

Edgar Filing: LIQUID AUDIO INC - Form SC 13G

LIQUID AUDIO INC
Form SC 13G
December 13, 2002

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13G

(RULE 13D-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED
PURSUANT TO RULES 13D-1(B), (C) AND (D) AND
AMENDMENTS THERETO FILED PURSUANT TO RULE 13D-2(B)

(AMENDMENT NO. ___) *

LIQUID AUDIO, INC.

(NAME OF ISSUER)

COMMON STOCK,
PAR VALUE \$0.001 PER SHARE

53631T102

(TITLE OF CLASS OF SECURITIES)

(CUSIP NUMBER)

DECEMBER 6, 2002

(DATE OF EVENT WHICH REQUIRES FILING OF THIS STATEMENT)

CHECK THE APPROPRIATE BOX TO DESIGNATE THE RULE PURSUANT TO WHICH THIS SCHEDULE IS FILED:

- [] RULE 13D-1(B)
- [X] RULE 13D-1(C)
- [] RULE 13D-1(D)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Continued on Following Pages

Page 1

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| | | |
|--------------------------|---|---------------------------|
| CUSIP No. | 168628105 | 13G |
| 1 | NAME OF REPORTING PERSONS: | SC FUNDAMENTAL |
| | I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY): | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:* | |
| 3 | SEC USE ONLY | |
| 4 | CITIZENSHIP OR PLACE OF ORGANIZATION: | DELAWARE |
| NUMBER OF SHARES | 5 | SOLE VOTING POWER: |
| BENEFICIALLY OWNED BY | 6 | SHARED VOTING POWER: |
| EACH REPORTING | 7 | SOLE DISPOSITIVE POWER: |
| PERSON WITH | 8 | SHARED DISPOSITIVE POWER: |
| 9 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON: | |
| 10 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARE | |
| 11 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9): | |
| 12 | TYPE OF REPORTING PERSON: | PN |

* SEE INSTRUCTIONS BEFORE FILLING OUT!

2

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| CUSIP No. | 168628105 | 13G |
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|--------------------------|---|---------------------------|
| 1 | NAME OF REPORTING PERSONS: | SC FUNDAMENTAL |
| | I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY): | |
| ----- | | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:* | |
| ----- | | |
| 3 | SEC USE ONLY | |
| ----- | | |
| 4 | CITIZENSHIP OR PLACE OF ORGANIZATION: | NEW YORK |
| ----- | | |
| | 5 | SOLE VOTING POWER: |
| NUMBER OF SHARES | ----- | |
| | 6 | SHARED VOTING POWER: |
| BENEFICIALLY OWNED BY | ----- | |
| | 7 | SOLE DISPOSITIVE POWER: |
| EACH REPORTING | ----- | |
| PERSON WITH | 8 | SHARED DISPOSITIVE POWER: |
| ----- | | |
| 9 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON: | |
| ----- | | |
| 10 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARE | |
| ----- | | |
| 11 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9): | |
| ----- | | |
| 12 | TYPE OF REPORTING PERSON: | OO |
| ----- | | |

* SEE INSTRUCTIONS BEFORE FILLING OUT!

3

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| CUSIP No. | 168628105 | 13G |
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| | | |
|-------|--|----------------|
| 1 | NAME OF REPORTING PERSONS: | SC FUNDAMENTAL |
| | I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY): | |
| ----- | | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:* | |
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3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION: BRITISH VIRGIN

NUMBER OF SHARES 5 SOLE VOTING POWER:

BENEFICIALLY OWNED BY 6 SHARED VOTING POWER:

EACH REPORTING 7 SOLE DISPOSITIVE POWER:

PERSON WITH 8 SHARED DISPOSITIVE POWER:

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARE

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

12 TYPE OF REPORTING PERSON: CO

* SEE INSTRUCTIONS BEFORE FILLING OUT!

4

CUSIP No. 168628105 13G

1 NAME OF REPORTING PERSONS: SC-BVI PARTNERS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY):

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:*

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION: DELAWARE

NUMBER OF SHARES 5 SOLE VOTING POWER:

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BENEFICIALLY OWNED BY 6 SHARED VOTING POWER:

EACH REPORTING 7 SOLE DISPOSITIVE POWER:

PERSON WITH 8 SHARED DISPOSITIVE POWER:

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARE

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

12 TYPE OF REPORTING PERSON: PN

* SEE INSTRUCTIONS BEFORE FILLING OUT!

5

CUSIP No. 168628105 13G

1 NAME OF REPORTING PERSONS: PMC-BVI, INC.

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY):

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:*

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION: DELAWARE

NUMBER OF SHARES 5 SOLE VOTING POWER:

BENEFICIALLY OWNED BY 6 SHARED VOTING POWER:

EACH REPORTING 7 SOLE DISPOSITIVE POWER:

PERSON WITH 8 SHARED DISPOSITIVE POWER:

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 9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

 10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARE

 11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

 12 TYPE OF REPORTING PERSON: CO

* SEE INSTRUCTIONS BEFORE FILLING OUT!

6

 CUSIP No. 168628105 13G

 1 NAME OF REPORTING PERSONS: SC FUNDAMENTAL

 I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
 (ENTITIES ONLY):

 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP: *

 3 SEC USE ONLY

 4 CITIZENSHIP OR PLACE OF ORGANIZATION: DELAWARE

 NUMBER OF 5 SOLE VOTING POWER:
 SHARES

 BENEFICIALLY 6 SHARED VOTING POWER:
 OWNED BY

 EACH 7 SOLE DISPOSITIVE POWER:
 REPORTING

 PERSON WITH 8 SHARED DISPOSITIVE POWER:

 9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

 10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARE

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11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

 12 TYPE OF REPORTING PERSON: CO

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7

 CUSIP No. 168628105 13G

 1 NAME OF REPORTING PERSONS: PETER M. COLLIER

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS
 (ENTITIES ONLY):

 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:*

 3 SEC USE ONLY

 4 CITIZENSHIP OR PLACE OF ORGANIZATION: UNITED STATES

NUMBER OF 5 SOLE VOTING POWER:
 SHARES

 BENEFICIALLY 6 SHARED VOTING POWER:
 OWNED BY

 EACH 7 SOLE DISPOSITIVE POWER:
 REPORTING

 PERSON WITH 8 SHARED DISPOSITIVE POWER:

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

 10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARE

 11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

 12 TYPE OF REPORTING PERSON: IN

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8

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|--------------------------|---|---------------------------|-----------------|
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| CUSIP No. | 168628105 | | 13G |
| ----- | | ----- | |
| 1 | NAME OF REPORTING PERSONS: | | NEIL H. KOFFLER |
| | I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY): | | |
| ----- | | ----- | |
| 2 | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:* | | |
| ----- | | ----- | |
| 3 | SEC USE ONLY | | |
| ----- | | ----- | |
| 4 | CITIZENSHIP OR PLACE OF ORGANIZATION: | | UNITED STATES |
| ----- | | ----- | |
| NUMBER OF SHARES | 5 | SOLE VOTING POWER: | |
| ----- | | ----- | |
| BENEFICIALLY OWNED BY | 6 | SHARED VOTING POWER: | |
| ----- | | ----- | |
| EACH REPORTING | 7 | SOLE DISPOSITIVE POWER: | |
| ----- | | ----- | |
| PERSON WITH | 8 | SHARED DISPOSITIVE POWER: | |
| ----- | | ----- | |
| 9 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON: | | |
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| 10 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARE | | |
| ----- | | ----- | |
| 11 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9): | | |
| ----- | | ----- | |
| 12 | TYPE OF REPORTING PERSON: | | IN |
| ----- | | ----- | |

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9

ITEM 1. NAME OF ISSUER AND ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES

(a) and (b) This Statement on Schedule 13G (the "Schedule 13G") relates to the common stock, par value \$0.001 per share (the "Common Stock"), of Liquid Audio, Inc., a Delaware corporation (the "Issuer"). The address of the principal executive offices of the Issuer is 800 Chesapeake Drive, Redwood City, California 94063.

ITEM 2. NAME OF PERSON FILING

(a) Name of Person Filing:

- (i) SC Fundamental Value Fund, L.P.
- (ii) SC Fundamental LLC
- (iii) SC Fundamental Value BVI, Ltd.
- (iv) SC-BVI Partners
- (v) PMC-BVI, Inc.
- (vi) SC Fundamental Value BVI, Inc.
- (vii) Peter M. Collery
- (viii) Neil H. Koffler

(b) Address of Principal Business Office or, if None, Residence:

The principal business office of each of the filing persons listed in Item 2(a) is as follows:

The principal business office of each of SC Fundamental Value Fund, L.P., SC Fundamental LLC, SC-BVI Partners, PMC-BVI, Inc., SC Fundamental Value BVI, Inc., Peter M. Collery and Neil H. Koffler is 420 Lexington Avenue, Suite 2601, New York, New York 10170.

The principal business office of SC Fundamental Value BVI, Ltd. is c/o Citco Fund Services (Cayman Islands) Ltd., Corporate Center, West Bay Road, Grand Cayman, Cayman Islands.

(c), (d) and (e) For information with respect to citizenship of each of the filing persons, title of class of securities and CUSIP number for the shares held by such persons, see the appropriate cover page above.

ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO RULE 13D-1(B), OR 13D-2(B) OR (C), CHECK WHETHER THE PERSON FILING IS:

- (a) Broker or dealer registered under Section 15 of the Exchange Act;
- (b) Bank as defined in Section 3(a)(6) of the Exchange Act;
- (c) Insurance company as defined in Section 3(a)(19) of the Exchange Act;
- (d) Investment company registered under Section 8 of the Investment Company Act;
- (e) An investment adviser in accordance with Rule

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13d-1(b) (1) (ii) (E);

10

- (f) [] An Employee benefit plan or endowment fund in accordance with Rule 13d-1(b) (1) (ii) (F);
- (g) [] A parent holding company or control person in accordance with Rule 13d-1(b) (1) (ii) (G);
- (h) [] A Savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
- (i) [] A church plan that is excluded from the definition of an investment company under Section 3(c) (14) of the Investment Company Act;
- (j) [] Group, in accordance with Rule 13d-1(b) (1) (ii) (J).

Not applicable.

ITEM 4. OWNERSHIP

(a) - (c) The response of each of the Reporting Persons to Items 5 through 11 of each of their respective Cover Sheets which relate to the beneficial ownership of the Common Stock of the Issuer, as of December 12, 2002, is incorporated herein by reference. The percentage ownership of each of the Reporting Persons is based on 22,802,413 shares of Common Stock outstanding as of October 31, 2002, as reported by the Issuer in its Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2002.

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of Securities, check the following |_|.

Not applicable.

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON

Not applicable.

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY

Not applicable.

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP.

Not applicable.

11

ITEM 9. NOTICE OF DISSOLUTION OF GROUP

Not applicable.

ITEM 10. CERTIFICATION

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(a) Not applicable.

(b) By signing below, each of the undersigned certifies that, to the best of his or its knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

[The remainder of this page intentionally left blank.]

12

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Date: December 13, 2002

SC FUNDAMENTAL VALUE FUND, L.P.

By: SC Fundamental LLC, as General Partner

By: /s/ Neil H. Koffler

Neil H. Koffler, Member

SC FUNDAMENTAL LLC

By: /s/ Neil H. Koffler

Neil H. Koffler, Member

SC FUNDAMENTAL VALUE BVI, LTD.

By: SC Fundamental Value BVI, Inc., as
managing general partner of investment
manager

By: /s/ Neil H. Koffler

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Neil H. Koffler, Vice President

SCI-BVI PARTNERS

By: SC Fundamental Value BVI, Inc., as
managing general partner

By: /s/ Neil H. Koffler

Neil H. Koffler, Vice President

PMC-BVI, INC.

By: /s/ Neil H. Koffler

Neil H. Koffler as Attorney-in-Fact for
Peter M. Collery, President (1)

13

SC FUNDAMENTAL VALUE BVI, INC.

By: /s/ Neil H. Koffler

Neil H. Koffler, Vice President

/s/ Neil H. Koffler

Neil H. Koffler as Attorney-in-Fact for
Peter M. Collery (1)

/s/ Neil H. Koffler

Neil H. Koffler

- (1) Executed by Neil H. Koffler as Attorney-in-Fact for Peter M. Collery. The Power of Attorney for Mr. Collery is attached as Exhibit 2 to the Statement on Schedule 13D with respect to the common stock of ESG Re Limited, filed on August 21, 2000, and is hereby incorporated by reference.

14

EXHIBIT INDEX

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Exhibit No.

Document

1

Joint Filing Agreement, dated December 13, 2002, among SC Fundamental Value Fund, L.P., SC Fundamental LLC, SC Fundamental Value BVI, Ltd., SC-BVI Partners, PMC-BVI, Inc., SC Fundamental Value BVI, Inc., Peter M. Collery and Neil H. Koffler, to file joint statement on Schedule 13G.