defined in the Visser Warrants. In addition, in the event of a "Change in Control" that is an all cash transaction pursuant to which holders of common stock are entitled to receive cash consideration only, then the Visser Promissory Note will automatically terminate and the holder will receive the amount of cash described in the preceding sentence.

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Pursuant to the terms of the Visser Security Agreement and in order to secure the Company's obligations under the Visser Promissory note, the Company has granted to Visser a security interest over all of the Company's assets that are not covered by the Company's existing security agreements with Apple, excluding the Company's membership interests in Crucible Intellectual Property, LLC, a subsidiary of the Company.

Pursuant to the terms of the Visser Registration Rights Agreement, the Company is required to file, upon the request of Visser at any time after June 1, 2017, a registration statement with the SEC covering the resale 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. Pursuant to the terms of the Visser Registration Rights Agreement, the Company is required to file the registration statement on or prior to 90 days after the Company's receipt of the request to effect such registration (the "Visser Filing Date") and to use its reasonable commercial efforts to have the registration statement declared effective (i) on or prior to 60 days following the Visser Filing Deadline in the case of a registration statement on Form S-3 (120 days in the case of a "full review" by the SEC) or (ii) on or prior to 90 days following the Visser Filing Deadline in the case of a registration statement on Form S-1 (120 days in the case of a "full review" by the SEC). The Company will be subject to certain monetary penalties if the registration statement is not filed or does not become effective in a timely manner. The monetary penalties will accrue monthly and will be payable at the rate of 1% of the aggregate purchase price paid by Visser pursuant to the Visser Subscription Agreement for any unregistered shares of common stock, subject to maximum monetary penalties of 12%. In addition, the Visser Registration Rights Agreement provides Visser with piggyback registration rights on certain registration statements filed by the Company relating to an offering for its own account.

Other Significant Transactions

On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, we issued 8% unsecured, bridge promissory notes to Visser that were due upon demand in the amount of \$0.2 million, \$0.2 million, \$0.35 million and \$0.3 million, respectively. The aggregate principal amount of \$1.05 million and all accrued interest under the bridge promissory notes were all paid off on June 1, 2012 by utilizing a portion of the proceeds received under the Visser Master Transaction Agreement.

On December 20, 2011, our former majority owned subsidiary, Liquidmetal Coatings, LLC ("LMC"), entered into a transaction pursuant to which LMC issued and sold additional membership interests to a related party and to third party investors for an aggregate purchase price of \$3.0 million (the "LMC Investment"). The LMC Investment was entered into pursuant to a Membership Interest Purchase Agreement between the investors and LMC (the "LMC Purchase Agreement"). The investors in the LMC Investment were Rockwall Holdings, Inc. ("Rockwall"), C3 Capital Partners, L.P. and C3 Capital Partners II, L.P. (the "C3 Entities"). The C3 Entities were minority investors in LMC prior to the transaction, and Rockwall is a company controlled by John Kang, our former Chief Executive Officer and Chairman. As of August 1, 2012, Mr. Kang beneficially owned 3.1% of our common stock.

The transactions contemplated by the LMC Purchase Agreement were deemed to be effective as of November 30, 2011. In connection with the LMC Investment, our Company and the C3 Entities agreed to terminate a letter agreement, dated July 30, 2010, under which we would have been obligated to contribute additional capital to LMC if requested by LMC. As a result of the LMC Investment and the termination of such letter agreement, we no longer have any contingent obligation to contribute additional capital to LMC. As a result of the LMC Investment, our equity interest in LMC was reduced from approximately 72.86% to 0.667%. However, we did not sell any of our membership interests in LMC in the transaction. LMC represented approximately 42% of the net book value of our assets and 64% of the net book value of our liabilities as of November 30, 2011, and LMC represented approximately 92% of our revenue and operating income that reduced our operating loss by 33% for the eleven months ended November 30, 2011. As a result of the reduction in our percentage interest in LMC, we will no longer consolidate LMC's financial results with our financial statements and the previous results of operations for LMC are reclassified as

discontinued operations in the financial statements included in this prospectus for all periods presented. However, Ricardo Salas, our Executive Vice President, will continue to serve as a member of LMC's board of directors.

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In connection with the LMC Investment, we entered into a Second Amended and Restated Operating Agreement with LMC and other members of LMC, and we also entered into a Second Amended and Restated License and Technical Support Agreement with LMC terminating certain technology cross-licenses between LMC and us and continuing LMC's right to use the Liquidmetal trademark in connection with LMC's business.

On December 1, 2011, we entered into a Share Purchase Agreement (the "LMTK Share Purchase Agreement") with LMTK Holdings, Inc. ("LMTK Holdings") to sell our former Korean subsidiary and manufacturing facility, Liquidmetal Technologies Korea ("LMTK"), that was discontinued in November 2010. Under the LMTK Share Purchase Agreement, we sold all of LMTK's shares of common stock to LMTK Holdings for an aggregate purchase price of one hundred dollars. The results of operations of LMTK have been previously included as discontinued operations in our financial statements, and as a result of the transaction, we will no longer consolidate LMTK's financial results with our financial statements.

In June 2010, we created a wholly owned subsidiary, Advanced Metals Materials ("AMM"), in Weihei China as a holding company for certain assets that were acquired in China. During the first quarter of 2011, AMM started production and manufacturing of certain bulk Liquidmetal alloy parts. On August 5, 2011, we sold all of the stock of Advanced Metals Materials ("AMM") to Innovative Materials Group, which is majority owned by John Kang, our former Chief Executive Officer and Chairman, for \$720 thousand of which \$200 thousand was paid in the form of a promissory note due August 5, 2012, bearing an interest rate of 8% per annum. As of August 20, 2012, Mr. Kang had not paid down the note receivable due on August 5, 2012, and we were in discussions with Mr. Kang to provide an extension of the due date.

On August 6, 2010, SAGA, SpA in Padova, Italy ("SAGA"), a specialist parts manufacturer, filed a litigation case against us claiming damages of \$3.2 million for payment on an alleged loan and for alleged breach of contract in connection with the formation of joint venture agreement called Liquidmetal SAGA Italy, Srl ("LSI"). On April 6, 2011 (the "SAGA Effective Date"), we entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between SAGA and us was terminated, (ii) SAGA and we both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we paid SAGA \$2.8 million in the form of 4,496,429 restricted shares ("Settlement Shares") of our common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated.

The number of Settlement Shares issued to SAGA on the SAGA Effective Date was based on the 30 day trailing, volume weighted average price of our common stock as of the SAGA Effective Date. An additional provision of the SAGA settlement and Equity Interest Purchase Agreement was the obligation for us to issue a promissory note to compensate for a decrease in the market price of our common stock over a six month period from the SAGA Effective Date. On October 10, 2011, we issued to SAGA a promissory note in the principal amount of \$1.7 million due October 10, 2012 bearing interest of 8% per annum to account for the decrease in the market price of our common stock. On July 11, 2012, we paid SAGA \$1,742,630.97 to payoff all amounts owed under the SAGA promissory note.

On August 5, 2010, we entered into a license transaction with Apple Inc. ("Apple") pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC ("CIP"), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, in exchange for a license fee, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. Additionally, in connection with the license transaction, Apple required us to complete a statement of work related to the exchange of Liquidmetal intellectual property information. The Company recognized a portion of the one-time license fee upon receipt of the initial payment and completion of the foregoing requirements under the license transaction. The remaining portion of the one-time license fee was recognized at the completion of the required statement of work.

Under the agreements relating to the license transaction, we were obligated to contribute all intellectual property that we developed through February 2012 to CIP. In addition, we are obligated to refrain from encumbering any assets subject to the Apple security interest through August 2012 and are obligated to refrain from granting any security in our interest in CIP at any time. We are also obligated to maintain certain limited liability company formalities with respect to CIP at all times after the closing of the license transaction. If we are unable to comply with these obligations, Apple may be entitled to foreclose on our assets.

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RESULTS OF OPERATIONS

Comparison of the years ended December 31, 2011 and 2010

	For the year ended December 31, 2011 (in thousands)	Percentage of Product Revenue	For the year ended December 31, 2010 (in thousands)	Percentage of Product Revenue
Revenue:				
Products	\$ 572		\$ 567	
Licensing and royalties	400		20,000	
Total revenue	972		20,567	
Cost of sales	373	65%	262	46%
Selling, general and administrative expenses	4,243	742%	4,498	793%
Research and development expenses	1,120	196%	1,132	200%
Settlement expense	1,713	299%	2,800	494%
Change in value of warrants, gain (loss)	1,328	232%	(23,341)	(4,117)%
Change in value of conversion feature, gain	-	0%	444	78%
Other income	26	5%	70	12%
Interest expense	90	16%	4,018	709%
Interest income	22	4%	6	1%
Gain on disposal of subsidiary	12,109	2,117%	-	0%
Loss from discontinued operations, net	(763)	(133%)	(2,679)	(472)%

The following analysis, other than the revenue analytic, is based on expenses as a percentage of product revenue. One-time licensing and royalties revenues are excluded from the analysis as their inclusion would distort the percentage calculation.

Revenue. Total Revenue decreased by \$19.6 million to \$972 thousand for the year ended December 31, 2011 from \$20.6 million for the year ended December 31, 2010. The decrease is primarily in the licensing and royalties revenue category due to a one-time licensing fee that occurred during 2010.

Cost of Sales. Cost of sales was \$373 thousand, or 65% of product revenue, for the year ended December 31, 2011 from \$262 thousand, or 46% of product revenue, for the year ended December 31, 2010. The cost to manufacture parts from our bulk Liquidmetal alloys is variable and differs based on the unique design of each product. In addition, much of our current product mix consists of prototype parts which have variable cost percentages relative to revenue. As we begin increasing our revenues with shipments of routine commercial parts through our third party contract manufacturer, we expect our cost of sales to stabilize and be more predictable.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased by \$255 thousand to \$4.2 million, or 742% of product revenue, for the year ended December 31, 2011 from \$4.5 million, or 793% of product revenue, for the year ended December 31, 2010. The decrease was primarily the result of a one-time director consulting fee of \$275 thousand.

Research and Development Expenses. Research and development expenses remained flat at \$1.1 million for both of the years ended December 31, 2011 and 2010. We continue to devote significant resources to improving our processing capabilities, developing new manufacturing techniques and contracting with consultants to advance the development of Liquidmetal alloys.

Settlement Expense. Settlement expense was \$1.7 million for the year ended December 31, 2011 and \$2.8 million for the year ended December 31, 2010. Both amounts are related to a settlement with SAGA, SpA. See “Business- Legal Proceedings” in this prospectus for more information regarding this settlement.

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Change in Value of Warrants. The change in value of warrants was a gain of \$1.3 million, for the year ended December 31, 2011, which resulted from periodic valuation adjustments for warrants issued in connection with convertible and subordinated notes. The significant gain during the year ended December 31, 2011 compared to the loss of \$23.3 million, during the year ended December 31, 2010, was primarily due to the decrease in our stock price and the expiration of certain warrants during 2011. Changes in the value of our warrants are non-cash and do not affect the operations of our business.

Change in Value of Conversion Feature. There was no gain or loss related to the change in value of conversion feature for the year ended December 31, 2011 due to the retirement of our convertible notes in 2010. The \$444 thousand gain related to change in value of conversion feature during the year ended December 31, 2010 was due to the decrease in our stock price.

Other Income. Other income was \$26 thousand, or five percent of product revenue, for the year ended December 31, 2011, and \$70 thousand, or 12% of product revenue, for the year ended December 31, 2010. Other income is primarily due to gains on settlements on accounts payable for less than face value.

Interest Expense. Interest expense was \$90 thousand, or 16% of revenue, for the year ended December 31, 2011 and was \$4 million, or 709% of revenue, for the year ended December 31, 2010. Interest expense for the year ended December 31, 2010 consisted primarily of debt amortization and interest accrued on convertible and subordinated notes and borrowings under a factoring, loan, and security agreement, which were all retired during 2010. Interest expense for the year ended December 31, 2011 consisted of interest accrued on an outstanding promissory note.

Interest Income. Interest income was \$22 thousand and \$6 thousand for the year ended December 31, 2011 and 2010, respectively, from interest earned on cash deposits.

Gain on disposal of subsidiaries. Gain on disposal of subsidiaries of \$12.1 million, for the year ended December 31, 2011 was due to the sale of Advanced Metals Materials (“AMM”), our China subsidiary, the sale of Liquidmetal Technologies, Korea (“LMTK”), our Korea subsidiary, and the divestment of Liquidmetal Coatings (“LMC”), our Coatings subsidiary. The gain on disposal was mainly attributed to the write-off of net liabilities of \$10.7 million related to LMC upon deconsolidation and \$2.9 million net write-off of investments in AMM and LMC and foreign exchange translation related to LMTK offset by a \$1.4 million of loss from write-off of investment and net assets in LMTK. Our gains on disposals of our subsidiaries were mainly the result of write-offs of assets and liability accounts and did not impact our cash position.

Loss from discontinued operations. Loss from discontinued operations of \$763 thousand, for the year ended December 31, 2011 and loss of \$2.7 million, for the year ended December 31, 2010 consisted of the losses from operations of our discontinued subsidiaries, AMM, LMTK, and LMC. Our losses from discontinued operations did not impact our cash position, and these entities are no longer consolidated into our financial statements as of December 31, 2011.

Our operating and net income from continuing operations is mainly dependent on generating revenues by identifying customers who have a need for the technological advantages being offered by bulk amorphous alloys, as well as utilizing the existing technology with the right strategic partners to quickly fulfill those needs.

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Comparison of the three and six months ended June 30, 2012 and 2011

	For the three months ended June 30, 2012			2011			For the six months ended June 30, 2012			2011		
	in 000's	% of Products Revenue		in 000's (restated)	% of Products Revenue		in 000's	% of Products Revenue		in 000's (restated)	% of Products Revenue	
Revenue:												
Products	\$ 208			\$ 110			\$ 391			\$ 234		
Licensing and royalties	6			-			19			381		
Total revenue	214			110			410			615		
Cost of sales	102	49 %		63	57 %		184	47 %		170	73 %	
Selling, marketing general and administrative	1,007	484 %		838	762 %		1,964	502 %		1,864	797 %	
Research and development	211	101 %		288	262 %		399	102 %		612	262 %	
Manufacturing contract costs	6,300	3029 %		-	0 %		6,300	1611 %		-	0 %	
Settlement expense	-	0 %		585	532 %		-	0 %		585	250 %	
Change in value of warrants, gain (loss)	(174)	-84 %		596	542 %		(174)	-45 %		584	250 %	
Financing costs	1,355	651 %		-	0 %		1,355	347 %		-	0 %	
Other income	-	0 %		1	1 %		-	0 %		6	3 %	
Interest expense	(22)	-11 %		16	15 %		18	5 %		31	13 %	
Interest income	4	2 %		6	5 %		8	2 %		14	6 %	
Loss from operations of discontinued operations	-	0 %		112	102 %		-	0 %		541	231 %	

In the following discussion, whenever a particular number is expressed as a percentage of revenue, such percentage is based on Products Revenue only and does not include "Licensing and royalties." This has been done in order to make the disclosure more meaningful in light of the unusually large licensing and royalty revenue in the six-month period ended June 30, 2011.

Revenue. Revenue increased by \$104 thousand to \$214 thousand for the three months ended June 30, 2012 from \$110 thousand for the three months ended June 30, 2011. The increase was primarily attributable to an increase in prototype product revenue and minor royalty revenue from IMG. Revenue decreased by \$205 thousand to \$410 thousand for the six months ended June 30, 2012 from \$615 thousand for the six months ended June 30, 2011. The decrease was primarily attributable to a decrease in licensing revenue from Swatch in the amount of \$381 thousand, slightly offset by an increase in product revenue in 2012.

Cost of Sales. Cost of sales increased to \$102 thousand, or 49% of revenue, for the three months ended June 30, 2012 from \$63 thousand, or 57% of revenue, for the three months ended June 30, 2011. The increase was mainly due to an increase in product revenue in 2012. Cost of sales increased by \$14 thousand to \$184 thousand for the six months ended June 30, 2012 from \$170 thousand for the six months ended June 30, 2011. The cost to manufacture parts from our bulk Liquidmetal alloys is variable and differs based on the unique design of each product. In addition, much of our current product mix consists of prototype parts which have variable cost percentages relative to revenue. If we are able to increase our revenues with shipments of routine commercial parts through our third party contract manufacturer, we expect our cost of sales to stabilize and be more predictable.

Selling, Marketing, General, and Administrative. Selling, general and administrative expense increased to \$1,007 thousand, or 484% of revenue, for the three months ended June 30, 2012 from \$838 thousand, or 762% of revenue, for the three months ended June 30, 2011. Selling, general and administrative expense increased to \$1,964 thousand, or 502% of revenue, for the six months ended June 30, 2012 from \$1,864 thousand, or 797% of revenue, for the six months ended June 30, 2011. The increase from prior years was mainly due to additional legal fees associated with the recent funding transactions as well as shareholder meeting proxy filings.

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Research and Development. Research and development expenses decreased to \$211 thousand, or 101% of revenue, for the three months ended June 30, 2012 and to \$288 thousand, or 262% of revenue, for the three months ended June 30, 2011. We spent less in production supplies and consulting services resulting in the decrease in this expense category, but we continue to perform research and development of new Liquidmetal alloys and related processing capabilities, develop new manufacturing techniques, and contract with consultants to advance the development of Liquidmetal alloys.

Manufacturing Contract Costs. Manufacturing contract costs consists of \$6,300 thousand for the three and six months ended June 30, 2012 related to the discount pricing that Visser received under the Visser Master Transaction Agreement (see Significant Transactions and Note 10). The \$6,300 thousand was determined by taking the \$0.21 difference between the Company's weighted average \$0.31 stock price at the time of issuances of our common stock and the \$0.10 per share actual purchase price, multiplied by 30,000,000 shares issued to Visser.

Settlement Expense. Settlement expense was \$585 thousand for the three and six months ended June 30, 2011. This amount was related to a settlement with SAGA.

Change in Value of Warrants. Change in value of warrants was a loss of \$174 thousand for the three and six months ended June 30, 2012 mainly due changes in our stock price associated with the valuation of our warrant liabilities related to warrants under the Visser Master Transaction Agreement (see Significant Transactions).

Financing Costs. Financing costs consist of \$1,355 thousand for the three and six months ended June 30, 2012 related to the booking of our warrant liability for the issuance of 15,000,000 warrants to Visser at an exercise price of \$0.22 per share and expiring on June 1, 2017 under the Visser Master Transaction Agreement (see Significant Transactions).

Other Income. Other income consisted of \$5 thousand of miscellaneous refunds for the six months ended June 30, 2011.

Interest Expense. Interest expense incurred during the six months ended June 30, 2012 relates to bridge notes issued to Visser and the promissory note issued to SAGA (see Significant Transactions). However, interest expense was a net negative \$22 thousand, or negative 11% of revenue, for the three months ended June 30, 2012 and was \$18 thousand, or 5% of revenue, for the six months ended June 30, 2011 due to the forgiveness of \$68 thousand of 2012 interest expense in exchange for the early payment of the SAGA promissory note on July 11, 2012. Interest expense incurred during the three and six months ended June 30, 2011 consisted of deferred issue cost amortization on outstanding convertible and subordinated notes that were fully amortized in 2011 in connection to the disposal of our discontinued operations.

Interest Income. Interest income relates to interest from our Related Party Notes Receivable and was \$4 thousand for the three months ended June 30, 2012 and \$8 thousand for the six months ended June 30, 2012. Interest income of \$14 thousand for the six months ended June 30, 2011 was for interest earned on cash deposits.

Loss from operations of discontinued operations. Loss from operations of discontinued operations was \$541 thousand for the six months ended June 30, 2011 for the losses incurred on our discontinued subsidiaries. Our discontinued subsidiaries were either sold or de-consolidated as of December 31, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Our cash used by continuing operating activities was \$5,063 thousand for the year ended December 31, 2011, while cash provided by continuing activities was \$12,187 thousand for the year ended December 31, 2010. Our cash used in

investing activities of continuing operations was \$178 thousand for the year ended December 31, 2011 primarily from purchase of property and equipment. Our cash provided by financing activities of continuing operations was \$13 thousand for the year ended December 31, 2011 primarily from stock options exercises.

For the six months ended June 30, 2012, our cash used in operating activities was \$1,636 thousand, cash used in investing activities was \$3 thousand for continued investment in our trademarks, and cash provided by financing activities was \$3,038 thousand related to the Visser Master Transaction Agreement. As of June 30, 2012, we had a cash balance of \$1,521 thousand.

On July 2, 2012, we entered into definitive agreements relating to a private placement of \$12,000 thousand in principal amount of Senior Convertible Notes due on September 1, 2013 and Warrants to the purchasers of such 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 (See Significant Transactions). Monthly installment payments are due beginning on October 1, 2012 and the installment payments may be made in cash, shares of our common stock, or a combination thereof (see Significant Transactions).

On June 1, 2012, we entered into a master transaction agreement with Visser Precision Cast, LLC ("Visser") relating to a strategic transaction for manufacturing services and financing, pursuant to which the Company and Visser have entered into a manufacturing services agreement, a subscription agreement, a security agreement, a registration rights agreement, and a sublicense agreement (See Significant Transactions).

On April 25, 2012, we issued an 8% unsecured, bridge promissory note to Visser due upon demand in the amount of \$300 thousand (See Significant Transactions).

We anticipate that our current capital resources will be sufficient to fund our operations through the end of 2013 as a result of the foregoing proceeds from the Visser Master Transaction Agreement and the private placement described above. However if we choose to or are required to pay back the private placement described above in cash as opposed to Company stock, our current capital resources may not be sufficient to fund 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 during 2013. If funding is insufficient at any time in the future, we may be required to alter or reduce the scope of our operations.

OFF-BALANCE SHEET ARRANGEMENTS

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity, or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to our company, or that engages in leasing, hedging, or research and development arrangements with our company.

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As of June 30, 2012, the Company did not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

We recognize revenue pursuant to applicable accounting standards including FASB ASC Topic 605 (“ASC 605”), Revenue Recognition. ASC 605 summarize certain points of the SEC staff’s views in applying generally accepted accounting principles to revenue recognition in financial statements and provide guidance on revenue recognition issues in the absence of authoritative literature addressing a specific arrangement or a specific industry.

Our revenue recognition policy complies with the requirements of ASC 605. Revenue is recognized when i) persuasive evidence of an arrangement exists, ii) delivery has occurred, iii) the sales price is fixed or determinable, iv) collection is probable and v) all obligations have been substantially performed pursuant to the terms of the arrangement. Revenues primarily consist of the sales and prototyping of Liquidmetal mold and bulk alloys, licensing and royalties for the use of the Liquidmetal brand and bulk Liquidmetal alloys. Revenue is deferred and included in liabilities when the Company receives cash in advance for goods not yet delivered or if the licensing term has not begun.

License revenue arrangements in general provide for the grant of certain intellectual property rights for patented technologies owned or controlled by the Company. These rights typically include the grant of an exclusive or non-exclusive right to manufacture and/or sell products covered by patented technologies owned or controlled by us. The intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined period of time.

Licensing revenues that are one time fees upon the granting of the license are recognized when i) the license term begins in a manner consistent with the nature of the transaction and the earnings process, ii) when collectability is reasonably assured or upon receipt of an upfront fee, and iii) when all other revenue recognition criteria have been met. Pursuant to the terms of these agreements, we have no further obligation with respect to the grant of the license. Licensing revenues that are related to royalties are recognized as the royalties are earned over the related period.

We value our long-lived assets at lower of cost or fair market value. Management reviews long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may be impaired. An impairment loss is recognized when the estimated fair value of the assets is less than the carrying value of the assets. We recognized \$0 and \$966 during the years ended December 31, 2011 and 2010, respectively, for impairment of long-lived assets.

We record valuation allowances to reduce our 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.

We account for our outstanding warrants and the embedded conversion feature of our senior convertible notes as derivatives in accordance with FASB ASC 815-10, Derivatives and Hedging, and FASB ASC 815-40, Contracts in Entity's Own Equity. Fair values of warrants and embedded conversion features are measured at each period end using Black-Scholes pricing models and changes in fair value during the period are reported in our earnings.

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.

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We account for share-based compensation in accordance with the fair value recognition provisions of FASB ASC Topic 718, Share-based Payment, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated financial statements based on their fair values. The fair value of stock options is calculated by using the Black-Scholes option pricing formula that requires estimates for expected volatility, expected dividends, the risk-free interest rate and the term of the option. If any of the assumptions used in the Black-Scholes model change significantly, share-based compensation expense may differ materially in the future from that recorded in the current period.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB, issued guidance regarding the presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements of net income. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. We adopted the guidance beginning on January 1, 2012.

In May 2011, the FASB issued additional guidance on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. The updated guidance is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. We adopted the guidance beginning on January 1, 2012.

In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, "Milestone Method of Revenue Recognition." FASB ASU No. 2010-17 "Revenue Recognition – Milestone Method (Topic 605)" provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010 – 17 is effective on a prospective basis for milestones achieved after the adoption date. Our adoption of this guidance on January 1, 2011 did not have a significant impact on our consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA and the SEC did not or are not believed by management to have a material impact on our present or future consolidated financial statements.

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CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE

On December 7, 2011, Choi, Kim, Park, LLP (“CKP”), resigned as our independent registered public accounting firm. The decision to accept CKP’s resignation was approved by the audit committee of our board of directors.

CKP’s reports on the consolidated financial statements of the Company for the years ended December 31, 2010 and 2009 did not contain any adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope, or accounting principles, except that each of CKP’s reports for the years ended December 31, 2010 and 2009 expressly assumed the Company would continue as a going concern and stated that the Company’s significant operating losses and working capital deficit raise substantial doubt about its ability to continue as a going concern.

During the years ended December 31, 2010 and 2009, and through December 7, 2011, there were no disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) with CKP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of CKP, would have caused CKP to make reference to the subject matter of the disagreement in its report on the consolidated financial statements for such year. During the years ended December 31, 2010 and 2009, and through December 7, 2011, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

The Company has provided CKP with a copy of the above disclosures, and CKP has furnished the Company with a letter addressed to the SEC stating it agrees with the statements made above. A copy of CKP’s letter dated December 8, 2011 is attached as Exhibit 16.1 to the Current Report on Form 8-K filed by the Company with the SEC on December 8, 2011.

On December 2, 2011, our board of directors, upon recommendation of the audit committee of our board of directors, approved the engagement of SingerLewak LLP (“Singer”) to serve as the Company’s independent registered public accounting firm. Singer was formally engaged by the Company on December 8, 2011. At our annual meeting of stockholders on June 28, 2012, our stockholders ratified the appointment of Singer as our independent registered public accounting firm for fiscal year 2012.

During the years ended December 31, 2010 and 2009, and through December 8, 2011, neither the Company nor anyone on its behalf has consulted with Singer with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s consolidated financial statements, and neither written nor oral advice was provided to the Company that Singer concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) with CKP or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

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BUSINESS

Overview

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.

General 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 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.

Our Technology

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

Unique Atomic Structure

The atomic structure of Liquidmetal alloys is the fundamental feature that differentiates them from other alloys and metals. In the molten state, the atomic particles of all alloys and metals have an amorphous atomic structure, which means that the atomic particles appear in a completely random structure with no discernible patterns. However, when non-amorphous alloys and metals are cooled to a solid state, their atoms bond together in a repeating pattern of regular and predictable shapes or crystalline grains. This process is analogous to the way ice forms when water freezes and crystallizes. In non-amorphous metals and alloys, the individual crystalline grains contain naturally occurring structural defects that limit the potential strength and performance characteristics of the material. These defects, known as dislocations, consist of discontinuities or inconsistencies in the patterned atomic structure of each grain.

Unlike other alloys and metals, bulk Liquidmetal alloys can retain their amorphous atomic structure throughout the solidification process and therefore do not develop crystalline grains and the associated dislocations. Consequently, bulk Liquidmetal alloys exhibit superior strength and other superior performance characteristics compared to their crystalline counterparts.

Prior to 1993, commercially viable amorphous alloys could be created only in thin forms, such as coatings, films, or ribbons. However, in 1993, researchers at the California Institute of Technology (Caltech) developed the first commercially viable amorphous alloy in a bulk form. Today, bulk Liquidmetal alloys can be formed into objects that are up to one inch thick, and we are not aware of any other commercially available amorphous alloys that can achieve this thickness. We obtained the exclusive right to commercialize the bulk amorphous alloy through a license agreement with Caltech and have developed the technology to enable the commercialization of the bulk amorphous alloys.

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Proprietary Material Composition

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

Advantages of Liquidmetal Alloys

Liquidmetal alloys possess a unique combination of performance, processing and cost advantages that we believe makes them superior in many ways to other commercially available materials for a variety of existing and potential future product applications.

Performance Advantages

Our bulk Liquidmetal alloys provide several distinct performance advantages over other materials, and we believe that these advantages make the alloys desirable in applications that require high yield strength, strength-to-weight ratio, elasticity and hardness.

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

Processing Advantages

The processing of a material generally refers to how a material is shaped, formed, or combined with other materials to create a finished product. Bulk Liquidmetal alloys possess processing characteristics that we believe make them preferable to other materials in a wide variety of applications. In particular, our alloys are amenable to processing options that are similar in many respects to those associated with plastics. For example, we believe that bulk Liquidmetal alloys have superior net-shape casting capabilities as compared to high-strength crystalline metals and alloys. “Net-shape casting” is a type of casting that permits the creation of near-to-net shaped products that reduce costly post-cast processing or machining. Additionally, unlike most metals and alloys, our bulk Liquidmetal alloys are capable of being thermoplastically molded in bulk form. Thermoplastic molding consists of heating a solid piece of material until it is transformed into a moldable state, although at temperatures much lower than the melting temperature, and then introducing it into a mold to form near-to-net shaped products. Accordingly, thermoplastic molding can be beneficial and economical for net shape fabrication of high-strength products.

Bulk Liquidmetal alloys also permit the creation of composite materials that cannot be created with most non-amorphous metals and alloys. A composite is a material that is made from two or more different types of

materials. In general, the ability to create composites is beneficial because constituent materials can be combined with one another to optimize the composite's performance characteristics for different applications. In other metals and alloys, the high temperatures required for processing could damage some of the composite's constituent materials and therefore limit their utility. However, the relatively low melting temperatures of bulk Liquidmetal alloys allow mild processing conditions that eliminate or limit damage to the constituent materials when creating composites. In addition to composites, we believe that the processing advantages of Liquidmetal alloys will ultimately allow for a variety of other finished forms, including sheets and extrusions.

Notwithstanding the foregoing advantages, our bulk Liquidmetal alloys possess certain limitations relative to processing. The beneficial processing features of our bulk alloys are made possible in part by the alloys' relatively low melting temperatures. Although a lower melting temperature is a beneficial characteristic for processing purposes, it renders certain bulk alloy compositions unsuitable for certain high-temperature applications, such as jet engine exhaust components. Additionally, the current one-inch thickness limitation of our zirconium-titanium bulk alloy renders our alloys currently unsuitable for use as structural materials in large-scale applications, such as load-bearing beams in building construction. We are currently engaged in research and development with the goal of developing processing technology and new alloy compositions that will enable our bulk alloys to be formed into thicker objects.

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Cost Advantages

Liquidmetal alloys have the potential to provide cost advantages over other high-strength metals and alloys in certain applications. Because bulk Liquidmetal alloys have processing characteristics similar in some respects to plastics, which lends itself to near-to-net shape casting and molding, Liquidmetal alloys can in many cases be shaped efficiently into intricate, engineered products. This capability can eliminate or reduce certain post-casting steps, such as machining and re-forming, and therefore has the potential to significantly reduce processing costs associated with making parts in high volume.

Our Strategy

The key elements of our strategy include:

Focusing Our Marketing Activities on Select Products with Expected Higher Gross-Margins. We intend to focus our marketing activities on select products with anticipated higher gross margins. This strategy is designed to align our product development initiatives with our processes and cost structure, and to reduce our exposure to more commodity-type product applications that are prone to unpredictable demand and fluctuating pricing. Our focus is primarily on higher-margin products that possess design features that take advantage of our existing and developing manufacturing technology and that command a price commensurate with the performance advantages of our alloys. In addition to our focus on products with higher gross margins, we will continue to engage in prototype manufacturing, both for internally manufactured products and for products that will ultimately be licensed to or manufactured by third parties.

Pursuing Strategic Partnerships In Order to More Rapidly Develop and Commercialize Products. We intend to actively pursue and support strategic partnerships that will enable us to leverage the resources, strength, and technologies of other companies in order to more rapidly develop and commercialize products. These partnerships may include licensing transactions in which we license full commercial rights to our technology in a specific application area, or they may include transactions of a more limited scope in which, for example, we outsource manufacturing activities or grant limited licensing rights. We believe that utilizing such a partnering strategy will enable us to reduce our working capital burden, better fund product development efforts, better understand customer adoption practices, leverage the technical and financial resources of our partners, and more effectively handle product design and process challenges.

Advancing the Liquidmetal® Brand. We believe that building our corporate brand will foster continued adoption of our technology. Our goal is to position Liquidmetal alloys as a superior substitute for materials currently used in a variety of products across a range of industries. Furthermore, we seek to establish Liquidmetal alloys as an enabling technology that will facilitate the creation of a broad range of commercially viable new products. To enhance industry awareness of our company and increase demand for Liquidmetal alloys, we are reviewing various brand development strategies that could include collaborative advertising and promotional campaigns with select customers, industry conference and trade show appearances, public relations, and other means.

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 determining 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.

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. We believe that there are multiple applications and opportunities in the non-consumer electronics product category for us to produce parts that command the higher margin and premium prices consistent with our core business strategy.

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We believe that the continued miniaturization of, and the introduction of advanced features to non-consumer electronic devices is a primary driver of growth, market share, and profits in our industry. The high strength-to-weight ratio and elastic limit and the processing advantages of bulk Liquidmetal alloys enable the production of smaller, thinner, but stronger electronic parts. We also believe that the strength characteristics of our alloys could facilitate the creation of a new generation of non-consumer electronic devices which currently may not be viable because of strength limitations of conventional metal parts in the marketplace today. Lastly, we believe that our alloys offer style and design flexibility, such as shiny metallic finishes, to accommodate the changing tastes of our customers.

On August 5, 2010, we entered into a license transaction with Apple Inc. (“Apple”) pursuant to which, for a one time license fee, we granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize our intellectual property in the field of “consumer electronic” products, as defined in the license agreement. As a result, we will not pursue application of our bulk Liquidmetal alloys in the consumer electronics field. For more information regarding our transaction with Apple, see “ – Significant Transactions” below.

Sporting Goods and Leisure Products

We are developing a variety of applications for Liquidmetal alloys in the sporting goods and leisure products area.

In the sporting goods industry, we believe that the high strength, hardness, and elasticity of our bulk alloys have the potential to enhance performance in a variety of products including but not limited to golf clubs, tennis rackets and skis, and we further believe that many sporting goods products are conducive to our strategy of focusing on high-margin products that meet our design criteria.

In the leisure products category, we believe that bulk Liquidmetal alloys can be used to efficiently produce intricately engineered designs with high-quality finishes, such as premium watchcases, and we further believe that Liquidmetal alloy technology can be used to make high-quality, high-strength jewelry from precious metals. We have successfully produced prototype rings made from an amorphous Liquidmetal platinum alloy that is harder (and hence more scratch resistant) than conventional platinum jewelry.

In order to facilitate the commercialization of Liquidmetal alloys in the jewelry and high-end luxury products market, in June 2003, we entered into an exclusive license agreement with LLPG, Inc. (“LLPG”). Under the terms of the agreement, LLPG has the right to commercialize Liquidmetal alloys, particularly precious-metal based compositions, in jewelry and high-end luxury product markets.

In March 2009, we entered into a license agreement with Swatch Group, Ltd. (“Swatch”) under which Swatch was granted a perpetual non-exclusive license to our technology to produce and market watches and certain other luxury products. In March 2011, this license agreement was amended to grant Swatch exclusive rights as to watches, and our license agreement with LLPG was simultaneously amended to exclude watches from LLPG’s rights.

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. These include, but are not limited to, specialized blades, orthopedic instruments utilized for implant surgery procedures, dental devices, and general surgery devices. The potential value offered by our alloys is higher performance in some cases and cost reduction in others, the latter stemming from the

ability of Liquidmetal alloys to be net shape cast into components, thus reducing costs of secondary processing. The status of most components in the prototyping phase is subject to non-disclosure agreements with our customers.

We believe that our future success in the medical device market will be driven largely by strategically aligning ourselves with well-established companies that are uniquely positioned to facilitate the introduction of Liquidmetal alloys into this market, especially as it relates to the unique processing challenges and stringent material qualification requirements that are prevalent in this industry. We also believe that our prospects for success in this market will be enhanced through our focus on optimizing existing alloy compositions and developing new alloy compositions to satisfy the industry's rigorous material qualification standards.

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Significant Transactions

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”). 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”). The purchasers of the Convertible Notes and the Warrants in the Private Placement are the selling stockholders described in 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 for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company’s common stock, rights to purchase shares of the Company’s common stock, or securities convertible into shares of the Company’s common stock for a price per share that is less than the conversion price then in effect, the conversion price then in effect will be decreased to equal such lower price. The foregoing adjustments to the conversion price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, the conversion price is subject to adjustment upon stock splits, reverse stock splits, and similar capital changes.

On the first business day of each month beginning on October 1, 2012 through and including September 1, 2013 (the “Installment Dates”), the Company will pay to each holder of a Convertible Note an amount equal to (i) one-twelfth (1/12th) of the original principal amount of such holder’s Convertible Note (or the principal outstanding on the Installment Date, if less) plus (ii) the accrued and unpaid interest with respect to such principal plus (iii) the accrued and unpaid late charges (if any) with respect to such principal and interest. Prior to maturity, the Convertible Notes will bear interest at 8% per annum (or 15% per annum during an event of default) with interest payable monthly in arrears on the Installment Dates and on conversion dates.

Each monthly payment may be made in cash, in shares of the Company’s common stock, or in a combination of cash and shares of the Company’s common stock. The Company’s ability to make such payments with shares of the Company’s common stock will be subject to various conditions, including the existence of an effective registration statement covering the resale of the shares issued in payment (or, in the alternative, the eligibility of the shares issuable pursuant to the Convertible Notes and the Warrants (as defined below) for sale without restriction under Rule 144 and without the need for registration) and certain minimum trading volumes in the stock to be issued. Such shares will be valued, as of the date on which notice is given by the Company that payment will be made in shares, at the lower of (1) the then applicable conversion price and (2) a price that is 87.5% of the arithmetic average of the ten (or in some cases fewer) lowest weighted average prices of the Company’s common stock during the twenty trading day period ending two trading days before the applicable determination date (the “Measurement Period”). The Company’s right to pay monthly payments in shares will depend on the following trading volume requirements in the Company’s common stock: a minimum of \$250,000 in average daily trading volume during the Measurement Period, and a minimum of \$150,000 in daily trading volume during each day during the Measurement Period, with certain exceptions.

Upon the occurrence of an event of default under the Convertible Notes, a holder of a Convertible Note may (so long as the event of default is continuing) require the Company to redeem all or a portion of its Convertible Note. Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid

interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the event of default and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

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Subject to certain conditions, a holder of a Convertible Note may also require the Company to redeem all or a portion of its Convertible Note in connection with a transaction that results in a Change of Control (as defined in the Convertible Notes). Each portion of the Convertible Note subject to such redemption must be redeemed by the Company, in cash, at a price equal to the greater of (1) 125% of the sum of (a) the amount being redeemed (including principal, accrued and unpaid interest, and accrued and unpaid late charges) and (b) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date, and (2) the sum of (x) the product of (I) the amount being redeemed and (II) the quotient determined by dividing (A) the greatest closing sale price of the shares of common stock during the period beginning on the date immediately preceding the earlier to occur of (i) the consummation of the Change of Control and (ii) the public announcement of such Change of Control and ending on the date the holder delivers a redemption notice to the Company, by (B) the lowest conversion price in effect during such period and (y) the amount of interest that would have accrued with respect to the amount being redeemed from the applicable redemption date through the applicable Installment Date.

The Warrants are exercisable on or after the date that is six (6) months after the date of the issuance of the Warrants, and the exercise prices for the Warrants are subject to adjustment for stock splits, stock dividends, and the like. In the event that the Company issues or sells shares of the Company's common stock, rights to purchase shares of the Company's common stock, or securities convertible into shares of the Company's common stock for a price per share that is less than the exercise price then in effect, the exercise price of the Warrant will be reduced based on a weighted-average formula. The foregoing adjustments to the exercise price for future stock issues will not apply to certain exempt issuances, including issuances pursuant to certain employee benefit plans. In addition, on the two year anniversary of the issuance date (the "Reset Date"), the then applicable exercise price will be reset to equal the lesser of (1) the then current exercise price and (2) 87.5% of the arithmetic average of the ten lowest weighted average prices of the common stock during the twenty trading day period ending two trading days immediately preceding the Reset Date. All of the Warrants will expire on the fifth (5th) anniversary of the date they first become exercisable.

If, during the period beginning on the date that all Registrable Securities (as defined in the Registration Rights Agreement) are registered pursuant to an effective registration statement and ending on the twenty-first (21st) month following the date of the closing of the Private Placement, the Company offers, sells, grants any option to purchase, or otherwise disposes of any of its or its subsidiaries' equity or equity equivalent securities (a "Subsequent Placement"), the Company must first notify each purchaser of the Convertible Notes of its intent to effect a Subsequent Placement. If a purchaser of the Convertible Notes wishes to review the details of a Subsequent Placement, the Company must provide such details to such purchaser along with an offer to issue and sell to or exchange with all such purchasers 30% of the securities being offered in the Subsequent Placement, initially allocated among such purchasers on a pro rata basis.

The Private Placement resulted in gross proceeds of \$12.0 million before placement agent fees and other expenses associated with the transaction. The proceeds will be used for general corporate purposes and have been used for purposes of satisfying the \$1.7 million promissory note payable by the Company to Saga S.P.A.

In connection with the Private Placement, the Company and the selling stockholders entered into a Registration Rights Agreement (the "Registration Rights Agreement") under which the Company is required, on or before thirty (30) days after the closing of the Private Placement, 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 and to use its best efforts to have the registration declared effective as soon as practicable (but in no event later than 75 days after the closing of the Private Placement if the registration statement is not subject to a full review by the SEC, or 105 days after the closing of the Private Placement if the registration statement is subject to a full review by the SEC). The Company will be subject to certain monetary penalties, as set forth in the Registration Rights Agreement, if the registration statement is not filed, does not become effective on a

timely basis, or does not remain available for the resale of the Registrable Securities (as defined in the Registration Rights Agreement). We are registering the shares being offered under this prospectus pursuant to the Registration Rights Agreement.

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 (the “Visser Security Agreement”), a registration rights agreement (the “Visser Registration Rights Agreement”), and a sublicense agreement (the “Visser Sublicense Agreement”).

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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 (such intellectual property, the "LMT Technology"). The Company has further agreed that it 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 Visser Sublicense Agreement, the Company agreed to sublicense to Visser, on a fully-paid up, royalty-free, irrevocable, perpetual, worldwide basis, all rights held by the Company in the LMT Technology. In addition, Visser has a right of first refusal over any proposed transfer by the Company of LMT Technology pursuant to any license, sublicense, sale or other transfer, other than a license to a machine or alloy vendor.

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 (the "Visser 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. The issuance and sale of the shares of common stock and Visser Warrants occurred in two closings. 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.

The Company negotiated the transactions contemplated by the Visser Master Transaction Agreement beginning in December 2011. Although many of the material terms of the transactions remained unresolved until just prior to the initial closing of the transaction, the Company negotiated the purchase price of the common stock to be sold to Visser pursuant to the Visser Subscription Agreement, and the exercise and conversion prices of the Visser Warrants and the Visser Promissory Notes, respectively, at the time the negotiations commenced, when the trading price of the Company's common stock was between approximately \$0.12 and \$0.19.

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. A portion of the purchase price was paid by cancellation of outstanding promissory notes issued by the Company to Visser in the aggregate principal amount of \$1,050,000 plus accrued and unpaid interest. 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.

The exercise price per share of common stock purchasable upon exercise of the Visser Warrants is \$0.22 and is subject to appropriate adjustment for certain dilutive issuances of common stock and changes in the Company's capital structure, such as stock dividends, stock splits, reorganizations or similar events. The Visser Warrants are exercisable immediately upon issuance and expire on June 1, 2017. The Visser Warrants include a cashless exercise feature and all shares of common stock issuable upon exercise of the Visser Warrants are subject to a lock-up period through December 31, 2016. The holders of Visser Warrants are entitled to five days' notice before the record date for certain distributions to holders of common stock and other corporate events. In addition, if certain "fundamental transactions" occur, such as a merger, consolidation, sale of substantially all of the Company's assets, tender offer or exchange offer with respect to the common stock or reclassification of the common stock, the holders of Visser Warrants will be entitled to receive thereafter, in lieu of common stock, the consideration (if different from common stock) that the

holders of Visser Warrants would have been entitled to receive upon the occurrence of the “fundamental transaction” as if the Visser Warrants had been exercised immediately before the “fundamental transaction.” If any holder of common stock is given a choice of consideration to be received in the “fundamental transaction,” then the holders of Visser Warrants shall be given the same choice upon the exercise of the Visser Warrants following the “fundamental transaction.” In addition, in the event of a “fundamental transaction” that is an all cash transaction pursuant to which holders of common stock are entitled to receive cash consideration only, then the Visser Warrants will automatically terminate and the holders of the Visser Warrants will receive an amount of cash equal to the greater of (i) the product of (a) the number of shares of common stock representing the unexercised portion of the Visser Warrants and (b) the difference between (x) the per share consideration to be received by holders of common stock in the all-cash “fundamental transaction” and (y) the current exercise price per share of the Visser Warrants and (ii) the Black-Scholes value of the remaining unexercised portion of the Visser Warrants, which will be calculated using variables defined in the Visser Warrants.

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Pursuant to the terms of the Visser Promissory Note, the Company may request an advance of up to \$1,000,000 on September 15, 2012 and an additional advance of up to \$1,000,000 on November 15, 2012, for an aggregate principal amount of all advances under the Visser Promissory Note of \$2,000,000. Visser's obligation to fund the advances is subject to the satisfaction of customary closing conditions and no Event of Default (as described below) under the Visser Promissory Note. The Visser Promissory Note will rank senior to all other indebtedness of the Company, other than outstanding indebtedness to Apple, Inc. ("Apple"), and is secured by assets of the Company pursuant to the Visser Security Agreement. The Visser Promissory Note will bear interest at the rate of 6% per annum and is due and payable on September 15, 2015, if not sooner repaid or converted. The Company may prepay the Visser Promissory Note without premium or penalty by providing 30 days' prior written notice to the holder of the Visser Promissory Note. The outstanding principal and accrued but unpaid interest (and any related penalties thereon) under the Visser Promissory Note can be converted into shares of common stock at the option of the holder at the rate of \$0.22 per share. The conversion price is subject to appropriate adjustment for certain dilutive issuances of common stock and changes in the Company's capital structure, such as stock dividends, stock splits, reorganizations or similar events. All shares of common stock issuable upon conversion of the Visser Promissory Note are subject to a lock-up period through December 31, 2016. Upon the occurrence of an "Event of Default," such as the Company's failure to pay any amount due under the Visser Promissory Note as and when due, any default under certain of the Company's other indebtedness that is not cured within applicable time periods or any voluntary or involuntary bankruptcy, general assignment for the benefit of creditors or liquidation, the holder of the Visser Promissory Note will have the right to cause the Company to redeem all or any portion of the Visser Promissory Note at a price equal to the greater of (i) the outstanding principal and accrued but unpaid interest (and any related penalties thereon) under the Visser Promissory Note and (ii) the product of (a) the total number of shares of common stock into which the Visser Promissory Note is convertible and (b) the closing sale price of the common stock on the trading day immediately preceding the "Event of Default." Upon the occurrence of a "Change in Control," such as a merger, consolidation, sale of substantially all of the Company's assets, tender offer or exchange offer with respect to the common stock or reclassification of the common stock, the holder of the Visser Promissory Note will have the right to cause the Company to redeem the Visser Promissory Note for an amount of cash equal to (i) the outstanding principal and accrued but unpaid interest (and any related penalties thereon) plus (ii) the Black-Scholes value of the holder's right to convert the outstanding principal and accrued but unpaid interest (and any related penalties thereon) into shares of common stock, which will be calculated using variables defined in the Visser Warrants. In addition, in the event of a "Change in Control" that is an all cash transaction pursuant to which holders of common stock are entitled to receive cash consideration only, then the Visser Promissory Note will automatically terminate and the holder will receive the amount of cash described in the preceding sentence.

Pursuant to the terms of the Visser Security Agreement and in order to secure the Company's obligations under the Visser Promissory note, the Company has granted to Visser a security interest over all of the Company's assets that are not covered by the Company's existing security agreements with Apple, excluding the Company's membership interests in Crucible Intellectual Property, LLC, a subsidiary of the Company.

Pursuant to the terms of the Visser Registration Rights Agreement, the Company is required to file, upon the request of Visser at any time after June 1, 2017, a registration statement with the SEC covering the resale 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. Pursuant to the terms of the Visser Registration Rights Agreement, the Company is required to file the registration statement on or prior to 90 days after the Company's receipt of the request to effect such registration (the "Visser Filing Date") and to use its reasonable commercial efforts to have the registration statement declared effective (i) on or prior to 60 days following the Visser Filing Deadline in the case of a registration statement on Form S-3 (120 days in the case of a "full review" by the SEC) or (ii) on or prior to 90 days following the Visser Filing Deadline in the case of a registration statement on Form S-1 (120 days in the case of a "full review" by the SEC). The Company will be subject to certain monetary penalties if the registration statement is not filed or does not become effective in a timely manner. The monetary penalties will accrue monthly and will be

payable at the rate of 1% of the aggregate purchase price paid by Visser pursuant to the Visser Subscription Agreement for any unregistered shares of common stock, subject to maximum monetary penalties of 12%. In addition, the Registration Rights Agreement provides Visser with piggyback registration rights on certain registration statements filed by the Company relating to an offering for its own account.

Other Significant Transactions

On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, we issued 8% unsecured, bridge promissory notes to Visser that were due upon demand in the amount of \$0.2 million, \$0.2 million, \$0.35 million and \$0.3 million, respectively. The aggregate principal amount of \$1.05 million and all accrued interest under the bridge promissory notes were all paid off on June 1, 2012 by utilizing a portion of the proceeds received under the Visser Master Transaction Agreement.

On December 20, 2011, our former majority owned subsidiary, Liquidmetal Coatings, LLC (“LMC”), entered into a transaction pursuant to which LMC issued and sold additional membership interests to a related party and third party investors for an aggregate purchase price of \$3.0 million (the “LMC Investment”). The LMC Investment was entered into pursuant to a Membership Interest Purchase Agreement between the investors and LMC (the “LMC Purchase Agreement”). The investors in the LMC Investment were Rockwall Holdings, Inc. (“Rockwall”), C3 Capital Partners, L.P. and C3 Capital Partners II, L.P. (the “C3 Entities”). The C3 Entities were minority investors in LMC prior to the transaction, and Rockwall is a company controlled by John Kang, our former Chief Executive Officer and Chairman. As of August 1, 2012, Mr. Kang beneficially owned 3.1% of our common stock.

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The transactions contemplated by the LMC Purchase Agreement were deemed to be effective as of November 30, 2011. In connection with the LMC Investment, our Company and the C3 Entities agreed to terminate a letter agreement, dated July 30, 2010, under which we would have been obligated to contribute additional capital to LMC if requested by LMC. As a result of the LMC Investment and the termination of such letter agreement, we no longer have any contingent obligation to contribute additional capital to LMC. As a result of the LMC Investment, our equity interest in LMC was reduced from approximately 72.86% to 0.667%. However, we did not sell any of our membership interests in LMC in the transaction. LMC represented approximately 42% of the net book value of our assets and 64% of the net book value of our liabilities as of November 30, 2011, and LMC represented approximately 92% of our revenue and operating income that reduced our operating loss by 33% for the eleven months ended November 30, 2011. As a result of the reduction in our percentage interest in LMC, we will no longer consolidate LMC's financial results with our financial statements and the previous results of operations for LMC are reclassified as discontinued operations in the financial statements included in this prospectus for all periods presented. However, Ricardo Salas, our Executive Vice President, will continue to serve as a member of LMC's board of directors.

In connection with the LMC Investment, we entered into a Second Amended and Restated Operating Agreement with LMC and other members of LMC, and we also entered into a Second Amended and Restated License and Technical Support Agreement with LMC terminating certain technology cross-licenses between LMC and us and continuing LMC's right to use the Liquidmetal trademark in connection with LMC's business.

On December 1, 2011, we entered into a Share Purchase Agreement (the "LMTK Share Purchase Agreement") with LMTK Holdings, Inc. ("LMTK Holdings") to sell our former Korean subsidiary and manufacturing facility, Liquidmetal Technologies Korea ("LMTK"), that was discontinued in November 2010. Under the LMTK Share Purchase Agreement, we sold all of LMTK's shares of common stock to LMTK Holdings for an aggregate purchase price of one hundred dollars. The results of operations of LMTK have been previously included as discontinued operations in our financial statements, and as a result of the transaction, we will no longer consolidate LMTK's financial results with our financial statements.

In June 2010, we created a wholly owned subsidiary, Advanced Metals Materials ("AMM"), in Weihei China as a holding company for certain assets that were acquired in China. During the first quarter of 2011, AMM started production and manufacturing of certain bulk Liquidmetal alloy parts. On August 5, 2011, we sold all of the stock of Advanced Metals Materials ("AMM") to Innovative Materials Group, which is majority owned by John Kang, our former Chief Executive Officer and Chairman, for \$720 thousand of which \$200 thousand was paid in the form of a promissory note due August 5, 2012, bearing an interest rate of 8% per annum.

On August 6, 2010, SAGA, SpA in Padova, Italy ("SAGA"), a specialist parts manufacturer, filed a litigation case against us claiming damages of \$3.2 million for payment on an alleged loan and for alleged breach of contract in connection with the formation of joint venture agreement called Liquidmetal SAGA Italy, Srl ("LSI"). On April 6, 2011 (the "SAGA Effective Date"), we entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between SAGA and us was terminated, (ii) SAGA and we both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we paid SAGA \$2.8 million in the form of 4,496,429 restricted shares ("Settlement Shares") of our common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated.

The number of Settlement Shares issued to SAGA on the SAGA Effective Date was based on the 30 day trailing, volume weighted average price of our common stock as of the SAGA Effective Date. An additional provision of the SAGA settlement and Equity Interest Purchase Agreement was the obligation for us to issue a promissory note to compensate for a decrease in the market price of our common stock over a six month period from the SAGA Effective Date. On October 10, 2011, we issued to SAGA a promissory note in the principal amount of \$1.7 million due October 10, 2012 bearing interest of 8% per annum to account for the decrease in the market price of our common

stock. On July 11, 2012, we paid SAGA \$1,742,630.97 to payoff all amounts owed under the SAGA promissory note.

On August 5, 2010, we entered into a license transaction with Apple Inc. (“Apple”) pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC (“CIP”), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, in exchange for a license fee, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. Additionally, in connection with the license transaction, Apple required us to complete a statement of work related to the exchange of Liquidmetal intellectual property information. The Company recognized a portion of the one-time license fee upon receipt of the initial payment and completion of the foregoing requirements under the license transaction. The remaining portion of the one-time license fee was recognized at the completion of the required statement of work.

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Under the agreements relating to the license transaction, we were obligated to contribute all intellectual property that we developed through February 2012 to CIP. In addition, we are obligated to refrain from encumbering any assets subject to the Apple security interest through August 2012 and are obligated to refrain from granting any security in our interest in CIP at any time. We are also obligated to maintain certain limited liability company formalities with respect to CIP at all times after the closing of the license transaction. If we are unable to comply with these obligations, Apple may be entitled to foreclose on our assets.

Our Intellectual Property

Pursuant to our transaction with Apple described under “ – Significant Transactions” above, we license substantially all our intellectual property from our wholly-owned subsidiary, Crucible Intellectual Property, LLC. Our intellectual property consists of patents, trade secrets, know-how, and trademarks. Protection of our intellectual property is a strategic priority for our business, and we intend to vigorously protect our patents and other intellectual property. Our intellectual property portfolio includes 56 owned or licensed U.S. patents and numerous patent applications relating to the composition, processing, and application of our alloys, as well as various foreign counterpart patents and patent applications.

Our initial bulk amorphous alloy technology was developed by researchers at the California Institute of Technology (“Caltech”). We have purchased patent rights that provide us with the exclusive right to commercialize the amorphous alloy and other amorphous alloy technology acquired from Caltech through a license agreement (“Caltech License Agreement”) with Caltech. In addition to the patents and patent applications that we license from Caltech, we are building a portfolio of our own patents to expand and enhance our technology position. These patents and patent applications primarily relate to various applications of our bulk amorphous alloys and the processing of our alloys. The patents expire on various dates between 2013 and 2028. Our policy is to seek patent protection for all technology, inventions, and improvements that are of commercial importance to the development of our business, except to the extent that we believe it is advisable to maintain such technology or invention as a trade secret.

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

Research and Development

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

- Enhance Material Processing and Manufacturing Efficiencies. We are working with our strategic partners to enhance material processing and manufacturing efficiencies. We plan to continue research and development of processes and compositions that will decrease our cost of making products from Liquidmetal alloys.
- Optimize Existing Alloys and Develop New Compositions. We believe that the primary technology driver of our business will continue to be our proprietary alloy compositions. We plan to continue research and development on new alloy compositions to generate a broader class of amorphous alloys with a wider range of specialized performance characteristics. We believe that a larger alloy portfolio will enable us to increase the attractiveness of our alloys as an alternative to incumbent materials and, in certain cases, drive down product costs. We also believe that our ability to optimize our existing alloy compositions will enable us to better tailor our alloys to our customers’ specific application requirements.

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

We conduct our research and development programs internally and also through strategic relationships that we enter into with third parties. As of August 1, 2012, our internal research and development efforts were conducted by a team of 4 scientists and engineers each of whom we either employ directly or engage as a consultant.

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In addition to our internal research and development efforts, we enter into cooperative research and development relationships with leading academic institutions. We have entered into development relationships with other companies for the purpose of identifying new applications for our alloys and establishing customer relationships with such companies. Some of our product development programs are partially funded by our customers. We are also engaged in negotiations with other potential customers regarding possible product development relationships. Our research and development expenses for the years ended December 31, 2011, and 2010 remained flat at \$1.1 million for both years.

Raw Materials

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

Manufacturing

We historically built and maintained our own manufacturing facilities and manufactured substantially all of our bulk amorphous alloy products internally. Our current manufacturing strategy is to partner with global companies that are contract manufacturers and alloy producers. We are seeking third party companies with a proven track record of success and that can gain specialized skills and knowledge of our alloys through close collaborations with our team of scientists and engineers. We believe that partnering with these global companies will allow us to forgo the capital intensive requirements of maintaining our own manufacturing facilities and allow us to focus on our core business which is to expand our patent portfolio of intellectual property and develop long term relationships with our customers.

Customers

During 2011, there were three major customers, who together accounted for 66% of our revenue. During 2010, there was one major customer, who accounted for 98% of our revenue. In the future, we expect that a significant portion of our revenue may continue to be concentrated in a limited number of customers, even if our bulk alloys business grows.

Competition

Other than our authorized licensees, we are not aware of any other company or business that manufactures, markets, distributes, or sells bulk amorphous alloys or products made from bulk amorphous alloys. We believe it would be difficult to develop a competitive bulk amorphous alloy without infringing our patents. However, our bulk Liquidmetal alloys face competition from other materials, including metals, alloys, plastics and composites, which are currently used in the commercial applications that we pursue. For example, we face significant competition from plastics, zinc and stainless steel in our non-consumer electronics components business, and titanium and composites will continue to be used widely in medical devices and sporting goods. Many of these competitive materials are produced by domestic and international companies that have substantially greater financial and other resources than we do. Based on our experience with developing products for a variety of customers, we believe that the selection of materials by potential customers will continue to be product-specific in nature, with the decision for each product being driven primarily by the performance needs of the application and secondarily by cost considerations and design flexibility. Because of the relatively high strength of our alloys and the design flexibility of our process, we are most competitive when the customer is seeking a higher strength as well as greater design flexibility than currently available with other materials. However, if currently available materials, such as plastics, are strong enough for the

application, our alloys are often not competitive in those applications with respect to price. We also believe that our alloys are generally not competitive with the cost of some of the basic metals, such as steel, aluminum or copper, when such basic metals can be used in specific applications, but our alloys are generally more competitive with price on more exotic metals, such as titanium. Our alloys could also face competition from new materials that may be developed in the future, including new materials that could render our alloys obsolete.

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

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Backlog

Because of the minimal lead-time associated with orders of bulk alloy parts, we generally do not carry a significant backlog. The backlog as of any particular date gives no indication of actual sales for any succeeding period.

Sales and Marketing

We direct our marketing efforts towards customers that will incorporate our components and products into their finished goods. To that end, we intend to hire additional business development personnel who, in conjunction with engineers and scientists, will actively identify potential customers that may be able to benefit from the introduction of Liquidmetal alloys to their products.

Employees

As of August 1, 2012, we had 17 full-time employees and 1 part-time employee for a total of 18 employees. As of that date, none of our employees were represented by a labor union. We have not experienced any work stoppages and we consider our employee relations to be favorable.

Governmental Regulation

Government regulation of our products will depend on the nature and type of product and the jurisdictions in which the products are sold. For example, medical instruments incorporating our Liquidmetal alloys will be subject to regulation in the United States by the FDA and corresponding state and foreign regulatory agencies. Medical device manufacturers to whom we intend to sell our products may need to obtain FDA approval before marketing their medical devices that incorporate our products and may need to obtain similar approvals before marketing these medical device products in foreign countries.

Environmental Law Compliance

Beryllium is a minor constituent element of some of our alloys. The processing of beryllium can result in the release of beryllium into the workplace and the environment and in the creation of beryllium oxide as a by-product. Beryllium is classified as a hazardous air pollutant, a toxic substance, a hazardous substance, and a probable human carcinogen under environmental, safety, and health laws, and various acute and chronic health effects may result from exposure to beryllium. We are required to comply with certain regulatory requirements and to obtain a permit from the U.S. Environmental Protection Agency or other government agencies to process beryllium.

Our operations are subject to other national, state, and local environmental laws in the United States. We believe that we are in material compliance with all applicable environmental regulations. While we continue to incur costs to comply with environmental regulations, we do not believe that such costs will have a material effect on our capital expenditures, earnings, or competitive position.

Non-Core Subsidiary

From 1997 until September 2001, we were engaged in the retail marketing and sale of golf clubs through a majority owned subsidiary, Liquidmetal Golf. The retail business of Liquidmetal Golf was discontinued in September 2001. Although the retail golf club business has been discontinued, Liquidmetal Golf is engaged in the development of golf club components for golf original equipment manufacturers that will integrate these components into their own clubs and then sell them under their respective brand names. Liquidmetal Technologies owns 79% of the outstanding common stock in Liquidmetal Golf.

Our Liquidmetal Golf subsidiary has the exclusive right and license to utilize our Liquidmetal alloy technology for purposes of golf equipment applications. This right and license is set forth in an intercompany license agreement between Liquidmetal Technologies and Liquidmetal Golf. This license agreement provides that Liquidmetal Golf has a perpetual and exclusive license to use Liquidmetal alloy technology for the purpose of manufacturing, marketing, and selling golf club components and other products used in the sport of golf. In consideration of this license, Liquidmetal Golf has issued 4,500,000 shares of Liquidmetal Golf common stock to Liquidmetal Technologies.

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Properties

Our principal executive office and principal research and development offices are located in Rancho Santa Margarita, California and consist of approximately 15,000 square feet. This facility is occupied pursuant to a lease agreement that expires in April 2016. We currently expect that the foregoing facility will meet our anticipated research, warehousing, and administrative needs for the foreseeable future.

Legal Proceedings

During 2011, we reached a settlement agreement on our single active lawsuit by issuance of common stock and a note payable as described below.

On August 6, 2010, SAGA, SpA in Padova, Italy (“SAGA”), filed a complaint against us in the County of Orange in California claiming damages of \$3.2 million for payment on an alleged loan and for alleged breach of contract in connection with the formation of Liquidmetal Saga Italy, Srl (“LSI”), a joint venture between us and SAGA. On April 6, 2011 (the “SAGA Effective Date”), we entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between us and SAGA was terminated, (ii) we and SAGA both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we paid SAGA \$2.8 million in the form of 4,496,429 restricted shares (the “Settlement Shares”) of our common stock in exchange for SAGA’s equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated. A total of \$0 and \$3.1 million was accrued for the settlement and legal fees as of December 31, 2011 and 2010, respectively.

The number of Settlement Shares issued to SAGA was based on the 30 day trailing, volume weighted average price of our common stock as of the SAGA Effective Date. An additional provision of the SAGA Settlement and Equity Interest Purchase Agreement was the obligation for us to issue a promissory note to compensate for any decrease in the market price of our common stock over a six month period from the SAGA Effective Date. As such, on October 10, 2011, we issued to SAGA a promissory note in the principal amount of \$1.7 million due October 10, 2012 bearing interest of 8% per annum to account for the decrease in the market price of our common stock. On July 11, 2012, we paid SAGA \$1,742,630.97 to payoff all amounts owed under the SAGA promissory note.

There are no material legal proceedings currently pending.

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MANAGEMENT

Directors and Executive Officers

The following table provides information with respect to our directors and officers as of August 1, 2012:

Name	Age	Position
Thomas Steipp	62	President, Chief Executive Officer and Director
Tony Chung	42	Chief Financial Officer
Ricardo Salas	48	Executive Vice-President and Director
Abdi Mahamedi	50	Chairman of the Board
Mark Hansen	57	Director
Scott Gillis	59	Director

Thomas Steipp was elected by our board of directors to serve as our President and Chief Executive Officer in August 2010 and was also elected to our board of directors in August 2010. Mr. Steipp previously served in various roles at Symmetricom, Inc., a publicly traded provider of products for communications infrastructure and systems. Mr. Steipp served as Symmetricom's Chief Executive Officer from December 1998 to June 2009, Chief Financial Officer from December 1998 to October 1999, and President and Chief Operating Officer of Telecom Solutions, a division of Symmetricom, from March 1998 to December 1998. Mr. Steipp also served on Symmetricom's Board of Directors from 1998 to 2009. During his employment with Symmetricom, Mr. Steipp worked to transform the company from a technology holding company into a telecommunications hardware focused company, served as the company's spokesman in working with investors, implemented a new business model, worked to reduce operating expenses, and led acquisition activities. Mr. Steipp has also served on the board of directors of Alpha and Omega Semiconductors Limited, a publicly traded designer, developer and global supplier of a broad range of power semiconductors, since November 2006. Mr. Steipp received his B.S. in electrical engineering from the Air Force Academy and M.S. in industrial administration from Purdue University. Our board of directors believes that Mr. Steipp's experience and background make him a qualified and valuable member of our board of directors. In particular, Mr. Steipp's experience and background in working with publicly traded, technology-based industrial products companies, recruiting executives, working with investors, implementing new business models, and leading acquisition activities make him a valuable resource for the Company.

Tony Chung was elected by our board of directors to serve as our Chief Financial Officer in December 2008. Most recently, Mr. Chung served as Chief Financial Officer at BETEK Corporation, a real estate and investment subsidiary of SK Engineering and Construction from February 2008 to December 2008 and as Chief Financial Officer of Solarcity, a company providing advanced solar technology and installation services, from March 2007 to January 2008. Mr. Chung's primary role was to manage the overall financial operations of both companies. Previously, Mr. Chung was employed by us as our Vice President of Finance from May 2004 to February 2007. Mr. Chung is a Certified Public Accountant and served eight years at KPMG as an Audit and Consulting Manager for several large multinational companies. He received his B.S. degree in Business Administration from University of California Berkeley's Haas School of Business in 1992. Mr. Chung is also an Attorney at Law and received his J. D. degree from Pacific Coast University School of Law in 2006.

Ricardo Salas began serving as our Executive Vice President in December 2008 and began serving on our board of directors in October 2010. He previously served as our Chief Executive Officer and President from December 2005 through October 2006 and from October 2006 to December 2008, he served as an independent consultant to the Company. Mr. Salas also served on our board of directors from April 1995 to May 2003. From January 2000 through June 2005, Mr. Salas served as Chief Executive Officer of iLIANT Corporation, an information technology and outsourcing service firm in the health care industry. He currently serves as a director of CyberDefender Corporation which provides Internet security technology and remote PC repair services to the consumer and small business market, MED3000 Group, Inc., a national provider of healthcare management and technology services, and VillageEDOCS, a technology company providing software-as-a-service to financial services, healthcare and various other industries. Mr. Salas received a B.A. degree in Economics from Harvard College in 1986. Our board of directors believes that Mr. Salas' experience and background make him a qualified and valuable member of our board of directors. In addition to Mr. Salas's prior experience as our director and executive officer, he has extensive knowledge working with technology-based companies. His background working with investors, leading acquisition activities and negotiating transactions make him a valuable resource for our Company.

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Abdi Mahamedi has served as a director since May 2009 and became Chairman of the Board in March 2010. Since 1987, Mr. Mahamedi has served as the President and Chief Executive Officer of Carlyle Development Group of Companies (“CDG”), which develops and manages residential and commercial properties in the United States on behalf of investors worldwide. At CDG, Mr. Mahamedi evaluates and supervises all of the investment activities and management personnel. Prior to joining CDG, Mr. Mahamedi founded Emanuel Land Company, a subsidiary of Emanuel & Company, a Wall Street investment banking firm, and served as a managing director for Emanuel Land Company from 1986 to 1987. In 1983, Mr. Mahamedi received his B.S.E. degree in Civil and Structural Engineering from the University of Pennsylvania, and in 1984 he received his M.S.E. degree in Civil and Structural Engineering from the University of Pennsylvania. Our board of directors believes that Mr. Mahamedi experience and background make him a qualified and valuable member of our board of directors. In particular, his knowledge in working with global investment companies and leading acquisition activities makes him a valuable resource for our Company.

Mark Hansen began serving on our board of directors in February 2011 and has been the chairman of the compensation committee and corporate governance and nominating committee and a member of the audit committee of our board of directors since August 2011. Mr. Hansen brings thirty plus years of executive management experience serving consumers through retail, foodservice and consumer package goods venues. Mr. Hansen has been with Cobalt Development Partners, LLC since 2003 and is presently the Managing Partner. The firm focuses on the development of emerging consumer and intellectual property companies. From June 1997 to September 1998, Mr. Hansen served as the President and CEO of SAM’s Club, which generated \$23 billion in revenue with 75,000 employees and from November 1989 to June 1997, the President and CEO of PETsMART, the country’s largest retailer of pet supplies and services. Mr. Hansen’s previous and present board of director positions include Applebee’s Restaurants, Amazon.com, Swander Pace Capital, PetfoodDirect.com and Arizona State University Business School Dean’s Counsel. Mr. Hansen received his Bachelor’s Degree in Fine Arts from Roosevelt University in 1976. Our board of directors believes that Mr. Hansen’s experience and background make him a qualified and valuable member of our board of directors. In particular, Mr. Hansen’s background working with multi-million dollar corporations and other experience in the service sector including pharmacy, optical, veterinary hospitals and small business service centers make him a valuable resource for the Company.

Scott Gillis began serving on our board of directors and as chairman of the audit committee and a member of the compensation committee and corporate governance and nominating committee of our board of directors in August 2011. Mr. Gillis serves as a Senior Financial Operations and System Executive at AIG as head of AIG’s Global SAP Center of Excellence. He has served AIG’s wholly-owned subsidiary, SunAmerica Financial Group, as a Senior Vice President Finance and Treasurer from 2011 to 2012, as Senior Vice President and Chief Financial Officer of SAFG Retirement Services Inc. from 2003 to 2010 and as Controller of that business from 2000 to 2003, and as Controller of the SunAmerica Life Companies from 1989-1999. Mr. Gillis has served for the last 10 years on the board of directors of subsidiaries of SunAmerica Financial Group including Western National Life Insurance Company, Variable Annuity Life Insurance Company, SunAmerica Life Insurance Company, and SunAmerica Annuity and Life Insurance Company. Mr. Gillis began his career at SunAmerica as Director of Audit. From 1989 to 1995 he served as Vice President and Controller of the SunAmerica Life Companies. He was promoted to Senior Vice President and Controller in 1996, elected a director in 2000, and then CFO in 2003. He was elected Vice President of SunAmerica Inc. in 1998, made Controller in 2000, promoted to Senior Vice President in 2001 and named CFO in 2004. In 2011, he was named a Senior Vice President of SunAmerica Financial Group, and in 2012 promoted to his current position at AIG. Our board of directors believes that Mr. Gillis’ experience and background make him a qualified and valuable member of our board of directors. In particular, Mr. Gillis’ background working in multi-million dollar companies in the financial industry and experience in the financial sector make him a valuable resource for the Company. In addition, our board of directors believes that his extensive experience with financial reporting and financial statements will make him a valuable member of the audit committee of our board of directors.

Term of Office for Directors

Each director serves a term of one-year until the next ensuing annual stockholder meeting or until his successor is duly elected or his earlier resignation or removal.

Director Independence

Our board of directors presently has five members. Our board of directors has determined that two of its current members, Mr. Hansen and Mr. Gillis, are “independent directors” as defined under the rules of the NASDAQ Stock Market, Inc. and Rule 10A-3(b)(i) under the Securities Exchange Act of 1934, as amended.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis describes the material elements of compensation awarded to, earned by, or paid to each of our executive officers who served as named executive officers during the last completed fiscal year. This compensation discussion and analysis focuses on the information contained in the compensation tables and related footnotes and narratives included below for primarily the last completed fiscal year, but we also describe certain compensation actions taken before or after the last completed fiscal year to the extent it enhances the understanding of our executive compensation disclosure for the last completed fiscal year.

The compensation committee of our board of directors currently oversees the design and administration of our executive compensation program. The principal elements of our executive compensation program are base salary, annual cash incentives, long-term equity incentives in the form of stock options and/or restricted stock, other benefits and perquisites, post-termination severance and acceleration of stock option vesting for certain named executive officers upon termination and/or a change in control, although we do not utilize all of these elements in any given year. Our other benefits and perquisites may consist of reimbursement for certain automobile payments and health insurance benefits. Our philosophy is to position the aggregate value of these elements at a level that is commensurate with our size and sustained performance.

Compensation Program Objectives and Philosophy

The objectives of our executive compensation program are to:

- attract, motivate and retain talented and dedicated executive officers;
- provide our named executive officers with both cash and equity incentives to further our interests and the interests of our stockholders; and
- provide our named executive officers with long-term incentives so we can retain them and provide stability for growth.

Generally, the compensation of our named executive officers is comprised of a base salary, an annual incentive compensation award and equity awards in the form of stock options and/or restricted stock. In setting base salaries for 2011, the compensation committee of our board of directors reviewed the individual contributions of the particular executive during 2010. The management incentive program for 2011 provides for annual cash-based incentive awards determined by the compensation committee or our board of directors based on company performance. In addition, stock options are granted to provide the opportunity for long-term compensation based upon the performance of our common stock over time.

For each of our named executive officers, the compensation committee of our board of directors reviews and approves all elements of compensation taking into consideration recommendations from our principal executive officer (for compensation other than his own), as well as past compensation practices.

We have designed our annual management incentive program so that incentive awards paid thereunder will qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (which we refer to as the Code).

Base Salaries

We provide the opportunity for each of our named executive officers to earn a competitive annual base salary. We provide this opportunity to attract and retain an appropriate caliber of talent for our executive officer positions, and to provide a base wage that is not subject to variability based solely on our performance. We review base salaries for our named executive officers annually in January and increases are based on our performance and individual performance. The salary of our principal executive officer is set by the compensation committee of our board of directors, subject to an employment agreement with our President and Chief Executive Officer (our principal executive officer) (see “Employment Agreements” below).

Cash Incentives

From time to time, we provide the opportunity for our named executive officers to earn annual cash incentive award. We provide this opportunity to attract and retain an appropriate caliber of talent for our executive officer positions and to motivate executives to achieve our annual business goals. We would normally review annual cash incentive awards for our named executive officers in March to determine award payments for the last completed fiscal year, as well as to establish award opportunities for the current fiscal year.

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Annual cash incentive awards are subject to the compensation committee's negative discretion and may take into account corporate performance measures, including, but not limited to, revenues, earnings before interest, taxes, depreciation and amortization (or EBITDA) and net income. The compensation committee establishes award criteria, generally, as a percentage of annual growth.

For the year ended December 31, 2011, there were no such awards available for or paid to our named executive officers.

Equity-Based Compensation

Our equity-based awards to our named executive officers consist principally of stock options or restricted stock granted from time to time under our 2002 Equity Incentive Plan, which expired in April 2012. On June 28, 2012, at our annual meeting of stockholders, our stockholders approved our 2012 Equity Incentive Plan. Stock option and restricted stock grants are based on various factors, including each executive officer's position, responsibility and tenure, each executive officer's ability to contribute to our future success, and the other elements of such executive officer's compensation. Generally, we use equity-based compensation to better align the interests of our executive officers with those of our stockholders.

For our named executive officers, our stock option and restricted stock program is based on grants that are individually negotiated in connection with employment agreements and other grants to our executives. On August 5, 2010, under the terms of Mr. Steipp's employment agreement, we granted Mr. Steipp an award of 6,000,000 shares of restricted stock. These shares vest in 20% annual increments beginning on December 15, 2011. We have traditionally used stock options as our form of equity compensation because stock options provide a relatively straightforward incentive for our executives and result in less immediate dilution of existing stockholders' interests. During 2011, all grants of stock options to our employees were granted with exercise prices equal to or greater than the fair market value of our common stock on the respective grant dates. During 2011, there were no grants of stock options to our executive officers.

We do not time stock option grants to executives in coordination with the release of material non-public information. Our stock options have a 10-year contractual exercise term (or 5-year contractual term if the optionee owns more than 10% of voting power of the company). In general, the option and restricted stock grants are also subject to the following post-termination and change in control provisions:

Event	Award Vesting	Option Exercise Term
Termination by Us Reason Other than Cause, Disability or Death	Forfeit Unvested (1)	3 months from Date of Termination (1)
Disability or Death	Forfeit Unvested	12 months from Date of Termination
Termination for Cause	Forfeit Vested and Unvested	--
Other Termination	Forfeit Unvested	90 days from Date of Termination
Change in Control	Accelerated (2)	Accelerated (2)

(1) Options granted under the 2002 Non-employee Director Option Plan will continue to vest and be exercisable for 12 months following termination.

(2) The Board of Directors may, at its discretion, amend vesting rights or grant additional shares in case of mergers or reorganizations for anti-dilution purposes.

The vesting of Mr. Steipp's restricted stock award may be accelerated pursuant to the terms of his employment agreement in certain termination and/or change in control events. These terms are more fully described in "Employment Agreements" below.

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Executive Benefits and Perquisites

We provide the opportunity for our named executive officers and other executives to receive certain perquisites and general health and welfare benefits. We also offer participation in our defined contribution 401(k) savings plan. We do not match employee contributions under our 401(k) plan. Participation in general health and welfare benefits and the 401(k) plan are voluntary and are available to all eligible employees of the company. We provide these benefits to provide an additional incentive for our executives and to remain competitive in the general marketplace for executive talent.

Tabular Disclosure

Set forth below is information regarding compensation earned by or paid or awarded to the following executive officers of the company during the years ended December 31, 2011 and 2010, to the extent applicable: (1) Thomas Steipp, our current President and Chief Executive Officer; (2) Tony Chung, our Chief Financial Officer; and (3) Ricardo Salas, our Executive Vice President. Collectively, these three persons are referred to as our named executive officers.

2011 Summary Compensation Table

The following table sets forth for each of the named executive officers: (i) the dollar value of base salary earned during the years ended December 31, 2011 and 2010 (as applicable); (ii) the aggregate grant date fair value of stock awards and option awards granted during those years, computed in accordance with Financial Accounting Standards Board (or FASB) Accounting Standards Codification (ASC) Topic 718; and (iii) the dollar value of total compensation for those years:

Name and Principal Position	Year	Stock Awards		Option Awards	Total (\$)
		Salary (\$)	Awards \$(1)	(\$)(1)	
Thomas Steipp, President and Chief Executive Officer	2011	\$ 300,000	-	--	\$ 300,000
	2010	\$ 120,577	\$ 1,560,000(2)	--	\$ 1,680,577
Tony Chung Chief Financial Officer	2011	\$ 160,000	--	--	\$ 160,000
	2010	\$ 160,000	--	\$ 10,423(3)	\$ 170,423
Ricardo Salas Executive Vice President	2011	\$ 240,000	--	--	\$ 240,000
	2010	\$ 240,000	--	\$ 62,532(4)	\$ 302,532

(1) The amounts in these columns reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the stock option awards and restricted stock awards granted during the reported years. Assumptions used in the calculation of these amounts are included in Note 13 to the consolidated financial statements contained in this prospectus for the fiscal year ended December 31, 2011.

(2) Mr. Steipp's 2010 award of 6,000,000 shares of restricted stock vests in 20% annual increments beginning on December 15, 2011. For a description of the material terms of the employment agreement with Mr. Steipp, see "Employment Agreements" below.

- (3) On July 12, 2010, Mr. Chung was granted a stock option award covering 250,000 shares. These stock option awards vest in 20% annual increments beginning on July 12, 2011, and the exercise price for these stock option awards is \$0.12 per share.
- (4) On July 12, 2010, Mr. Salas was granted a stock option award covering 1,500,000. These stock option awards vest in 20% annual increments beginning on July 12, 2011, and the exercise price for these stock option awards is \$0.12 per share.

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Outstanding Equity Awards at 2011 Fiscal Year-End

The following table sets forth information on outstanding option awards and stock awards held by the named executive officers at December 31, 2011, including the number of shares underlying both exercisable and unexercisable portions of each stock option as well as the exercise price and expiration date of each outstanding option.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards				Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Stock Awards		
		Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)				Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Thomas Steipp	--	--	--	--	--	4,800,000	\$672,000	--	--	
Tony Chung	120,000	(3)	--	\$0.09	11/30/2018	--	--	--	--	
Chung Ricardo	50,000	(4)	--	\$0.12	07/11/2020	--	--	--	--	
Salas	300,000	(4)	--	\$0.12	07/11/2020	--	--	--	--	

(1) Reflects the award of 6,000,000 shares of restricted stock to Mr. Steipp under the terms of his employment agreement on August 5, 2010. These shares vest in 20% annual increments beginning on December 15, 2011.

(2) This market value is calculated using \$0.14 per share, which was the last reported sales price of our common stock on the OTC Bulletin Board at the end of 2011.

(3) The shares underlying this option vest 20% per year starting with the vesting commencement date on December 1, 2009.

(4) The shares underlying this option vest 20% per year starting with the vesting commencement date on July 12, 2011.

Option Exercises and Stock Vested

There were no exercises of stock options in 2011. 1,200,000 shares of restricted stock granted to Mr. Steipp in connection with his employment agreement vested on December 15, 2011.

Employment Agreements

On August 3, 2010, we entered into a five-year employment agreement with Thomas Steipp, our President and Chief Executive Officer. Under his employment agreement, Mr. Steipp receives a base salary of \$300,000 plus discretionary bonus (no discretionary bonus was paid to Mr. Steipp for 2011 or 2010). The employment agreement provides that we can terminate Mr. Steipp's employment at any time and for any reason, provided that if his employment is terminated without "Cause" (as specifically defined in the agreement), then he will continue to be entitled to his base salary and health and welfare benefits for a period of twelve months after termination. In the event that Mr. Steipp terminates his own employment within thirty days after a change in control of the company, we will be obligated to pay him a lump-sum severance payment equal to his base salary for the remainder of the five-year term. The employment agreement provides that Mr. Steipp will not be entitled to any severance compensation if he voluntarily leaves the employment of the company or is terminated for "Cause." In addition, Mr. Steipp was also granted an aggregate of 6,000,000 restricted shares of the company's common stock, which stock will vest in increments of 1,200,000 shares each on each anniversary of his employment with the company. In the event that Mr. Steipp ceases to be employed by us prior to the fifth anniversary of his employment, he will forfeit any unvested shares unless he is terminated without "Cause" or unless he terminates his own employment within thirty days after a change in control of the company.

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For information about the post-termination and change in control provisions that apply with respect to option and restricted stock grants, see “Compensation Discussion and Analysis—Equity-Based Compensation” above.

401(k) Savings Plan

We have adopted a tax-qualified employee savings and retirement plan, or 401(k) plan, that covers all of our employees. Pursuant to our 401(k) plan, participants may elect to reduce their current compensation, on a pre-tax basis, by up to 15% of their taxable compensation or of the statutorily prescribed annual limit, whichever is lower, and have the amount of the reduction contributed to the 401(k) plan. The 401(k) plan permits us, in our sole discretion, to make additional employer contributions to the 401(k) plan. However, we do not currently make employer contributions to the 401(k) plan and may not do so in the future. As such, contributions by employees or by us to the 401(k) plan, and the income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) plan, and we can deduct our contributions, if any, at the time they are made.

Pension Benefits

We do not sponsor any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

We do not maintain any non-qualified defined contribution or deferred compensation plans. The compensation committee of our board of directors, which is comprised solely of “outside directors” as defined for purposes of Section 162(m) of the Code, may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if the compensation committee of our board of directors determines that doing so is in our best interests.

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Director Compensation

The following table sets forth information regarding the compensation received by each of our non-employee directors serving during the year ended December 31, 2011:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Abdi Mahamedi	--	--	--	--	--	--	--
Mark Hansen	--	--	--	--	--	--	--
Scott Gillis	--	--	--	--	--	--	--
Robert Biehl	\$ 27,000	--	--	--	--	\$ 18,000	\$ 45,000 (1)

(1) Includes \$27,000 of pro-rated fees for Mr. Biehl's services as a Director and Audit Committee Chairman prior to his resignation on August 3, 2011. Also, includes \$18,000 of fees earned by Mr. Biehl in connection with leadership consulting services performed for our executive management during 2011. Amounts were included as accrued liabilities as of December 31, 2011.

Except as set forth above, during 2011, our non-employee directors did not receive any compensation for their services, but were reimbursed for expenses incurred in attending board and committee meetings, as determined by our board of directors.

During 2011, we also maintained our 2002 Non-Employee Director Stock Option Plan pursuant to which our non-employee directors were entitled to receive stock options. All options granted under the plan have an exercise price equal to the fair market value of our common stock on the date of the grant. These stock options have a 10-year term, vest, and are exercisable pursuant to an equal 5-year vesting schedule, and remain exercisable for certain periods of time after a person is no longer a director. There were no such stock option grants during 2011. Our 2002 Non-Employee Director Stock Option Plan expired by its terms in April 2012. On June 28, 2012, at our annual meeting of stockholders, our stockholders approved our 2012 Equity Incentive Plan.

No director who is an employee receives separate compensation for services rendered as a director. However, during 2011, our employee directors were eligible to participate in our 2002 Equity Incentive Plan.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2009, John Kang, our former Chairman, advanced to us \$0.3 million to fund working capital needs. On August 5, 2010, we paid Mr. Kang \$0.1 million, which represented the total amount outstanding as well as 10% accrued interest as of that date. There were no capital advances outstanding from Mr. Kang as of December 31, 2011.

On August 1, 2010, we entered into an agreement with John Kang, our former Chairman, to provide consulting services. We terminated this agreement as of July 31, 2011. We incurred \$210,000 and \$102,000 for his services during the years ended December 31, 2011 and 2010, respectively.

On October 14, 2010, we signed an agreement with Innovative Materials Group, LLC (“IMG”), a California limited liability company, which is majority owned by Mr. Kang. Under the agreement, we received a deposit of \$520,000 from IMG to purchase on behalf of IMG, machinery and equipment located in China. The transaction was based on the potential negotiation and completion of a non-exclusive license agreement with IMG under which the machinery and equipment would be transferred to IMG either directly or through the transfer of ownership of our Chinese subsidiary, Advanced Metals Materials (“AMM”), that owns the equipment. On August 5, 2011, we signed a Stock Purchase Agreement (the “IMG Stock Purchase Agreement”) with IMG to sell all of the stock of AMM for \$720,000 (the “Purchase Price”) where IMG will apply to the payment of the Purchase Price the \$520,000 deposit previously paid to us and the \$200,000 balance of the Purchase Price will be paid in the form of a Promissory Note due August 5, 2012, bearing an interest rate of 8% per annum. The \$200,000 notes receivable is included in notes receivable in our consolidated balance sheet at December 31, 2011. Interest shall accrue and be paid at maturity along with the principal balance.

In conjunction with the IMG Stock Purchase Agreement, we also entered into a License Agreement (the “License Agreement”) with IMG to license certain patents and technical information for the limited purpose of manufacturing certain licensed products with our existing first generation, die cast machines, as defined by the License Agreement (the “Licensed Products”). The license agreement grants a non-exclusive license to certain product categories listed in the License Agreement, as well as an exclusive license to specific types of consumer eyewear products. The License Agreement obligates IMG to pay us a running royalty based on its sales of Licensed Products, and the license will expire on August 5, 2021. We recognized \$19,000 in royalty revenues from IMG during the year ended December 31, 2011.

On December 20, 2011, Rockwall Holdings, Inc., a company controlled by Mr. Kang, entered into a transaction as one of the primary investors in Liquidmetal Coatings, LLC (“LMC”), our former subsidiary. As of August 1, 2012, Mr. Kang beneficially owned 3.1% of our common stock.

During the year ended December 31, 2011, we incurred \$154,000 in legal fees to defend Mr. Kang, as the former Representative Director of our Korean subsidiary, against allegations relating to our Korean subsidiary’s involvement in customs reporting violations in South Korea that allegedly occurred in 2007 and 2008. We’ve agreed to reimburse Mr. Kang’s legal fees incurred on this issue through December 31, 2012.

In October 2009, Thomas Steipp, our President and Chief Executive Officer, Ricardo Salas, our Executive Vice President and Director, Tony Chung, our Chief Financial Officer, and Mr. Kang acquired a total of 100,000 shares of our Series A-1 Preferred Stock and warrants to purchase 2,500,000 shares of our common stock for an aggregate cash price of \$495 thousand. The Series A-1 Preferred Stock is convertible into our common stock at a conversion price of \$0.10 per common share. Furthermore, the warrants can be exercised for shares of our common stock at an exercise price of \$0.49 per share and will expire on July 31, 2015. In April 2011, Mr. Steipp converted his 20,000 shares of Series A-1 Preferred Stock into a total of 1,130,688 shares of our common stock, including dividends received in the form of common stock. In July 2011, Mr. Salas and Mr. Kang converted 50,000 and 19,000 respective shares of

Series A-1 Preferred Stock into a total of 2,826,720 and 1,074,154 shares of our common stock, including dividends received in the form of common stock. As of December 31 2011, Messrs. Steipp and Salas are greater-than-5% beneficial owners of our Company. Additionally, Mr. Salas remains as a member LMC's board of directors as of December 31, 2011.

We have an exclusive license agreement with LLPG, Inc. ("LLPG"), a corporation owned principally by Jack Chitayat, former director of the Company who ceased to be director in 2005. Under the terms of the agreement, LLPG has the right to commercialize Liquidmetal alloys, particularly precious-metal based compositions, in jewelry and high-end luxury product markets. The Company, in turn, will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by LLPG. The exclusive license agreement with LLPG expires on December 31, 2021. There were no revenues recognized from product sales and licensing fees from LLPG during the years ended December 31, 2011 and 2010. There are no outstanding trade receivables due from LLPG as of December 31, 2011 and 2010. As of December 31, 2011, Mr. Chitayat is a greater-than-5% beneficial owner of the Company.

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On July 1, 2009, we entered into an agreement with Mr. Chitayat to provide consulting services to the Company for a period of one year (the "Consulting Agreement"). The Company granted to Mr. Chitayat options to purchase 750,000 shares of common stock for services performed under the Consulting Agreement. The stock option, which vested ratably on a monthly basis during the term of the Consulting Agreement, has an exercise price of \$0.50 per share and will expire on July 15, 2015.

On August 6, 2010, the Company paid \$360 thousand to LLPG as a fee related to a modification of its existing exclusive license agreement in connection with the Apple licensing agreement.

We believe that each of the foregoing transactions was consummated on terms at least as favorable to us as we would expect to negotiate with unrelated third parties.

Review, Approval or Ratification of Transactions with Related Persons

Our policy is to require that any transaction with a related party required to be reported under applicable SEC rules, other than compensation-related matters, be reviewed and approved or ratified by the audit committee of our board of directors. The audit committee of our board of directors has not adopted specific procedures for review of, or standards for approval of, these transactions, but instead reviews such transactions on a case by case basis. Our policy is to require that all compensation-related matters be recommended for board approval by the compensation committee of our board of directors. During the last fiscal year, no transactions with a related party have occurred that required a waiver of this policy nor have any transactions with a related party occurred in which we did not follow this policy.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of August 1, 2012 by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding common stock;
- each of our directors;
- each of our named executive officers; and
- all directors and executive officers as a group.

The number and percentage of shares beneficially owned is determined under rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. The number of shares shown as beneficially owned in the tables below are calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended. Under Rule 13d-3(d)(1), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. Unless otherwise indicated in the footnotes, each person has sole voting and investment power with respect to the shares shown as beneficially owned. A total of 191,902,906 shares of our common stock, 105,231 shares of our Series A-1 Preferred Stock and 401,705 shares of our Series A-2 Preferred Stock were issued and outstanding as of August 1, 2012. Unless otherwise indicated, the address of all directors and named executive officers is 30452 Esperanza, Rancho Santa Margarita, California 92688.

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Name of Beneficial Owner	Common Stock		Series A-1 Preferred Stock		Series A-2 Preferred Stock	
	Number of Shares(1)	Percent of Class(1)	Number of Shares(2)	Percent of Class(2)	Number of Shares(3)	Percent of Class(3)
Directors and Named Executive Officers						
Abdi Mahamedi	21,629,615 (4)	10.8 %	58,600	55.7 %	260,710	64.9 %
Thomas Steipp	7,610,893 (5)	4.0 %	-	-	-	-
Ricardo Salas	11,128,947 (6)	5.7 %	-	-	-	-
Mark Hansen	-	-	-	-	-	-
Scott Gillis	11,700 (7)	*	-	-	-	-
Tony Chung	1,040,447 (8)	*	-	-	-	-
All directors and executive officers as a group (6 persons)	41,721,602	19.3 %	58,600	55.7 %	260,710	64.9 %
5% Shareholders						
Carlyle Holdings, LLC 2700 Westchester Ave., Suite 303 Purchase, NY 10577	15,972,782 (9)	7.9 %	48,600	46.2 %	144,495	36.0 %
Jack Chitayat 1836 Camino Del Teatro La Jolla, CA 92037	15,387,268 (10)	7.8 %	28,928	27.5 %	51,420	12.8 %
Silver Lake Group, LLC 64 Ritz Cove Drive	3,501,130 (11)	1.8 %	-	-	-	-