WEYERHAEUSER CO
Form S-8
April 30, 2013

As filed with the Securities and Exchange Commission on April 30, 2013
Registration No. 333 ________

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM S-8
REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

WEYERHAEUSER COMPANY
(Exact Name of Registrant as Specified in Its Charter)

WASHINGTON	91-0470860
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

33663 Weyerhaeuser Way South
Federal Way, Washington 98003-9777
(Address of Principal Executive Offices) (Zip Code)

WEYERHAEUSER 2013 LONG-TERM INCENTIVE PLAN
(Full Title of the Plan)

Claire S. Grace
Corporate Secretary
Weyerhaeuser Company
Federal Way, Washington 98003
(253) 924-2345
(Name, Address and Telephone Number of Agent for Service)

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	þ	Accelerated filer	..	Non-accelerated filer	..	Smaller reporting company	..

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value $1.25 per share	18,943,473	$30.51	$577,965,361.23	$78,834.48

(1) Includes an indeterminate number of additional shares that may be issued to adjust the number of shares issued pursuant to the +Weyerhaeuser 2013 Long-Term Incentive Plan as the result of any future stock split, stock dividend or similar adjustment of the Registrant's outstanding common stock.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act. The Proposed maximum Offering Price Per Share is estimated to be $30.51 based on the average of the high sales price ($30.79) and the low sales price ($30.22) for the Registrant's common stock as reported on the New York Stock Exchange on April 29, 2013.

Part II:

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents filed with the Securities and Exchange Commission (the “Commission”) are hereby incorporated herein by reference in this Registration Statement:

(a) the Registrant's Annual Report on Form 10 K for the fiscal year ended December 31, 2012, filed on February 19, 2013, which contains audited financial statements for the most recent fiscal year for which such statements have been filed;

(b) the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2013, filed on April 30, 2013;

(c) the Registrant's current reports on Form 8-K filed on February 11, February 12, February 19, and April 16, 2013;

(d) the description of the Registrant's Common Stock contained in a Registration Statement on Form 10 filed October 24, 1963 under Section 12 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), and Exhibit 3.1 to the Registrant's quarterly report on Form 10-Q filed on May 2, 2011 updating such description; and

(e) All documents filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date hereof, and prior to the filing of a post-effective amendment that indicates that the securities offered hereby have been sold or that deregisters the securities covered hereby then remaining unsold, shall also be deemed to be incorporated by reference into this Registration Statement and to be a part hereof commencing on the respective dates on which such documents are filed.

Item 4. Description of Securities.

Not Applicable.

Item 5. Interests of Named Experts and Counsel.

Not Applicable.

Item 6. Indemnification of Directors and Officers.

Article XII of the Registrant's By-laws provide that the Registrant will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director, officer or employee of the corporation, or who is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against judgments, penalties, fines, settlements and reasonable expenses actually incurred by the person in connection with such action, suit or proceeding to the fullest extent and in the manner set forth in and permitted by the Business Corporation Act of the State of Washington (the “Act”), and any other applicable law, as from time to time in effect. Section 23B.08.510 of the Act, as amended, authorizes a court to award, or a corporation to grant, subject to certain limitations, indemnity to its directors and officers against reasonable expenses actually incurred in defending litigation against them in their capacities as directors and officers. This indemnity to directors and officers is sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the “Securities Act”). Pursuant to section 23B.08.560 of the Act, the scope of the indemnification to the Registrant's directors and officers includes a right to indemnification for all expense, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes, penalties and amounts paid in settlement) actually incurred by any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative. Pursuant to the Registrant's Restated Articles of Incorporation, if the Washington Business Corporation Act is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Registrant will be eliminated or limited to the fullest extent permitted by the Washington Business Corporation Act, as so amended. The Registrant's Restated Articles of Incorporation also implements section 23B.08.320, which permits a corporation to limit the personal liability of directors to the corporation or its shareholders for monetary damages. The Registrant may also indemnify and advance expenses under sections 23B.08.510 through 23B.08.560 of the Act to an employee or agent of the corporation who is not a director to the same extent as to a director.

The Registrant has obtained and maintains a standard form officers' and directors' liability insurance policy insuring its officers and directors against certain liabilities for certain acts or omissions while acting in their official capacity, including liability under the Securities Act.

Item 7. Exemption from Registration Claimed.

Not Applicable.

Item 8. Exhibits.

Exhibit Number	Description
5.1	Opinion of counsel regarding legality of the common stock being registered
23.1	Consent of KPMG LLP
23.2	Consent of counsel (included in the opinion filed as Exhibit 5.1)
24	Power of Attorney (see signature page)

Item 9. Undertakings.

A. The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represents a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraph (1)(i) and (1)(ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

(2) That, for purposes of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Federal Way, State of Washington, on April 29, 2013.

WEYERHAEUSER COMPANY

By /s/ Daniel S. Fulton
Daniel S. Fulton
President and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Sandy D. McDade and Devin W. Stockfish, and each of them, as such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, and in such person's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, any related registration statements filed pursuant to Rule 462(b) promulgated under the Securities Act of 1933, as amended, and any other documents filed in connection with any such registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as such person could or might do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated below on April 29, 2013.

Signature	Title
/s/ Daniel S. Fulton Daniel S. Fulton	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Patricia M. Bedient Patricia M. Bedient	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Jerald W. Richards Jerald W. Richards	Chief Accounting Officer (Principal Accounting Officer)

Signature	Title
/s/ Debra A. Cafaro Debra A. Cafaro	Director
/s/ Mark A. Emmert Mark A. Emmert	Director
/s/ John I. Kieckhefer John I. Kieckhefer	Director
/s/ Wayne W. Murdy Wayne W. Murdy	Director
/s/ Nicole W. Piasecki Nicole W. Piasecki	Director
/s/ Doyle R. Simons Doyle R. Simons	Director
/s/ Richard H. Sinkfield Richard H. Sinkfield	Director
/s/ D. Michael Steuert D. Michael Steuert	Director
/s/ Kim Williams Kim Williams	Director

/s/ Charles R. Williamson Charles R. Williamson	Director

INDEX TO EXHIBITS

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Number of weighted average shares - basic	188,298,113	118,523,228
Number of weighted average shares - diluted	188,298,113	163,292,496

The accompanying notes are an integral part of the consolidated financial statements.

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LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(in thousands, except share and per share data)

	Preferred Shares	Common Shares	Preferred Stock	Common Stock	Warrants part of Additional Paid-in Capital	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Compre-hensive Income (Loss)	Non-controlling Interest	Total
Balance, December 31, 2010	2,171,760	93,695,375	$2	$88	$24,438	$145,247	$(181,923)	$1,494	$2,507	$(8,147)
Conversion of preferred stock	(872,609)	36,173,750	(1)	36	-	(35)	-	-	-	-
Common stock issuance	-	4,496,429	-	4	-	2,796	-	-	-	2,800
Warrant exercises	-	-	-	-	-	-	-	-	-	-
Stock option exercises	-	102,000	-	-	-	13	-	-	-	13
Stock-based compensation	-	-	-	-	-	111	-	-	-	111
Restricted stock issued to officer	-	-	-	2	-	440	-	-	-	442
Dividend distribution	-	-	-	-	-	492	-	-	-	492
Foreign exchange translation gain	-	-	-	-	-	-	-	(1,494)	-	(1,494)
Discontinued operations	-	-	-	-	-	-	(91)	-	(2,507)	(2,598)
Net income	-	-	-	-	-	-	6,155	-	-	6,155
Balance, December 31, 2011	1,299,151	134,467,554	$1	$130	$24,438	$149,064	$(175,859)	$-	$-	$(2,226)
Conversion of preferred stock	(792,215)	25,669,752	(1)	26	-	(25)	-	-	-	-
Common stock issuance	-	80,171,418	-	83	-	13,839	-	-	-	13,922
Warrant exercises	-	1,411,600	-	1	(6,259)	6,258	-	-	-	-

Stock option exercises	-	354,000	-	1	-	43	-	-	-	44
Stock-based compensation	-	-	-	-	-	53	-	-	-	53
Restricted stock issued to officer	-	-	-	-	-	310	-	-	-	310
Dividend distribution	-	-	-	-	-	349	-	-	-	349
Net loss	-	-	-	-	-	-	(14,025)	-	-	(14,025)
Balance, December 31, 2012	506,936	242,074,324	$-	$242	$18,179	$169,891	$(189,884)	$-	$-	$(1,572)

The accompanying notes are an integral part of the consolidated financial statements.

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LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share and per share data)

	Years Ended December 31, 2012	2011
Operating activities:		
Net loss	$(14,025)	$6,155
Gain on disposal of subsidiary, net of tax	-	(12,109)
Loss from operations of discontinued operations, net of tax	-	763
Net loss attributable to continuing operations	$(14,025)	$(5,191)
Adjustments to reconcile net loss attributable to continuing operations to net cash provided (used in) operating activities:		
Loss on disposal of asset	-	9
Gain attributable to noncontrolling interest of discontinued subsidiary	-	(587)
Depreciation and amortization	186	182
Impairment charge	221	-
Stock-based compensation	53	553
Resticted stock compensation issued to officer	310	-
Gain from change in value of warrants	(6,547)	(1,328)
Gain from change in value of embedded conversion feature liability	(4,931)	-
Manufacturing contract costs	6,300	-
Debt discount amortization	11,949	-
Non-cash interest expense	434	-
Financing costs	1,355	-
Changes in operating assets and liabilities:		
Trade accounts receivable	177	(192)
Notes receivable	-	(200)
Inventories	-	7
Prepaid expenses and other current assets	(5)	539
Other assets	24	138
Accounts payable and accrued expenses	(854)	1,022
Deferred revenue	(67)	58
Other liabilities	247	(73)
Net cash used in continuing operations	(5,173)	(5,063)
Changes in net assets and liabilities of discontinued operations	-	12,134
Net cash provided by (used in) operating activities	(5,173)	7,071
Investing Activities:		
Purchases of property and equipment	(51)	(178)
Investment in patents and trademarks	(35)	-
Net cash used in investing activities	(86)	(178)
Financing Activities:		
Proceeds from short-term debt	1,050	-

Repayment of short-term debt	(2,762)	-
Payment of debt issuance costs	(1,033)	-
Proceeds from exercise of stock options	44	13
Proceeds from convertible debt issuance	12,000	-
Proceeds from stock issuance	3,000	-
Net cash provided by continuing operations	12,299	13
Net cash used in discontinued operations	-	(10,363)
Net cash provided by (used in) financing activities	12,299	(10,350)
Effect of foreign exchange translation	-	(1,493)
Net increase (decrease) in cash and cash equivalents	7,040	(4,950)
Cash and cash equivalents at beginning of period	122	5,072
Cash and cash equivalents at end of period	$7,162	$122
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Offering cost in relation to common stock issuance	2,905	-
Cashless exercise of warrants	6,259	-
Pre-installment payment of convertible debt through common stock issuance	1,240	-

The accompanying notes are an integral part of the consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011
(in thousands, except share and per share data)

1. Description of Business

Liquidmetal Technologies, Inc. (the "Company") is a materials technology company that develops and commercializes products made from amorphous alloys. The Company's family of alloys consists of a variety of bulk alloys and composites that utilizes the advantages offered by amorphous alloys technology. The Company designs, develops and sells products and components from bulk amorphous alloys to customers in various industries. The Company also partners with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products. The Company believes that its 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 the Company believes will make them preferable to other materials in a variety of applications. The amorphous atomic structure of bulk 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, 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. The Company believes these advantages could result in Liquidmetal alloys supplanting high-performance alloys, such as titanium and stainless steel, and other incumbent materials in a wide variety of applications. Moreover, the Company believes these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

The Company's revenues are derived from i) selling bulk Liquidmetal alloy products, which include non-consumer electronic devices, medical products, automotive components, and sports and leisure goods, ii) selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development: iii) product licensing and royalty revenue, and iv) research and development revenue. The Company expects that these sources of revenue will continue to significantly change the character of the Company's revenue mix.

2. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Liquidmetal Technologies, Inc. and its special-purpose wholly-owned subsidiaries, Crucible Intellectual Property and Liquidmetal Golf. All intercompany balances and transactions have been eliminated.

Non-controlling interest. The result of operations attributable to the non-controlling interest of discontinued operations are presented within equity and are shown separately from the Company's equity.

Revenue Recognition. Revenue is recognized 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.

The Company's 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 the Company. 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, the Company has 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.

Cash. The Company considers all highly liquid investments with maturity dates of three months or less when purchased to be cash equivalents. The Company limits the amount of credit exposure to each individual financial institution and places its temporary cash into investments of high credit quality with a financial institution that exceeds federally insured limits. The Company has not experienced any losses related to these balances and believes its credit risk to be minimal.

Trade Accounts Receivable. The Company grants credit to its customers generally in the form of short-term trade accounts receivable. The creditworthiness of customers is evaluated prior to signing a contract with the customer. As of December 31, 2012, 3 customers represented 96%, or $72, of the total outstanding trade accounts receivable. As of December 31, 2011, three customers represented 67%, or $162, of the total outstanding trade accounts receivable. During 2012, there were 3 major customers, who together accounted for 70% of the revenue. During 2011, there were three major customers, who together accounted for 66% of the revenue. In the future, the Company expects that a significant portion of the revenue may continue to be concentrated in a limited number of customers, even if the bulk alloys business grows.

The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the trade accounts receivable. Management primarily determines the allowance based on the aging of accounts receivable balances, historical write-off experience, customer concentrations, customer creditworthiness and current industry and economic trends. The Company's provisions for uncollectible receivables are included in selling, marketing, general and administrative expense in the accompanying consolidated statements of operations and comprehensive loss.

Property and Equipment. Property and equipment are stated at cost less accumulated depreciation and amortization. Additions and major renewals are capitalized. Repairs and maintenance are charged to expense as incurred. Upon disposal, the related cost and accumulated depreciation are removed from the accounts, with the resulting gain or loss included in operating income. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which range from one to five years.

Intangible Assets. Intangible assets consist of the costs incurred to purchase patent rights and costs incurred to internally develop patents and trademarks. Intangible assets are reported net of accumulated amortization. Patents and trademarks are amortized using the straight-line method over a period based on their contractual lives ranging from ten to seventeen years.

Impairment of Long-lived Assets. The Company reviews long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may be impaired. An impairment loss is recognized when the estimated fair value of the assets is less than the carrying value of the assets.

Fair Value Measurements. The estimated fair values of amounts reported in the consolidated financial statements have been determined using available market information and valuation methodologies, as applicable. The fair value of cash, trade receivables, prepaid expenses and other current assets, accounts payable, and accrued liabilities approximate their carrying value due to their short maturities. The fair value of non-current assets and liabilities approximate their carrying value unless otherwise stated. The carry amounts reported for debt obligations approximate fair value due to the effective interest rate of these obligations reflecting the Company’s current borrowing rate.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Entities are required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value based upon the following fair value hierarchy:

Level 1 — Quoted prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company has one Level 2 financial instrument, warrants that are recorded at fair value on a periodic basis. Warrants are evaluated under the hierarchy of FASB ASC Subtopic 480-10, FASB ASC Paragraph 815-25-1 and FASB ASC Subparagraph 815-10-15-74 addressing embedded derivatives. The fair value of such warrants is estimated using the Black-Scholes option pricing model. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815 (see note 12).

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LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011
(in thousands, except share and per share data)

The Company has one Level 3 financial instrument, an embedded derivative that is recorded at fair value on a periodic basis. The embedded derivative is evaluated under the hierarchy of FASB ASC Subtopic 480-10, FASB ASC Paragraph 815-25-1 and FASB ASC Subparagraph 815-10-15-74 addressing embedded derivatives. The fair value of such embedded derivative is estimated using the Monte Carlo simulation model. The foregoing embedded derivative has certain anti-dilution and exercise price reset provisions which qualify the embedded derivative to be classified as a liability under FASB ASC 815 (see note 11).

As of December 31, 2012, the following table represents the Company's fair value hierarchy for items that are required to be measured at fair value on a recurring basis:

	Fair Value	Level 1	Level 2	Level 3
Embedded conversion feature liability	-	-	-	$ 3,934
Warrant liabilities	-	-	$ 2,766	-

Research and Development Expenses. Research and development expenses represent salaries, related benefits expense, expenses incurred for the design and testing of new processing methods and other expenses related to the research and development of Liquidmetal alloys. Development costs incurred in research and development activities are expensed as incurred.

Advertising and Promotion Expenses. Advertising and promotion expenses are expensed when incurred. Advertising and promotion expenses were $41 and $16, for the years ended December 31, 2012 and 2011, respectively.

Legal Costs. Legal costs are expensed as incurred.

Stock-Based Compensation. The Company accounts 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.

Income Taxes. Income taxes are provided under the asset and liability method as required by FASB ASC Topic 740, Accounting for Income Taxes. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect of a tax rate change on deferred taxes is recognized in operations in the period that the change in the rate is enacted. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized. Under the provision of FASB ASC Topic 740, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company may recognize interest and penalties related to uncertain tax positions in income tax expense. There was no expense related to interest and penalties for the year ended December 31, 2012.

Earnings Per Share. Basic earnings per share ("EPS") is computed by dividing earnings (losses) attributable to common shareholders by the weighted average number of common shares outstanding for the periods. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from those estimates. These management estimates are primarily related to impairment of long-lived assets, inventory valuation, product warranty, allowance for bad debt account balances, and warrant valuation.

Subsequent Events. In May 2009, the FASB issued a new accounting standard which established general accounting standards and disclosure for subsequent events. In accordance with this standard, the Company evaluated subsequent events through the filing of its Annual Report on Form 10-K with the SEC.

Reclassification. During the year ended December 31, 2011, the Company had discontinued and deconsolidated operations of its subsidiaries and had reclassified the related items on its consolidated balance sheets and consolidated statements of operations and comprehensive income (loss) as of December 31, 2011 to conform to the current year presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Recent Accounting Pronouncements.

In June 2011, the FASB, issued guidance regarding the presentation of comprehensive income. The new guidance eliminates the option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity is required to present either a continuous statement of net income and other comprehensive income or two separate but consecutive statements. 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. The Company 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. The Company adopted the guidance beginning on January 1, 2012.

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 the Company's present or future consolidated financial statements.

3. Significant Transactions

July 2012 Private Placement

On July 2, 2012, the Company entered into a private placement transaction (the “July 2012 Private Placement”) for $12 million in principal amount of senior convertible notes due on September 1, 2013. The notes are convertible at any time at the option of the holders, into shares of the Company’s common stock at a conversion price of $0.352 per share. In the event that the Company issues or sells 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 such lower price, subject to customary exceptions. The notes bear interest at 8% per annum and are payable in twelve equal monthly installments of principal and interest beginning on October 1, 2012. Each monthly installment payment may be made in cash, shares of the Company’s common stock, or a combination thereof. If paid in shares, such shares will be valued at the lower of (i) the then applicable conversion price or (ii) 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 payment date or the date on which the Company elects to pay in shares, whichever is lower (the “Measurement Period”). The Company’s ability to make such payments with shares of the Company’s common stock will be subject to certain conditions including (i) a minimum of $250 in average daily trading volume during the Measurement Period, (ii) a minimum of $150 in daily trading volume during each day during the Measurement Period, with certain exceptions, and (iii) the effectiveness of a resale registration statement with respect to the shares. As of December 31, 2012, the Company issued 50,171,418 shares of common stock in satisfaction of five monthly installments that were due during 2012 under the July 2012 Private Placement (see note 11).

As a part of the July 2012 Private Placement, the Company issued warrants to purchase 18,750,000 shares of the Company’s common stock at an exercise price of $0.384 per share, and such warrants first became exercisable within six months of the issuance date thereof. In the event that the Company issues or sells shares of the Company’s common stock at a price per share that is less than the exercise price then in effect, the exercise price of the warrants will be reduced based on a weighted-average formula. In addition, on the two year anniversary of the issuance date, the then applicable exercise price may be reset to equal the lesser of (i) the then current exercise price or (ii) 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 July 2, 2017.

June 2012 Visser MTA Agreement

On June 1, 2012, the Company entered into a Master Transaction Agreement (the "Visser MTA Agreement") with Visser Precision Cast, LLC ("Visser") relating to a strategic transaction for manufacturing services and financing.

Under the manufacturing/sublicense component of the Visser MTA Agreement, the Company has agreed to engage Visser as a perpetual, exclusive manufacturer of non-consumer electronic products and to 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, except for certain limited exceptions. Further, the Company has agreed to sublicense to Visser, on a fully-paid up, royalty-free, irrevocable, perpetual, worldwide basis, all intellectual property rights held by the Company. In addition, Visser has a right of first refusal over any proposed transfer by the Company of its technology pursuant to any license, sublicense, sale or other transfer, other than a license to a machine or alloy vendor.

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Under the financing component of the Visser MTA Agreement, the Company issued and sold to Visser in a private placement transaction (i) 30,000,000 shares of common stock at a purchase price of $0.10 per share resulting in proceeds of $3,000, (ii) warrants to purchase 15,000,000 shares of common stock at an exercise price of $0.22 per share which expire on June 1, 2017 and (iii) a secured convertible promissory note (the "Promissory Note") in the aggregate principal amount of up to $2,000 which was convertible into shares of common stock at a conversion rate of $0.22 per share. The Promissory Note was issued pursuant to a $2,000 loan facility made available by Visser, but no borrowings were made by the Company under this loan facility, as the deadline for making borrowings under the facility expired on November 15, 2012. All of the shares of common stock issuable upon exercise of the warrants is subject to a lock-up period through December 31, 2016.

The warrants under the Visser MTA Agreement contain certain anti-dilution and exercise price reset provisions which results in liability accounting under FASB ASC 815 (see note 12). In relation to the financing cost component to the Visser transaction, the Company performed a prorated allocation of the fair value of the warrants on the convertible promissory note and the common stock based on their relative fair values. The Company capitalized deferred financing costs in relation to the convertible promissory note totaling $1,355 and offset additional paid-in capital for $2,905 in relation to the warrant. The Company assessed the value of the deferred financing costs as of the quarter ended June 30, 2012 and determined that the value was impaired due to the limitations on the Company's ability to request for advances as discussed above. Therefore, the Company expensed the deferred financing costs totaling $1,355 as of the quarter ended June 30, 2012.

In connection with the Visser MTA Agreement, the Company performed a valuation analysis of the manufacturing service and financing components of the Visser MTA Agreement as part of the bundled contract. The Company has assessed and determined that while these components may have market value on stand-alone basis, the values of the manufacturing component and sublicense component were deemed immaterial for accounting purposes. Further, the Company's weighted average market stock price was approximately $0.31 per share at the time of share issuances to Visser. As the actual share purchase price related to the financing component of the Visser MTA Agreement was $0.10 per share, the $0.21 per share difference was treated as manufacturing contract costs and $6,300 was expensed as operating expenses during the second quarter ended June 30, 2012.

On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, the Company issued 8% unsecured, bridge promissory notes to Visser that were due upon demand in the amounts of $200, $200, $350 and $300, respectively. The aggregate principal amount of $1,050 and 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 financing component of the Visser MTA Agreement.

Apple License Transaction

On August 5, 2010, the Company entered into a license transaction with Apple Inc. ("Apple") pursuant to which (i) the Company contributed substantially all of its 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 the Company 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 the Company 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 with Apple, the Company is obligated to contribute all intellectual property that it developed through February 2012 (and subsequently amended to extend through February 2014) to CIP. The Company is also obligated to maintain certain limited liability company formalities with respect to CIP at all times after the closing of the license transaction.

Other License Transactions

On January 31, 2012, the Company and Engel Austria Gmbh (“Engel”) entered into a Supply and License Agreement for a five year term whereby Engel was granted a non-exclusive license to manufacture and sell injection molding machines to the Company’s licensees.

On November 16, 2011, the Company and Materion Brush Inc. (“Materion”) entered into a Development Agreement to evaluate, analyze and develop amorphous alloy feedstock to be supplied in commercial quantities. Further, on June 17, 2012, the Company entered into a Sales Representation Agreement with Materion whereby Materion shall promote the sale of Liquidmetal’s products for certain commissions. This agreement is for a two year initial term with annual, automatic renewals.

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The Company's Liquidmetal Golf subsidiary has the exclusive right and license to utilize the Company's 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. Liquidmetal Technologies owns 79% of the outstanding common stock in Liquidmetal Golf.

In June 2003, the Company 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. 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.

In March 2009, the Company entered into a license agreement with Swatch Group, Ltd. ("Swatch") under which Swatch was granted a perpetual non-exclusive license to the Company's 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 the Company's license agreement with LLPG was simultaneously amended to exclude watches from LLPG's rights. The Company will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by Swatch. The license agreement with Swatch will expire on the expiration date of the last licensed patent.

4. Liquidity and Going Concern Issues

The Company's cash used in continuing operations was $5,173 for the year ended December 31, 2012, while cash used in continuing operations was $5,063 for the year ended December 31, 2011. The Company's cash used in investing activities was $86 for the year ended December 31, 2012 primarily from purchase of property and equipment. The Company's cash provided by financing activities of continuing operations was $12,299 for the year ended December 31, 2012 primarily from convertible debt issuance. As of December 31, 2012, the Company's cash balance was $7,162.

On July 2, 2012, the Company entered into definitive agreements relating to a private placement of $12,000 in principal amount of Senior Convertible Notes due on September 1, 2013 and Warrants to the purchasers of such Convertible Notes giving such purchasers 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. At December 31, 2012, the outstanding principal and accrued but unpaid interest under the Convertible Notes was $7,000 (see note 3).

The Company anticipates that the Company's current capital resources, together with income from operations, will be sufficient to fund the Company's operations through the end of 2013. The Company has a relatively limited history of producing bulk amorphous alloy components and products on a mass-production scale. Furthermore, Visser's ability to produce the Company's products in desired quantities and at commercially reasonable prices is uncertain and is dependent on a variety of factors that are outside of the Company's control, including the nature and design of the component, the customer's specifications, and required delivery timelines. Such factors will likely require that the Company raise additional funds to support the Company's operations beyond 2013. There is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all. If the Company raises additional funds by issuing securities, existing stockholders may be diluted. If funding is insufficient at any time in the future, the Company may be required to alter or reduce the scope of the Company's operations or to cease operations entirely. As a result of these and other factors, the Company's independent registered public accounting firm has indicated, in their audit opinion on the Company's 2012 consolidated financial statements, that there is substantial doubt about the Company's ability to continue as a going concern.

5. Trade accounts receivable

Trade accounts receivable from continuing operations were comprised of the following:

	December 31, 2012	December 31, 2011
Trade accounts receivable	$ 75	$ 241
Less: Allowance for doubtful accounts	(11)	-
Trade accounts receivable, net	$ 64	$ 241

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6. Prepaid Expenses and Other Current Assets

On July 2, 2012, the Company entered into the July 2012 Private Placement (see note 3). In connection with this transaction, the Company capitalized legal and banking fees totaling $1,033 as deferred issuance costs. These deferred issuance costs are amortized as debt discount amortization over the fourteen month term of the senior convertible notes under the transaction. Deferred issuance costs are included in prepaid expenses and other current assets in the Company's consolidated balance sheet and were $399 as of December 31, 2012, reflecting $634 of amortization expensed during the year ended December 31, 2012.

7. Property and Equipment

Property and equipment consist of the following:

	December 31, 2012	December 31, 2011
Machinery and equipment	$ 1,098	$ 1,098
Computer equipment	118	70
Office equipment, furnishings, and improvements	190	187
Total	1,406	1,355
Accumulated depreciation	(1,245)	(1,193)
Total property and equipment, net	$ 161	$ 162

Depreciation expense for the years ended December 31, 2012 and 2011 were $52 and $45, respectively and is included in selling, marketing and general and administrative expense in the consolidated statements of operations and comprehensive income (loss).

8. Patents and trademarks, net

Patents and trademarks consist of the following:

	December 31, 2012	December 31, 2011
Purchased and licensed patent rights	$ 566	$ 566
Internally developed patents	1,664	1,664
Trademarks	126	91
Total	2,356	2,321
Accumulated amortization	$ (1,487)	$ (1,353)
Total intangible assets, net	$ 869	$ 968

Amortization expense was $134 and $137 for the years ended December 31, 2012 and 2011, respectively. The estimated aggregate amortization expense for each of the five succeeding years is as follows:

December 31,

	Aggregate Amortization Expense
2013	117
2014	102
2015	98
2016	95
2017	82
Thereafter	375

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Accumulated amortization for the years ended December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Purchased and licensed patent rights	$ (457)	$ (424)
Internally developed patents	(937)	(847)
Trademarks	(93)	(82)
Total	$ (1,487)	$ (1,353)

The weighted average amortization periods for the years ended December 31, 2012 and 2011 is as follows

	December 31, 2012	December 31, 2011
Purchased and licensed patent rights	17	17
Internally developed patents	17	17
Trademarks	10	10

Purchased patent rights represent the exclusive right to commercialize the bulk amorphous alloy and other amorphous alloy technology acquired from California Institute of Technology ("Caltech"), through a license agreement with Caltech and other institutions. All fees and other amounts payable by the Company for these rights and licenses have been paid or accrued in full, and no further royalties, license fees or other amounts will be payable in the future under the license agreements.

In addition to the purchased and licensed patents, the Company has internally developed patents. Internally developed patents include legal and registration costs incurred to obtain the respective patents. The Company currently holds various patents and numerous pending patent applications in the United States, as well as numerous foreign counterparts to these patents outside of the United States.

9. Other Long-Term Liabilities

Other Long-term Liabilities balance of $856 and $609 as of December 31, 2012 and 2011, respectively, consists of long term, aged payables to vendors, individuals, and other third parties that have been outstanding for more than 5 years. The Company is in the process of researching and resolving the balances for settlement and/or write-off.

10. Short-term debt

On August 6, 2010, SAGA, SpA in Padova, Italy ("SAGA"), a specialist parts manufacturer, filed a litigation case against the Company claiming damages of $3,200 for payment on an alleged loan and for alleged breach of contract in connection with the formation of joint venture called Liquidmetal SAGA Italy, Srl ("LSI"). On April 6, 2011 (the "Effective Date"), the Company entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between the Company and SAGA was terminated, (ii) the Company and SAGA both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) the Company paid SAGA $2,800 in the form of 4,496,429 restricted shares ("Shares") of the Company's common stock in exchange for

SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated.

The number of Shares issued to SAGA on the Effective Date was based on the 30 day trailing, volume weighted average price of the Company's stock as of the Effective Date. An additional provision of the SAGA Settlement and Equity Interest Purchase Agreement was the obligation of the Company to issue a promissory note to compensate for a decrease in the market price of the Company's common stock over a six month period from the Effective Date of the settlement. On October 10, 2011, the Company issued to SAGA a promissory note in the principal amount of $1,712 due October 10, 2012, bearing interest of 8% per annum, to account for the decrease in the market price of the Company's common stock. The $1,712 principal amount of the note is included in Short Term Debt in the Company's consolidated balance sheet as of December 31, 2011.

On July 11, 2012, the Company paid $1,743 to SAGA and paid off all amounts owed under the SAGA promissory note. Interest expense related to the promissory note for the year ended December 31, 2012 and 2011 was $68 and $0,

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On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, the Company issued 8% unsecured, bridge promissory notes to Visser that were due upon demand in the amount of $200, $200, $350 and $300, respectively. The aggregate principal amount of $1,050 and 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 financing component of the Visser MTA Agreement (see note 3). Interest expense on the bridge promissory notes was $18 for the year ended December 31, 2012.

11. Convertible Note and Embedded Conversion Feature Liability

On July 2, 2012, the Company entered into the July 2012 Private Placement for $12,000 in principal amount of senior convertible notes due on September 1, 2013 (see note ––3). The notes will be convertible at any time at the option of the holders, into shares of the Company's common stock at a conversion price of $0.352 per share. Pursuant to ASC 815-40, due to the anti-dilution provision of the convertible notes, the conversion feature of the convertible notes is not indexed to the Company's owned stock and should be bifurcated and recognized as a derivative liability in the consolidated balance sheets and measured at fair value. The notes bear interest at 8% per annum and are payable in twelve equal monthly installments of principal and interest beginning on October 1, 2012.

The embedded conversion feature liability and warrants issued in connection with the senior convertible notes were valued utilizing the Monte Carlo simulation and Black Sholes pricing model at $8,865 and $5,053, respectively, totaling $13,918 as of July 2, 2012. $12,000 of this total was recorded as debt discount and the excess of the face value of the embedded conversion feature liability and warrants of $1,918 was booked to debt discount amortization on July 2, 2012.

Pursuant to the terms of the senior convertible note, the Company opted to pay the first five installment payments due prior to December 31, 2012 with shares of the Company's common stock. As of December 31, 2012, the Company issued 50,171,418 shares of common stock at a weighted average conversion price of $0.1095 for the first five installment payments prior to December 31, 2012 consisting of $5,000 principal and $440 of interest.

Interest expense on the convertible notes was $440 for the year ended December 31, 2012 and the Convertible Note (net of debt discount) was $2,365 as of December 31, 2012 as follows:

	Convertible Note	Debt Discount	Net Total
Beginning Balance - January 1, 2012	$ -	$ -	$ -
Original valuation - July 2, 2012	12,000	(12,000)	-
Installment Payments in Shares	(5,000)	-	(5,000)
Amortization	-	7,365	7,365
Ending Balance - December 31, 2012	$ 7,000	$ (4,635)	$ 2,365

As of December 31, 2012, the Company re-valued the embedded derivatives under the senior convertible note with the Monte Carlo simulation model under the following assumptions; (i) expected life of 0.67 years, (ii) volatility of 144%, (iii) risk-free interest rate of 0.13%, and (iv) dividend rate of 0. As of December 31, 2012, the embedded derivative was valued at $3,934 and the variance of $4,931 was recorded as a non-cash gain in change in value of embedded conversion feature liability for the year ended December 31, 2012. The embedded derivatives are classified as embedded conversion feature liability in the consolidated balance sheet as follows:

		December 31, 2012
Beginning Balance - January 1, 2012	$	-
Original valuation - July 2, 2012		8,865
Change in value of embedded conversion feature liability, gain		(4,931)
Ending Balance - December 31, 2012	$	3,934

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12. Warrant Liabilities

Pursuant to FASB ASC 815, the Company is required to report the value of certain warrants as a liability at fair value and record the changes in the fair value of the warrant liabilities as a gain or loss in its statement of operations and comprehensive loss due to the price-based anti-dilution rights of warrants.

As of December 31, 2011, 4,675,143 warrants were valued as liabilities under FASB ASC 815, and these warrants expired on January 3, 2012. The Company valued the 4,675,143 warrants using the Black-Scholes valuation model and recorded $0 in warrant liabilities as of December 31, 2011.

During June 2012, the Company issued warrants to purchase a total of 15,000,000 shares to Visser under the Visser MTA Agreement (see note 3). These warrants have an exercise price of $0.22 per share and expire on June 1, 2017 and were originally valued at $4,260. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815. As of December 31, 2012, these warrants were valued at $1,260 under the Black Sholes valuation model utilizing the following assumptions; (i) expected life of 4.42 years, (ii) volatility of 151%, (iii) risk-free interest rate of 0.72%, and (iv) dividend rate of 0. The change in warrant valuation for these warrants for the year ended December 31, 2012 was a non-cash gain of $3,000 primarily as a result of the decrease in our stock price from $0.32 as of June 30, 2012 to $0.10 as of December 31, 2012.

On July 2, 2012, the Company issued warrants to purchase a total of 18,750,000 shares related to the July 2012 Private Placement (see note 3). These warrants have an exercise price of $0.384 per share and expire on July 2, 2017 and were originally valued at $5,053. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815. As of December 31, 2012, these warrants were valued at $1,506 under the Black Sholes valuation model utilizing the following assumptions; (i) expected life of 4.50 years, (ii) volatility of 152%, (iii) risk-free interest rate of 0.72%, and (iv) dividend rate of 0. The change in warrant valuation for the year ended December 31, 2012 was a non-cash gain of $3,547 primarily as a result of the decrease in our stock price from $0.32 as of June 30, 2012 to $0.10 as of December 31, 2012.

The following table summarizes the change in the Company's warrant liability as of December 31, 2012:

	Visser MTA Agreement	July 2, 2012 Private Placement	Total
Beginning Balance - January 1, 2012	$ -	$ -	-
Original valuation - June & July 2012	4,260	5,053	9,313
Change in value of warrant liability, gain	(3,000)	(3,547)	(6,547)
Ending Balance - December 31, 2012	$ 1,260	$ 1,506	$ 2,766

As of December 31, 2012 and 2011, the Company had 63,529,557 and 44,707,976 warrants outstanding, respectively, and of these, only 33,750,000 and 4,675,143 warrants, respectively, were valued as liabilities under FASB ASC 815. As of December 31, 2012 and 2011, the Company valued the 33,750,000 and 4,675,143 warrants using the Black-Scholes model and recorded $2,766 and $0, respectively, in warrant liabilities. The change in fair value of warrants resulted in a total non-cash gain of $6,547 and $1,328 for the years ended December 31, 2012 and 2011, respectively.

The fair value of warrants outstanding for the following periods was computed using the Black-Scholes model under the following assumptions:

	December 31, 2012	December 31, 2011
Expected life in years	4.42 - 4.50	0.01
Volatility	151% - 152 %	82 %
Risk-free interest rate	0.72 %	0.01 %
Dividend rate	0	0

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As of December 31, 2012, outstanding warrants to acquire shares of the Company’s common stock are as follows:

Number of Shares	Exercise Price	Expiration Date
208,334	$0.480	July 15, 2015
29,571,223	$0.490	July 15, 2015
15,000,000	$0.220	June 1, 2017
18,750,000	$0.384	July 2, 2017
63,529,557		

13. Shareholders’ Equity (Deficit)

Common stock

During the year ended December 31, 2011, the Company issued 4,496,429 shares of common stock to settle a lawsuit with SAGA, a former joint venture partner in Italy (see note 10).

In June 2012, the Company issued 30,000,000 shares of common stock to Visser in connection with the Visser MTA Agreement (see note 3).

During the year ended December 31, 2012, the Company issued 50,171,418 shares of common stock at a weighted average conversion price of $0.1095 for the first five installment payments under the July 2012 Private Placement senior convertible note (see notes 3 and 11).

Preferred stock

On May 1, 2009, pursuant to a Securities Purchase and Exchange Agreement, the Company issued 500,000 shares of convertible Series A-1 Preferred Stock with an original issue price of $5.00 per share and 2,625,000 shares Series A-2 Preferred Stock with an original issue price of $5.00 per share as part of a financing transaction.

In connection with the Series A Preferred Stock issuance, the Company issued warrants to purchase 42,329,407 shares of the Company’s common stock at an exercise price of $0.50 per share, which was subsequently adjusted to $0.49 per share due to an anti-dilution calculation. The warrants expired on January 3, 2012.

In October 2009, the Company entered into an agreement with various investors to issue 180,000 shares of Series A-1 Preferred Stock with identical terms as the Series A-1 Preferred Stock issued on May 1, 2009. In connection with this issuance, the Company issued warrants to purchase up to 4,500,000 shares of common stock with an exercise price of $0.50 per share, which was subsequently adjusted to $0.49 per share due to an anti-dilution calculation. These warrants also expired on January 3, 2012.

The Series A Preferred Stock formerly accrued cumulative dividends at an annual rate of 8%, which were payable semi-annually. On November 2, 2010, the Company filed an Amended and Restated Certificate of Designations, Preferences, and Rights (the "Amended Designation") for the Company's Series A Preferred Stock. The Amended Designation was approved by the requisite vote of the holders of the Company's Series A Preferred Stock and was filed with the Delaware Secretary of State in accordance with a Consent Agreement entered into between the Company and the holders of 2/3 of the Series A Preferred Stock (the "Consent Agreement"). The Amended Designation amended the terms of the Series A Preferred Stock by providing that (i) dividends ceased accruing thereon as of June 1, 2010, (ii) the liquidation preference and corresponding conversion value on the Series A Preferred Stock was increased from 1.0 to 1.08 of the sum of the issue price and accrued but unpaid dividends, (iii) the Series A Preferred Stock was now mandatorily convertible at any time at the option of the Company without condition, and (iv) the Series A Preferred Stock will no longer have any price-based anti-dilution rights. The Consent Agreement provided that, in exchange for voting in favor of the Amended Designation, the warrants held by the holders signing the Consent Agreement (to the extent such warrants were issued in connection with the original issuance of the Series A Preferred Stock) would be extended to an expiration date of July 2015 and the price-based anti-dilution rights on such warrants were removed. Additionally, the Company has the right at any time to redeem the Series A Preferred Stock in whole or in part upon not less than 30 days' notice at a redemption price equal to the liquidation preference plus any accrued and unpaid dividends.

The Series A Preferred Stock and any accrued and unpaid dividends thereon is convertible, at the option of the holder of the Series A Preferred Stock, into common stock of the Company at a conversion price of $.10 per share in the case of the Series A-1 Preferred Stock and a conversion price of $.22 per share in the case of the Series A-2 Preferred Stock (in both cases subject to adjustments for any stock dividends, splits, combinations and similar events). As of December 31, 2012 and 2011, the Company had accrued dividends of $222 and $571, respectively.

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During the year ended December 31, 2012, the holders of the Company's Series A Preferred Stock converted 792,215 shares of preferred stock into 25,669,752 shares of the Company's common stock. The Company had 105,231 and 246,371 shares of the Series A-1 Preferred Stock outstanding at December 31, 2012 and 2011, respectively. The Company had 401,705 and 1,052,780 shares of the Series A-2 Preferred Stock outstanding at December 31, 2012 and 2011, respectively.

Warrants

The warrant holders who signed the Consent Agreement held warrants to purchase an aggregate of 40,032,833 shares of the Company's common stock (the "Consent Warrants"). As of November 2, 2010, the date of the Amended Designation, there were warrants to purchase 47,232,459 shares of the Company's common stock outstanding. The Consent Warrants were initially recorded as liabilities on the Company's consolidated financial statements in accordance with FASB ASC 815 due to their price-based anti-dilution rights. Upon the removal of the anti-dilution rights with the Consent Agreement, the Consent Warrants no longer met the criteria under FASB ASC 815 and were reclassified as equity as of the date of the Amended Designation. The Company reclassified $24,438 from warrant liabilities into equity on November 2, 2010, and this amount is reflected as Warrants in the consolidated statement of shareholders' deficit as of December 31, 2011. Warrants classified as equity was reduced to $18,179 as of December 31, 2012 as a result of the cashless exercise of warrants to purchase 10,253,276 shares of the Company's common stock in April 2012.

As of December 31, 2012 and 2011, warrants to purchase 29,779,557 and 40,032,833 shares of the Company's common stock, respectively, were classified as equity. All of such warrants expire on July 15, 2015.

14. Stock Compensation Plan

On April 4, 2002, our shareholders and board of directors adopted the 2002 Equity Incentive Plan ("2002 Plan"). The 2002 Plan provides for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries. A total of 10,000,000 shares of our common stock may be granted under the 2002 Plan. The 2002 Plan expired by its terms in April 2012, but it will remain in effect only with respect to the equity awards that have been granted prior to its expiration. As of December 31, 2012, there were 3,392,000 options outstanding under the 2002 Plan.

On June 28, 2012, the Company adopted the 2012 Equity Incentive Plan ("2012 Plan"), with the approval of the shareholders, which provided for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries. The 2012 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 non-statutory stock options. In addition, the 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 thirty million shares of our common stock may be granted under the 2012 Equity Incentive Plan, and all options granted under this plan had exercise prices that were equal to the fair market value on the date of grant. During 2012, the Company granted options to purchase 330,000 shares, and the same was outstanding as of December 31, 2012

FASB ASC 718, Compensation – Stock Compensation, requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Under ASC 718, Company is required to measure the cost of employee services received in exchange for stock options and similar awards based on the grant-date fair value of the award and recognize this cost in the income statement over the period during which an employee is required to provide service in exchange for the award. The Company recorded $363 and $553 for the years ended December 31, 2012 and 2011, respectively, of non-cash charges for stock compensation related to amortization of the fair value of restricted stock and unvested stock options. The total compensation costs related to nonvested awards not yet recognized were $113 and $145 for the years ended December 31, 2012 and 2011, respectively.

On August 3, 2010, in conjunction with an employment agreement with Thomas Steipp, the Company's Chief Executive Officer, the Company also granted an aggregate of 6,000,000 restricted shares of the Company's common stock, which will ratably vest each year over five years. During the years December 31, 2012 and 2011, the Company recorded $310 and $442, respectively, of compensation expense related to Mr. Steipp's restricted shares.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the assumptions noted in the following table.

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	December 31, 2012	December 31, 2011
Expected volatility	140.74% - 143.23 %	133.02% - 136.30 %
Expected dividends	-	-
Expected term (in years)	6.50	6.50
Risk-free rate	0.98% - 1.04 %	2.56% - 2.87 %

Expected volatilities are based on historical volatility expected over the expected life of the options. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. Forfeitures rates ranging from 5.0% to 28.3% were used for the year ended December 31, 2012 and 2011. The risk free rate for period within the expected life of the options is based on U.S. Treasury rates in effect at the time of grant.

The following table summarizes the Company's stock option transactions for the years ended December 31, 2012 and 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2010	6,472,963	0.67		
Granted	40,000	0.55		
Exercised	(102,000)	0.12		
Forfeited	(400,000)	0.50		
Expired	(1,331,156)	1.64		
Options outstanding at December 31, 2011	4,679,807	0.42		
Granted	330,000	0.28		
Exercised	(354,000)	0.12		
Forfeited	(396,200)	0.31		
Expired	(537,607)	1.00		
Options outstanding at December 31, 2012	3,722,000	$0.36	6.2	$3
Options exercisable at December 31, 2012	1,866,000	$0.57	4.6	$2
Options unvested at December 31, 2012	1,856,000	$0.15	7.9	$1
Options vested or expected to vest at December 31, 2012	2,978,988	$0.41	5.8	$3

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The following table summarizes the Company's stock options outstanding and exercisable by ranges of option prices as of December 31, 2012:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Numbers of options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
0.00 - $ $3.00	3,712,000	6.11	$0.35	1,856,000	4.46	$0.55
3.01 - 6.00	10,000	0.32	4.57	10,000	0.32	4.57
Total	3,722,000			1,866,000		

The Company's non-vested options at the beginning and ending of fiscal year 2012 had a weighted-average grant-date fair value of $0.16 and $0.15 per option, respectively.

15. Discontinued Operations and Long-Lived Assets to be Disposed Of

LMC

On December 20, 2011, the Company's 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 $3,000 (the "LMC Investment"). The LMC Investment was entered into pursuant to a Membership Interest Purchase Agreement between the investors and LMC (the "Purchase Agreement"). The investors in the LMC Investment were Rockwall Holdings, Inc. ("Rockwall") and 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, a former Chief Executive Officer and Chairman of the Company.

The transactions contemplated by the Purchase Agreement were deemed to be effective as of November 30, 2011. In connection with the LMC Investment, the Company and C3 Entities agreed to terminate a letter agreement, dated July 30, 2010, under which the Company 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, the Company no longer has any contingent obligation to contribute additional capital to LMC and consequently the Company's equity interest in LMC was reduced from approximately 72.86% to 0.67%. However, the Company did not sell any of its own membership interests in LMC in the transaction. As a result of the reduction in the Company's percentage interest in LMC, the Company no longer consolidates LMC's financial results with the Company's financial results, and LMC's financial results are included as discontinued operations for financial reporting purposes. However, Ricardo Salas, the Company's Executive Vice President and Board Member, will continue to serve as a member of LMC's board of directors.

Summarized operating results of LMC's discontinued operations are as follows:

	December 31, 2012	December 31, 2011
Revenue	$ -	$ 9,732
Gain on disposal of subsidiary, net	-	11,227
Loss from discontinued operations	-	(335)

The $11,227 gain on disposal of subsidiary was primarily due to write-off of LMC's net liabilities. Loss from discontinued operations represented the net operating loss of the subsidiary.

There were no balances as of December 31, 2011 due to the deconsolidation of LMC.

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AMM

In June 2010, the Company 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 alloys. On August 5, 2011, the Company sold all of the stock of AMM to Innovative Materials Group, which is majority owned by John Kang, a former Chief Executive Officer and Chairman of the Company, for $720, of which $200 was paid in the form of a promissory note due August 5, 2012, bearing an interest rate of 8% per annum. On December 31, 2012 IMG and the Company signed an agreement whereby the $200 Promissory Note along with the accrued interest was forgiven in exchange for the return of the eyewear license to the Company. The results of operations of AMM are included as discontinued operations for financial reporting purposes through August 5, 2011.

Summarized operating results of AMM's discontinued operations are as follows:

	December 31, 2012	December 31, 2011
Revenue	$ -	$ 200
Gain on disposal of subsidiary, net	-	370
Loss from discontinued operations, net	-	(370)

The $370 gain on disposal of subsidiary was primarily due to $720 of proceeds less the write off net investment in AMM of $350. Loss from discontinued operations represented the net operating loss of the subsidiary.

LMTK

In 2003, the Company set up a manufacturing plant in South Korea, Liquidmetal Technologies Korea ("LMTK"), to handle its bulk Liquidmetal alloys business which included manufacturing and selling components made out of bulk alloys. During 2010 and prior years, LMTK experienced net losses and due to the uncertainty surrounding its future cash flows the Company re-evaluated its investment for recoverability. As a result, in November 2010, the Company decided to discontinue LMTK's operations. On December 1, 2011, the Company entered into a Share Purchase Agreement (the "Share Purchase Agreement") with LMTK Holdings, Inc. ("LMTK Holdings") to sell LMTK. Under the Share Purchase Agreement, the Company 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 included as discontinued operations in the Company's consolidated statements of operations and comprehensive loss through December 1, 2011.

Summarized operating results of LMTK's discontinued operations are as follows:

	December 31, 2012	December 31, 2011
Revenue	$ -	$ -
Gain on disposal of subsidiary, net	-	512
Loss from discontinued operations	-	(58)

The $512 gain on disposal of subsidiary was primarily due to the net write-off of assets and foreign exchange accounts. Loss from discontinued operations was primarily due to legal fees incurred for the sale of the subsidiary.

16. Income Taxes

Significant components of deferred tax assets are as follows:

	Years Ended December 31, 2012	2011
Loss carry forwards	$ 60,426	$ 55,998
Debt discount	(1,523)	--
NQSO	422	100
Tax credit	432	434
Other	120	72
Total deferred tax asset	59,877	56,604
Valuation allowance	(59,877)	(56,604)
Total deferred tax asset, net	$ --	$ --

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The following table accounts for the differences between the expected federal tax benefit (based on the statutory U.S. federal income tax rate of 34%) and the actual tax provision:

	Years Ended December 31,			
	2012		2011	
Expected federal tax benefit	(34	)%	(34	)%
Permanent Items	0.1	%	8.9	%
Net operating loss utilized or expired	5.5	%	3.6	%
Increase (decrease) in valuation allowance and others	28.4	%	21.6	%
Total tax provision	0	%	0	%

As of December 31, 2012, the Company had approximately $126.5M of net operating loss (“NOL”) carryforwards for U.S. federal income tax purposes expiring in 2018 through 2032. In addition, the Company has State NOL carryforwards of approximately $100.4M expiring in 2013 through 2032. The Company and Liquidmetal Golf, Inc. filed on a separate company basis for federal income tax purposes. Accordingly, the federal NOL carryforwards of one legal entity are not available to offset federal taxable income of the other. Liquidmetal Golf, Inc. had approximately $35.6 in federal NOL carryforwards, expiring in 2018 through 2027.

As of December 31, 2012, the Company had approximately $189K of Research & Development (“R&D”) credit carryforwards for U.S. federal income tax purposes expiring in 2021 through 2030. In addition, the Company has California R&D credit carryforwards of approximately $243K, which do not expire under current California law.

Section 382 of the Internal Revenue Code (“IRC”) imposes limitations on the use of NOL’s and credits following changes in ownership as defined in the IRC. The limitation could reduce the amount of benefits that would be available to offset future taxable income each year, starting with the year of an ownership change. The Company has not completed the complex analysis required by the IRC to determine if an ownership change has occurred.

The ability to realize the tax benefits associated with deferred tax assets, which includes benefits related to NOL’s, is principally dependent upon the Company’s ability to generate future taxable income from operations. The Company has provided a full valuation allowance for its net deferred tax assets due to the Company’s net operating losses.

The Company adopted the provisions of FASB ASC Topic 470 – Income Taxes. At the adoption date and as of December 31, 2012, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense which were $0 for the year ended December 31, 2012 and 2011.

As of December 31, 2012, the tax years 2009 through 2011, and 2008 through 2011 are subject to examination by the federal and California taxing authorities, respectively.

17. Income (Loss) Per Common Share

Basic earnings per share ("EPS") is computed by dividing earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding for the periods. Diluted EPS reflects the potential dilution of securities that could share in the earnings.

Options to purchase 3,722,000 shares of common stock at process ranging from $0.09 to $5.00 per share were outstanding at December 31, 2012, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive.

16,896,073 shares of common stock issuable upon conversion of the company's preferred stocks with conversion process between $0.10 and $0.22 per share outstanding at December 31, 2012 were not included in the computation of diluted EPS for the period as the inclusion would have been antidilutive.

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	Years Ended December 31,	
	2012	2011
Amounts attributable to Liquidmetal Technologies, Inc. common shareholders		
Net income (loss)	(14,025)	6,155
Net income (loss) available (attributable) to common stockholders	(14,025)	6,155
Basic income (loss) per share	(0.07)	0.05
Diluted income (loss) per share	(0.07)	0.03
Number of weighted average shares - basic	188,298,113	118,523,228
Number of weighted average shares - diluted	188,298,113	163,292,496

Basic and diluted net loss per common share was the same for the year ended December 31, 2012, as the impact of all potentially dilutive securities outstanding was anti-dilutive. The following were outstanding at December 31, 2012 and were included in the computation of diluted EPS for the year ended December 31, 2012.

	For the Years Ended December 31,	
	2012	2011
Weighted average basic shares	188,298,113	118,523,228
Effect of dilutive securities:		
Stock options ("in the money")	-	2,203,443
Warrants ("in the money")	-	-
Conversion of preferred stocks and dividends	-	42,565,825
Weighted average diluted shares	188,298,113	163,292,496

18. Commitments and Contingencies

Operating Leases

The Company leases its offices and warehouse facilities under various lease agreements, certain of which are subject to escalations based upon increases in specified operating expenses or increases in the Consumer Price Index. As of December 31, 2012 and 2011, the Company has recorded $28 and $22, respectively, of deferred rent expenses. Future minimum lease payments under non-cancelable operating leases during subsequent years are as follows:

December 31,	Minimum Payments
2013	$ 197

2014		221
2015		227
2016		77
Total	$	722

Rent expense was $214 and $225 for the years ended December 31, 2012 and 2011, respectively.

19. 401(k) Savings Plan

The Company has a tax-qualified employee savings and retirement plan, or 401(k) plan. Under the U.S. based 401 (k) plan, participants may elect to reduce their current compensation, on a pre-tax basis, by up to 15% of their taxable compensation or of the statutorily prescribed annual limit, whichever is lower, and have the amount of the reduction contributed to the 401(k) plan. The 401(k) plan permits the Company, in its sole discretion, to make additional employer contributions to the 401(k) plan. However, the Company did not make employer contributions to the 401(k) plan during any of the periods presented in the accompanying consolidated financial statements.

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20. Related Party Transactions

On August 1, 2010, the Company entered into an agreement with John Kang, a former Chief Executive Officer and Chairman of the Company, to provide consulting services. The Company terminated this agreement as of July 31, 2011. The Company incurred $0 and $210 for his services during the years ended December 31, 2012 and 2011, respectively.

On October 14, 2010, the Company signed an agreement with Innovative Materials Group, LLC ("IMG"), a California limited liability company, which is majority owned by Mr. Kang. Under the agreement, the Company received a deposit of $520 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 the Company's Chinese subsidiary, Advanced Metals Materials ("AMM"), that owns the equipment.

On August 5, 2011, the Company signed a Stock Purchase Agreement (the "Stock Purchase Agreement") with IMG to sell all of the stock of AMM for $720 (the "Purchase Price"). IMG applied the payment of the Purchase Price the $520 deposit previously paid to the Company and the $200 balance of the Purchase Price was paid in the form of a Promissory Note due August 5, 2012, bearing an interest rate of 8% per annum. In conjunction with the Stock Purchase Agreement, the Company also entered into a License Agreement (the "IMG License Agreement") with IMG to license certain patents and technical information for the limited purpose of manufacturing certain licensed products with the Company's existing first generation, die cast machines, as defined by the IMG License Agreement (the "Licensed Products"). The IMG License Agreement grants a non-exclusive license to certain product categories, as well as an exclusive license to specific types of consumer eyewear products and obligates IMG to pay the Company a running royalty based on its sales of Licensed Products. The license will expire on August 5, 2021. The Company recognized $26 and $19 in royalty revenues from IMG during the years ended December 31, 2012 and 2011, respectively.

On December 31, 2012, IMG and the Company signed an amendment to the IMG License Agreement whereby the $200 Promissory Note from IMG along with the accrued interest of $21 was forgiven in exchange for the return of the eyewear license to the Company. The Company accounted for this transaction as an exchange of non-monetary assets and re-classed the $221 thousand to eyewear license fee. While the Company continues to maintain an active interest in leveraging the eyewear license for prospective opportunities in the eyewear industry from both a products and licensing perspective, the Company determined that there was insufficient historical market data on the potential license applications presently available to provide a reasonable basis to fair value the license and its period of useful life. Therefore, the Company recognized a $221 thousand impairment loss for accounting purposes as of December 31, 2012.

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 (see note 15).

During the years ended December 31, 2012 and 2011, the Company incurred $2 and $154 in legal fees, respectively, to defend Mr. Kang, as the former Representative Director of our Korean subsidiary, against allegations relating to the Company's Korean subsidiary's involvement in customs reporting violations in South Korea that allegedly occurred in 2007 and 2008. The Company had agreed to reimburse Mr. Kang's legal fees incurred on this issue through December

31, 2012.

In October 2009, Thomas Steipp, the Company's President and Chief Executive Officer, Ricardo Salas, the Company's Executive Vice President and Director, Tony Chung, the Company's Chief Financial Officer, and Mr. Kang acquired a total of 100,000 shares of the Company's Series A-1 Preferred Stock and warrants to purchase 2,500,000 shares of the Company's common stock for an aggregate cash price of $495. The Series A-1 Preferred Stock is convertible into the Company's common stock at a conversion price of $0.10 per common share. Furthermore, the warrants can be exercised for shares of the Company's 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 the Company's 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 the Company's common stock, respectively, including dividends received in the form of common stock. On February 1, 2012, Mr. Chung converted his 10,000 shares of Series A-1 Preferred Stock into a total of 565,344 shares of the Company's common stock, including dividends received in the form of common stock.

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The Company has 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, 2012 and 2011. As of December 31, 2012, Mr. Chitayat is a greater-than-5% beneficial owner of the Company.

On August 3, 2010, Tom Steipp received 6,000,000 restricted shares of the Company’s stock as part of his employment agreement with the Company. These shares shall vest annually in 20% increments on each anniversary date of the employment agreement. On July 27, 2011, the employment agreement was amended to defer the first anniversary vesting date from August 3, 2011 to December 15, 2011. On July 31, 2012, the employment agreement was amended to defer the second anniversary vesting date from August 3, 2012 to December 15, 2012.

On June 1, 2012, the Company entered into a Master Transaction Agreement with Visser Precision Cast, LLC relating to a strategic transaction for manufacturing services and financing (see note 3). As of December 31, 2012, Visser is a greater-than-5% beneficial owner of the Company.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except par value and share data)

	September 30, 2013 **(Unaudited)**	**December 31,** 2012 **(Audited)**
ASSETS		
Current assets:		
Cash	$ 3,023	$ 7,162
Trade accounts receivable, net of allowance for doubtful accounts of $3 and $11, respectively	431	64
Prepaid expenses and other current assets	548	689
Total current assets	$ 4,002	$ 7,915
Property and equipment, net	265	161
Patents and trademarks, net	792	869
Other assets	28	28
Total assets	$ 5,087	$ 8,973
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	243	154
Accrued liabilities	704	248
Accrued dividends	-	222
Convertible notes, net of debt discount of $0 and $4,635, respectively	-	2,365
Embedded conversion feature liabilities on convertible notes	-	3,934
Total current liabilities	$ 947	$ 6,923
Long-term liabilities:		
Warrant liabilities	4,481	2,766
Other long-term liabilities	856	856
Total liabilities	$ 6,284	$ 10,545
Shareholders' deficit:		
Convertible, redeemable Series A Preferred Stock, $0.001 par value; 10,000,000 shares authorized; 0 and 506,936 shares issued and outstanding at September 30, 2013 and	-	-

December 31, 2012, respectively		
Common stock, $0.001 par value; 500,000,000 shares and 400,000,000 authorized at September 30, 2013 and December 31, 2012, respectively; 373,040,523 and 242,074,324 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	373	242
Warrants	18,179	18,179
Additional paid-in capital	182,304	169,891
Accumulated deficit	(202,013)	(189,884)
Non-controlling interest in subsidiary	(40)	-
Total shareholders' deficit	(1,197)	(1,572)
Total liabilities and shareholders' deficit	$ 5,087	$ 8,973

The accompanying notes are an integral part of the consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE LOSS

(in thousands, except share and per share data)

(unaudited)

	For the Three Months Ended September 30,		**For the Nine Months Ended September 30,**	
	2013	**2012**	**2013**	**2012**
Revenue				
Products	$456	$80	$721	$471
Licensing and royalties	-	27	7	46
Total revenue	456	107	728	517
Cost of sales	396	73	589	256
Gross profit	60	34	139	261
Operating expenses				
Selling, marketing, general and administrative	1,213	1,372	3,735	3,338
Research and development	368	217	829	616
Manufacturing contract costs	-	-	-	6,300
Total operating expenses	1,581	1,589	4,564	10,254
Operating loss	(1,521)	(1,555)	(4,425)	(9,993)
Change in value of warrants, gain (loss)	(2,511)	4,184	(1,715)	4,010
Change in value of embedded conversion feature liabilities, gain (loss)	(2,435)	2,785	621	2,785
Debt discount amortization expense	(361)	(6,247)	(6,504)	(6,247)
Financing costs	-	-	-	(1,355)
Interest expense	(21)	(240)	(242)	(258)
Interest income	1	10	5	18
Gain on extinguishment of debt (Note 7)	91	-	91	-
Net loss	(6,757)	(1,063)	(12,169)	(11,040)
Net loss attributable to non-controlling interest	32	-	40	-
Net loss and comprehensive loss attributable to Liquidmetal Technologies shareholders	$(6,725)	$(1,063)	$(12,129)	$(11,040)
Net loss per common share attributable to Liquidmetal	$(0.02)	$(0.01)	$(0.04)	$(0.06)

Technologies shareholders, basic and diluted				
Number of weighted average shares - basic and diluted	372,840,523	195,275,681	330,329,312	173,544,833

The accompanying notes are an integral part of the consolidated financial statements.

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LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT

For the Nine Months Ended September 30, 2013

(in thousands, except share data)

(unaudited)

	Preferred Shares	Common Shares	Common Stock	Warrants part of Additional Paid-in Capital	Additional Paid-in Capital	Accumulated Deficit	Non Controlling Interest	Total
Balance, December 31, 2012	**506,936**	**242,074,324**	**$ 242**	**$ 18,179**	**$ 169,891**	**$ (189,884)**	**$ -**	**$ (1,572)**
Conversion of preferred stock	(506,936)	16,896,070	17		(17)			-
Common stock issuance		114,070,129	114		11,766			11,880
Stock option exercises					74			74
Stock-based compensation					134			134
Restricted stock issued to officer					234			234
Dividend distribution					222			222
Net loss						(12,129)	(40)	(12,169)
Balance, September 30, 2013	**-**	**373,040,523**	**$ 373**	**$ 18,179**	**$ 182,304**	**$ (202,013)**	**$ (40)**	**$ (1,197)**

The accompanying notes are an integral part of the consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, except per share data)

(unaudited)

	Nine Months Ended September 30,	
	2013	**2012**
Operating activities:		
Net loss	$(12,169)	$(11,040)
Adjustments to reconcile net loss to net cash provided (used in) operating activities:		
Depreciation and amortization	158	138
Bad debt expense	11	-
Stock-based compensation	134	71
Restricted stock compensation issued to officer	234	233
Loss (Gain) from change in value of warrants	1,715	(4,010)
Gain from change in value of embedded conversion feature liabilities	(621)	(2,785)
Gain on extinguishment of debt (Note 7)	(91)	-
Manufacturing contract costs	-	6,300
Financing costs	-	1,355
Debt discount amortization	6,504	6,247
Non -cash interest	242	240
Changes in operating assets and liabilities:		
Trade accounts receivable	(378)	143
Prepaid expenses and other current assets	(127)	106
Other assets	-	20
Accounts payable and accrued expenses	360	(854)
Deferred revenue	-	(67)
Other liabilities	-	247
Net cash used in operating activities	(4,028)	(3,656)
Investing Activities:		
Purchases of property and equipment	(172)	(29)
Investment in patents and trademarks	(13)	(35)
Net cash used in investing activities	(185)	(64)
Financing Activities:		
Proceeds from short-term debt	-	1,050

Repayment of short-term debt	-	(2,762)
Payment of debt issuance costs	-	(1,033)
Proceeds from exercise of stock options	74	44
Proceeds from convertible debt issuance	-	12,000
Proceeds from stock issuance	-	3,000
Net cash provided by financing activities	74	12,299
Net increase (decrease) in cash	(4,139)	8,579
Cash at beginning of period	7,162	122
Cash at end of period	$3,023	$8,701
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Offering cost in relation to common stock issuance	-	2,905
Cashless exercise of warrants	-	6,259
Pre-installment payment of convertible debt and interest through common stock issuance	7,187	1,240
Dividends paid in common stock upon preferred stock conversion	222	-

The accompanying notes are an integral part of the consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2013 and 2012

(numbers in thousands, except share and per share data)

1. Description of Business

Liquidmetal Technologies, Inc. (the "Company") is a materials technology company that develops and commercializes products made from amorphous alloys. The Company's family of alloys consists of a variety of proprietary bulk alloys and composites that utilize the advantages offered by amorphous alloy technology. The Company designs, develops and sells products and components from bulk amorphous alloys to customers in various industries. The Company also partners with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products.

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 structures that form 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 the Company believes will make them preferable to other materials in a variety of applications. The amorphous atomic structure of the Company's 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, 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. The Company believes 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, the Company believes these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

The Company's revenues are derived from i) selling bulk Liquidmetal alloy products, which include non-consumer electronic devices, aerospace parts, medical products, automotive components, oil and gas exploration, and sports and leisure goods, ii) selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development, iii) product licensing and royalty revenue, and iv) research and development revenue.

2. Basis of Presentation and Recent Accounting Pronouncements

The accompanying unaudited interim consolidated financial statements as of and for the three and nine months ended September 30, 2013 have been prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. All intercompany balances and transactions have been eliminated in consolidation. Operating results for the three and nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for any future periods or the year ending December 31, 2013. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2013.

Revenue Recognition

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

The Company’s 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 are derived primarily from the sales and prototyping of Liquidmetal mold and bulk alloys as well as 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 the Company. 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) collectability is reasonably assured or upon receipt of an upfront fee, and (iii) all other revenue recognition criteria have been met. Pursuant to the terms of these types of licensing agreements, the Company has no further obligation with respect to the grant of the license once the license is granted. Licensing revenues that are related to royalties are recognized as the royalties are earned over the related period.

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Fair Value Measurements

The estimated fair values of amounts reported in the consolidated financial statements have been determined using available market information and valuation methodologies, as applicable. The fair value of cash, trade receivables, prepaid expenses and other current assets, accounts payable, and accrued liabilities approximate their carrying value due to their short maturities. The fair value of non-current assets and liabilities approximate their carrying value unless otherwise stated. The carrying amounts reported for debt obligations approximate fair value due to the effective interest rate of these obligations reflecting the Company's current borrowing rate.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Entities are required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value based upon the following fair value hierarchy:

Level 1 — Quoted prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company has one Level 2 financial instrument, that being warrants that are recorded at fair value on a periodic basis. Warrants are evaluated under the hierarchy of FASB ASC Subtopic 480-10, FASB ASC Paragraph 815-25-1 and FASB ASC Subparagraph 815-10-15-74 addressing embedded derivatives. The fair value of such warrants is estimated using the Black-Scholes option pricing model. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815 (see note 8).

The Company had one Level 3 financial instrument during the nine-months ended September 30, 2013, that being an embedded derivative that is recorded at fair value on a periodic basis. The embedded derivative is evaluated under the hierarchy of FASB ASC Subtopic 480-10, FASB ASC Paragraph 815-25-1 and FASB ASC Subparagraph 815-10-15-74 addressing embedded derivatives. The fair value of such embedded derivative is estimated using the Monte Carlo simulation model. The foregoing embedded derivative had certain anti-dilution and exercise price reset provisions which qualified the embedded derivative to be classified as a liability under FASB ASC 815. Upon the final settlement of the Senior Convertible Notes, this liability was extinguished as the underlying conversion option had been executed. As such, the fair value of the liability was reduced to zero upon conversion (see note 7).

As of September 30, 2013, the following table represents the Company’s fair value hierarchy for items that are required to be measured at fair value on a recurring basis:

	Fair Value	**Level 1**	**Level 2**	**Level 3**
Warrant liabilities	4,481	-	$4,481	-

Recent Accounting Pronouncements

Offsetting Assets and Liabilities

In December 2011 and December 2012, the FASB issued accounting standards updates modifying the disclosure requirements about the nature of an entity's rights of offsetting assets and liabilities in the consolidated balance sheet under master netting agreements and related arrangements associated with financial and derivative instruments. The guidance requires increased disclosure of the gross and net recognized assets and liabilities, collateral positions and narrative descriptions of setoff rights. The adoption of this pronouncement did not have a material impact on the Company’s Consolidated Financial Statements and accompanying disclosures.

Presentation of Items Reclassified out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued an accounting standards update which requires disclosure related to items reclassified out of accumulated other comprehensive income (AOCI). The guidance requires entities to present separately, for each component of other comprehensive income (OCI), current period reclassifications and the remainder of the current-period OCI. In addition, for certain current period reclassifications, an entity is required to disclose the effect of the item reclassified out of AOCI on the respective line item of net income. The adoption of this pronouncement did not have a material impact on the Company’s Consolidated Financial Statements and accompanying disclosures.

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Joint and Several Liabilities

In February 2013, the FASB issued an accounting standard update which modifies the requirements for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The guidance requires companies to measure these obligations as the sum of the amount the company has agreed with co-obligors to pay and any additional amount it expects to pay on behalf of one or more co-obligors. This guidance is effective for all fiscal years, and interim periods within those years, beginning after December 31, 2013. The Company does not expect this guidance to have a material impact on the Company's Consolidated Financial Statements.

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued an accounting standards update which will require that an unrecognized tax benefit be presented on the balance sheet as a reduction of a deferred tax asset for a net operating loss ("NOL") or tax credit carryforward under certain circumstances. The guidance is effective for all fiscal years, and interim periods within those years, beginning December 15, 2013. The Company does not expect this guidance to have a material impact on the Company's Consolidated Financial Statements.

3. Significant Transactions

<u>July 2012 Private Placement</u>

On July 2, 2012, the Company entered into a private placement transaction (the "July 2012 Private Placement") pursuant to which the Company issued $12,000 in principal amount of senior convertible notes that were due on September 1, 2013. The notes were convertible into shares of the Company's common stock at a conversion price of $0.352 per share. The notes bore interest at 8% per annum and were payable in twelve equal monthly installments of principal and interest beginning on October 1, 2012. Each monthly installment payment may have been made in cash, shares of the Company's common stock, or a combination thereof. If paid in shares, such shares were valued at the lower of (i) the then applicable conversion price or (ii) a price that was 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 payment date or the date on which the Company elected to pay in shares, whichever was lower. As of July 17, 2013, the Company had issued 163,641,547 shares of common stock in full satisfaction of notes (see note 7).

As a part of the July 2012 Private Placement, the Company issued warrants to purchase 18,750,000 shares of the Company's common stock at an exercise price of $0.384 per share, and such warrants first became exercisable on January 2, 2013 which was six months after the issuance date thereof. In the event that the Company issues or sells shares of the Company's common stock at a price per share that is less than the exercise price then in effect, the exercise price of the warrants will be reduced based on a weighted-average formula. In addition, on the two year anniversary of the issuance date, the then applicable exercise price will be reset to equal the lesser of (i) the then current exercise price or (ii) 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 July 2, 2017 (see note 8).

June 2012 Visser MTA Agreement

On June 1, 2012, the Company entered into a Master Transaction Agreement (the "Visser MTA Agreement") with Visser Precision Cast, LLC ("Visser") relating to a strategic transaction for manufacturing services and financing.

Under the manufacturing and service component of the Visser MTA Agreement, the Company has agreed to engage Visser as a perpetual, exclusive manufacturer of non-consumer electronic products and to 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, except for certain limited exceptions. Further, the Company has agreed to sublicense to Visser, on a fully-paid up, royalty-free, irrevocable, perpetual, worldwide basis, all intellectual property rights held by the Company. Visser's use of such sublicense is limited to the exercise of its manufacturing rights, provided that such limitation will terminate if the Company fails to comply with certain technical, administrative, and research and development support obligations set forth in the transaction agreements with Visser and such failure is not cured within 60 days. In addition, Visser has a right of first refusal over any proposed transfer by the Company of its technology pursuant to any license, sublicense, sale or other transfer, other than a license to a machine or alloy vendor.

Under the financing component of the Visser MTA Agreement, the Company issued and sold to Visser in a private placement transaction (i) 30,000,000 shares of common stock at a purchase price of $0.10 per share resulting in proceeds of $3,000, (ii) warrants to purchase 15,000,000 shares of common stock (subsequently increased to 18,539,762 shares under the anti-dilution provision of the warrants, see note 8) at an original exercise price of $0.22 per share (subsequently reduced to $0.18 per share under the anti-dilution provision of the warrants, see note 8) which expire on June 1, 2017 and (iii) a secured convertible promissory note (the "Promissory Note") in the aggregate principal amount of up to $2,000 which was convertible into shares of common stock at a conversion rate of $0.22 per share. The Promissory Note was issued pursuant to a $2,000 loan facility made available by Visser, but no borrowings were made by the Company under this loan facility, and the deadline for making borrowings under the facility expired on November 15, 2012. All of the shares of common stock issuable upon exercise of the warrants are subject to a lock-up period through December 31, 2016.

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The warrants under the Visser MTA Agreement contain certain anti-dilution and exercise price reset provisions which results in liability accounting under FASB ASC 815 (see note 8). In relation to the financing cost component to the Visser transaction, the Company performed a prorated allocation of the fair value of the warrants on the Promissory Note and the common stock based on their relative fair values. The Company capitalized deferred financing costs in relation to the Promissory Note totaling $1,789 and offset additional paid-in capital for $2,905 in relation to the warrants. The Company assessed the value of the deferred financing costs as of the quarter ended June 30, 2012 and determined that the value was impaired due to the limitations on the Company’s ability to request advances as discussed above. Therefore, the Company expensed the deferred financing costs totaling $1,355 as of the quarter ended June 30, 2012.

In connection with the Visser MTA Agreement, the Company performed a valuation analysis of the manufacturing service and financing components of the Visser MTA Agreement as part of the bundled contract. The Company has assessed and determined that while these components may have market values on a standalone basis, the values of the manufacturing component and sublicense component were deemed immaterial for accounting purposes. Further, the Company’s weighted average market stock price was approximately $0.31 per share at the time of share issuances to Visser. As the actual share purchase price related to the financing component of the Visser MTA Agreement was $0.10 per share, the $0.21 per share difference was treated as manufacturing contract costs and $6,300 was expensed as operating expenses during the second quarter ended June 30, 2012.

On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, the Company issued 8% unsecured, bridge promissory notes to Visser that were due upon demand in the amounts of $200, $200, $350 and $300, respectively. The aggregate principal amount of $1,050 and 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 financing component of the Visser MTA Agreement.

In November 2013, the Company and Visser entered into arbitration proceedings to resolve disputes associated with the Visser MTA Agreement (see note 15).

Apple License Transaction

On August 5, 2010, the Company entered into a license transaction with Apple Inc. (“Apple”) pursuant to which (i) the Company contributed substantially all of its 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 the Company 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 the Company 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 with Apple, the Company is obligated to contribute all intellectual property that it developed through February 2012 (and subsequently amended to extend through February 2014) to CIP. The Company is also obligated to maintain certain limited liability company formalities with respect to CIP at all times after the closing of the license transaction.

Other License Transactions

On January 31, 2012, the Company and Engel Austria Gmbh (“Engel”) entered into a Supply and License Agreement for a five year term whereby Engel was granted a non-exclusive license to manufacture and sell injection molding machines to the Company’s licensees. Since that time, the Company has delivered to Engel a customized induction melt system with a configuration for a standard injection-molding machine that that can be commercially supplied and supported by Engel to enable future licensees to manufacture Liquidmetal components. As of September 30, 2013, no revenues have been recognized under this agreement.

On November 16, 2011, the Company and Materion Brush Inc. (“Materion”) entered into a Development Agreement to evaluate, analyze and develop amorphous alloy feedstock to be supplied in commercial quantities. Further, on June 17, 2012, the Company entered into a Sales Representation Agreement with Materion whereby Materion shall promote the sale of Liquidmetal’s products for certain commissions. This agreement is for a two year initial term with annual, automatic renewals. To date, there have been no commission payments related to this agreement.

The Company’s Liquidmetal Golf subsidiary has the exclusive right and license to utilize the Company’s 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. The Company owns 79% of the outstanding common stock in Liquidmetal Golf.

In June 2003, the Company 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. 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.

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In March 2009, the Company entered into a license agreement with Swatch Group, Ltd. ("Swatch") under which Swatch was granted a perpetual non-exclusive license to the Company's 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 the Company's license agreement with LLPG was simultaneously amended to exclude watches from LLPG's rights. The Company will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by Swatch. The license agreement with Swatch will expire on the expiration date of the last licensed patent.

4. Liquidity and Capital Resources

The Company's cash used in operations was $4,028 for the nine months ended September 30, 2013, cash used in investing activities was $185 for the nine months ended September 30, 2013, and cash provided by financing activities was $74 for the nine months ended September 30, 2013. As of September 30, 2013, the Company's cash balance was $3,023.

On July 2, 2012, the Company entered into the July 2012 Private Placement pursuant to which it issued $12,000 in principal amount of Senior Convertible Notes that were due on September 1, 2013 and warrants to the purchasers of such Senior Convertible Notes giving such purchasers 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 note 3). As of July 17, 2013, the notes under the July 2012 Private Placement were paid off in full through issuance of common stock (see note 7).

The Company anticipates that its current capital resources, when considering expected losses from operations, will be sufficient to fund the Company's operations through the end of the first quarter of 2014. The Company has a relatively limited history of producing bulk amorphous alloy components and products on a mass-production scale. Furthermore, Visser's ability to produce the Company's products in desired quantities and at commercially reasonable prices is uncertain and is dependent on a variety of factors that are outside of the Company's control, including the nature and design of the component, the customer's specifications, and required delivery timelines. Such factors will likely require that the Company raise additional funds to support the Company's operations beyond the first quarter of 2014. There is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all. If the Company raises additional funds by issuing securities, existing stockholders may be diluted. If funding is insufficient at any time in the future, the Company may be required to alter or reduce the scope of the Company's operations or to cease operations entirely. Uncertainty as to the outcome of these factors raises substantial doubt about the Company's ability to continue as a going concern.

On November 8, 2013, the Company entered into a Common Stock Purchase Agreement that will allow the company to raise up to $20 million through periodic issuances of common stock over a three year period (see note 15).

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets totaled $548 and $689 as of September 30, 2013 and December 31, 2012, respectively and primarily consists of prepaid invoices and insurance premiums that will be reclassified to expense as shipments are made to customers or services are provided. Deferred debt issuance costs are also included in prepaid expenses and other current assets and were $0 as of September 30, 2013, reflecting $15 and $360 of amortization expensed during the three and nine months ended September 30, 2013, respectively. Deferred debt issuance costs were $399 as of December 31, 2012.

6. Patents and Trademarks, net

Net patents and trademarks totaled $792 and $869 as of September 30, 2013 and December 31, 2012, respectively, and it primarily consists of purchased patent rights and internally developed patents.

Purchased patent rights represent the exclusive right to commercialize the bulk amorphous alloy and other amorphous alloy technology acquired from California Institute of Technology (“Caltech”), through a license agreement with Caltech and other institutions. All fees and other amounts payable by the Company for these rights and licenses have been paid or accrued in full, and no further royalties, license fees or other amounts will be payable in the future under the license agreement.

In addition to the purchased and licensed patents, the Company has internally developed patents. Internally developed patents include legal and registration costs incurred to obtain the respective patents. The Company currently holds various patents and numerous pending patent applications in the United States, as well as numerous foreign counterparts to these patents outside of the United States.

The Company amortizes capitalized patents and trademarks over an average of 10 to 17 year periods. Amortization expense for patents and trademarks was $25 and $90 for the three and nine months ended September 30, 2013, respectively. Amortization expense for patents and trademarks was $32 and $101 for the three and nine months ended September 30, 2012, respectively.

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7. Convertible Note and Embedded Conversion Feature Liability and Gain on Extinguishment of Debt

On July 2, 2012, the Company entered into the July 2012 Private Placement pursuant to which it issued $12,000 in principal amount of Senior Convertible Notes that were due on September 1, 2013 (see note 3). Pursuant to ASC 815-40, due to the anti-dilution provision of the notes, the conversion feature of the notes is not indexed to the Company's owned stock and should be bifurcated and recognized as a derivative liability in the consolidated balance sheets and measured at fair value. The notes bore interest at 8% per annum and were payable in twelve equal monthly installments of principal and interest beginning on October 1, 2012.

The embedded conversion feature liability and warrants issued in connection with the Senior Convertible Notes were valued utilizing the Monte Carlo simulation and Black Sholes pricing model at $8,865 and $5,053, respectively, totaling $13,918 as of July 2, 2012. $12,000 of this total was recorded as debt discount and the excess of the face value of the embedded conversion feature liability and warrants of $1,918 was booked to debt discount amortization on July 2, 2012.

Pursuant to the terms of the Senior Convertible Notes, the Company opted to pay the first eleven monthly installment payments due prior to June 30, 2013 with shares of the Company's common stock, with settlement of the final installment during July 2013. Upon final settlement, the Company had issued 163,641,547 shares of common stock, at a weighted average conversion price of $0.0774, for the twelve installment payments due under the notes, consisting of $12,000 principal and $680 of interest.

Interest expense on the Senior Convertible Notes was $21 and $242 for the three and nine months ended September 30, 2013, respectively, and the balance on the notes (net of debt discount) was $0 as of September 30, 2013 as follows:

	Convertible Note	**Debt Discount**	**Net Total**

Beginning Balance - December 31, 2012	$ 7,000	$ (4,635)	$2,365
Installment Payments in Shares	(7,000)	-	(7,000)
Amortization	-	4,181	4,181
Write-off associated with convertible debt extinguishment	-	454	454
Ending Balance - September 30, 2013	$ -	$ -	$-

On July 17, 2013, the Company and each of the holders of the Senior Convertible Notes due on September 1, 2013, in the original aggregate principal amount of $12,000, agreed to cause all remaining principal and interest under the Senior Convertible Notes to be converted into an aggregate of 18,679,584 shares of the Company's common stock in full satisfaction of the notes. As a result of this conversion, the Senior Convertible Notes were paid off in full and are no longer outstanding as of the conversion date. As the final conversion occurred pursuant to terms that were not included in the original terms of the Senior Convertible Notes, the Company recorded a gain on extinguishment of debt in the amount of $91 which consisted of the write-off of unamortized debt discount, unamortized debt issuance costs, embedded conversion feature liabilities, and the difference between the reacquisition price of the shares issued and the contractual conversion price of the Senior Convertible Notes.

8. Warrant Liability

Pursuant to FASB ASC 815, the Company is required to report the value of certain warrants as a liability at fair value and record the changes in the fair value of the warrant liabilities as a gain or loss in its statement of operations due to the price-based anti-dilution rights of the warrants.

During June 2012, the Company issued warrants to purchase a total of 15,000,000 shares of common stock to Visser under the Visser MTA Agreement (see note 3). These warrants had an original exercise price of $0.22 per share and expire on June 1, 2017 and were originally valued at $4,260. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815. As a result of paying down our convertible notes with common stock, which resulted in an anti-dilution impact, the exercise price of these warrants was reduced to $0.21 as of December 31, 2012 and $0.18 as of September 30, 2013. In addition, the number of shares to be issued under the warrants as a result of the anti-dilution provision increased to 15,776,632 and 18,539,762 as of December 31, 2012 and September 30, 2013, respectively. As of September 30, 2013, these warrants were valued at $2,323 under the Black Sholes valuation model utilizing the following assumptions: (i) expected life of 3.67 years, (ii) volatility of 148%, (iii) risk-free interest rate of 1.39%, and (iv) dividend rate of 0. The change in warrant value for these warrants for the three and nine months ended September 30, 2013 was a loss of $1,318 and $1,063, respectively.

On July 2, 2012, the Company issued warrants to purchase a total of 18,750,000 shares of common stock related to the July 2012 Private Placement (see note 3). These warrants have an exercise price of $0.384 per share and expire on July 2, 2017 and were originally valued at $5,053. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815. As of September 30, 2013, these warrants were valued at $2,158 under the Black Sholes valuation model utilizing the following assumptions: (i) expected life of 3.75 years, (ii) volatility of 147%, (iii) risk-free interest rate of 1.39%, and (iv) dividend rate of 0. The change in warrant value for these warrants for the three and nine months ended September 30, 2013 was a loss of $1,193 and $652, respectively.

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The following table summarizes the change in the Company's warrant liability as of September 30, 2013:

	Visser MTA Agreement	July 2, 2012 Private Placement	Total
Beginning Balance - December 31, 2012	$ 1,260	$ 1,506	2,766
Change in value of warrant liability, loss	1,063	652	1,715
Ending Balance - September 30, 2013	$ 2,323	$ 2,158	$4,481

The Company had warrants to purchase 67,069,319 and 64,306,189 shares of common stock outstanding as of September 30, 2013 and December 31, 2012, respectively. Of these, warrants to purchase 37,289,762 shares were valued and classified as a liability under FASB ASC 815 (see note 11).

9. Other Long-term Liabilities

Other long-term liabilities balance was $856 as of September 30, 2013 and December 31, 2012, and consists of long-term, aged payables to vendors, individuals, and other third parties that have been outstanding for more than 5 years. The Company is in the process of researching and resolving the balances for settlement and/or write-off.

10. Stock Compensation Plan

Under the Company's 2002 Equity Incentive Plan which provided for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries, the Company granted options to purchase the Company's common stock. All options granted under this plan had exercise prices that were equal to the fair market value on the date of grant. During the nine months ended September 30, 2013, the Company did not grant any options under this plan. The Company had outstanding grants of options to purchase 2,720,000 and 3,392,000 shares of the Company's common stock as of September 30, 2013 and December 31, 2012, respectively.

On June 28, 2012, the Company adopted the 2012 Equity Incentive Plan, with the approval of the shareholders, which provided for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries. All options granted under this plan had exercise prices that were equal to the fair market value on the dates of grant. During the nine months ended September 30, 2013, the Company granted options to purchase 12,867,500 shares of common stock. Under this plan, the Company had grants of options to purchase 12,677,500 and 330,000 shares of the Company's common stock as of September 30, 2013, and December 31, 2012, respectively.

11. Shareholders' Deficit

Common stock

In June 2012, the Company issued 30,000,000 shares of common stock to Visser in connection with the Visser MTA Agreement (see note 3).

Pursuant to the terms of the Company's Senior Convertible Notes issued in the July 2012 Private Placement, the Company opted to pay the twelve monthly installment payments prior to the September 1, 2013 maturity date with shares of the Company's common stock. Upon final settlement, the Company had issued 163,641,547 shares of common stock at a weighted average conversion price of $0.0774, for the twelve installment payments due under the notes, consisting of $12,000 principal and $680 of interest (see notes 3 and 7).

During the nine months ended September 30, 2013, the holders of the Company's Series A Preferred Stock converted all of the outstanding 506,936 shares of preferred stock into 16,896,070 shares of the Company's common stock (see "Preferred stock" below). After giving effect to such conversion, the Company has no shares of preferred stock outstanding.

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On February 28, 2013, the Company's stockholders approved an amendment to the Certificate of Incorporation of the Company increasing the number of authorized shares of common stock from 400 million shares to 500 million shares.

On October 24, 2013, the Company's stockholders approved an amendment to the Company's Certificate of Incorporation increasing the number of authorized shares of common stock from 500 million shares to 700 million shares (see note 15).

Preferred stock

On May 1, 2009, pursuant to a Securities Purchase and Exchange Agreement, the Company issued 500,000 shares of convertible Series A-1 Preferred Stock with an original issue price of $5.00 per share and 2,625,000 shares of Series A-2 Preferred Stock with an original issue price of $5.00 per share as part of a financing transaction. In October 2009, the Company entered into an agreement with various investors to issue 180,000 shares of Series A-1 Preferred Stock with identical terms as the Series A-1 Preferred Stock issued on May 1, 2009.

The Series A Preferred Stock and any accrued and unpaid dividends thereon was convertible, at the option of the holders of the Series A Preferred Stock, into common stock of the Company at a conversion price of $.10 per share in the case of the Series A-1 Preferred Stock and a conversion price of $.22 per share in the case of the Series A-2 Preferred Stock (in both cases subject to adjustments for any stock dividends, splits, combinations and similar events).

As of December 31, 2012, the Company had 506,936 shares of Series A Preferred Stock outstanding, consisting of 105,231 and 401,705 shares of Series A-1 and Series A-2 Preferred Stock, respectively. Preferred stock as of December 31, 2012 was $0 due to an insignificant balance, and accrued dividends on the Series A Preferred Stock as of December 31, 2012 were $222.

During the nine months ended September 30, 2013, all of the holders of the Company’s Series A Preferred Stock converted all of the outstanding shares of preferred stock and accrued dividends into 16,896,070 shares of the Company’s common stock. Therefore, as of September 30, 2013, the Company no longer had any outstanding Preferred Stock and the related $222 accrued dividends were reclassified to additional paid-in capital as of September 30, 2013.

Warrants

In connection with the Series A Preferred Stock issuances, warrants to purchase 29,779,557 shares of the Company’s common stock were outstanding as of December 31, 2012 and September 30, 2013. These warrants do not contain anti-dilution provisions and are reflected as equity as they do not meet the criteria under FASB ASC 815 for liability treatment. Warrants classified as equity were recorded at $18,179 as of December 31, 2012 and September 30, 2013. All of such warrants have an exercise price of $0.49 and expire on July 15, 2015.

Non-Controlling Interest

The Company’s Liquidmetal Golf subsidiary has the exclusive right and license to utilize the Company’s Liquidmetal alloy technology for purposes of golf equipment applications. Liquidmetal Technologies owns 79% of the outstanding common stock in Liquidmetal Golf. As of September 30, 2013, non-controlling interest was a deficit of $40. The December 31, 2012 non-controlling interest balance was immaterial and not recorded.

12. Loss Per Common Share

Basic earnings per share (“EPS”) is computed by dividing earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding for the periods. Diluted EPS reflects the potential dilution of securities that could share in the earnings.

Options to purchase 15,397,500 shares of common stock, at prices ranging from $0.08 to $2.49 per share, were outstanding at September 30, 2013, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company’s net loss. Warrants to purchase 67,069,319 shares of common stock, with prices ranging from $0.18 to $0.49 per share, outstanding at September 30, 2013 were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company’s net loss.

Options to purchase 4,352,000 shares of common stock, at prices ranging from $0.09 to $15.00 per share, were outstanding at September 30, 2012, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company’s net loss. Warrants to purchase 63,529,557 shares of common stock, with prices ranging from $0.22 to $0.49 per share, outstanding at September 30, 2012 were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company’s net loss. 16,896,073 shares of common stock issuable upon conversion of the Company’s convertible preferred stock, with conversion prices of $0.10 and $0.22 per share, outstanding at September 30, 2012 were not included in the computation of diluted EPS for the same period because the inclusion would have been antidilutive, given the Company’s net loss.

13. Commitments and Contingencies

The Company leases its office and warehouse facility under a lease agreement that expires on April 30, 2016. Rent payments are subject to escalations through the end of the lease term. Rent expense was $50 and $150 for the three and nine months ended September 30, 2013, respectively. Rent expense was $50 and $150 for the three and nine months ended September 30, 2012, respectively.

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14. Related Party Transactions

On August 5, 2011, the Company signed a Stock Purchase Agreement (the “Stock Purchase Agreement”) with IMG Materials Group, LLC (“IMG”), a California limited liability company which is majority owned by Mr. Kang, a former Chief Executive Officer and Chairman of the Company, to sell all of the stock of the Company’s former Chinese subsidiary, Advanced Metals Materials (“AMM”) for $720. As part of the consideration, the Company received a $200 Promissory Note due August 5, 2012, bearing an interest rate of 8% per annum. In conjunction with the Stock Purchase Agreement, the Company also entered into a license agreement (the “IMG License Agreement”) with IMG to license certain patents and technical information for the limited purpose of manufacturing certain licensed products with the Company’s existing first generation die cast machines. The IMG License Agreement granted a non-exclusive license to certain product categories, as well as an exclusive license to specific types of consumer eyewear products and obligated IMG to pay the Company a running royalty based on its sales of licensed products through August 5, 2021. The Company recognized $0 in royalty revenues from IMG during the three and nine months ended September 30, 2013.

On December 31, 2012, IMG and the Company signed an amendment to the IMG License Agreement whereby the $200 Promissory Note from IMG along with the accrued interest of $21 was forgiven in exchange for the return of the eyewear license to the Company. The Company accounted for this transaction as an exchange of non-monetary assets and reclassified the $221 to eyewear license fee. While the Company continues to maintain an active interest in leveraging the eyewear license for prospective opportunities in the eyewear industry from both a products and licensing perspective, the Company determined that there was insufficient historical market data on the potential license applications presently available to provide a reasonable basis to fair value the license and its period of useful life. Therefore, the Company recognized a $221 impairment loss for accounting purposes for the year ended December 31, 2012.

During 2012, the Company incurred $2 in legal fees to defend Mr. Kang, as the former Representative Director of our Korean subsidiary, against allegations relating to the Company’s Korean subsidiary’s involvement in customs reporting violations in South Korea that allegedly occurred in 2007 and 2008. The Company had agreed to reimburse Mr. Kang’s legal fees incurred on this issue through December 31, 2012.

On February 1, 2012, Mr. Tony Chung, the Company’s Chief Financial Officer, converted his 10,000 shares of Series A-1 Preferred Stock into a total of 565,344 shares of the Company’s common stock, including dividends received in the form of common stock. On June 13, 2013, Mr. Chung purchased 1,324,999 shares of Company's common stock at an average share price of $0.078.

In February 2013, Mr. Abdi Mahamedi, the Company's Chairman, converted his 58,600 shares of Series A-1 Preferred Stock and 260,710 shares of Series A-2 Preferred Stock into a total of 10,387,883 shares of the Company's common stock, including dividends received in the form of common stock. Mr. Mahamedi is a greater-than-5% beneficial owner of the Company.

Mr. Thomas Steipp, the Company's Chief Executive Officer, sold an aggregate of 400,000 shares of the common stock of the Company on August 5, 2013 pursuant to a trading plan that Mr. Steipp previously adopted under SEC Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. Mr. Steipp adopted the trading plan on March 22, 2013 for the purpose of providing him with funds to satisfy certain tax liabilities as a result of the vesting on August 3, 2013 of 1,200,000 shares of Company restricted common stock held by Mr. Steipp. The restricted shares were granted to Mr. Steipp in 2010 under a previously disclosed Restricted Stock Award Agreement, dated August 3, 2010, between Mr. Steipp and the Company. The trading plan also provides for the future sale of 400,000 shares of Company common stock scheduled for August 4, 2014.

In September 2013, the Company entered into Change of Control Agreements with Ricardo A. Salas, the Company's Executive Vice President, Tony Chung, the Company's Chief Financial Officer, and certain other executive officers who are not named executive officers of the Company for SEC reporting purposes. The Change of Control Agreements provide that if the executive officer's employment with the Company is terminated without cause during the one-year period after a change of control of the Company, then the terminated officer will receive lump sum severance compensation in an amount equal to twelve months of his then-current base salary. Under the agreements, each of the executive officers will also be entitled to the above-described severance compensation in the event he terminates his own employment within one year after a change of control because of a salary decrease or assignment to a lower-level position. In addition, upon termination, all unvested stock options related to these officers will automatically and immediately vest and shall thereafter be exercisable in accordance with the terms and provisions of the applicable award agreements.

The Company has an exclusive license agreement with LLPG, Inc. ("LLPG"), a corporation owned principally by Jack Chitayat, a former director of the Company. Under the terms of the agreement, LLPG has the right to commercialize Liquidmetal alloys, particularly precious-metal based compositions, in 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 2013 and 2012.

On February 27, 2013, Mr. Chitayat converted his 28,928 shares of Series A-1 Preferred Stock and 109,528 shares of Series A-2 Preferred Stock into a total of 4,626,840 shares of the Company's common stock, including dividends received in the form of common stock. Mr. Chitayat is a greater-than-5% beneficial owner of the Company.

On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, the Company issued 8% unsecured, bridge promissory notes to Visser Precision Cast, LLC that were due upon demand in the amounts of $200, $200, $350 and $300, respectively. The aggregate principal amount of $1,050 and 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 financing component of the Visser MTA Agreement (see note 3). Visser is a greater-than-5% beneficial owner of the Company.

15. Subsequent Event

Annual Meeting of Stockholders

On October 24, 2013, the stockholders of the Company approved an amendment to the Company's Certificate of Incorporation to (i) increase the number of shares of common stock that the Company is authorized to issue from 500,000,000 shares to 700,000,000 shares and (ii) remove all language relating to the Company's Series A-1 and Series A-2 Preferred Stock and the rights of the holders thereof. The amendment was filed with the Secretary of State of the State of Delaware on October 28, 2013, and is therefore effective as of October 28, 2013.

Arbitration with Visser

In November 2013, the Company and Visser entered into arbitration proceedings with the Judicial Arbiter Group in Denver, CO. Both parties have filed claims alleging breaches of various obligations under the Visser MTA Agreement entered into on June 1, 2012 (see note 3).

In general, the Company has filed claims for damages against Visser for fraudulently inducing the Company to enter into the Visser MTA Agreement and harm inflicted on the Company for its failure to perform under the manufacturing component of the Visser MTA Agreement. In addition, the Company is seeking reformation and/or termination of parts of the Visser MTA Agreement in order to free the Company from the exclusive manufacturing arrangement with Visser and allow the Company to seek other manufacturing partners. Visser has also filed claims for damages against the Company alleging several violations of the Visser MTA Agreement including fraudulent contract inducement and securities fraud through alleged misrepresentations regarding the future capitalization of the Company, breach of several components of the Visser MTA Agreement through alleged inappropriate sharing of intellectual property with other business partners, as well as the lack of a qualified sales force in marketing the Company's technology and related production efforts of Visser. Visser also requests equitable relief in the form of orders increasing its stock ownership in the Company and requiring the Company to honor its asserted rights of first refusal with respect to the Company's technology.

The Company believes that the claims by Visser are without merit and intends to defend itself vigorously and to forcefully pursue its claims for fraudulent inducement, breach of contract and other causes of action against Visser. The Company can make no predictions regarding the outcome of this arbitration. The pendency of the dispute and the arbitration could have a material, adverse effect on the Company and its results of operations and financial condition, as well as upon the market price of the Company's common stock held by the Company's stockholders.

Common Stock Purchase Agreement

On November 8, 2013 the Company entered into a Common Stock Purchase Agreement with various institutional investors (the "investors") that allows, but does not obligate, the Company to issue and sell up to $20 million of shares of its common stock to the investors from time to time over the 36-month period following the effectiveness of a registration statement that the Company has agreed to file with the Securities and Exchange Commission to register the resale of the stock by the investors. The Company may, in accordance with the procedures outlined in the agreement, notify the investors of the dollar amount that the Company intends to sell to the investors, subject to a maximum amount equal to the lesser of (i) a specified dollar amount set forth in the agreement and (ii) a dollar amount equal to 300% of the average daily trading volume of the company's common stock for the ten trading days immediately prior to the date of the request. Upon such a notice, the investors will be contractually obligated to purchase the shares at a purchase price equal to 90% of the lowest daily volume weighted average price of the common stock over a five-day pricing period beginning on the date of the notice.

In consideration for execution and delivery of the agreement, the Company will be issuing to each of the investors a pro rata portion of 2,666,667 shares of the Company's common stock.