

LIQUIDMETAL TECHNOLOGIES INC
Form 10-K/A
April 05, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____
Commission File No. 000-31332

LIQUIDMETAL TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware 33-0264467
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification No.)
organization)

30452 Esperanza

Rancho Santa Margarita, CA 92688

(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (949) 635-2100

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each Class

Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company T

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No T

The aggregate market value of the registrant’s common stock held by non-affiliates of the registrant as of June 30, 2010 was approximately \$4,236,783. For purposes of this calculation only, (i) shares of common stock are deemed to have a market value of \$0.12 per share, the closing price of the common stock as reported on the OTC Bulletin Board on June 30, 2010 and (ii) each of the executive officers, directors and persons holding more than 10% of the outstanding common stock as of June 30, 2010 is deemed to be an affiliate.

The number of shares of common stock outstanding as of February 28, 2011 was 93,695,375.

EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as filed with the U.S. Securities and Exchange Commission (“SEC”) on March 15, 2010, to restate our financial statements to properly account for the reclassification of revenue and certain expenses related to our discontinued operations in South Korea. Additionally, reclassifications to prior year’s financial statements have been made for consistent presentation of our revenue, selling, general and administrative expenses, impairment of long-lived assets and interest expense. We have included related and revised disclosures in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 9A “Controls and Procedures.”

We are also including the information required by Part III of Form 10-K, that we previously intended to incorporate by reference to our definitive proxy statement. We have also included a legal settlement and its related adjustments as indicated in our subsequent event disclosure. A description of the legal settlement and the related adjustments has been included in Part I, Item 3 “Legal Proceedings” and Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

We have included a currently-dated consent from our independent registered public accounting firm, Choi, Kim, Park, LLP, which is required to be filed by the SEC pursuant to Item 601(b)(23) of Regulation S-K.

Pursuant to Rule 12b-15, we have also provided currently-dated certifications from our chief executive officer (principal executive officer) and chief financial officer (principal financial officer), as required by Rule 13a-14(a) or Rule 15d-14(a), as adopted under Section 302 of the Sarbanes-Oxley Act of 2002, and Section 1350 of Title 18 of the United States Code, as adopted under Section 906 of the Sarbanes-Oxley Act of 2002.

Other than the changes referred to above, all other information included in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010 remains unchanged. Except as specifically described above, this Amendment No. 1 does not reflect events occurring after the filing of such Form 10-K, and does not modify or update the disclosures therein in any way other than as required to reflect the amendment as described above and set forth below.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K of Liquidmetal Technologies, Inc. contains “forward-looking statements” that may state our management’s plans, future events, objectives, current expectations, estimates, forecasts, assumptions or projections about the company and its business. Any statement in this report that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as “believes,” “estimates,” “projects,” “expects,” “intends,” “anticipate,” “plans,” “seeks,” and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or result. These statements are not guarantees of future performance, and undue reliance should not be placed on these statements. It is important to note that Liquidmetal Technologies, Inc.’s actual results could differ materially from what is expressed in our forward-looking statements due to the risk factors described in the section of this report entitled “Risk Factors” (Item 1A of this report) as well as the following risks and uncertainties:

- Our history of operating losses and the uncertainty surrounding our ability to achieve or sustain profitability;
- Our limited history of developing, manufacturing, and selling products made from our bulk amorphous alloys;
 - Lengthy customer adoption cycles and unpredictable customer adoption practices;
 - Our ability to identify, develop, and commercialize new product applications for our technology;
 - Competition from current suppliers of incumbent materials or producers of competing products;
 - Our ability to identify, consummate, and/or integrate strategic partnerships;
 - The potential for manufacturing problems or delays; and
 - Potential difficulties associated with protecting or expanding our intellectual property position.

Liquidmetal Technologies, Inc. undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Business

In this Annual Report on Form 10-K, unless the context indicates otherwise, references to “the Company”, “Liquidmetal Technologies”, “our Company”, “we”, “us”, and similar references refer to Liquidmetal Technologies, Inc. and its subsidiaries.

Overview

We are a materials technology company that develops and commercializes products made from amorphous alloys. Our Liquidmetal® family of alloys consists of a variety of proprietary coatings, powders, bulk alloys, and composites that utilize the advantages offered by amorphous alloy technology. We develop, manufacture, and sell products and components from bulk amorphous alloys to customers in various industries, and we also partner with third-party licensees and distributors to develop and commercialize bulk Liquidmetal alloy products. We believe that our proprietary bulk alloys are the only commercially viable bulk amorphous alloys currently available in the marketplace. In addition to our bulk alloys, we market and sell a line of proprietary amorphous alloy-based industrial coatings under the Liquidmetal Armacor™ Coatings brand.

Amorphous alloys are in general unique materials that are distinguished by their ability to retain a random atomic structure when they solidify, in contrast to the crystalline atomic structure that forms in other metals and alloys when they solidify. Liquidmetal alloys are proprietary amorphous alloys that possess a combination of performance, processing, and potential cost advantages that we believe will make them preferable to other materials in a variety of applications. The amorphous atomic structure of our alloys enables them to overcome certain performance limitations

caused by inherent weaknesses in crystalline atomic structures, thus facilitating performance and processing characteristics superior in many ways to those of their crystalline counterparts. For example, in laboratory testing, our zirconium-titanium Liquidmetal alloys are approximately 250% stronger than commonly used titanium alloys such as Ti-6Al-4V, but they also have some of the beneficial processing characteristics more commonly associated with plastics. We believe these advantages could result in Liquidmetal alloys supplanting high-performance alloys, such as titanium and stainless steel, and other incumbent materials in a wide variety of applications. Moreover, we believe these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

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General Corporate Information

We were originally incorporated in California in 1987, and we reincorporated in Delaware in May 2003. Our principal executive offices are located at 30452 Esperanza, Rancho Santa Margarita, California 92688. Our telephone number at that address is (949) 635-2100. Our Internet website address is www.liquidmetal.com and all of our filings with the Securities and Exchange Commission (“SEC”) are available free of charge on our website.

Segments

We classify our operations into two reportable segments: Liquidmetal alloy industrial coatings and bulk Liquidmetal alloys. The Liquidmetal alloy industrial coatings are used primarily as a protective coating for industrial machinery and equipment, such as drill pipe used by the oil drilling industry and boiler tubes used by coal burning power plants. Our coatings business is conducted through Liquidmetal Coatings, LLC, a majority owned subsidiary. Bulk Liquidmetal alloys include market opportunities to manufacture and sell components made out of our bulk alloys. The expenses incurred by the bulk Liquidmetal alloy segment are manufacturing, research and development costs, and selling expenses associated with identifying and developing market opportunities. Bulk Liquidmetal alloy products can be distinguished from Liquidmetal alloy coatings in that the bulk Liquidmetal alloy can have significant thickness, up to approximately one inch, which allows for their use in a wider variety of applications other than a thin protective coating applied to machinery and equipment. Revenue and expenses associated with research and development services are included in the bulk Liquidmetal alloy segment.

Results of segment operations and assets are included in Note 16 to the Consolidated Financial Statements contained in this Form 10-K.

Our Technology

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

Unique Atomic Structure

The atomic structure of Liquidmetal alloys is the fundamental feature that differentiates them from other alloys and metals. In the molten state, the atomic particles of all alloys and metals have an amorphous atomic structure, which means that the atomic particles appear in a completely random structure with no discernible patterns. However, when non-amorphous alloys and metals are cooled to a solid state, their atoms bond together in a repeating pattern of regular and predictable shapes or crystalline grains. This process is analogous to the way ice forms when water freezes and crystallizes. In non-amorphous metals and alloys, the individual crystalline grains contain naturally occurring structural defects that limit the potential strength and performance characteristics of the material. These defects, known as dislocations, consist of discontinuities or inconsistencies in the patterned atomic structure of each grain. Unlike other alloys and metals, bulk Liquidmetal alloys can retain their amorphous atomic structure throughout the solidification process and therefore do not develop crystalline grains and the associated dislocations. Consequently, bulk Liquidmetal alloys exhibit superior strength and other superior performance characteristics compared to their crystalline counterparts. Our Liquidmetal alloy coatings, in contrast to our bulk alloys, have a crystalline atomic structure when initially applied, but their atomic structure becomes amorphous as the coatings rub against surfaces under force, thus improving their performance over time.

Prior to 1993, commercially viable amorphous alloys could be created only in thin forms, such as coatings, films, or ribbons. However, in 1993, researchers at the California Institute of Technology (Caltech) developed the first commercially viable amorphous alloy in a bulk form. Today, bulk Liquidmetal alloys can be formed into objects that

are up to one inch thick, and we are not aware of any other commercially available amorphous alloys that can achieve this thickness. We obtained the exclusive right to commercialize the bulk amorphous alloy through a license agreement with Caltech and have developed the technology to enable the commercialization of the bulk amorphous alloys.

Proprietary Material Composition

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

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Advantages of Liquidmetal Alloys

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

Performance Advantages

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

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

Processing Advantages

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

Bulk Liquidmetal alloys also permit the creation of composite materials that cannot be created with most non-amorphous metals and alloys. A composite is a material that is made from two or more different types of materials. In general, the ability to create composites is beneficial because constituent materials can be combined with one another to optimize the composite's performance characteristics for different applications. In other metals and alloys, the high temperatures required for processing could damage some of the composite's constituent materials and therefore limit their utility. However, the relatively low melting temperatures of bulk Liquidmetal alloys allow mild processing conditions that eliminate or limit damage to the constituent materials when creating composites. In addition to composites, we believe that the processing advantages of Liquidmetal alloys will ultimately allow for a variety of other finished forms, including sheets and extrusions.

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

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Cost Advantages

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

Additionally, because the near-to-net shape processing of Liquidmetal alloys reduces the need for capital-intensive heavy industrial equipment such as that found in foundry and forging operations, Liquidmetal alloys can be processed with a smaller machinery footprint, which allows for more efficient development of facilities and reduced permitting and regulatory costs. We believe that these advantages may allow our customers an opportunity to maintain or improve the performance of their products without a commensurate increase in cost.

Our Strategy

As a result of the experience and knowledge that we have gained through our activities to date, and recognizing that developing and commercializing a revolutionary new technology is an evolutionary process, we are continually modifying our business strategy to enable us to better capitalize on our evolving core strengths and more effectively pursue revenue growth and profitability. The key elements of our strategy include:

Identifying and Developing New Applications for Our Liquidmetal Alloy Technology. We intend to continue to identify and develop new applications that will benefit from the performance, processing, and cost advantages of Liquidmetal alloys.

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

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

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

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Applications for Liquidmetal Alloys

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

Components for Electronic Products

We produce components for non-consumer electronic devices using our bulk Liquidmetal alloys and believe that our alloys offer enhanced performance and design benefits for these components in certain applications. On August 5, 2010, we entered into a license transaction with Apple Inc. (“Apple”) pursuant to which we granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize our intellectual property in the field of consumer electronic products, as defined in the license agreement.

Sporting Goods and Leisure Products

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

In the sporting goods industry, we believe that the high strength, hardness, and elasticity of our bulk alloys have the potential to enhance performance in a variety of products, and we further believe that many sporting goods products are conducive to our strategy of focusing on high-margin products that meet our design criteria. Substantial opportunities also exist for our amorphous alloy coatings, powders and composites. In prior years, Rawlings Sporting Goods Company launched a new line of baseball and softball bats that utilize a Liquidmetal alloy coating, and HEAD NV Sport launched a new line of HEAD® Liquidmetal® tennis racquets and skis that incorporates Liquidmetal alloy in composite form in their racquet and ski design. Other potential applications for our alloys in this industry include golf clubs, eyewear, fishing, hunting, and other sport products.

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

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

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

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Medical Devices

We are engaged in product development efforts relating to various medical devices that could be made from Liquidmetal alloys. We believe that the unique properties of bulk Liquidmetal alloys provide a combination of performance and cost benefits that could make them a desirable replacement to incumbent materials, such as stainless steel and titanium, currently used in various medical device applications. Our ongoing emphasis has been on surgical instrument applications for Liquidmetal alloys. These include, but are not limited to, specialized blades, orthopedic instruments utilized for implant surgery procedures, dental devices, and general surgery devices. The potential value offered by our alloys is high performance in some cases and cost reduction in others, the latter stemming from the ability of Liquidmetal alloys to be net shape cast into components, thus reducing costs of secondary processing. The status of most components in the prototyping phase is subject to non-disclosure agreements with our customers.

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

Industrial Coatings and Powders

Through our majority owned Liquidmetal Coatings subsidiary, we continue to market and sell amorphous alloy industrial coatings and powders under the Liquidmetal Armacor™ Coatings brand name. Liquidmetal alloy coatings are used primarily as a protective coating for industrial machinery and equipment. Since the inception of this business in the late 1980s, our proprietary coatings have demonstrated a high degree of hardness and low coefficient of friction which, when combined with their strong adhesion properties, reduce the wear and consequent failure of the machinery and equipment on which they are used. In contrast to our bulk alloys, we sell Liquidmetal coatings primarily in the form of a wire or powder feedstock that is melted and applied to machinery or equipment through welding or thermal spray processes.

Our Liquidmetal coatings are widely used in the oil drilling industry as a protective coating on drill pipe and casings, and we estimate that our coatings represent a dominant share of annual worldwide sales of hard band coatings for new oil drill pipe. Drilling often places tremendous stress on pipes and casings, especially whenever the drill changes direction. Both the drill pipe and casing experience excessive wear, which leads to higher replacement costs and greater failure rates. Liquidmetal coatings are used to provide a protective coating, or hard band, around the outside of the drill pipe and the inside of casings to reduce wear and failure rates and accordingly reduce operating costs.

Liquidmetal coatings have also been sold into the power generation industry specifically for the purpose of coating boiler tubes in coal-burning power plants in order to extend the lives of these boilers. Boiler tubes are subject to high heat, erosion, and corrosion and often require costly replacement, both in terms of replacement parts and length of downtime for installation. Additionally, residue build-up in boiler tubes of coal burning power plants creates operating inefficiencies. Historic performance and testing of Liquidmetal coatings have demonstrated that our coatings extend the life of these boiler tubes meaningfully beyond their current average life depending on the specific environment. In addition, our coatings have demonstrated the ability to reduce build-up of residue on boiler tubes, helping to improve the efficiencies of the boilers. Historically, we have not concentrated sales efforts on the boiler tube market in a substantial way. However, given the size of the market and potential opportunities for our coatings, we have recently dedicated greater effort to this area.

Liquidity

We have experienced significant cumulative operating losses since our inception. Our net loss for the fiscal year ended December 31, 2010 was \$4.7 million and our net income for the year ended December 31, 2009 was \$0.3 million.

On August 5, 2010, we entered into a license transaction with Apple Inc. (“Apple”) pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC (“CIP”), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, in exchange for a license fee, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. The license fees received in this transaction have been used and are being used to pay off noteholders and other indebtedness and fund operations.

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We have outstanding liens on assets located in our South Korean subsidiary by various creditors, and there is \$2.2 million of past-due trade payables as of December 31, 2010. We are currently working to resolve the matter with each creditor by seeking a forbearance or compromise. If we cannot repay the amounts due or obtain a forbearance or compromise, the creditors may seek to foreclose on the Company's assets located in South Korea.

Liquidmetal Golf

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

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

Our Intellectual Property

Our intellectual property consists of patents, trade secrets, know-how, and trademarks. Protection of our intellectual property is a strategic priority for our business, and we intend to vigorously protect our patents and other intellectual property. Our intellectual property portfolio includes 50 owned or licensed U.S. patents and numerous patent applications relating to the composition, processing, and application of our alloys, as well as various foreign counterpart patents and patent applications.

Our initial bulk amorphous alloy technology was developed by researchers at the California Institute of Technology ("Caltech"). We have purchased patent rights that provide us with the exclusive right to commercialize the amorphous alloy and other amorphous alloy technology acquired from Caltech through a license agreement ("Caltech License Agreement") with Caltech. In addition to the patents and patent applications that we license from Caltech, we are building a portfolio of our own patents to expand and enhance our technology position. These patents and patent applications primarily relate to various applications of our bulk amorphous alloys, the composition of our coatings and powders, and the processing of our alloys. The patents relating to our coatings expire on various dates between 2013 until 2020 and the patents relating to our bulk amorphous alloys expire on various dates between 2013 and 2028. Our policy is to seek patent protection for all technology, inventions, and improvements that are of commercial importance to the development of our business, except to the extent that we believe it is advisable to maintain such technology or invention as a trade secret.

On August 5, 2010, we entered into a licensing agreement with Apple Inc. ("Apple") pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property ("CIP"), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use.

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

Research and Development

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

- **Enhance Material Processing and Manufacturing Efficiencies.** We plan to continue research and development of processes and compositions that will decrease our cost of making products from Liquidmetal alloys.

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◆ **Optimize Existing Alloys and Develop New Compositions.** We believe that the primary technology driver of our business will continue to be our proprietary alloy compositions. We plan to continue research and development on new alloy compositions to generate a broader class of amorphous alloys with a wider range of specialized performance characteristics. Since 2003, we have successfully expanded our portfolio of bulk amorphous alloys to include additional zirconium-titanium alloys, as well as alloys based on other metals, such as gold and platinum. Although these various compositions are at different stages of development and only a few are currently suitable for commercial use, we believe that a larger alloy portfolio will enable us to increase the attractiveness of our alloys as an alternative to incumbent materials and, in certain cases, drive down product costs. We also believe that our ability to optimize our existing alloy compositions will enable us to better tailor our alloys to our customers' specific application requirements.

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

We conduct our research and development programs internally and also through strategic relationships that we enter into with third parties. As of December 31, 2010, our internal research and development efforts are conducted by a team of nine scientists and engineers whom we either employ directly or engage as a consultant.

In addition to our internal research and development efforts, we enter into cooperative research and development relationships with leading academic institutions. We have entered into development relationships with other companies for the purpose of identifying new applications for our alloys and establishing customer relationships with such companies. Some of our product development programs are partially funded by our customers. We are also engaged in negotiations with other potential customers regarding possible product development relationships. Our research and development expenses for the years ended December 31, 2010, and 2009 were \$1.3 million and \$1.2 million, respectively.

Manufacturing

We currently own a 166,000 square foot manufacturing facility (and lease the underlying ground) in Pyongtaek, South Korea, which became operational in the third quarter of 2002. In November 2010, we ceased operations and shut down the South Korea manufacturing facility and planned to pursue strategic partnerships with other companies to leverage our resources, strength, and technologies to more rapidly develop and commercialize our products.

In June 2008, we entered into a licensing agreement with Liquidmetal Korea Co. Ltd ("LMK"), a South Korean company, for a 10-year exclusive license to manufacture Liquidmetal alloys for customers whose principal headquarters or major operations are based in South Korea. The licensing agreement with LMK was terminated on June 15, 2010.

Raw Materials

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

Customers

During 2010, there was one major customer, Apple, Inc., that accounted for more than 10% of revenue from continuing operations. There was no single major customer that accounted for more than 10% of revenues from continuing operations during 2009. In the future, we expect that a significant portion of our revenue may continue to be concentrated in a limited number of customers, even as our bulk Liquidmetal alloy business grows.

Competition

We are not aware of any other company or business that manufactures, markets, distributes, or sells bulk amorphous alloys or products made from bulk amorphous alloys. We believe it would be difficult to develop a competitive bulk amorphous alloy without infringing our patents. However, our bulk Liquidmetal alloys face competition from other materials, including metals, alloys, plastics and composites, which are currently used in the commercial applications that we pursue. For example, we face significant competition from plastics and zinc in our electronics components business, and titanium and composites will continue to be used widely in medical devices and sporting goods. Based on our experience with developing products for a variety of customers, we believe that the selection of materials by potential customers will continue to be product-specific in nature, with the decision for each product being driven primarily by the performance needs of the application and secondarily by cost considerations and design flexibility. Because of the relatively high strength of our alloys and the design flexibility of our process, we are most competitive when the customer is seeking a higher strength as well as greater design flexibility than currently available with other materials. However, if currently available materials, such as plastics, are strong enough for the application, our alloys are often not competitive those applications with respect to price. We also believe that our alloys are generally not competitive with the cost of some of the basic metals, such as steel, aluminum or copper, when such basic metals can be used in specific applications, but our alloys are generally more competitive with price on more exotic metals, such as titanium. Our alloys could also face competition from new materials that may be developed in the future, including new materials that could render our alloys obsolete.

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Our Liquidmetal alloy coatings face competition from industrial coatings currently manufactured or sold by other companies. At present, the primary competitors of our coatings business are Arnco Technology Trust, Limited, Postle Industries, Inc., Tuboscope, Wheretec and Metal Spray. Although we believe, based on market data gathered by us, that our coatings compete favorably with these companies' products and that we continue to maintain the dominant market share with respect to protective coatings for oil and gas drill pipe and casings, these competitors are larger well-established businesses that have substantially greater financial, marketing, and other resources than we do.

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

Backlog

In our bulk alloy segment, because of the minimal lead-time associated with orders of bulk alloy parts, we generally do not carry a significant backlog. In our coatings segment, we typically ship our coating products shortly after receipt of an order, and our coatings backlog is therefore also insignificant. In both our bulk alloy segment and coatings segment, the backlog as of any particular date gives no indication of actual sales for any succeeding period.

Sales and Marketing

We direct our marketing efforts towards customers that will incorporate our components and products into their finished goods. To that end, we will continue to hire business development personnel who, in conjunction with engineers and scientists, will actively identify potential customers that may be able to benefit from the introduction of Liquidmetal alloys to their products. In some cases, we will develop applications in conjunction with existing or potential customers. By adopting this strategy, we intend to take advantage of the sales and marketing forces and distribution channels of our customers to facilitate the commercialization of our alloys. We also direct business development efforts toward companies who we believe could be viable candidates for potential partnering transactions, such as licensing relationships, distribution arrangements, joint ventures, and the like.

Employees

As of December 31, 2010, we had 29 full-time and 4 part-time employees for a total of 33 employees. As of that date, none of our employees were represented by a labor union. We have not experienced any work stoppages and we consider our employee relations to be favorable.

Governmental Regulation

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

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Environmental Law Compliance

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

Item 1A. Risk Factors

This report contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on management's plans, future events, objectives, current expectations, estimates, forecasts, assumptions or projections about the Company and its business. In addition, other written or oral statements which constitute forward-looking statements may be made from time to time by or on behalf of Liquidmetal Technologies, Inc. Any statement in this report that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as "believes," "estimates," "projects," "expects," "intends," "may," "anticipates," "plans," "seeks," expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or results. These statements are not guarantees of future performance, and undue reliance should not be placed on these statements. Liquidmetal Technologies, Inc. undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from what is expressed or forecasted in our forward-looking statements include, but are not limited to, the following:

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

We have experienced significant cumulative operating losses since our inception. Our net loss for the fiscal year ended December 31, 2010 was \$4.7 million while our net income for the fiscal year ended December 31, 2009 was \$0.3 million. We had an accumulated deficit of approximately \$168.7 million at December 31, 2010. Of this accumulated deficit, \$44.5 million was attributable to losses generated by our discontinued parts manufacturing and retail golf operations. We anticipate that we may continue to incur operating losses for the foreseeable future. Consequently, it is possible that we may never achieve positive earnings and, if we do achieve positive earnings, we may not be able to achieve them on a sustainable basis.

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

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

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

We have a relatively short history of producing bulk amorphous alloy components on a mass-production basis. We have made assumptions regarding the market size for, and the manufacturing requirements of, our products and components based in part on information we received from third parties and also from our limited history. If these assumptions prove to be incorrect, we may not achieve anticipated revenue targets or profitability.

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

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

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

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

- identify a potential customer and introduce the customer to Liquidmetal alloys;
- work with the customer to select and design the parts to be fabricated from Liquidmetal alloys;
 - make the molds and tooling to be used to produce the selected part;
 - make prototypes and samples for customer testing;
- work with our customers to test and analyze prototypes and samples; and
- with respect to some types of products, such as medical devices, to obtain regulatory approval.

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

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

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

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

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

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

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

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

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

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

The future growth and success of our bulk amorphous alloy business will depend in part on our ability to establish and retain a technological advantage over other materials for our targeted applications. For many of our targeted applications, we will compete with manufacturers of similar products that use different materials. These different materials may include plastics, titanium alloys, or stainless steel, among others. For example, we have targeted the cellular phone component market as an application for bulk Liquidmetal alloys. In this market, we believe we will compete with other manufacturers of cellular phone components who use plastics or metal to construct their components. These other manufacturers may be able to manufacture their cellular phone components, particularly those made from plastics, at significantly less cost than our alloys. In other markets, we will compete directly with suppliers of the incumbent material. In addition, in each of our targeted markets, our success will depend in part on the ability of our customers to compete successfully in their respective markets. Thus, even if we are successful in replacing an incumbent material in a finished product, we will remain subject to the risk that our customer will not compete successfully in its own market.

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

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

Future advances in materials science could render Liquidmetal alloys obsolete.

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

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

Our business is based upon the commercialization of a new and unique materials technology. Our future growth and success will depend in part on our ability to retain key members of our management and scientific staff, who are familiar with this technology and the potential applications and markets for it. We do not have "key man" or similar insurance on any of the key members of our management and scientific staff. If we lose their services or the services

of other key personnel, our financial results or business prospects may be harmed. Additionally, our future growth and success will depend in part on our ability to attract, train, and retain scientific engineering, manufacturing, sales, marketing, and management personnel. We cannot be certain that we will be able to attract and retain the personnel necessary to manage our operations effectively. Competition for experienced executives and scientists from numerous companies and academic and other research institutions may limit our ability to hire or retain personnel on acceptable terms. In addition, many of the companies with which we compete for experienced personnel have greater financial and other resources than we do. Moreover, the employment of non-citizens may be restricted by applicable immigration laws.

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

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

We may derive some portion of our revenue from sales outside the United States, and problems associated with international business operations could affect our ability to sell our products.

We may sell a material portion of our products to customers outside of the United States. For our fiscal years ended December 31, 2010 and 2009, approximately 7% and 42%, respectively, of our revenues came from customers located outside of the United States. As a result, our operations and financial results are subject to risks of political instability.

Due to our reliance on customers outside of the United States, our operations and revenue likely will be subject to a number of risks associated with foreign commerce, including:

- product or material transportation delays or disruption, including the availability and costs of air and other transportation between foreign countries and the United States;
- political and economic instability;
- potentially adverse tax consequences, which may reduce the profitability of products manufactured overseas or sold to overseas customers; and
- the burden of complying with complex foreign laws and treaties, which could limit our ability to conduct our business in foreign countries.

Moreover, customers may sell finished goods that incorporate our components and products outside of the United States, which exposes us indirectly to additional foreign commerce risks.

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

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

We rely on our suppliers for mold making and manufacture of our bulk amorphous alloy parts.

We have outsourced much of our mold making and manufacturing of our bulk amorphous alloy parts. Therefore, our revenue growth is dependent on our ability to obtain sufficient manufacturing capacity. Our suppliers may allocate their limited capacity to fulfill the production requirements of other customers. In the event of a disruption of the operations of our suppliers, we may not have a secondary manufacturing source immediately available. Such an event could cause significant delays in shipments and may adversely affect our cost of goods sold and our results of operations.

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

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

Our inability to protect our licenses, patents, and proprietary rights in the United States and foreign countries could harm our business because third parties may take advantage of our research and development efforts.

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

- protect and enforce our owned and licensed patents and intellectual property;
- exploit our patented technology (owned and licensed); and
- operate our business without infringing on the intellectual property rights of third parties.

Our licensed technology comprises several issued United States patents covering the composition and method of manufacturing of the family of Liquidmetal alloys. We also hold several United States and corresponding foreign patents covering the manufacturing processes of Liquidmetal alloys and their use. The patents relating to our coatings have various expiration dates until 2020, and those relating to our bulk amorphous alloys have expiration dates between 2013 and 2028. We continue to hold other coatings related patents; however, if we are unable to protect our proprietary rights prior to the expiration of these patents, we may lose the advantage we have established as being the first to market bulk amorphous alloy products. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems and costs in protecting our proprietary rights in these foreign countries.

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

Patent law is still evolving relative to the scope and enforceability of claims in the fields in which we operate. Our patent protection involves complex legal and technical questions. Our patents and those patents for which we have license rights may be challenged, narrowed, invalidated, or circumvented. We may be able to protect our proprietary rights from infringement by third parties only to the extent that our proprietary technologies are covered by valid and

enforceable patents or are effectively maintained as trade secrets. Furthermore, others may independently develop similar or alternative technologies or design around our patented technologies. Litigation or other proceedings to defend or enforce our intellectual property rights could require us to spend significant time and money and could otherwise adversely affect our business.

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

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

- stop or delay using our technology;
- stop or delay our customers from selling, manufacturing or using products that incorporate the challenged intellectual property;
- pay damages; or
- enter into licensing or royalty agreements that may be unavailable on acceptable terms.

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

As of December 31, 2010, the long-term debt of our majority-owned Liquidmetal Coatings subsidiary was \$8.0 million. Our long-term debt (including the current portion) of the Liquidmetal Coatings subsidiary includes the following:

- \$1.0 million in principal outstanding under the Enterprise Bank term loan due June 2013 (issued in October 2010); and
- \$8.7 million in principal and accrued interest outstanding under the C3 Capital Partners Subordinated Promissory Notes due July 2012 (issued in July 2008).

As of December 31, 2010, the short-term debt of Liquidmetal Coatings consisted of \$0.5 million in outstanding advances received under a revolving loan from Enterprise Bank issued in October 2010;

Our level of debt affects our operations in several important ways, including the following:

- a significant portion of the cash flow from operations of our Liquidmetal Coatings subsidiary is likely to be dedicated to the payment of the principal of and interest on its indebtedness;
 - we may be unable to refinance our indebtedness on terms acceptable to us or at all;
- our cash flow may be insufficient to meet the required principal and interest payments on such debt.

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

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the SEC XBRL mandate and new SEC regulations, are creating uncertainty for public companies. As a result of these new rules and the size and limited resources of our company, we will incur additional costs associated with our public

company reporting requirements, and we may not be able to comply with some of these new rules. In addition, these new rules could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and this could make it difficult for us to attract and retain qualified persons to serve on our board of directors.

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

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

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

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

In addition, the processing of beryllium, a minor constituent element of some of our alloys, can result in the release of beryllium into the workplace and the environment and in the creation of beryllium oxide as a by-product. Beryllium is classified as a hazardous air pollutant, a toxic substance, a hazardous substance, and a probable human carcinogen under environmental, safety, and health laws, and various acute and chronic health effects may result from exposure to beryllium. We are required to comply with certain regulatory requirements and to obtain a permit from the U.S. Environmental Protection Agency or other government agencies to process beryllium. Our failure to comply with present or future governmental regulations related to the processing of beryllium could result in suspension of manufacturing operations and substantial fines or criminal penalties.

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

The existence of minority stockholders in our Liquidmetal Coatings and Liquidmetal Golf subsidiaries creates potential for conflicts of interest.

We directly own 72.86% of the outstanding common membership units of Liquidmetal Coatings, LLC, our subsidiary that has exclusive rights over the industrial coatings market and 79% of the outstanding capital stock of Liquidmetal Golf, our subsidiary that has the exclusive right to commercialize our technology in the golf market. The remaining 27.14% of the Liquidmetal Coatings, LLC common membership units are owned by 4 members and the remaining 21% of the Liquidmetal Golf stock is owned by approximately 95 stockholders of record. As a result, conflicts of interest may develop between us and the minority members of Liquidmetal Coatings and stockholders of Liquidmetal Golf. To the extent that our officers and directors are also officers or directors of Liquidmetal Coatings and Liquidmetal Golf, matters may arise that place the fiduciary duties of these individuals in conflicting positions.

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

During 2010, the highest bid price for our common stock was \$1.76 per share, while the lowest bid price during that period was \$0.08 per share. The trading price of our common stock could continue to fluctuate widely due to:

- quarter-to-quarter variations in results of operations;
- loss of a major customer;
- announcements of technological innovations by us or our potential competitors;

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- changes in or our failure to meet the expectations of securities analysts;
- new products offered by us or our competitors;
- announcements of strategic relationships or strategic partnerships; or
- other events or factors that may be beyond our control.

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

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

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

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

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

- authorize our board of directors, without stockholder approval, to issue up to 10,000,000 shares of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and prevent a takeover attempt;
- limit stockholders' ability to call a special meeting of our stockholders; and
- establish advance notice requirements to nominate directors for election to our board of directors or to propose matters that can be acted on by stockholders at stockholder meetings.

The provisions described above could delay or make more difficult transactions involving a change in control of us or our management.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices and principal research and development offices are located in Rancho Santa Margarita, California and consist of approximately 15,000 square feet. This facility is occupied pursuant to a lease agreement that expires on April 20, 2012.

In Kingwood, Texas, we lease an office for our coatings business segment. This facility, which is approximately 2,715 square feet, is leased through December 31, 2012.

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In Huntsville, Texas, we lease a warehouse for our coatings business segment. This facility, which is approximately 4,500 square feet, is leased through August 1, 2012.

In Dothan, Alabama, we lease an application facility for our coatings business segment. This facility, which is approximately 5,000 square feet, is leased through March 31, 2011.

We currently expect that the foregoing facilities will meet our anticipated research, warehousing, and administrative needs for the foreseeable future.

Item 3. Legal Proceedings

On August 6, 2010, SAGA, SpA in Padova, Italy, (“SAGA”) filed a litigation case against us in California State Superior Court in Orange County, California claiming damages of \$3.2 million for payment on a loan and for breach of contract in connection with the formation of Liquidmetal Saga Italy, Srl. (“LSI”), a joint venture between us and SAGA. On March 19, 2011, we entered into a preliminary binding Settlement Agreement pursuant to which (i) we agreed to terminate the joint venture, (ii) we agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we agreed to pay SAGA \$2.8 million in the form of restricted shares of our common stock in exchange for SAGA’s equity interest in LSI, and (iv) the Liquidmetal technology license to LSI will be terminated. As part of the restatement, we increased our accrual for the settlement and potential legal fees to \$3.1 million as of December 31, 2010. The adjustments resulted in an increase to accounts payable and accrued liabilities of \$2.8 million and an increase to other expenses of \$2.8 million.

There are no other material legal proceedings that are pending.

Item 4. Remove and Reserved

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is currently quoted on the OTC Bulletin Board under the symbol "LQMT." On February 28, 2011, the last reported sales price of our common stock was \$0.63 per share. As of February 28, 2011, we had 230 record holders of our common stock.

The following table sets forth, on a per share basis, the range of high and low bid information for the shares of our common stock for each full quarterly period within the two most recent fiscal years and any subsequent interim period for which financial statements are included, as reported by the OTC Bulletin Board (for the periods from and after October 19, 2010) and as reported by the Pink Sheets (for periods prior to October 19, 2010). These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	2010	High	Low
Fourth Quarter		\$ 0.85	\$ 0.33
Third Quarter		\$ 1.76	\$ 0.11
Second Quarter		\$ 0.40	\$ 0.08
First Quarter		\$ 0.16	\$ 0.08
	2009	High	Low
Fourth Quarter		\$ 0.21	\$ 0.11
Third Quarter		\$ 0.22	\$ 0.14
Second Quarter		\$ 0.44	\$ 0.16
First Quarter		\$ 0.30	\$ 0.08

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

Securities Authorized for Issuance Under Equity Compensation Plans

For information regarding the securities authorized for issuance under our equity compensation plans, please see Item 12 of Part III of this Annual Report on Form 10-K.

Item 6. Selected Financial Data

Not required

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

This management's discussion and analysis, as well as other sections of this report on Form 10-K, may contain "forward-looking statements" that involve risks and uncertainties, including statements regarding our plans, future events, objectives, expectations, estimates, forecasts, assumptions or projections. Any statement that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as "believes," "estimates," "projects," "expects," "intends," "may," "anticipates," "plans," "seeks," and similar expressions identify forward-looking statements. These statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or results, and undue reliance should not be placed on these statements. These risks and uncertainties include, but are not limited to, the matters discussed under the caption "Risk Factors" in Item 1A of this report and other risks and uncertainties discussed in filings made with the Securities and Exchange Commission (including risks described in subsequent reports on Form 10-Q, Form 10-K, Form 8-K, and other filings). Liquidmetal Technologies, Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

OVERVIEW

We are a materials technology company that develops and commercializes products made from amorphous alloys. Our Liquidmetal® family of alloys consists of a variety of proprietary coatings, powders, bulk alloys, and composites that utilize the advantages offered by amorphous alloy technology. We develop, manufacture, and sell products and components from bulk amorphous alloys to customers in various industries, and we also partner with third-party licensees and distributors to develop and commercialize bulk Liquidmetal alloy products. We believe that our proprietary bulk alloys are the only commercially viable bulk amorphous alloys currently available in the marketplace. In addition to our bulk alloys, we market and sell a line of proprietary amorphous alloy-based industrial coatings under the Liquidmetal Armacor™ coatings brand.

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

Our revenues are derived from two principal operating segments: Liquidmetal alloy industrial coatings and bulk Liquidmetal alloy products. Liquidmetal alloy industrial coatings are used primarily as a protective coating for industrial machinery and equipment, such as drill pipe used by the oil drilling industry and boiler tubes used in coal-burning power plants. Bulk Liquidmetal alloy segment revenue includes sales of parts or components of electronic devices, medical products, and sports and leisure goods; tooling and prototype parts (including demonstration parts and test samples) for customers with products in development, product licensing and

arrangements, and research and development revenue relating primarily to defense and medical applications. We expect that these sources of revenue will continue to significantly change the character of our revenue mix.

The cost of sales for our Liquidmetal coatings segment consists primarily of the costs of outsourcing our manufacturing to third parties. Selling, general, and administrative expenses currently consist primarily of salaries and related benefits, travel, consulting and professional fees, depreciation and amortization, insurance, office and administrative expenses, and other expenses related to our operations.

Research and development expenses represent salaries, related benefits expense, depreciation of research equipment, consulting and contract services, expenses incurred for the design and testing of new processing methods, expenses for the development of sample and prototype products, and other expenses related to the research and development of Liquidmetal alloys. Costs associated with research and development activities are expensed as incurred. We plan to enhance our competitive position by improving our existing technologies and developing advances in amorphous alloy technologies. We believe that our research and development efforts will focus on the discovery of new alloy compositions, the development of improved processing technology, and the identification of new applications for our alloys.

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Impairment of Long-Lived Assets consists of a write-down of \$0.5 million of our manufacturing facility in Pyongtaek, South Korea. While we have actively marketed the manufacturing facility for ultimate sale, we were unable to sell this facility and determined that the carrying value of the idle equipment exceeded its fair value in the amount of \$0.5 million during the fourth quarter of fiscal year 2010.

Change in Value of Warrants consists of changes to the fair value of warrants outstanding at each period. The warrants have been accounted for as a liability in accordance with Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," with the change in fair values reported in earnings. The fair values are determined using a Black-Scholes pricing model and fluctuations in our stock price have had the greatest impact on the valuation of outstanding warrants.

Change in Value of Conversion Feature consists of changes to the fair value of the embedded conversion feature of our senior convertible notes. The embedded conversion feature has been accounted for as a separate derivative instrument in accordance with Accounting Standards Codification ("ASC") Topic 815, "Derivatives and Hedging", with a change in fair values reported in earnings. The change in fair values is determined using a Black-Scholes pricing model and fluctuations in our stock price have had the greatest impact on the valuation of outstanding conversion features.

In June 2006, we entered into a joint venture agreement with SAGA, SpA in Padova, Italy, ("SAGA") a specialist precision parts manufacturer. The joint venture is named Liquidmetal SAGA Italy, Srl ("LSI"). We also entered into an exclusive manufacturing license agreement for the eyewear industry with LSI. In December 2006, we exercised our right to own 19.9% of LSI and in 2007, we contributed additional \$303 into LSI as additional investment. The contribution did not change our 19.9% interest in LSI. During the fourth quarter of the year ended December 31, 2009, we wrote-off our investment of \$306 in the joint venture due to lower than anticipated growth in the eye wear industry. On August 6, 2010, SAGA filed an action against us in California State Superior Court claiming damages of \$3.2 million for payment on a loan and for breach of contract in connection with the formation of LSI.

On March 19, 2011, we entered into a preliminary binding Settlement Agreement pursuant to which (i) we agreed to terminate the joint venture, (ii) we agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we agreed to pay SAGA \$2.8 million in the form of restricted shares of our common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI will be terminated. As part of the restatement, we increased our accrual for the settlement and potential legal fees to \$3.1 million as of December 31, 2010. The adjustments resulted in an increase to accounts payable and accrued liabilities of \$2.8 million and an increase to other expenses of \$2.8 million.

On July 24, 2007, we transferred substantially all of the assets of our Liquidmetal alloy industrial coatings business to a newly formed, newly capitalized subsidiary named Liquidmetal Coatings, LLC, a Delaware limited liability company ("LMC"), and LMC assumed substantially all of the liabilities of the coatings business. We initially held a 69.25% ownership interest in LMC, however, during 2010, LMC failed to redeem its preferred units by the specified time and was required to issue additional common shares to its noteholders. On December 15, 2010, we and two other members of LMC contributed additional capital into LMC in exchange for additional common unit membership. As a result, our ownership interest in LMC increased to 72.86%. The results of operation of LMC are consolidated and comprise our Liquidmetal alloy industrial coatings segment for financial reporting purposes.

In May 2010, LMC entered into a joint venture agreement with IMCO Alloys Private Limited ("IMCO") to create a subsidiary named Liquidmetal Coatings Solutions India Private Limited ("LMCSI") and engage in application services of Liquidmetal products as a protective coating. Initially, under the joint venture agreement, LMC held 80% and IMCO held 20% of the outstanding Class A Shares of LMCSI. LMC may, at its option, subscribe to Class B Shares of LMCSI. In September 2010, LMC provided to LMCSI approximately \$0.1 million in capital equipment and was

issued 358,204 shares of Class B Shares of LMCSI. As of December 31, 2010, LMC holds an 88.60% ownership interest in LMCSI.

On August 5, 2010, we entered into a license transaction with Apple Inc. (“Apple”) pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC (“CIP”), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use.

In November 2010, we discontinued our manufacturing operations in South Korea due to recurring losses as a result of continuing economic downturn. We have restated our previously issued financial statements for the fiscal year ended December 31, 2010 due to error to our income statement reclassification related to the discontinued operations. The correction of the error resulted in a decrease to revenue by \$3.0 million, a decrease in cost of sales by \$1.7 million, an increase in selling, general and administrative expenses of \$36,000, a decrease in impairment of long-lived assets expenses by \$1.0 million, and a decrease in interest expense by \$0.4 million for the year ended December 31, 2010. As part of the restatement, reclassifications to prior period consolidated financial statements have been made for consistent presentation of our revenue, selling, general and administrative expenses, impairment of long-lived assets and interest expense.

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Results of Operations

Comparison of the years ended December 31, 2010 and 2009

Revenue. Revenue increased \$19.5 million to \$30.3 million for the year ended December 31, 2010 from \$10.8 million for the year ended December 31, 2009. The increase is primarily due to the license fee with Apple.

Cost of Sales. Cost of sales decreased to \$6.5 million, or 22% of revenue, for the year ended December 31, 2010 from \$5.9 million, or 55% of revenue, for the year ended December 31, 2009. The decreases were a result of a continued change in revenue mix during the year ended December 31, 2010. The cost to manufacture parts from our bulk Liquidmetal alloys is variable and differs based on the unique design of each product. However, the cost of sales for the products sold by the coatings business segment is generally consistent because the Liquidmetal coatings products are produced by third parties and sold wholesale to various industries.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased to \$7.2 million, or 24% of revenue, for the year ended December 31, 2010 from \$5.6 million, or 52% of revenue, for the year ended December 31, 2009. The increase was primarily a result of an increase in legal services expense of \$0.5 million, an increase in board of director fees of \$0.4 million, and an increase in other expense of \$0.8 million offset by a decrease in liability insurance expense of \$0.1 million.

Research and Development Expenses. Research and development expenses increased to \$1.3 million, or 4% of revenue, for the year ended December 31, 2010 from \$1.2 million, or 11% of revenue, for the twelve months ended December 31, 2009. The increase was primarily a result of an increase in outsourcing expenses of \$0.1 million. We continue to perform research and development of new Liquidmetal alloys and related processing capabilities, develop new manufacturing techniques, and contract with consultants to advance the development of Liquidmetal alloys.

Loss from Extinguishments of Debts. Loss from extinguishments of debt was \$1.5 million, or 14% of revenue, for the year ended December 31, 2009 due to the extinguishment of certain of our convertible and subordinated. There no extinguishments of debts for the year ended December 31, 2010.

Change in Value of Warrants. Change in value of warrants decreased to a loss of \$10.4 million, or 34% of revenue, during the year ended December 31, 2010 from a gain of \$9.8 million, or 91% of revenue, during the year ended December 31, 2009. The change in value of warrants consisted of warrants issued from convertible and subordinated notes funded between 2004 and 2009 primarily as a result of fluctuations in our stock price.

Change in Value of Conversion Feature. Change in the value of our conversion feature liability resulted in gain of \$0.4 million, or 1% of revenue, during the year ended December 31, 2010 from a gain of \$1.8 million, or 17% of revenue, during the year ended December 31, 2009 primarily as a result of fluctuation in our stock prices.

Other Expense. Other expense was \$2.8 million for the year ended December 31, 2010 due to a settlement with SAGA, SpA for a litigation case that was filed by SAGA for payment on a loan and breach of contract in connection with the formation of our joint venture, Liquidmetal Saga, Italy, Srl. Other expense was \$0.3 million for the year ended December 31, 2009 primarily from a write-down of LSI.

Other Income. Other income was \$0.1 million, or less than one percent of revenue, for the year ended December 31, 2010, primarily from write off accounts payables. There was no other income for the twelve months ended December 31, 2009.

Interest Expense. Interest expense was \$5.0 million, or 16% of revenue, for the year ended December 31, 2010 and was \$5.4 million, or 50% of revenue, for the year ended December 31, 2009. Interest expense consists primarily of debt amortization and interest accrued on outstanding convertible and subordinated notes, borrowings under a factoring, loan, and security agreement, a revolving loan agreement, and the Kookmin loan. The decrease was due to the retirement of our convertible and subordinated notes during 2010.

Interest Income. Interest income was \$6 thousand for the year ended December 31, 2010 from interest earned on cash deposits. There was no interest income for the year ended December 31, 2009.

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LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have funded our operations through the sale of equity securities in private placements and our initial public offering, the sale of convertible notes and warrants in private placements, debt financing, and cash generated from operations.

Our cash provided by (used in) operating activities was \$10.1 million and (\$3.5) million for the years ended December 31, 2010 and 2009, respectively. Our working capital deficit increased from \$13.5 million at December 31, 2009 to \$17.0 million at December 31, 2010. Our working capital deficit increase of \$3.5 million was attributable to an increase in accounts payable and accrued liabilities of \$3.7 million, offset by a decrease of other liabilities, current portion of \$0.2 million.

Our cash used in investing activities was \$0.3 million for the year ended December 31, 2010 primarily from purchase of property and equipment and investments in patents and trademarks.

Our cash used in financing activities was \$4.7 million for the year ended December 31, 2010. We paid net \$20.0 million in borrowings from a convertible notes executed in January 2009, a revolving and term loan agreement executed in July 2008, and convertible and subordinated notes, which were offset by \$12.6 million proceeds from issuance of a revolving and term loan agreement executed in August 2010, \$2.0 million proceeds from issuance of common stocks \$1.0 million of warrants exercised and \$0.4 million of contribution to noncontrolling interest. Our cash and cash equivalents as of December 31, 2010 was \$5.0 million.

We anticipate that our current capital resources, together with anticipated cash from operations, will be sufficient to fund our operations through the fourth quarter of 2011. Accordingly, we will likely require additional funding at or prior to that time. We are actively seeking additional sources of capital through strategic and other potential transactions. We cannot guarantee that adequate funds will be available when needed, and if we do not receive sufficient capital, we may be required to alter or reduce the scope of our operations.

On May 28, 2010, we issued a \$2.0 million 13% Subordinated Promissory Note (“January 2011 Subordinated Note”) due on the earlier date of January 3, 2011 or the date on which all outstanding amounts are due under the Company’s 8% Senior Secured Convertible Subordinated Notes due January 3, 2011 (the “January 2011 Notes”). On August 5, 2010, we repaid in full all principal and accrued interest of \$2.0 million and \$8.2 million on the January 2011 Subordinated Note and the January 2011 notes, respectively. In connection with the repayment, on August 10, 2010, we entered into a Subscription Agreement pursuant to which we issued 7,870,307 shares of our common stock for an aggregate price of \$2.0 million.

On August 5, 2010, we entered into a license transaction with Apple Inc. (“Apple”) pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC (“CIP”), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, in exchange for a license fee, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. We have used and are using the license fee from this transaction to pay off noteholders and other indebtedness and fund operations. In connection with this transaction, our ongoing obligations to Apple (including the obligation to transfer new intellectual property to CIP) are secured through August 2012 by a security interest in substantially all of our assets, and if we are unable to comply with these obligations, Apple may be entitled to foreclose on such assets.

On May 1, 2009, we completed a financing transaction (the “Transaction”) whereby aggregate cash of \$2.5 million and principal and accrued interest of \$20.6 million due under the previously issued 8% Convertible Subordinated Notes

due January 2010 (the "Prior Notes") were exchanged for 500,000 shares of convertible Series A-1 Preferred Stock with an original issue price of \$5.00 per share, 2,625,002 shares of Series A-2 Preferred Stock with an original issue price of \$5.00 per share, and \$7.5 million of new 8% Senior Secured Convertible Subordinated Notes due January 3, 2011 (the "January 2011 Notes"). The Transaction was consummated pursuant to a Securities Purchase and Exchange Agreement, dated May 1, 2009 among the exchanging note holders and investors. On August 5, 2010, we repaid in full all principal and interest on the January 2011 Notes in the amount of \$8.2 million and all security interests on our assets securing such obligations were released and terminated.

Our Series A-1 and Series A-2 Preferred Stock accrue cumulative dividends at an annual rate of 8%, which was payable semi-annually. Beginning on the second anniversary of the initial issuance of shares of our Series A-1 and Series A-2 Preferred Stock, the dividend would have increased to 10%. The dividends were payable in cash or in kind by the issuance by the company of additional preferred stock, only when and as declared by our Board of Directors. The Series A-1 Preferred Stock, Series A-2 Preferred Stock, and January 2011 Notes were convertible into the company's common stock at conversion price of \$0.10, \$0.22, and \$0.60 per common share, respectively. We issued warrants to purchase 3,125,007 shares and 42,329,407 shares of our company's common stock at an exercise price of \$0.60 and \$0.50 per share to the buyers of the January 2011 Notes and the buyers of shares of our Series A-1 and Series A-2 Preferred Stock, respectively. The warrants were to expire in January 2012. The conversion prices and the number of shares of common stock issuable under the Series A-1 and Series A-2 Preferred Stock, the January 2011 Notes and the warrants were subject to adjustments for anti-dilution purposes.

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As of December 31, 2010, we had 658,614 shares of Series A-1 Preferred Stock and 1,513,146 shares of Series A-2 Preferred Stock outstanding, convertible as of such date into an aggregate of 67,320,381 shares of the Company's common stock.

On November 3, 2010, we filed an Amended and Restated Certificate of Designations, Preferences, and Rights (the "Amended Designation") for our Series A Preferred Stock (the "Series A Preferred Stock"). The Amended Designation was approved by the requisite vote of the holders of our Series A Preferred Stock and was filed with the Delaware Secretary of State in accordance with a Consent Agreement entered into between us and the holders of 2/3 of the Series A Preferred Stock (the "Consent Agreement"). The Amended Designation amends the terms of the Series A Preferred Stock by (i) providing that 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 is now mandatorily convertible at any time at our option 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) will be extended to an expiration date of July 2015 and the price-based anti-dilution rights on such warrants are removed.

Our capital requirements during the next twelve months will depend on numerous factors, including the success of existing products either in manufacturing or development, the development of new applications for Liquidmetal alloys, the resources we devote to develop and support our Liquidmetal alloy products, the success of pursuing strategic licensing and funded product development relationships with external partners.

We have outstanding liens on assets located in our South Korean subsidiary by various creditors, and there is \$2.2 million of past-due trade payables as of December 31, 2010. We are currently working to resolve the matter with each creditor by seeking a forbearance or compromise. If we cannot repay the amounts due or obtain a forbearance or compromise, the creditors may seek to foreclose on the Company's assets located in South Korea.

OFF-BALANCE SHEET ARRANGEMENTS

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

On June 26, 2006, we entered into a joint venture agreement with SAGA, SpA in Padova, Italy, ("SAGA") a specialist precision parts manufacturer. The joint venture is named Liquidmetal SAGA Italy, Srl ("LSI"). We also entered into an exclusive manufacturing license agreement for the eyewear industry with LSI. Under the joint venture agreement, we have the option to buy ownership interest in LSI, initially, of 19.9% to up to 50%. In December 2006, we purchased a 19.9% interest LSI and in 2007, we contributed additional \$0.3 million into LSI as additional investment. During each of the years ended December 31, 2010, 2009 and 2008, we did not recognized revenues of Liquidmetal alloys sold to SAGA for use in the joint venture. During the fourth quarter of the year ended December 31, 2009, the Company wrote-off its investment of \$0.3 million in the joint venture due to slower than anticipated growth in the eyewear industry.

On August 6, 2010, SAGA filed a complaint against us claiming damages of \$3.2 million for payment on an alleged loan and for alleged breach of contract in connection with the formation of LSI. On March 19, 2011, we entered into a

preliminary binding Settlement Agreement pursuant to which (i) we agreed to terminate the joint venture, (ii) we agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we agreed to pay SAGA \$2.8 million in the form of restricted shares of our common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI will be terminated. As part of the restatement, we increased our accrual for the settlement and potential legal fees to \$3.1 million as of December 31, 2010. The adjustments resulted in an increase to accounts payable and accrued liabilities of \$2.8 million and an increase to other expenses of \$2.8 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

• Prior to the discontinuation of our manufacturing facility in South Korea in November 2010, our earnings and cash flows are subject to fluctuations due to changes in non-U.S. currency exchange rates. We are exposed to non-U.S. exchange rate fluctuations as the financial results of non-U.S. subsidiary in Korea are translated into U.S. dollars. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact overall expected profitability. The cumulative translation effects for subsidiaries using functional currencies other than the U.S. dollar are included in accumulated foreign exchange translation in stockholders' equity.

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

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

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

• We value our assets at lower of cost or fair market value. Management has determined fair market to be equal to the selling price of the assets to be sold less the cost of disposal. In the event, in future periods, actual selling prices are lower than the estimate for selling prices, an adjustment would be made and income would decrease in the period of such determination.

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

• We account for the warrants and the embedded conversion feature of our senior convertible notes as derivatives in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, and Emerging Issues Task Force Issue No. 00-19, Accounting for Derivative Financial

Instruments Indexed to, and Potentially Settled in, a Company's Own Stock. Fair values of warrants and embedded conversion features are measured at each period end using Black-Scholes pricing models and changes in fair value during the period are reported in our earnings.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) – authoritative and nonauthoritative – and making the ASC the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance, which was incorporated into ASC Topic 105, "Generally Accepted Accounting Principles," was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption changed certain disclosure references to U.S. GAAP, but did not have any other impact on the Company's Consolidated Financial Statements.

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In October 2009, the FASB issued Accounting Standard Update (“ASU”) No. 2009-13, "Multiple-Deliverable Revenue Arrangements," which amends ASC Topic 605, "Revenue Recognition." ASU No. 2009-13 amends the ASC to eliminate the residual method of allocation for multiple-deliverable revenue arrangements, and requires that arrangement consideration be allocated at the inception of an arrangement to all deliverables using the relative selling price method. The ASU also establishes a selling price hierarchy for determining the selling price of a deliverable, which includes: (1) vendor-specific objective evidence if available, (2) third-party evidence if vendor-specific objective evidence is not available, and (3) estimated selling price if neither vendor-specific nor third-party evidence is available. Additionally, ASU No. 2009-13 expands the disclosure requirements related to a vendor's multiple-deliverable revenue arrangements. The changes to the ASC as a result of this update are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements.

In January 2010, the FASB issued ASU No. 2010-06, “Improving Disclosures about Fair Value Measurements,” which amends ASC Topic 820, “Fair Value Measures and Disclosures.” ASU No. 2010-06 amended the ASC to require disclosure of transfers into and out of Level 1 and Level 2 fair value measurements, and also will require more detailed disclosure about the activity within Level 3 fair value measurements. The Company adopted the guidance in ASU No. 2010-06 on January 1, 2010, except for the requirements related to Level 3 disclosures, which will be effective for annual and interim reporting periods beginning after December 15, 2010. This guidance requires new disclosures only.

In February 2010, the FASB issued ASC No. 2010-09, “Amendments to Certain Recognition and Disclosure Requirements”, which eliminates the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. ASC No. 2010-09 is effective for fiscal quarter beginning after 15 December 2010. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements.

In April 2010, the FASB issued ASU 2010-13, “Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades,” or ASU 2010-13. This ASU provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in currency of a market in which a substantial portion of the entity’s equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements.

In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, “Milestone Method of Revenue Recognition.” FASB ASU No. 2010-17 “Revenue Recognition – Milestone Method (Topic 605)” provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010 – 17 is effective for fiscal years beginning on or after June 15, 2010, and is effective on a prospective basis for milestones achieved after the adoption date. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements.

In May 2010, the FASB issued ASU 2010-19,, “Foreign Currency (Topic 830): Foreign Currency Issues: Multiple Foreign Currency Exchange Rates”. The amendments in this Update are effective as of the announcement date of March 18, 2010. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements.

In December 2010, the FASB issued ASU 2010-28, “Intangibles—Goodwill and Other (Topic 350), When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (“ASU 2010-28”)”. Under the amended guidance, for reporting units with zero or negative carrying amounts, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. ASU 2010-28 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. The Company does not expect adoption of the new guidance to have a material effect on its Consolidated Financial Statements.

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

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required.

Item 8. Financial Statements and Supplementary Data

The financial statements required by this item are located in Consolidated Financial Statements in Item 15 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Subsequent to the filing of the Company's Form 10-K for the year ended December 31, 2010, it was determined that reclassification of revenues and certain expenses related to discontinued operations of the Company's manufacturing operations in South Korea were not properly reported in accordance with FASB ASC 205-20 Presentation of Financial Statements – Discontinued Operations in that recently filed Form 10-K.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness as of December 31, 2010 of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures, as of December 31, 2010, were not effective. This determination was based primarily on the restatement described above.

We are taking actions to remediate the material weakness in our internal control over financial reporting. Because of the material weakness described in this Item 9A, management performed additional analyses and other post-closing procedures designed to provide reasonable assurance that our consolidated financial statements were prepared in accordance with the provisions of FASB ASC 205-20 with respect to the revenues and expenses allocation for discontinued operations.

We have concluded that the consolidated financial statements in this Annual Report fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods, presented, in conformity with GAAP.

Management's Report on Internal Control over Financial Reporting. The company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the company's receipts and expenditures are being made only in accordance with authorizations of the company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and the related rule of the SEC, management assessed the effectiveness of the company's internal control over financial reporting using the Internal Control-Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that the company's internal control over financial reporting was not effective as of December 31, 2010. Management is in the process of identifying any material weaknesses in the company's internal control over financial reporting as of December 31, 2010.

Changes in Internal Controls. As a result to the misstatement described in this Item 9A during the quarter ended December 31, 2010, management is currently re-evaluating the company's internal control and have performed additional analyses and reviews procedures (as defined in Rule 13a-15(f) under the Exchange Act).

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Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Set forth below is a table identifying our directors and executive officers as of February 28, 2011:

Name	Age	Position
Thomas Steipp	60	President, Chief Executive Officer and Director
Tony Chung	41	Chief Financial Officer
Ricardo Salas	47	Executive Vice-President and Director
Abdi Mahamedi	49	Chairman of the Board
Robert Biehl	67	Director
Mark Hansen	56	Director

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

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

Ricardo Salas began serving as our Executive Vice President on December 2008 and began serving on our Board of Directors starting October 2010. He previously served as our Chief Executive Officer and President from December 30, 2005 through October 2006 and from October 2006 to December 2008, he served as an independent consultant to our Company. Mr. Salas also served as a Board member of the Company from April 1995 to May 2003. From January 2000 through June 2005, Mr. Salas served as Chief Executive Officer of iLIANT Corporation, an information technology and outsourcing service firm in the health care industry. He currently serves as a director of CyberDefender Corporation which provides Internet security technology and remote PC repair services to the consumer and small business market, MED3000 Group, Inc., a national provider of healthcare management and technology services, and VillageEDOCS, a technology company providing software-as-a-service to financial services, healthcare and various other industries. Mr. Salas received a B.A. degree in Economics from Harvard College in 1986. The Board of Directors believes that Mr. Salas's experience and background make him a qualified and valuable member of our Company's Board of Directors. In particular, his long term experience working as an Officer of the Company, and his knowledge with technology companies and operations makes him a valuable resource for our Company.

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

Robert Biehl has served as a director since 2005. Mr. Biehl founded the Masterplanning Group International, a personal and organizational consulting firm, in September 1976 and has served as President from its inception through today. As President, he has personally consulted over 400 clients and mentored over 2,500 executives and world leaders. He has also published many books in the area of personal and organizational development. Mr. Biehl received his B.A. degree in Psychology and a Masters Degree in Counseling from Michigan State University. The Board of Directors believes that Mr. Biehl’s experience and background make him a qualified and valuable member of our Company’s Board of Directors. In particular, his experience working with high level executives and global organizations makes him a valuable resource for our Company.

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

Board of directors

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

Audit Committee

Our board of directors has an Audit Committee, which was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, that is currently comprised of Mr. Biehl. The Audit Committee is responsible for reviewing the independence, qualifications, and activities of our independent certified accountants and our financial policies, control procedures, and accounting staff. The Audit Committee is also responsible for the review of transactions between us and any officer, director, or entity in which an officer or director of our company has a material interest. Due to financial constraints, we do not have an “audit committee financial expert” as defined by the

regulations of the Securities and Exchange Commission. The Board of Directors will consider and appoint a financial expert to the Audit Committee in the future. However, our board of directors has determined that Mr. Biehl is an “independent” director within the meaning of Rule 10A-3(b)(i) under the Securities Exchange Act of 1934. The Audit Committee is governed by a written charter approved by the board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “1934 Act”) requires the Company’s directors and officers, and persons who own more than 10% of a registered class of the Company’s equity securities, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons also are required to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on its review of the copies of such reports received by it with respect to fiscal year 2010 or written representations from certain reporting persons, the Company believes that all filing requirements applicable to its directors and officers and persons who own more than 10% of a registered class of the Company’s equity securities have been complied with, on a timely basis, for fiscal year 2010.

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Code of Ethics

Our board of directors has adopted a Code of Ethics that is applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. The Code of Ethics is attached as Exhibit 14 to our Annual Report on Form 10-K filed on November 10, 2004. In addition, we intend to promptly disclose (1) the nature of any amendment to our Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and (2) the nature of any waiver, including an implicit waiver, from a provision of our Code of Ethics that is granted to one of these specified officers, the name of such person who is granted the waiver and the date of the waiver on our website at www.liquidmetal.com in the future. You may also request a copy of our Code of Ethics by sending the request to information@liquidmetal.com. Upon receipt of such request, we will provide a copy of our Code of Ethics to you without charge.

Item 11. Executive Compensation

Executive Benefits and Perquisites

Set forth below is information regarding compensation earned by or paid or awarded to the following executive officers of the company during the year ended December 31, 2010: (i) Thomas Steipp, our President and Chief Executive Officer; (ii) Tony Chung, our Chief Financial Officer; and (iii) Rick Salas, our Executive Vice-President. These persons are hereafter referred to as our “named executive officers.” The identification of such named executive officers is determined based on the individual’s total compensation for the year ended December 31, 2010, as reported below in the Summary Compensation Table.

Summary Compensation Table

The following table sets forth for each of the named executive officers: (i) the dollar value of base salary and bonus earned during the years ended December 31, 2010 and 2009; (ii) the aggregate grant date fair value of stock and option awards granted during 2010 and 2009, computed in accordance with FASB Accounting Standards Codification (“ASC”) Topic 718 (R); (iii) the dollar value of earnings for services pursuant to awards granted during 2010 and 2009 under non-equity incentive plans; (iv) non-qualified deferred compensation earnings during 2010 and 2009; (v) all other compensation for 2010 and 2009; and, finally, (vi) the dollar value of total compensation for 2010 and 2009.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards (1)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Thomas Steipp, President and Chief Executive Officer	2010	\$ 120,577	--	--	--	--	--	\$ 120,577
	2009	--	--	--	--	--	--	--
Tony Chung, Chief Financial Officer	2010	\$ 160,000	--	--	\$ 3,815	--	--	\$ 163,815
	2009	\$ 160,000	--	--	--	--	--	\$ 160,000
Ricardo Salas, Executive Vice President	2010	\$ 160,000	--	--	\$ 10,357	--	\$ 80,000 (2)	\$ 250,357
	2009	--	--	--	--	--	\$ 240,000 (2)	\$ 240,000

- (1) Amounts represent the fair value of stock options granted in 2010 under FASB ASC Topic 718. The assumptions made in the calculation of these amounts are discussed in Note 13, "Stock Compensation Plan", to our financial statement included elsewhere in this annual report on Form 10-K/A.
- (2) Other compensation received by Mr. Salas during 2010 and 2009 were for his services as a consultant to the Company.

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For a description of the material terms of employment agreements with our named executive officers, see “Employment Agreements.”

Outstanding Equity Awards at 2010 Fiscal Year-End

The following table sets forth information on outstanding option and stock awards held by the named executive officers at December 31, 2010, including the number of shares underlying both exercisable and unexercisable portions of each stock option as well as the exercise price and expiration date of each outstanding option.

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested	Equity Awards: Market Payout Value of Unearned Shares, Units or Rights That Have Not Vested	
Thomas Steipp	--	--	--	--	--	--	\$1,560,000	--	--	
Tony Chung	80,000	120,000 (1)	--	\$0.07	11/30/2018	--	--	--	--	
	--	250,000 (2)	--	\$0.10	07/11/2020	--	--	--	--	
Ricardo Salas	--	1,500,000 (3)	--	\$0.10	07/11/2020	--	--	--	--	

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

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

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

Employment Agreements

We have entered into an employment agreement with Mr. Steipp, which is described below.

Thomas Steipp, who was elected as Chief Executive Officer on August 5, 2010, receives a base salary of \$300,000 plus discretionary bonus under a five-year employment agreement. The Employment Agreement provides that the Company can terminate Mr. Steipp’s employment at any time and for any reason, provided that if his employment is terminated without “Cause” (as specifically defined in the agreement), then he will continue to be entitled to his base

salary and health and welfare benefits for a period of twelve months after termination. In the event that Mr. Steipp terminates his own employment within thirty days after a change in control of the Company, the Company will be obligated to pay him a lump-sum severance payment equal to his base salary for the remainder of the 5-year term. The Employment Agreement provides that Mr. Steipp will not be entitled to any severance compensation if he voluntarily leaves the employment of the Company or is terminated for "Cause." In addition, Mr. Steipp was also granted an aggregate of 6,000,000 restricted shares of the Company's common stock, which stock will vest in one-fifth increments on each anniversary of his employment with the Company. In the event that Mr. Steipp ceases to be employed by the Company prior to the fifth anniversary of his employment, he will forfeit any unvested shares unless he is terminated without "Cause" or unless he terminates his own employment within thirty days after a change in control of the Company. The grant of common stock to Mr. Steipp under the Restricted Stock Agreement was made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, including pursuant to Rule 506 thereunder (as Mr. Steipp is an "accredited investor" under Rule 506 and the grant was made without any form of general solicitation and with full access to any information requested by Mr. Steipp regarding the Company or the common stock).

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401(k) Savings Plan

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

Pension Benefits

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

Nonqualified Deferred Compensation

We do not maintain any non-qualified defined contribution or deferred compensation plans. The compensation committee, which is comprised solely of “outside directors” as defined for purposes of Section 162(m) of the Internal Revenue Code, may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if the compensation committee determines that doing so is in our best interests. We sponsor a tax qualified defined contribution 401(k) savings plan.

Director Compensation

The following table sets forth information regarding the compensation received by each of our directors during the year ended December 31, 2010:

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Abdi Mahamedi	\$285,000 (1)	--	--	--	--	--	\$285,000
Robert Biehl	\$97,000 (2)	--	--	--	--	--	\$97,000
Mark Hansen	--	--	--	--	--	--	--
Thomas Steipp	--	--	--	--	--	--	--
Ricardo Salas	--	--	--	--	--	--	--

(1) \$10,000 of fees earned was received in the form of the Company’s common stock in lieu of cash.

(2) Amount of fees earned was received in the form of the Company’s common stock in lieu of cash.

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Our non-employee directors are entitled to receive certain compensation for their services and are reimbursed for expenses incurred in attending board and committee meetings, as determined by the board of directors.

We also have a 2002 Non-Employee Director Stock Option Plan pursuant to which our non-employee directors are entitled to receive stock options. All options granted under the plan have an exercise price equal to the fair market value of our common stock on the date of the grant. These stock options have a 10-year term, vest, and are exercisable pursuant to an equal 5-year vesting schedule, and remain exercisable for certain periods of time after a person is no longer a director.

No director who is an employee will receive separate compensation for services rendered as a director. However, our employee directors are eligible to participate in our 2002 Equity Incentive Plan.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information regarding the beneficial ownership of our common stock as of February 28, 2011 by:

- each person known by us to be a beneficial owner of more than 5.0% of our outstanding common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

The number and percentage of shares beneficially owned is determined under the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire beneficial ownership of within 60 days of February 28, 2011 through the exercise of any stock option or other right. Unless otherwise indicated in the footnotes, each person has sole voting and investment power with respect to the shares shown as beneficially owned. A total of 93,695,378 shares of our common stock were issued and outstanding as of February 28, 2011. Unless otherwise indicated, the address of all directors and named executive officers is 30452 Esperanza, Rancho Santa Margarita, California 92688.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
5% Stockholders		
Carlyle Liquid Holdings, LLC 2 Gannett Drive, Suite 201 White Plains, NY 10604	65,339,692	41.1 %
Carlyle Liquid, LLC 2 Gannett Drive, Suite 201 White Plains, NY 10604	11,074,324	10.6 %
Jack Chitayat 1836 Camino Del Teatro La Jolla, CA 92037	16,516,517 (1)	15.3 %
Tjoa Thian Song 16 Raffles Quay #B1-14A Hong Leong Building Singapore 0101	8,539,136 (2)	8.7 %

John Kang 23211 Pradera Road Coto de Caza, Ca 92679	5,070,418 (3)	5.3	%
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Directors and Named Executive Officers

Abdi Mahamedi	8,998,954 (4)	8.9	%
Robert Biehl	1,510,005 (5)	1.6	%
Thomas Steipp	7,000,000 (6)	7.4	%
Tony Chung	835,103 (7)	0.9	%
Ricardo Salas	73,198,658(8)	44.1	%
Mark Hansen	-	-	
All directors and executive officers as a group (6 persons)	91,542,721	52.2	%

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(1) Includes:

- (a) 673,785 shares issuable pursuant to currently exercisable warrants and 1,320,636 shares issuable pursuant to currently convertible preferred stock held of record by Atlantic Realty Group, Inc. Mr. Chitayat has the power to direct the voting and disposition of such shares as the president and a sole shareholder of Atlantic Realty Group, Inc.;
- (b) 3,741,324 shares issuable pursuant to currently exercisable warrants and 7,333,000 shares issuable pursuant to currently convertible preferred stock held of record by Carlyle Liquid, LLC. Mr. Chitayat has shared power to direct the voting and disposition of such shares as the sole shareholder of Atlantic Realty Group, Inc., which is a managing member of Carlyle Liquid, LLC. Mr. Chitayat disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in Carlyle Liquid, LLC;
- (c) 153,483 shares issuable pursuant to currently exercisable warrants and held of record by Mr. Chitayat;
- (d) 91,792 shares held of record by a trust established by Mr. Chitayat for his minor children. Mr. Chitayat continues to beneficially own all such shares; and
- (e) 750,000 shares issuable pursuant to outstanding stock options that are exercisable currently.

(2) Includes:

- (a) 1,530,613 shares issuable pursuant to currently exercisable warrants and 3,000,000 shares issuable pursuant to currently convertible preferred stock held of record by Mr. Song; and
- (b) 3,874,585 shares held of record by a revocable grantor trust established by Mr. Song for himself and his family members. Mr. Song continues to beneficially own all such shares.

(3) Includes:

- (a) 510,205 shares issuable pursuant to currently exercisable warrants and 950,000 shares issuable pursuant to currently convertible preferred stock held of record by Mr. Kang;
- (b) 350,000 shares issuable pursuant to outstanding stock options that are exercisable currently or within 60 days of February 28, 2011. Does not include 200,000 shares that are issuable pursuant to outstanding stock options that are not exercisable currently or within 60 days of February 28, 2011; and
- (c) 246,400 shares held by Mr. Kang's minor children.

(4) Includes:

- (a) 1,347,700 shares held of record by Carlyle Holdings, LLC. Mr. Mahamedi has the power to direct the voting and disposition of such shares as the president and a sole shareholder of Carlyle Development Group, Inc, which is a managing member and shareholder of Carlyle Holdings, LLC;
- (b) 673,785 shares issuable pursuant to currently exercisable warrants and 1,320,636 shares issuable pursuant to currently convertible preferred stocks held of record by Carlyle Holdings, LLC. Mr. Mahamedi has the power to

direct the voting and disposition of such shares as the president and a sole shareholder of Carlyle Development Group, Inc, which is a managing member and shareholder of Carlyle Holdings, LLC; and

(c) 1,756,155 shares issuable pursuant to currently exercisable warrants and 3,141,250 shares issuable pursuant to currently convertible preferred stock held of record by Mr. Mahamedi.

(5)

Includes:

(a) 50,000 shares issuable pursuant to currently convertible preferred stock held of record by Mr. Biehl; and

(b) 539,041 shares issuable pursuant to outstanding stock options that are exercisable currently or within 60 days of February 28, 2011. Does not include 12,000 shares issuable pursuant to outstanding stock options that are not exercisable currently or within 60 days of February 28, 2011.

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(6) Includes:

- (a) 1,000,000 shares issuable pursuant to currently convertible preferred stocks held of record by Mr. Steipp; and
- (b) 6,000,000 restricted shares of common stock, which will vest in one-fifth increments on August 5, 2011, August 5, 2012, August 5, 2013, August 5, 2014 and August 5, 2015.

(7) Includes:

- (a) 255,103 shares issuable pursuant to currently exercisable warrants and 500,000 shares issuable pursuant to currently convertible preferred stock held of record by Mr. Chung; and
- (b) 80,000 shares issuable pursuant to outstanding stock options that are exercisable currently or within 60 days of February 28, 2011. Does not include 370,000 shares issuable pursuant to outstanding stock options that are not exercisable currently or within 60 days of February 28, 2011.

(8) Includes:

- (a) 2,537,700 shares issuable pursuant to currently exercisable warrants and 4,371,205 shares issuable pursuant to currently convertible preferred stocks held of record by Mr. Salas; and
- (b) 22,074,219 shares issuable pursuant to currently exercisable warrants and 43,265,473 shares issuable pursuant to currently convertible preferred stock held of record by Carlyle Liquid Holdings, LLC. Mr. Salas has shared power to direct the voting and disposition of such shares as the sole shareholder of Silver Lake Group, which is a managing member of Carlyle Liquid Holdings, LLC. Mr. Salas disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in Carlyle Liquid Holdings, LLC.

Equity Incentive/Equity Compensation Plans Information

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

The following table provides information regarding the securities authorized for issuance under our equity compensation plans as of December 31, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column [a])

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	[a]	[b]	[c]
Equity compensation plans approved by stockholders	6,489,963	\$ 0.67	4,521,007
Equity compensation plans not approved by stockholders	--	--	--
Total	6,489,963		4,521,007

The number of securities and types of plans available for future issuances of stock options as of December 31, 2010 were as follows:

Plan Name	Options and Warrants for Common Shares			
	Authorized	Exercised	Outstanding	Available
1996 Stock Option Plan	12,903,226	1,974,365	10,970	--
2002 Equity Incentive Plan	10,000,000	--	6,388,993	3,611,007
2002 Non-employee Director Stock Option Plan	1,000,000	--	90,000	910,000
Total Stock Options	23,903,226	1,974,365	6,489,963	4,521,007

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1996 Stock Option Plan

Our 1996 Stock Option Plan (the “1996 Plan”) provides for the grant of stock options to employees, directors, and consultants of our company and its affiliates. The purpose of the 1996 Plan is to retain the services of existing employees, directors, and consultants; to secure and retain the services of new employees, directors, and consultants; and to provide incentives for such persons to exert maximum efforts for our success. The 1996 Plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and for the granting to employees and consultants of nonstatutory stock options. Our board of directors terminated the 1996 Plan on April 4, 2002. The termination will not affect any outstanding options under the 1996 Plan, and all such options will continue to remain outstanding and be governed by the 1996 Plan.

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

As of December 31, 2010, options to purchase 10,970 shares of common stock were outstanding at a weighted average price of \$14.69 per share under the 1996 Stock Option Plan. As of December 31, 2010, options to purchase 1,974,365 shares had been issued upon exercise of options under the 1996 Plan. There were 10,970 options exercisable under the 1996 Stock Option Plan as of December 31, 2010.

2002 Equity Incentive Plan

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

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

The administrator establishes the option exercise price, which in the case of incentive stock options, must be at least the fair market value of the common stock on the date of the grant or, with respect to optionees who own at least 10%

of our outstanding common stock, 110% of fair market value. If our common stock is listed and traded on a registered national or regional securities exchange, or quoted on the National Association of Securities Dealers' Automated Quotation System, fair market value is the average closing price of a share of our common stock on such exchange or quotation system for the five trading days prior to the date of grant. If our common stock is not traded on a registered securities exchange or quoted in such a quotation system, fair market value is determined in good faith by the administrator.

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

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

The 2002 Plan may be amended, altered, suspended or terminated by our board of directors at any time, but no such amendment, alteration, suspension or termination may adversely affect the terms of any option previously granted without the consent of the affected optionee. Unless terminated sooner, the plan will terminate automatically in September 2012. As of December 31, 2010, there were 6,388,993 outstanding options or stock awards at a weighted average price of \$0.63 under the plan. There were 2,721,793 options exercisable under the 2002 Equity Incentive Plan as of December 31, 2010.

2002 Non-employee Director Stock Option Plan

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

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

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

As of December 31, 2010, options to purchase 90,000 shares of common stock were outstanding at a weighted average price of \$1.65 per share under the 2002 Non-Employee Director Stock Option Plan. There were 78,000 options exercisable under the 2002 Non-Employee Director Stock Option Plan as of December 31, 2010.

The 2002 Non-Employee Director Plan will terminate in October 2012, unless our board of directors terminates it sooner.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Transactions

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

On August 1, 2010, we entered into an agreement with Mr. Kang to provide consulting services to us through December 31, 2011 and on a month-to-month basis thereafter. During the year ended December 31, 2010, we paid \$0.1 million for his services.

On October 14, 2010, we signed an agreement with Innovative Materials Group, Inc. (“IMG”), a Chinese Corporation which is majority owned by Mr. Kang. Under the agreement, we received a deposit of \$0.5 million from IMG to purchase on behalf of IMG, machinery and equipment located in China and in turn, transfer the machinery and equipment over to IMG. This agreement has not yet been completed as of December 31, 2010, and the deposit amount is presented as other assets and other liabilities, current portion, on our consolidated balance sheet.

In March 2011, we paid \$0.1 million in advance legal fees to defend Mr. Kang, as the Representative Director of our Korean subsidiary, against allegations relating to our Korean subsidiary’s involvement in customs reporting violations in South Korea.

During each of the years ended December 31, 2010 and 2009, Ricardo Salas, our Director and Executive Vice President, advanced us \$0.2 million to meet working capital needs, which were included in short-term debt. On August 5, 2010, we paid Mr. Salas \$0.4 million which represented the total amount outstanding as well as 10% accrued interest as of that date. As of December 31, 2010 and 2009, Mr. Salas held \$0 and \$0.3 million, respectively, of our unsecured subordinated notes. There were no capital advances outstanding from Mr. Salas as of December 31, 2010.

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In October 2009, Mr. Kang, Mr. Salas and Tony Chung, our Company's Chief Financial Officer, acquired 80,000 shares of our Company's Series A-1 Preferred Stock and 2,000,000 warrants for an aggregate cash price of \$0.4 million. The Series A-1 Preferred Stock is convertible into our Company's common stock at a conversion price of \$0.10 per common share. Further, the warrants are exercisable for shares of our Company's common stock at an exercise price of \$0.50 per share and expire on January 3, 2012.

In May 2009, we completed a transaction in which (i) the holders of our 8% Convertible Subordinated Notes exchanged such notes for a combination of new 8% Senior Secured Convertible Notes and shares of a new series of convertible preferred stock designated "Series A-2 Preferred Stock", together with warrants thereon, and (ii) certain investors purchased, for an aggregate purchase price of \$2,500, shares of a new series of convertible preferred stock designated as "Series A-1 Preferred Stock" (see Note 11). The lead investors in this transaction were Carlyle Liquid, LLC and Carlyle Liquid Holdings, LLC (the "Carlyle Entities"), which were organized by Abdi Mahamedi. Mr. Mahamedi became a director and greater-than-5% beneficial owner of our Company by reason of the May 2009 transaction. Mr. Salas is the Managing Partner for Carlyle Liquid Holdings, LLC and has sole voting and investment control over the shares held by Carlyle Liquid Holdings, LLC. Mr. Jack Chitayat, a former Board member, is the Managing Partner for Carlyle Liquid LLC and has sole voting and investment control over the shares held by Carlyle Liquid, LLC. Additionally, Robert Biehl, a director of our Company, is a passive investor in Carlyle Liquid Holdings, LLC.

During the years ended December 31, 2010 and 2009, Mr. Robert Biehl provided leadership consulting services to executive management of our Company. In August 2010, we issued 300,000 shares of our stock in lieu of \$42 of consulting services provided by Mr. Biehl during 2010. In May 2009, we issued 233,010 of 100% vested, stock options at an exercise price of \$0.21 in lieu of \$48 of consulting services that were provided by Mr. Biehl throughout 2009.

During the year ended December 31, 2010, Mr. Mahamedi and Carlyle Liquid Holdings, LLC advanced us \$30,000 and \$0.1 million, respectively, to fund our working capital needs. On August 5, 2010, we paid off \$31,000 and \$0.1 million to Mr. Mahamedi and Carlyle Liquid Holdings, LLC, respectively, representing the total amounts outstanding, and 10% accrued interest of that date. There were no capital advances outstanding from Mr. Mahamedi and Carlyle Liquid Holdings, LLC as of December 31, 2010.

We have an exclusive license agreement with LLPG, Inc. ("LLPG"), a corporation headed by Jack Chitayat, our former director. 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. We, in turn, will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by LLPG. We recognized revenues from product sales and licensing fees of \$0 million and \$0.2 million from LLPG during the years ended December 31, 2010 and 2009, respectively. There are no outstanding trade receivables due from LLPG as of December 31, 2010 and 2009.

On August 6, 2010, we paid \$0.4 million to LLPG as a fee related to a modification of its existing exclusive license agreement in connection with the Apple licensing agreement. In March 2009, we entered into a license agreement with Swatch Group, Ltd. ("Swatch") under which Swatch was granted a perpetual non-exclusive license to our technology to produce and market watches and certain other luxury products. In March 2011, this license agreement was amended to grant Swatch exclusive rights as to watches, and our license agreement with LLPG was simultaneously amended to exclude watches from LLPG's right.

On June 1, 2007, we entered into a transaction with Grace Metal (currently Liquidmetal Korea Co., Ltd. "LMK"), under which (i) LMK agreed to purchase certain equipments (including die casting machines and vacuum induction melters) used in our bulk amorphous alloy business segment for \$2.0 million and (ii) we granted LMK a 10-year exclusive

license to manufacture products made from bulk Liquidmetal alloys for customers whose principal headquarters or whose major operations are located in South Korea. LMK was formed by an investor group that includes the former director and officer of our Company, James Kang, who is also the brother of John Kang, former Chairman of our company

In consideration of the license agreement with LMK, we will be entitled to royalty of 10% of LMK's net sales of licensed products (unless LMK's margin on the products falls below specified levels, in which case a new royalty will be negotiated in good faith). Effective June 1, 2008, the royalty rate was adjusted to 5% and on June 15, 2010, the licensing agreement with LMK was terminated. During the year ended December 31, 2010 and 2009, we recognized revenue from sales of raw materials and royalties for a total of \$0 and \$4.5 million, respectively.

We purchased production supplies from LMK and outsourced production of certain bulk alloy production with LMK. In June 2008, we began sharing the use of our manufacturing facility and production equipment in Pyongtaek, South Korea, with LMK as we began significant outsourcing of our bulk alloy parts production. We incurred expenses for purchase of production supplies and outsourcing fees of \$0 and \$1.3 million during the years ended December 31, 2010 and 2009, respectively. There were no trade payables due to LMK outstanding as of December 31, 2010 or December 31, 2009. We recognized revenue from sales of raw materials and royalties for a total of \$0 million and \$4.5 million, during the years ended December 31, 2010 and 2009, respectively. There were no trade receivables due from LMK outstanding at both December 31, 2010 and December 31, 2009.

Director Independence

Our board has determined that Mr. Biehl and Mr. Hansen are "independent directors" as such term is defined pursuant to Item 407(a) of Regulation S-K.

Item 14. Principal Accountant Fees and Services

Choi, Kim & Park, LLP

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The following table summarizes the aggregate fees billed to the Company by Choi, Kim & Park, LLP for professional services during the years ended December 31, 2010 and December 31, 2009:

Fees	2009	2010
Audit Fees (1)	\$ 188,000	\$ 207,260

(1) Audit Fees.

Fees for audit services billed in 2010 consisted of:

- Audit of the Company's financial statements for 2009; and
- Review of the Company's quarterly financial statements for 2010

Fees for audit services billed in 2009 consisted of:

- Audit of the Company's financial statements for 2008; and
- Review of the Company's quarterly financial statements for 2009;

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this report:

1. Financial Statements. See the Index to Consolidated Financial Statements on page 40.
2. Financial Statement Schedules. See the last page of the Consolidated Financial Statements.
3. Exhibits. See Item 15(b) below.

(b) The exhibits listed on the Exhibit Index, which appears at the end of this Item 15, are filed as part of, or Exhibits. are incorporated by reference into, this report.

(c) Financial Statement Schedules. See Item 15(a)(2) above.

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EXHIBIT INDEX

Exhibit Number	Document Description
3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 10-Q filed on August 14, 2003).
3.2	Bylaws (incorporated by reference to Exhibit 3.2 to the Form 10-Q filed on August 14, 2003).
3.3	Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Liquidmetal Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on May 6, 2009).
3.4	Certificate of Amendment to the Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on August 6, 2009).
3.5	Amended and Restated Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Liquidmetal Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Form 10-Q filed on November 4, 2010).
4.1	Reference is made to Exhibits 3.1 and 3.2.
4.2	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Form 10-Q filed on August 14, 2003).
10.1	Amended and Restated License Agreement, dated September 1, 2001, between Liquidmetal Technologies, Inc. and California Institute of Technology (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1 filed on November 20, 2001 (Registration No. 333-73716)).
10.2*	1996 Stock Option Plan, as amended, together with form of Stock Option Agreement (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-1 filed on November 20, 2001 (Registration No. 333-73716)).
10.3*	2002 Equity Incentive Plan (incorporated by reference to Exhibit 10.23 to the Registration Statement on Form S-1 (Amendment No. 2) filed on April 5, 2002 (Registration No. 333-73716)).
10.4*	2002 Non-Employee Director Stock Option Plan (incorporated by reference to Exhibit 10.24 to the Registration Statement on Form S-1 (Amendment No. 2) filed on April 5, 2002 (Registration No. 333-73716)).
10.5*	Employment Agreement, dated December 31, 2000, between Liquidmetal Technologies, Inc. and John Kang, as amended by Amendment No. 1 to Employment Agreement, dated June 28, 2001 (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1 filed on November 20, 2001 (Registration No. 333-73716)).
10.6	Non-Qualified Stock Option Agreement, dated January 1, 2001, between Liquidmetal Technologies, Inc. and Paul Azinger (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1 filed on November 20, 2001 (Registration No. 333-73716)).

- 10.7 Foreign Corporation Lease Zone Occupancy (Lease) Agreement, dated March 5, 2002, between Kyonggi Local Corporation and Liquidmetal Korea Co., Ltd. (incorporated by reference to Exhibit 10.22 to the Registration Statement on Form S-1 (Amendment No. 2) filed by Liquidmetal Technologies on April 5, 2002 (Registration No. 333-73716)).
- 10.8 Credit Service Agreement, dated February 2003, between Liquidmetal Korea Co., Ltd. and Kookmin Bank (incorporated by reference to Exhibit 10.20 to the Form 10-K filed on March 31, 2003).
- 10.9 Form of Common Stock Purchase Warrant, dated August 2, 2005 (incorporated by reference from Exhibit 10.3 of the Registrant's 10-Q/A filed on August 30, 2005)
- 10.10 Form of Common Stock Purchase Warrant, dated June 13, 2005 (incorporated by reference from Exhibit 99.3 of the Registrant's 8-K filed on June 16, 2005)
- 10.11 Agreement, dated November 3, 2004, between Liquidmetal Technologies, Inc. and John Kang relating to liability under Section 16(b) (incorporated by reference from Exhibit 10.58 to the Form 10-K filed on March 16, 2006).
- 10.12 Form of Indemnity Agreement between Liquidmetal Technologies, Inc. and directors and executive officers (incorporated by reference from Exhibit 10.59 to the Form 10-K filed on March 16, 2006).
- 10.13 Factoring, Loan, and Security Agreement, dated April 21, 2005, between Liquidmetal Technologies, Inc. and Hana Financial, Inc. and Amendment No. 1 to Factoring, Loan, and Security Agreement, dated January 27, 2006, between Liquidmetal Technologies, Inc. and Hana Financial, Inc. (incorporated by reference to Exhibit 10.60 to the Registration Statement on Form S-1 (Amendment No. 1) filed on April 20, 2006 (Registration No. 333-130251)).
- 10.14 Warrant for Purchase of Shares of Common Stock, dated March 17, 2006, granted by Liquidmetal Technologies, Inc. to Atlantic Realty Group, Inc. (incorporated by reference to Exhibit 10.62 to the Registration Statement on Form S-1 (Amendment No. 1) filed on April 20, 2006 (Registration No. 333-130251)).

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Exhibit Number	Document Description
10.15	Consulting Agreement, dated April 12, 2006, between Liquidmetal Technologies, Inc. and William Johnson (incorporated by reference to Exhibit 10.65 to the Registration Statement on Form S-1 (Amendment No. 1) filed on April 20, 2006 (Registration No. 333-130251)).
10.16	Securities Purchase Agreement, dated May 17, 2006, among Liquidmetal Technologies, Inc. and the parties identified as “Purchasers” therein (incorporated by reference to Exhibit 10.66 to the Registration Statement on Form S-1 (Amendment No. 2) filed on July 20, 2006 (Registration No. 333-130251)).
10.17	Form of 8% Unsecured Subordinated Note due August 2007 (incorporated by reference to Exhibit 10.67 to the Registration Statement on Form S-1 (Amendment No. 2) filed on July 20, 2006 (Registration No. 333-130251)).
10.18	Form of Common Stock Purchase Warrant, dated May 17, 2006 (incorporated by reference to Exhibit 10.68 to the Registration Statement on Form S-1 (Amendment No. 2) filed on July 20, 2006 (Registration No. 333-130251)).
10.19	Registration Rights Agreement, dated May 17, 2006, among Liquidmetal Technologies, Inc. and the parties identified as “Purchasers” therein (incorporated by reference to Exhibit 10.69 to the Registration Statement on Form S-1 (Amendment No. 2) filed on July 20, 2006 (Registration No. 333-130251)).
10.20	Securities Purchase Agreement, dated January 3, 2007 (the “Securities Purchase Agreement”), among Liquidmetal Technologies, Inc. (the “Company”) and the investors listed on the Schedule of Buyers attached thereto (the “Buyers”) (incorporated by reference from Exhibit 10.1 to the Form 8-K filed on January 4, 2007).
10.21	Form of Convertible Subordinated Note issued pursuant to Securities Purchase Agreement (incorporated by reference from Exhibit 10.2 to the Form 8-K filed on January 4, 2007).
10.22	Form of Common Stock Purchase Warrant issued pursuant to Securities Purchase Agreement (incorporated by reference from Exhibit 10.3 to the Form 8-K filed on January 4, 2007).
10.23	Registration Rights Agreement, dated January 3, 2007, among the Company and the Buyers (incorporated by reference from Exhibit 10.4 to the Form 8-K filed on January 4, 2007).
10.24	Amendment No. 2 to Factoring, Loan & Security Agreement, dated January 23, 2007, between Liquidmetal Technologies Inc. and Hana Financial, Inc. (incorporated by reference from Exhibit 10.76 to the Form 10-K filed on March 16, 2007).
10.25	Amendment No. 1 to the Securities Purchase Agreement and Convertible Subordinated Notes, dated April 23, 2007, by and between Liquidmetal Technologies, Inc. and the investors listed on the Schedule of Buyers attached thereto (incorporated by reference from Exhibit 10.1 to the Form 8-K filed on April 27, 2007).
10.26	Standard Industrial / Commercial Single-Tenant Lease, dated February 13, 2007, between Liquidmetal Technologies, Inc. and 30452 Esperanza LLC (incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on May 15, 2007).

- 10.27 Lease, dated March 19, 2007, between Liquidmetal Technologies, Inc. and Larry Ruffino and Roland Ruffino (incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on May 15, 2007).
- 10.28 Principles of Agreement and Security Agreement, dated June 1, 2007, between Liquidmetal Technologies, Inc. and Foster Wheeler Energy Services, Inc. (incorporated by reference from Exhibit 10.64 to the Registration Statement on Form S-1 (Amendment No. 1) filed on July 2, 2007 (Registration No. 333-142442)).
- 10.29 Equipment Purchase Agreement and Licensing Agreement, dated June 1, 2007, between Liquidmetal Technologies, Inc. and Gracemetal, as amended (incorporated by reference from Exhibit 10.65 to the Registration Statement on Form S-1 (Amendment No. 1) filed on July 2, 2007 (Registration No. 333-142442)).
- 10.30 Asset Purchase and Contribution Agreement, dated July 24, 2007 between Company and Liquidmetal Coatings, LLC. (includes Liquidmetal Coatings, LLC Operating Agreement) (incorporated by reference from Exhibit 2.1 to the Form 8-K filed on July 27, 2007).
- 10.31 Loan Agreement, dated July 24, 2007 by and among Liquidmetal Coatings, LLC, Liquidmetal Coatings Solutions, LLC and Bank Midwest, N.A. (incorporated by reference from Exhibit 2.2 to the Form 8-K filed on July 27, 2007).
- 10.32 Securities Purchase Agreement, dated July 24, 2007, by and among Liquidmetal Coatings, LLC, C3 Capital Partners, L.P., C3 Capital Partners II, L.P. and Liquidmetal Coatings Solutions, LLC. (incorporated by reference from Exhibit 2.3 to the Form 8-K filed on July 27, 2007).
- 10.33 First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC, dated February 22, 2008 (incorporated by reference from Exhibit 2.1 to the Form 8-K filed on February 28, 2008).
- 10.34 Form of Convertible Subordinated Note, dated October 1, 2007 (incorporated by reference from Exhibit 10.34 to the Form 10-K filed on April 3, 2008).

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Exhibit Number	Document Description
10.35	Form of Convertible Subordinated Note, dated December 28, 2007(incorporated by reference from Exhibit 10.35 to the Form 10-K filed on April 3, 2008).
10.36	Form of Common Stock Purchase Warrant, dated December 28, 2007(incorporated by reference from Exhibit 10.36 to the Form 10-K filed on April 3, 2008).
10.37	Form of Letter dated, October 31, 2007, to extend 8% Unsecured Subordinated Note due date (incorporated by reference from Exhibit 10.37 to the Form 10-K filed on April 3, 2008).
10.38	First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC, dated February 22, 2008 (incorporated by reference from Exhibit 2.1 to the Form 8-K filed on February 22, 2008).
10.39	Form of Convertible Subordinated Note, dated April 1, 2008 (incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on August 19, 2008).
10.40	Form of Convertible Subordinated Note, dated July 1, 2008 (incorporated by reference from Exhibit 10.2 to the Form 10-Q filed on August 19, 2008).
10.41	Form of letter dated, July 31, 2008, to extend to change the first redemption date and amount of the Convertible Subordinated Notes due January 2010 (incorporated by reference from Exhibit 10.3 to the Form 10-Q filed on August 19, 2008).
10.42	Promissory Note, dated October 21, 2008, between Liquidmetal Coatings, LLC and Bank Midwest N.A. (incorporated by reference from Exhibit 10.42 to the Form 10-K filed on April 15, 2009).
10.43	Form of Convertible Subordinated Note, dated October 1, 2008 (incorporated by reference from Exhibit 10.43 to the Form 10-K filed on April 15, 2009).
10.44	Form of Convertible Subordinated Note, dated January 1, 2009 (incorporated by reference from Exhibit 10.44 to the Form 10-K filed on April 15, 2009).
10.45	Continuing Guarantee Agreement, dated January 5, 2009, between John Kang and Hana Financial, Inc. (incorporated by reference from Exhibit 10.45 to the Form 10-K filed on April 15, 2009).
10.46	Securities Purchase Agreement, dated May 1, 2009 (“the Securities Purchase Agreement”) among Liquidmetal Technologies, Inc. (the “Company”) and the investors listed on the Schedule of Buyers attached hereto (the “Buyers”) (incorporated by reference from Exhibit 10.1 to the Form 8-K filed on May 7, 2009).
10.47	Form of 8% Senior Secured Convertible Subordinated Note issued pursuant to Securities Purchase Agreement (incorporated by reference from Exhibit 10.2 to the Form 8-K filed on May 7, 2009).
10.48	Form of Common Stock Purchase Warrant issued in connection with the 8% Senior Secured Convertible Subordinated Notes (incorporated by reference from Exhibit 10.3 to the Form 8-K filed on May 7, 2009).
10.49	Form of Common Stock Purchase Warrant issued in connection with the Series A Preferred Stock (incorporated by reference from Exhibit 10.4 to the Form 8-K filed on May 7, 2009).

- 10.50 Registration Rights Agreement, dated May 1, 2009, among the Company and the Buyers (incorporated by reference from Exhibit 10.5 to the Form 8-K filed on May 7, 2009).
- 10.51 Security Agreement, dated May 1, 2009, among the Company and the Buyers (incorporated by reference from Exhibit 10.6 to the Form 8-K filed on May 7, 2009).
- 10.52 Form of 8% Senior Secured Convertible Note, dated November 1, 2009 (incorporated by reference from Exhibit 10.52 to the Form 10-K filed on August 20, 2010)..
- 10.53 Form of 8% Senior Secured Convertible Note, dated May 1, 2010 (incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on August 20, 2010).
- 10.54* Employment Agreement, dated August 3, 2010, between Thomas Steipp and Liquidmetal Technologies, Inc. (incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on November 4, 2010).
- 10.55* Restricted Stock Agreement, dated August 3, 2010, between Thomas Steipp and Liquidmetal Technologies, Inc. (incorporated by reference from Exhibit 10.2 to the Form 10-Q filed on November 4, 2010).
- 10.56** Master Transaction Agreement, dated August 5, 2010, between Apple Inc., Liquidmetal Technologies, Inc., Liquidmetal Coatings, LLC and Crucible Intellectual Property, LLC. (incorporated by reference from Exhibit 10.3 to the Form 10-Q filed on November 4, 2010).

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Exhibit

Number Document Description

10.57	Subscription Agreement, dated August 10, 2010, between Liquidmetal Technologies, Inc. and Norden LLC. (incorporated by reference from Exhibit 10.4 to the Form 10-Q filed on November 4, 2010).
10.58	Consent Agreement between Liquidmetal Technologies, Inc. and holders of the Series A-1 Preferred Stock and holders of the Series A-2 Preferred Stock (incorporated by reference from Exhibit 10.5 to the Form 10-Q filed on November 4, 2010).
10.59	Amendment No. 3 to First Amended and Restated Operating Agreement of Liquidmetal Coatings, LLC, dated December 15, 2010.
14	Code of Ethics for Chief Executive Officer and Senior Financial and Accounting Officers (incorporated by reference to Exhibit 14 to the Form 10-K filed on November 10, 2004).
21	Subsidiaries of the Registrant. (incorporated by reference from Exhibit 21 to the Form 10-K filed on November 10, 2004).
21.1	Updated List of Subsidiaries of the Registrant.
<u>23.1</u>	Consent of Registered Independent Public Accounting Firm, Choi, Kim & Park, LLP.
24.1	Power of Attorney relating to subsequent amendments (included on the signature page(s) of this report)
<u>31.1</u>	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended.
<u>31.2</u>	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended.
<u>32.1</u>	Certification pursuant to 18 U.S.C. 1350.

* Denotes a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

** Portions of this exhibit have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the Securities and Exchange Commission.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Liquidmetal Technologies, Inc.

By: /s/ Thomas Steipp
 Thomas Steipp
 President and Chief Executive Officer
 (Principal Executive officer)

Date: April 5, 2011

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas Steipp and Tony Chung and each of them, jointly and severally, his attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Thomas Steipp Thomas Steipp	Chief Executive Officer	April 5, 2011
/s/ Tony Chung Tony Chung	Chief Financial Officer	April 5, 2011
/s/ Abdi Mahamedi Abdi Mahamedi	Chairman of the Board and Director	April 5, 2011
/s/ Ricardo Salas Ricardo Salas	Executive Vice President and Director	April 5, 2011
/s/ Robert Biehl Robert Biehl	Director	April 5, 2011
/s/ Mark Hansen Mark Hansen	Director	April 5, 2011

Certifications provided as Exhibits.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Liquidmetal Technologies, Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive loss, shareholders' deficiency, and cash flows for the years ended December 31, 2010, and 2009. Our audits also included the financial statement schedules listed at index in Item 15(a) as of and for the years ended December 31, 2010, and 2009. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Liquidmetal Technologies, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and cash flows for the years ended December 31, 2010, and 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company's significant operating losses and working capital deficit raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Choi, Kim & Park LLP

Los Angeles, California
Certified Public Accountants

February 14, 2011

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

	December 31, 2010 (Restated)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$5,049	\$ 106
Trade accounts receivables, net of allowance for doubtful accounts of \$1 and \$1,314	1,731	1,180
Inventories	1,016	422
Prepaid expenses and other current assets	1,264	799
Total current assets	\$9,060	\$2,507
Property, plant and equipment, net	796	737
Long-lived assets to be disposed of other than by sale	3,758	5,379
Other intangibles, net	1,121	1,232
Other assets	310	585
Total assets	\$15,045	\$10,440
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued liabilities	9,627	5,928
Deferred revenue	8	31
Short-term debt	480	896
Long-term debt, current portion	-	1,393
Warrant liabilities	12,819	3,975
Conversion feature liabilities	-	444
Other liabilities, current portion	3,106	3,324
Total current liabilities	\$26,040	\$15,991
Long-term debt, net of current portion and debt discounts of \$0 and \$3,227	7,962	12,661
Other long-term liabilities, net of current portion	681	155
Total liabilities	\$34,683	\$28,807
Shareholders' deficiency:		
Liquidmetal Technologies, Inc. shareholders' deficiency		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; 2,171,760 and 3,183,663 shares issued and outstanding at December 31, 2010 and 2009, respectively	2	4
Common stock, \$0.001 par value; 300,000,000 shares authorized; 93,695,375 and 47,583,102 shares issued and outstanding at December 31, 2010 and 2009, respectively	88	48
Additional paid-in capital	146,870	142,135
Accumulated deficit	(168,679)	(162,777)
Accumulated other comprehensive income	1,494	1,441
Total Liquidmetal Technologies, Inc. shareholders' deficiency	\$(20,225)	\$(19,149)

Noncontrolling interest	587	782
Total shareholders' deficiency	\$(19,638)	\$(18,367)
<hr/>		
Total liabilities and shareholders' deficiency	\$15,045	\$10,440

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

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LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share data)

	Years Ended December 31,	
	2010 (restated)	2009
Revenue	\$30,268	\$10,773
Cost of sales	6,512	5,885
Gross profit	23,756	4,888
Operating expenses		
Selling, general, and administrative	7,173	5,614
Research and development	1,272	1,173
Total operating expenses	8,445	6,787
Income (loss) before interest, other income, income taxes, non-controlling interest and discontinued operations	15,311	(1,899)
Loss from extinguishments of debt	-	(1,471)
Change in value of warrants, (loss) gain	(10,394)	9,835
Change in value of conversion feature, gain	444	1,827
Other expense	(2,800)	(313)
Other income	70	-
Interest expense	(4,981)	(5,404)
Interest income	6	-
Loss (income) before income taxes, noncontrolling interest and discontinued operations	(2,344)	2,575
Income taxes	-	(168)
Loss before noncontrolling interest and discontinued operations	(2,344)	2,407
Net loss attributable to noncontrolling interest	576	69
Income from continuing operations	(1,768)	2,476
Discontinued operations:		
Loss from operations of discontinued operations, net	(2,928)	(2,225)
Net (loss) income	(4,696)	251
Other comprehensive income:		
Foreign exchange translation gain during the period	53	414
Comprehensive (loss) income	\$(4,643)	\$665
Per common share basic and diluted:		

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Net (loss) income attributable to Liquidmetal Technologies per share - basic	\$ (0.07)	\$ 0.01
Net (loss) income attributable to Liquidmetal Technologies per share - diluted	\$ (0.07)	\$ 0.00
Number of weighted average shares - basic	64,965		46,084
Number of weighted average shares - diluted	64,965		214,429

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 (DEFICIENCY)
(in thousands, except share data)

	Preferred Shares	Common Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulat- ed Deficit	Accumulated Other Compre- hensive Income (Loss)	Non- controlling Interest	Total
Balance, December 31, 2008	-	44,825,402	\$ -	\$ 45	\$ 140,204	\$ (162,307)	\$ 1,027	\$ 651	\$ (20,380)
Convertible preferred stocks issued	3,305,002		4	-	1,758	-	-	-	1,762
Conversion of preferred stocks	(121,339)	2,757,700	-	3	(3)	-	-	-	-
Dividends	-	-	-	-	-	(707)	-	-	(707)
Stock-based compensation	-	-	-	-	176	-	-	-	176
Foreign exchange translation gain	-	-	-	-	-	-	\$ 414	-	414
Cash contribution from noncontrolling interests	-	-	-	-	-	-	-	200	200
Cash distribution to noncontrolling interests	-	-	-	-	-	\$ (14)	-	-	(14)
Preferred Units capital account of subsidiary	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	\$ 251	-	(69)	182
Balance, December 31, 2009	3,183,663	47,583,102	4	\$ 48	\$ 142,135	\$ (162,777)	\$ 1,441	\$ 782	\$ (18,367)
Convertible preferred stocks issued	-	-	(1)	-	-	-	-	-	(1)
Conversion of preferred stocks	(1,011,903)	26,089,218	(1)	26	(25)	-	-	-	(0)
Conversion of warrants	-	4,849,775	-	5	2,547	-	-	-	2,552

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Conversion of notes payable	-	333,332	-	0	200	-	-	-	200
Restricted shares issued	-	13,870,307	-	8	2,038	-	-	-	2,046
Common stock issued in lieu of cash	-	969,641	-	1	176	-	-	-	177
Dividends	-	-	-	-	-	(356)	-	-	(356)
Stock-based compensation	-	-	-	-	142	-	-	-	142
Foreign exchange translation gain	-	-	-	-	-	-	53	-	53
Cash contribution from noncontrolling interests	-	-	-	-	-	-	-	381	381
Cash distribution to noncontrolling interests	-	-	-	-	-	-	-	-	-
Preferred Units capital account of subsidiary	-	-	-	-	(343)	(850)	-	-	(1,193)
Net income	-	-	-	-	-	(4,696)	-	(576)	(5,272)
									-
Balance, December 31, 2010 (restated)	2,171,760	93,695,375	2	88	146,870	(168,679)	1,494	587	(19,638)

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 data)

	Years Ended December 31,	
	2010 (restated)	2009
Operating activities:		
Net income	\$(1,768)	\$2,476
Add (loss) from operations of discontinued operations	(2,928)	(2,225)
	\$(4,696)	\$251
Adjustments to reconcile loss from operations to net cash used for operating activities:		
Impairment of long-lived assets	-	-
Gain on disposal of asset	69	-
(Loss) attributable to noncontrolling interest of consolidated subsidiary	(576)	(69)
Depreciation and amortization	361	342
Loss on extinguishment of debt	-	2,452
Amortization of debt discount	2,953	2,488
Stock-based compensation	142	176
Bad debt expense	61	243
Warranty (recovery)	(8)	(66)
Loss (Gain) from change in value of warrants	10,394	(9,835)
(Gain) from change in value of conversion feature	(444)	(1,827)
Changes in operating assets and liabilities:		
Trade accounts receivable	(612)	781
Inventories	(121)	(81)
Prepaid expenses and other current assets	(861)	(140)
Other assets	549	401
Accounts payable and accrued expenses	714	4,300
Deferred revenue	(23)	(9)
Other liabilities	233	(13,291)
Net cash provided by (used in) continuing operations	8,135	(13,884)
Net cash (used in) provided by discontinued operations	1,946	10,390
Net cash provided by (used in) operating activities	10,081	(3,494)
Investing Activities:		
Purchases of property and equipment	(311)	157
Investment in patents and trademarks	(29)	(300)
Investment in joint venture	-	306
Net cash (used in) provided by investing activities by continuing operations	(340)	163
Net cash (used in) investing activities by discontinued operations	-	(615)
Net cash (used in) investing activities	(340)	(452)
Financing Activities:		
Proceeds from borrowings	12,630	16,627

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Repayment of borrowings	(20,377)	(28,927)
Proceeds from issuance of convertible preferred stocks	-	16,228
Proceeds from issuance of common stocks	2,046	-
Warrants exercised	1,002	-
Redemption of preferred units of subsidiary	(343)	-
Cash contribution to noncontrolling interest of consolidated subsidiary	361	200
Cash distributions to holders of noncontrolling interest of consolidated subsidiary	-	(14)
Minority interest in subsidiary's joint venture	21	-
Net cash (used in) provided by financing activities by continuing operations	(4,660)	4,114
Net cash (used in) financing activities by discontinued operations	-	(151)
Net cash (used in) provided by financing activities	(4,660)	3,963
Effect of foreign exchange translation	(138)	(68)
Net increase (decrease) in cash and cash equivalents	4,943	(51)
Cash and cash equivalents at beginning of period	106	157
Cash and cash equivalents at end of period	\$5,049	\$106
Supplemental cash flow information		
Interest paid	\$221	\$1,994
Taxes paid	\$-	\$-

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

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LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009
(in thousands, except share data)

1. Description of Business

Liquidmetal Technologies, Inc. (“Liquidmetal Technologies”) and its subsidiaries (collectively “the Company”) are in the business of developing, manufacturing, and marketing products made from amorphous alloys. Liquidmetal Technologies markets and sells Liquidmetal® alloy industrial coatings and also manufactures, markets and sells products and components from bulk Liquidmetal alloys that can be incorporated into the finished goods of its customers across a variety of industries. The Company also partners with third-party licensees and distributors to develop and commercialize Liquidmetal alloy products.

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

In July 2007, the Company transferred substantially all of the assets of its Liquidmetal alloy industrial coatings business to a newly formed, newly capitalized subsidiary named Liquidmetal Coatings, LLC, a Delaware limited liability company (“LMC”), and LMC assumed substantially all of the assets and liabilities of the coatings business. The Company initially held a 69.25% ownership interest in LMC; however during 2010, LMC failed to redeem its preferred units by the specified time and was required to issue additional common shares to its noteholders (See Note 14). On December 15, 2010, the Company and two other members of LMC contributed additional capital into LMC in exchange for additional common unit membership. As a result, the Company’s ownership interest in LMC increased to 72.86%. The results of operation of LMC are consolidated and comprise the Liquidmetal alloy industrial coatings segment for financial reporting purposes.

In May 2010, LMC entered into a joint venture agreement with IMCO Alloys Private Limited (“IMCO”) to create a subsidiary named Liquidmetal Coatings Solutions India Private Limited (“LMCSI”) and engage in application services of Liquidmetal products as a protective coating. Initially, under the joint venture agreement, LMC held 80% and IMCO held 20% of the outstanding Class A Shares of LMCSI. LMC may, at its option, subscribe to Class B Shares of the Company. In September 2010, LMC provided approximately \$80 in capital equipment and was issued 358,204 Class B Shares of LMCSI. As a result, LMC holds 88.6% and IMCO holds 11.4% ownership interest in LMCSI as of December 31, 2010.

2. Restatement

As part of the accompanying consolidated financial statements and the notes thereto, the Company has restated certain previously issued financial statements due to an error related to the Company’s accounting for reclassifying revenue and certain expenses related to the discontinued operations of its manufacturing operations in South Korea in November 2010, in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 205-20, Presentation of Financial Statements – Discontinued Operations.

Previously, the Company had incorrectly accounted for the reclassification for net loss related to discontinued operations as part of revenue. The correction of the error to reclass the components of the net loss related to discontinued operations resulted in a decrease to revenue by \$3,024, a decrease in cost of sales by \$1,695, an increase in selling, general and administrative expenses of \$36, a decrease in impairment of long-lived assets expenses by \$966, and a decrease in interest expense by \$399 for the year ended December 31, 2010. As part of the restatement, reclassifications to prior period consolidated financial statements have been made for consistent presentation of our revenue, selling, general and administrative expenses, impairment of long-lived assets and interest expense.

In addition, on March 19, 2010, subsequent to the filing of our Form 10-K for the year ended December 31, 2010, the Company entered into a preliminary binding Settlement Agreement with SAGA pursuant to which the Company agreed to pay SAGA \$2,800 in the form of restricted shares of the Company's common stock in exchange for SAGA's equity interest in LSI. As part of the restatement, the Company increased its accrual for the settlement and potential legal fees to \$3,100 as of December 31, 2010. The adjustments resulted in an increase to accounts payable and accrued liabilities of \$2,800 and an increase to other expenses of \$2,800 (see Note 22).

The effects of the restatements are as follows:

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LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009
(in thousands, except share data)

	December 31, 2010 Previously Reported	December 31, 2010 Restated
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,049	\$ 5,049
Trade accounts receivables, net of allowance for doubtful accounts of \$1 and \$1,314	1,731	1,731
Inventories	1,016	1,016
Prepaid expenses and other current assets	1,264	1,264
Total current assets	9,060	9,060
Property, plant and equipment, net	796	796
Long-lived assets to be disposed of other than by sale	3,758	3,758
Other intangibles, net	1,121	1,121
Other assets	310	310
Total assets	\$ 15,045	\$ 15,045
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	6,827	9,627
Deferred revenue	8	8
Short-term debt	480	480
Long-term debt, current portion	-	-
Warrant liabilities	12,819	12,819
Conversion feature liabilities	-	-
Other liabilities, current portion	3,106	3,106
Total current liabilities	\$ 23,240	\$ 26,040
		-
Long-term debt, net of current portion and debt discounts of \$0 and \$3,227	7,962	7,962
Other long-term liabilities, net of current portion	681	681
Total liabilities	\$ 31,883	\$ 34,683
Shareholders' deficiency:		
Liquidmetal Technologies, Inc. shareholders' deficiency		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; 2,171,760 and 3,183,663 shares issued and outstanding at December 31, 2010 and 2009, respectively	2	2
Common stock, \$0.001 par value; 300,000,000 shares authorized; 93,695,375 and 47,583,102 shares issued and outstanding at December 31, 2010 and 2009, respectively	88	88
Additional paid-in capital	146,870	146,870
Accumulated deficit	(165,879)	(168,679)

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Accumulated other comprehensive income	1,494	1,494
Total Liquidmetal Technologies, Inc. shareholders' deficiency	\$ (17,425)	\$ (20,225)
Noncontrolling interest	587	587
Total shareholders' deficiency	\$ (16,838)	\$ (19,638)
Total liabilities and shareholders' deficiency	\$ 15,045	\$ 15,045

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LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009
(in thousands, except share data)

	Years Ended December 31,	
	2010 Previously Reported	2010 Restated
Revenue	\$ 33,292	\$ 30,268
Cost of sales	8,207	6,512
Gross profit	25,085	23,756
Operating expenses		
Selling, general, and administrative	7,137	\$ 7,173
Research and development	1,272	1,272
Impairment of long-lived assets	966	-
Total operating expenses	9,375	8,445
Loss before interest, other income, income taxes, and non-controlling interest	15,710	15,311
Change in value of warrants, loss	(10,394)	(10,394)
Change in value of conversion feature, gain	444	444
Other expense	-	(2,800)
Other income	70	70
Interest expense	(5,380)	(4,981)
Interest income	6	6
Loss before income taxes and noncontrolling interest	456	(2,344)
Income taxes	-	-
Loss before noncontrolling interest	456	(2,344)
Noncontrolling interest loss (income)	576	576
Income (loss) from continuing operations	1,032	(1,768)
Discontinued operations		
Loss from operations of discontinued operations, net	(2,928)	(2,928)
Net Income (loss)	(1,896)	(4,696)
Other comprehensive income (loss):		
Foreign exchange translation gain (loss) during the period	53	53
Comprehensive income (loss)	\$ (1,843)	\$ (4,643)

Per common share basic and diluted:

Income (loss) per share - basic	\$ (0.03)	\$ (0.07)
Loss per share - diluted	\$ (0.03)	\$ (0.07)
Number of weighted average shares - basic	64,965	64,965
Number of weighted average shares - diluted	64,965	64,965

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LIQUIDMETAL TECHNOLOGIES, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009
(in thousands, except share data)

3. Liquidity

The Company has experienced losses from continuing operations during the last three fiscal years and has an accumulated deficit of \$168,679 as of December 31, 2010. Net cash provided by continuing operations for the year ended December 31, 2010 was \$10,080. At December 31, 2010, working capital deficit was \$16,980. As of December 31, 2010, the Company's principal source of liquidity is \$5,049 of cash and \$1,731 of trade accounts receivable. Such conditions raise substantial doubt that the Company will be able to continue as a going concern.

On May 1, 2009, the Company completed a financing transaction (the "Transaction") whereby aggregate cash of \$2,500 and principal and accrued interest of \$20,625 due under the previously issued 8% Convertible Subordinated Notes due January 2010 (the "January 2010 Notes") were exchanged for 500,000 shares of convertible Series A-1 Preferred Stock with an original issue price of \$5.00 per share, 2,625,002 shares Series A-2 Preferred Stock with an original issue price of \$5.00 per share, and \$7,500 of new 8% Senior Secured Convertible Subordinated Notes due January 2011 (the "January 2011 Notes"). The Transaction was consummated pursuant to a Securities Purchase and Exchange Agreement, dated May 1, 2009, among the exchanging note holders and investors. On August 5, 2010, the Company repaid in full all principal and interest on the January 2011 Notes. All security interests in Company assets securing such obligations under the January 2011 Notes were released and terminated. (see Note 11)

On May 28, 2010, the Company issued \$2,000 of 13% Subordinated Promissory Note ("January 2011 Subordinated Note") due on the earlier date of January 3, 2011 or the date on which all outstanding amounts are due under the Company's 8% January 2011 Notes. On August 5, 2010, the Company repaid in full all principal and accrued interest of \$2,046 on the January 2011 Subordinated Note. In connection with the repayment, on August 10, 2010, the Company entered into a Subscription Agreement pursuant to which the Company issued 7,870,307 shares of the Company's common stock to the noteholder for an aggregate price of \$2,046. (See Note 11)

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. We have used and are using the license fee from this transaction to pay off noteholders and other indebtedness and fund operations. In connection with this transaction, our ongoing obligations to Apple (including the obligation to transfer new intellectual property to CIP) are secured through August 2012 by a security interest in substantially all of our assets, and if we are unable to comply with these obligations, Apple may be entitled to foreclose on such assets

In June 2006, the Company entered into a joint venture agreement with SAGA, SpA in Padova, Italy, ("SAGA") a specialist precision parts manufacturer. The joint venture is named Liquidmetal SAGA Italy, Srl ("LSI"). The Company also entered into an exclusive manufacturing license agreement for the eyewear industry with LSI. In December 2006, the Company exercised its right to own 19.9% of LSI and in 2007, the Company contributed an additional \$303 into LSI as additional investment. The contribution did not change the Company's 19.9% interest in LSI. During the fourth quarter of the year ended December 31, 2009, the Company wrote-off its investment of \$306 in the joint venture due to lower than anticipated growth in the eyewear industry. The Company has never recognized any revenue from the

joint venture. On August 6, 2010, SAGA 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 LSI.

On March 19, 2011, the Company entered into a preliminary binding Settlement Agreement with SAGA pursuant to which (i) both parties agreed to terminate the joint venture, (ii) both parties agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) the Company agreed to pay SAGA \$2,800 in the form of restricted shares of the Company's common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI will be terminated (see Note 22). As part of the restatement, the Company increased its accrual for the settlement and potential legal fees to \$3,100 as of December 31, 2010 (see Note 2).

The Company has outstanding liens on assets located in our South Korean subsidiary by various creditors, and there is \$2,175 of past-due trade payables as of December 31, 2010. The Company is currently working to resolve the matter with each creditor by seeking a forbearance or compromise. If the Company cannot repay the amounts due or obtain a forbearance or compromise, the creditors may seek to foreclose on the Company's assets located in South Korea.

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4. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Liquidmetal Technologies, Inc. and its wholly-owned subsidiaries, Liquidmetal Technologies Co., Ltd., formerly Liquidmetal Korea Co., Ltd., (“LMT Korea”), that was located in South Korea and closed down in 2010 (see Note 15), its majority-owned subsidiary, Liquidmetal Coatings, LLC, located in Texas and its newly organized special-purpose wholly-owned subsidiary, Crucible Intellectual Property. All intercompany balances and transactions have been eliminated.

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 at the time the Company ships its products, as this is when title passes to the customer and all other incidences of a sale have occurred. Revenue is deferred and included in liabilities when the Company receives cash in advance for services not yet performed or goods not yet delivered.

The Company applies the percentage of completion method to recognize revenue earned from government contracts that have cost-plus-fixed-fee arrangements. These arrangements provide the Company with full reimbursement on the actual cost incurred, plus a fixed fee that the Company is entitled to. These arrangements are covered by ASC 605. In addition, cost-reimbursable contracts are also specifically covered by Accounting Research Bulletin No. 43 (“ARB”), Chapter 11, Section A, Government Contracts, Cost-Plus-Fixed Fee Contracts (“ARB 43”). Substantially all of our cost-reimbursable and time and material contracts are with the U.S. Government, primarily with the Department of Defense. Revenues recognized under cost-plus-fixed fee are consistent with percentage of completion method and are consistent with ARB 43.

Sales on cost-reimbursable plus fixed fee type contracts are recognized as allowable costs are incurred on the contract and become billable to the customer, at an amount equal to the allowable costs plus the estimated profit on those costs. The estimated profit on a cost-reimbursable contract is generally fixed or variable based on the contract fee arrangement.

Cash and Cash Equivalents. 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 Receivables. 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 the sale of inventory. As of December 31, 2010, one customer represented 64%, or \$1,100, of the total outstanding trade accounts receivable. As of December 31, 2009, one customer represented 21%, or \$250, of the total outstanding trade accounts receivable.

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, general and administrative expense in the accompanying consolidated statements of operations and comprehensive loss.

Inventories. Inventories are accounted for using the moving average basis and reported at the lower of cost or market. Inventories consist of raw materials, work in process, and finished goods. The Company records write-offs for inventory obsolescence when it is deemed that there is impairment of the value of the inventories on hand.

Property, Plant and Equipment. Property, plant 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 two to twenty years.

Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. Amortization of capitalized leased assets is provided on the straight-line method over the estimated useful lives of the assets, which is five years.

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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.

Goodwill. Goodwill represents the excess of purchase price of an acquisition over the fair value of net assets acquired. Goodwill is not amortized, but is required to be assessed for impairment at least annually.

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. The Company recognized \$966 and \$1,381 during the years ended December 31, 2010 and 2009, respectively, for impairment of long-lived assets.

Fair Value of Financial Instruments. 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 and cash equivalents and trade receivables approximates its carrying value due to its short maturity. The fair value of non-current assets and liabilities approximate their carrying value unless otherwise stated. The estimated fair value of long-term debt was determined by discounting future cash flows using rates currently available to us for debt with similar terms and remaining maturities.

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 following table summarizes the financial liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009:

	Level	December 31,	
		2010	2009
Warrant Liabilities	2	\$12,819	\$3,975
Conversion Feature Liabilities	2	\$-	\$444

The warrant liabilities and conversion feature liabilities are recorded at fair value based on upon valuation models with utilize relevant factors such as expected life, volatility of the Company's stock prices, risk free interest and dividend rate.

The Company calculated that the estimated fair value of the long term debt is not significantly different than the carrying value of the debt.

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 \$0.5 and \$38, for the years ended December 31, 2010 and 2009, respectively.

Legal Costs. Legal costs are expensed as incurred.

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Debt Discount Amortization. Debt discounts for notes payable are amortized to interest expense, using a method that approximates the interest method over the term of the related debt instruments.

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. See additional information related to share-based compensation in Note 13.

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, Income Taxes, 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, 2010.

Translation of Foreign Currency. The Company applies FASB ASC Topic 830, Foreign Currency, for translating foreign currency into US dollars in our consolidation of the financial statements. Upon consolidation of the Company’s foreign subsidiaries into the Company’s consolidated financial statements, any balances with the subsidiaries denominated in the foreign currency are translated at the exchange rate at year end. The financial statements of LMT Korea have been translated based upon Korean Won as the functional currency. LMT Korea’s assets and liabilities were translated using the exchange rate at period end and income and expense items were translated at the average exchange rate for the periods reported. The resulting translation adjustment was included in other comprehensive income (loss).

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, and the allowance for bad debt account balances.

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 April 5, 2011, the date the company filed this Annual Report on Form 10-K/A with the SEC.

Certain items from prior year have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements.

In June 2009, the FASB issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) – authoritative and nonauthoritative – and making the ASC the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance, which was incorporated into ASC Topic 105, “Generally Accepted Accounting Principles,” was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption changed certain disclosure references to U.S. GAAP, but did not have any other impact on the Company’s Consolidated Financial Statements.

In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements," which amends ASC Topic 605, "Revenue Recognition." ASU No. 2009-13 amends the ASC to eliminate the residual method of allocation for multiple-deliverable revenue arrangements, and requires that arrangement consideration be allocated at the inception of an arrangement to all deliverables using the relative selling price method. The ASU also establishes a selling price hierarchy for determining the selling price of a deliverable, which includes: (1) vendor-specific objective evidence if available, (2) third-party evidence if vendor-specific objective evidence is not available, and (3) estimated selling price if neither vendor-specific nor third-party evidence is available. Additionally, ASU No. 2009-13 expands the disclosure requirements related to a vendor's multiple-deliverable revenue arrangements. The changes to the ASC as a result of this update are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements.

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In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, "Improving Disclosures about Fair Value Measurements," which amends the Accounting Standards Codification (ASC) Topic 820, "Fair Value Measures and Disclosures." ASU No. 2010-06 amended the ASC to require disclosure of transfers into and out of Level 1 and Level 2 fair value measurements, and also will require more detailed disclosure about the activity within Level 3 fair value measurements. The Company adopted the guidance in ASU No. 2010-06 on January 1, 2010, except for the requirements related to Level 3 disclosures, which will be effective for annual and interim reporting periods beginning after December 15, 2010. This guidance requires new disclosures only.

In February 2010, the FASB issued ASC No. 2010-09, "Amendments to Certain Recognition and Disclosure Requirements", which eliminates the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. ASC No. 2010-09 is effective for fiscal quarter beginning after 15 December 2010. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements

In April 2010, the FASB issued ASU 2010-13, "Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades," or ASU 2010-13. This ASU provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements

In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, "Milestone Method of Revenue Recognition." FASB ASU No. 2010-17 "Revenue Recognition – Milestone Method (Topic 605)" provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010 – 17 is effective for fiscal years beginning on or after June 15, 2010, and is effective on a prospective basis for milestones achieved after the adoption date. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements

In May 2010, the FASB issued Accounting Standards Update 2010-19 (ASU 2010-19), Foreign Currency (Topic 830): Foreign Currency Issues: Multiple Foreign Currency Exchange Rates. The amendments in this Update are effective as of the announcement date of March 18, 2010. The Company does not expect that the adoption of this guidance will have a significant impact on its Consolidated Financial Statements.

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

5. Trade accounts receivable

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

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	December 31,	
	2010	2009
Trade accounts receivable	\$ 1,732	\$ 2,494
Less: Allowance for doubtful accounts	(1)	(1,314)
Trade accounts receivable, net	\$ 1,731	\$ 1,180

As of December 31, 2009, \$1,256 is included in the allowance for doubtful accounts for reserves on accounts receivable from Liquidmetal Korea Co., Ltd. (“LMK”). There were no such reserves as of December 31, 2010.

6. Inventories

Inventories were comprised of the following:

	December 31,	
	2010	2009
Raw materials	\$ 267	\$ 216
Finished goods	749	206
Total inventories	\$ 1,016	\$ 422

The Company analyzes inventory held for any excess or obsolescence issues. Any amounts considered excess or obsolete are written off. Further, as significant amount of sales of Liquidmetal bulk alloy parts are used primarily in consumer electronics components, our inventory is subject to fluctuations in demand for those consumer electronics goods. Accordingly, the Company reduces the carrying value of raw materials held by its subsidiaries, by the amounts considered to be excess or obsolete. During the years ended December 31, 2010 and 2009, total write downs of excess or obsolete inventory included in “Cost of sales” in the accompanying Statement of Operations and Comprehensive Loss was \$465 and \$836, respectively, primarily from discontinued Liquidmetal bulk alloy parts used in our customer’s certain cell phone models.

7. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31,	
	2010	2009
Machinery and equipment	\$ 2,164	\$ 1,942
Computer equipment	787	776
Office equipment, furnishings, and improvements	298	297
Buildings	-	-
Total	3,249	3,015
Accumulated depreciation	(2,453)	(2,278)
Total property, plant and equipment, net	\$ 796	\$ 737

Depreciation expense is classified as follows:

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	Years ended December 31,	
	2010	2009
Cost of sales	\$ 950	\$ 869
Selling, general and administrative	51	46
Research and development	4	3
Total depreciation expense	\$ 1,005	\$ 918

8. Other Intangible Assets

Intangible assets consist of the following:

	December 31,	
	2010	2009
Purchased and licensed patent rights	\$ 566	\$ 566
Internally developed patents	1,686	1,657
Trademarks	91	91
Total	2,343	2,314
Accumulated amortization	\$ (1,222)	\$ (1,082)
Total intangible assets, net	\$ 1,121	\$ 1,232

Amortization expense was \$140 and \$137 for the years ended December 31, 2010 and 2009, respectively. The estimated aggregate amortization expense for each of the five succeeding years is as follows:

December 31,	Aggregate Amortization Expense
2011	137
2012	126
2013	115
2014	97
2015	92

Accumulated amortization for the years ended December 31, 2010 and 2009 is as follows:

	December 31,	
	2010	2009
Purchased and licensed patent rights	\$ (392)	\$ (359)
Internally developed patents	(758)	(660)
Trademarks	(72)	(63)
Total	\$ (1,222)	\$ (1,082)

The weighted average amortization periods for each of the years ended December 31, 2010 and 2009 is as follows

	December 31,	
	2010	2009
Purchased and licensed patent rights	17	17
Internally developed patents	17	17
Trademarks	10	10

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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”), a shareholder, 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 Liabilities

The other liabilities balance primarily consists of aged payables and other disputed liabilities to vendors, individuals, and other third parties that may either be settled or paid off in the future.

10. Product Warranty

Management estimates product warranties as a percentage of certain bulk alloy product sales earned during the period. As of December 31, 2010 and 2009, the Company used 5% of bulk alloy product sales as an estimate of warranties to be claimed. As of December 31, 2010, the Company used 1% of coatings applications sales as an estimate of warranties to be claimed. During the years ended December 31, 2010 and 2009, the Company’s product warranty accrual balance had the following activity:

Balance, December 31, 2008	\$314
Accrual reduction	-
Warranty charges	(30)
Balance, December 31, 2009	\$284
Accrual reduction	(4)
Warranty charges	-
Balance, December 31, 2010	\$280

The product warranty accrual balance was included in accounts payable and accrued expenses at December 31, 2010 and December 31, 2009.

11. Notes Payable

Unsecured Subordinated Note

On May 17, 2006, September 21, 2006, and December 1, 2006, the Company issued 8% Unsecured Subordinated Notes due August 2007 in the aggregate principal amount of \$4,584 (the “August 2007 Subordinated Notes”). The August 2007 Subordinated Notes are unsecured and became due August 2007, of which \$3,575 were retired during 2007 and 2008. During 2009, the Company retired \$750 of the August 2007 Subordinated Notes, and on August 5, 2010, the Company retired the remaining \$259 of the August 2007 Subordinated Notes.

Interest expense for the August 2007 Subordinated Notes were \$55 and \$40 for the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, the Company's gross outstanding loan balance of the August 2007 Subordinated Notes totaled \$0 and \$259, respectively, and was included in current portion of long-term debt.

On May 28, 2010, the Company issued \$2,000 of 13% Subordinated Promissory Note ("the January 2011 Subordinated Note") due on the earlier date of January 3, 2011 or the date on which all outstanding amounts are due under the Company's 8% January 2011 Notes. On August 5, 2010, the Company repaid in full all principal and accrued interest of \$2,046 on the January 2011 Subordinated Note. In connection with the repayment, on August 10, 2010, the Company entered into a Subscription Agreement pursuant to which the Company issued 7,870,307 shares of the Company's common stock for an aggregate price of \$2,046.

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Secured Convertible Subordinated Notes

During 2007, 2008, and 2009, the Company issued 8% Convertible Subordinated Notes due January 2010 in the aggregate principal amount of \$17,300 (The "January 2010 Notes") and an additional aggregate amount of \$3,009 for accrued interest. On May 1, 2009, the January 2010 Notes were retired as part of a financing transaction (see "Senior Secured Convertible Notes" below).

As of December 31, 2010 and 2009, there were no outstanding loan balance, un-amortized debt issuance cost and discounts for conversion features, warrants and cash. Interest expense for the amortization of debt issuance cost and discount on note was \$0 and \$1,816 for the years ended December 31, 2010 and 2009, respectively.

Pursuant to FASB ASC Topic 815 - Derivatives and Hedging, the Company is required to report a value of the conversion liability as a fair value and record the fluctuation to the fair value of the conversion feature liability to current operations. The change in the fair value of the conversion feature liability resulted in losses of \$0 and \$1,137 for years ended December 31, 2010 and 2009, respectively.

Senior Secured Convertible Notes

On May 1, 2009, the Company completed a financing transaction (the "Transaction") whereby aggregate cash of \$2,500 and principal and accrued interest of \$20,625 due under the previously issued 8% Convertible Subordinated Notes due January 2010 (the "January 2010 Notes") were exchanged for 500,000 shares of convertible Series A-1 Preferred Stock with an original issue price of \$5.00 per share, 2,625,002 shares Series A-2 Preferred Stock with an original issue price of \$5.00 per share, and \$7,500 of new 8% Senior Secured Convertible Notes due January 2011 (the "January 2011 Notes"). The Transaction was consummated pursuant to a Securities Purchase and Exchange Agreement, dated May 1, 2009 (the "Securities Purchase Agreement"), among the exchanging note holders and investors (collectively, the "Buyers").

The redemption of the previously issued January 2010 Notes was treated as an extinguishment of debt in accordance with Emerging Issues Task Force No. 96-19, "Debtors Accounting for a Modification or Exchange of Debt Instruments." The Transaction resulted in a \$2,029 loss from extinguishment of debt, which consisted of write down of \$503 other asset deferred issue costs, \$5,487 debt discount, \$1,306 decrease in conversion feature liability of the extinguished notes, \$2,347 decrease in warrant liability from the warrants redeemed from holders of the January 2011 Notes, and \$308 write off of accrued fees.

The January 2011 Notes were due January 3, 2011 and bear annual interest rate of 8% with interest payable in October and April in cash or, at the Company's option, in the form of additional notes (in which case the interest rate will be 10%). On November 1, 2009 and May 1, 2010, the Company issued \$378 and \$391, respectively, of additional January 2011 Notes for accrued interest due under the notes in lieu of cash payments. On August 5, 2010, the Company repaid in full all principal and interest on the January 2011 Notes in the amount of \$8,242, and all security interest in the company assets securing such obligations under the January 2011 Notes were released and terminated.

The Series A-1 Preferred Stock, Series A-2 Preferred Stock, and January 2011 Notes are convertible into the Company's common stock at conversion price of \$0.10, \$0.22, and \$0.60 per common share, respectively. During year ended December 31, 2010 21,386 and 990,517 of the Company's Series A-1 Preferred Stocks and Series A-2 Preferred

Stocks, respectively, were converted into 1,069,300 and 22,511,750 of the Company's common stocks, respectively.

The Company issued warrants to purchase 3,125,007 shares and 42,329,407 shares of the Company's common stock at an exercise price of \$0.60 and \$0.50 per share, respectively, to the buyers of the January 2011 Notes and preferred stocks. During the year ended December 31, 2010, 4,849,775 of warrants were exercised into the Company's common stocks. Unexercised warrants will expire on January 3, 2012. The conversion prices and the number of common stock issuable under the preferred stocks, January 2011 Notes and warrants are subject to adjustments for anti-dilution purposes.

The preferred stocks accrue cumulative dividends at an annual rate of 8%, which are payable semi-annually. In conjunction with the Series A-1 Preferred Stock conversion during the year ended December 31, 2010, the Company granted in-kind dividends to the preferred stocks holders, which were simultaneously converted into 2,508,170 of common stocks. As of December 31, 2010, the Company has accrued dividends of \$1,063 included in accounts payable and other accrued expenses. The dividends are payable in cash or in kind by the issuance of the Company of additional preferred stock, when and as declared by the Company's Board of Directors.

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On November 3, 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 "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 amends the terms of the Series A Preferred Stock by (i) providing that 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 is 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) will be extended to an expiration date of July 2015 and the price-based anti-dilution rights on such warrants are removed.

Pursuant to FASB ASC Topic 815 – Derivatives and Hedging, EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock ("EITF 00-19"), EITF 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments" and EITF 05-2, The Meaning of 'Conventional Convertible Debt Instrument' in EITF Issue No. 00-19, the original fair value of the embedded conversion feature of \$3,367 has been recorded as conversion feature. The original fair value was computed using the Black-Scholes model under the following assumptions: (1) expected life of 1.68 years; (2) volatility of 176%; (3) risk free interest of 0.92% and dividend rate of 0%. In addition, the Company is required to report a value of the conversion liability as a fair value and record the fluctuation to the fair value of the conversion feature liability to current operations.

The change in the fair value of the conversion feature liability resulted in gains of \$444 and \$1,827 for the years ended December 31, 2010 and 2009, respectively. The fair value of conversion feature outstanding at December 31, 2010 and 2009 was \$0 and \$444, respectively. The fair value of conversion feature outstanding at December 31, 2009 was computed using the Black-Scholes model under the following assumptions: (1) expected life of 1.01 years; (2) volatility of 152%, (3) risk free interest of 0.5% and dividend rate of 0%.

Pursuant to EITF 00-19, the original fair values of the warrants of \$14,773 have been recorded as warrant liability, which was computed using the Black-Scholes pricing model under the following assumptions: (1) expected life of 2.67 years; (2) volatility of 176%; (3) risk free interest of 1.39% and (4) dividend rate of 0%.

The original fair value of the embedded conversion feature of \$3,367 was recorded as discounts on the convertible notes and the original fair value of the warrants issued to buyers of the January 2011 Notes of \$999 was recorded as discounts of the convertible notes. The original fair value of warrants issued to buyers of preferred stocks of \$13,774 was recorded as reduction of additional paid-in capital. In addition, the Company incurred \$440 of direct costs relating to the Transaction, of which \$143 was recorded as debt issuance cost in other assets relating to issuance of the convertible notes and \$297 was recorded as reduction of additional paid-in capital relating to the issuance of the preferred stocks.

The Company's gross outstanding loan balance of the January 2011 Notes totaled \$0 and \$7,878 as of December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, un-amortized discounts for conversion feature and

warrants totaled \$0 and \$3,227, respectively, and other asset debt issuance costs totaled \$0 and \$104, respectively. Interest expense for the amortization of debt issuance cost and discount on note was \$2,994 and \$1,219 for the years ended December 31, 2010 and 2009, respectively. The effective interest rate of the January 2011 Notes was 67% as of December 31, 2009.

Factoring Agreement

The Company entered into a Factoring, Loan, and Security Agreement (the "Agreement") with a financing company on April 21, 2005. All borrowings were secured by outstanding receivables specifically assigned to the financing company. On August 5, 2010, the Company terminated the Agreement and repaid in full all principal and interest on the Agreement in the amount of \$309. All security interest in Company assets securing such obligations under the factoring loan were released and terminated.

For the year ended December 31, 2010, the Company borrowed \$3 and repaid \$287 under the Agreement. The total outstanding advance made under the agreement is \$0 and \$284 as of December 31, 2010 and 2009, respectively, which is presented as short-term debt.

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Kookmin Note

On February 4, 2003, the Company's Korean subsidiary received 6,500,000 in South Korean Won, or approximately \$5,488, under a loan from Kookmin Bank of South Korea. On September 16, 2009, the Company retired the loan and paid \$219 in outstanding principal and interest.

Debt of Majority Owned Subsidiary

On July 24, 2007, the Company completed an \$11,500 financing transaction (the "Transaction") that provided funding to repay convertible notes previously issued by the Company that were scheduled to become due in July and August 2007. In the Transaction, the Company transferred substantially all of the assets of the Company's Liquidmetal Coatings division to a newly formed, newly capitalized subsidiary named Liquidmetal Coatings, LLC, a Delaware limited liability company ("LMC"), and LMC assumed substantially all of the liabilities of the division.

LMC was capitalized through a \$6,500 subordinated debt and equity investment by C3 Capital Partners ("C3") and a \$5,000 senior credit facility with Bank Midwest, N.A. This debt and equity resulted in cash proceeds of \$11,102 after related debt issuance costs of \$398, which proceeds LMC used to purchase all of the assets and liabilities from the Company. The Company incurred an additional \$459 in issuance costs directly related to the debt issuance. As a result, \$857 was recorded as deferred debt issuance costs to be amortized over the life of the debt. Interest expense for the amortization of debt issuance cost was \$222 and \$164 for the years ended December 31, 2010 and 2009, respectively.

The equity interests acquired by C3 and issued to CRESO were not considered a discount to debt, as the unconsolidated net assets of LMC were deemed to have an initial value of \$0 upon closing of the Transaction for financial accounting purposes. Further, LMC is fully responsible for the repayment of debt obligations.

Midwest Debt

In connection with the Transaction, LMC entered into a Loan Agreement (the "Loan Agreement"), dated July 24, 2007, with Bank Midwest, N.A. ("Midwest"). Following the Transaction, the Loan Agreement has been amended to renew and modify certain terms. The Loan Agreement, as amended on October 6, 2009 (the "Loan Amendment"), provided for total loan availability of \$5,025, consisting of a \$4,000 term loan and a revolving loan of up to \$1,025 based on a percentage of LMC's eligible receivable and inventory. The Loan Amendment adjusted, among other terms, the interest rate of all outstanding loans to a fixed rate of 9%, certain financial covenants under the Loan Agreement, maturity date of the revolving loan through June 30, 2010 with monthly interest payments, and required an immediate repayment of \$325 of the term loan and \$325 of the revolving loan. The members of the Liquidmetal Coatings, LLC (the "Members") were required to contribute \$650 in equity to repay the amounts due under the Loan Agreement (the "Capital Call"). On October 6, 2009, the Company paid \$450 which represented its portion of the Capital Call and the remaining Members paid \$200. As a result of the payment, the monthly amortization payments due under the term loan were reduced to \$47 and the maturity date was extended to September 30, 2012. In connection with the Loan Amendment, the Company borrowed \$450 from C3 Capital Partners ("C3") to contribute its share of the Capital Call pursuant to a bridge loan agreement with C3 and subsequently paid down the bridge loan in November 2009.

Additionally, LMC entered into Promissory Notes, dated August 29, 2007 and October 21, 2008 (the "Capital Loan"), with Midwest to provide for \$45 and \$105 to be used towards the purchase of a company truck and HVOF spray equipment with annual interest rates of 9%,. The Capital Loan had maturity dates of September 1, 2012 and November 1, 2013.

On June 25, 2010 LMC entered into a Credit Agreement with Enterprise Bank & Trust and retired all of its loan agreements with Midwest (see "Enterprise Debt" below).

As of December 31, 2010 and 2009, the gross outstanding loan balance under the Midwest term loan totaled \$0 and \$1,430, respectively, and the gross outstanding loan balance under the Midwest revolving loan totaled \$0 and \$307, respectively. The loans were presented as long-term debt and short-term debt on the Company's consolidated balance sheet, respectively. Interest expense incurred under the term loan and revolving loan totaled \$47 and \$19, respectively, for the year ended December 31, 2010. Interest expense incurred under the term loan and revolving loan totaled \$184 and \$42, respectively, for the year ended December 31, 2009.

As of December 31, 2010 and 2009, the gross outstanding loan balance under the Capital Loan totaled \$0 and \$102, respectively, which was presented as long-term debt on the Company's consolidated balance sheet. Interest expense incurred under the Capital Loan totaled \$4 and \$10 for the years ended December 31, 2010 and 2009, respectively.

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Enterprise Debt

On June 25, 2010, LMC entered into a Credit Agreement (“Credit Agreement”) with Enterprise Bank & Trust (“Enterprise”). The Credit Agreement provides for a total loan availability of \$3,700, consisting of \$1,500 term loan (“Term Note”), a revolving loan of up to \$2,000 (“Revolving Note”), and equipment loans (“Equipment Note”) of up to \$200. The Term Note of \$1,500 has a maturity date of June 25, 2013 and bears an interest rate of 7% per annum. LMC is required to make monthly payments of principal and interest under the Term Note, with monthly payments of (i) \$50 during months 1 through 12, (ii) \$42 during months 13 through 24 and (iii) \$33 during months 25 through 36. All remaining principal and interest shall be due and payable upon the maturity date

Borrowing availability under the Revolving Note is based on a percentage of LMC’s eligible receivables and inventory and accrues interest at the rate of the greater of libor plus 3.75% or 6%. LMC will make monthly interest payments on the Revolving Note until June 24, 2011, at which point all remaining principal and interests are due. LMC has the right to prepay the Term Note and the Revolving Note and the Equipment Note, in whole or in part, at any time without penalty or premium.

The Credit Agreement is secured by a blanket security interest in all of the LMC’s assets. Pursuant to a subordination agreement between C3 and Enterprise, Enterprise’s security interest in the assets is senior to the C3 Entities’ security interest in the same assets.

As of December 31, 2010 and 2009, the gross outstanding loan balance under the Enterprise Term Note totaled \$1,000 and \$0, respectively, and the gross outstanding loan balance under the Enterprise Revolving Note totaled \$480 and \$0, respectively. The Term Note and the Revolving Note are presented as long-term debt and short-term debt, respectively, on the Company’s consolidated balance sheet. Interest expense incurred under the term loan and revolving loan totaled \$51 and \$16, respectively, for the year ended December 31, 2010.

Enterprise Term Note
 Repayment Schedule
 December 31,

	Minimum Payments
2011	\$558
2012	442
Total	\$1,000

C3 Debt

In the Transaction, LMC also entered into a Securities Purchase Agreement, dated July 24, 2007 (the “Securities Purchase Agreement”), with C3 entities, and Liquidmetal Coatings Solutions, LLC, a wholly owned subsidiary of LMC that will operate the thermal spray coatings business (“LMCS”). Pursuant to the Securities Purchase Agreement, LMC issued to the C3 entities subordinated promissory notes in the aggregate principal amount of \$6,500 (the “Subordinated Notes”). Under the Securities Purchase Agreement, the C3 entities have the right, beginning on the July 24, 2012 (or, if earlier, upon a default by LMC under the Subordinated Notes or Securities Purchase Agreement) to require LMC to purchase the C3 entities’ membership interests in LMC for a purchase price equal to their pro rata portion of the greater of (i) the appraised fair market value of LMC or (ii) six times LMC’s trailing 12-month earnings before

interest, taxes, depreciation, and amortization, less funded debt.

The Subordinated Notes have a maturity date of July 20, 2012 with no required principal payments before maturity other than upon specified triggering events, such as a change in control of LMC. Interest accrues at an annual rate of 14%, with 12% interest being payable monthly beginning September 2007 and the remaining 2% interest being payable at maturity. In connection with the Securities Purchase Agreement and the Subordinated Notes, the Company and LMC entered into pledge agreements with the C3 entities in which the Company pledged its membership interest in LMC to secure the obligations under the notes and LMC pledged its membership interests in LMCS to secure its obligations under the notes. LMC and LMCS also granted to C3 a blanket security interest in all of their assets to secure their obligations under the Subordinated Notes.

The gross outstanding loan balance including accrued interest payable upon maturity of the Subordinated Note totaled \$8,716 and \$7,613 as of December 31, 2010 and 2009, respectively. Interest expense incurred under the Subordinated Notes totaled \$964 and \$810 for the years ended December 31, 2010 and 2009, respectively.

C3 Notes Repayment Schedule December 31,	Minimum Payments
2011	--
2012	6,962
Total	\$6,962

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12. Stockholders' Equity (Deficiency)

Preferred Stock On May 1, 2009, pursuant to a Securities Purchase and Exchange Agreement (the "Securities Purchase 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 as part of a financing transaction. The Series A-1 Preferred Stock and Series A-2 Preferred Stock are convertible into the Company's common stock at conversion price of \$0.10 and \$0.22 per common share, respectively. In connection with the A-1 and A-1 Preferred Stock issuance, the Company issued warrants to purchase 42,329,407 shares of the Company's common stock at an exercise of \$0.50 per share. (See Note 11).

In October 2009, the Company entered into an agreement with various investors to issue 180,000 shares of convertible Series A-1 Preferred Stock with an original issue price of \$5.00 per share which are convertible into the Company's common stock at a conversion price of \$.01 per common share. 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 and an expiration date of January 3, 2012. (See Note 11)

Warrants

As of December 31, 2010, outstanding warrants to acquire shares of the Company's common stock are as follows:

Number of Shares	Exercise Price	Expiration Date
25,000	1.75	May 17, 2011
803,014	0.97	May 17, 2011
1,696,469	1.05	May 17, 2011
1,324,689	0.59	January 3, 2012
4,758,963	0.49	January 3, 2012
259,073	0.48	January 3, 2012
208,334	0.48	December 28, 2012
38,156,917	0.49	July 31, 2015
47,232,459		

Pursuant to EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", the Company is required to report a value of the warrant as a fair value and record the fluctuation to the fair value of the warrant liability to current operations. The change in the fair value of the warrants resulted in a loss of \$10,394 and a gain of \$9,835 for the years ended December 31, 2010 and 2009, respectively. The fair value of warrants outstanding at December 31, 2010 of \$12,819 was computed using the Black-Scholes model under the following assumptions: (1) expected life of 0.38 to 4.58 years; (2) volatility of 154%, (3) risk free interest of 0.19% to 2.01%, and dividend rate of 0%. The fair value of warrants outstanding at December 31, 2009 of \$692 was computed using the Black-Scholes model under the following assumptions: (1) expected life of 0.21 to 3.99 years; (2) volatility of 113%, (3) risk free interest of 0.11% to 1.55%, and dividend rate of 0%.

13. Stock Compensation Plan

Under the Company's 1996 Stock Option Plan ("1996 Company Plan") the Company could grant to employees, directors or consultants options to purchase up to 12,903,226 shares of common stock. The stock options are exercisable over a period determined by the Board of Directors or the Compensation Committee, but no longer than 10 years.

On April 4, 2002, our shareholders and board of directors adopted the 2002 Equity Incentive Plan ("2002 Equity Plan"). The 2002 Equity Plan provides for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries. In addition, the plan permits the granting of stock appreciation rights with, or independently of, options, as well as stock bonuses and rights to purchase restricted stock. A total of 10,000,000 shares of our common stock may be granted under the 2002 Equity Plan. As of December 31, 2010, there were 6,388,993 options outstanding under the 2002 Equity Plan.

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Prior to the approval of the 2002 Equity Plan, options were primarily granted under the Company's 1996 Stock Option Plan ("1996 Company Plan"). On April 4, 2002, our board of directors terminated the 1996 Company Plan. The termination will not affect any outstanding options under the 1996 Company Plan and all such options will continue to remain outstanding and be governed by the Plan. No additional options may be granted under the 1996 Company Plan. As of December 31, 2010, there were 10,970 options outstanding under the 1996 Company Plan.

On April 4, 2002, our shareholders and board of directors adopted the 2002 Non-employee Director Stock Option Plan ("2002 Director Plan"). Only non-employee directors are eligible for grants under the 2002 Director Plan. A total of 1,000,000 shares of the Company's Common Stock may be granted under the 2002 Director Plan. There were 90,000 options outstanding under the 2002 Director Plan as of December 31, 2010.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment ("SFAS 123R"). SFAS 123R 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 SFAS 123R, the 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 \$142 and \$176 for the years ended December 31, 2010 and 2009, respectively, of non-cash charges for stock compensation related to amortization of the fair value of restricted stock and unvested stock options.

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. 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. Actual forfeitures were used for years ended December 31, 2010 and 2009. 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.

	December 31,	
	2010	2009
Expected volatility	105 %	119% - 184 %
Expected dividends	-	-
Expected term (in years)	6	6
Risk-free rate	3.1 %	2.07% - 3.14 %

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The following table summarizes the Company's stock option transactions for the three years ended December 31, 2010:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2008	7,975,782	3.81		
Granted	1,129,513	0.21		
Exercised	-	-		
Forfeited	(3,938,910)	4.87		
Options outstanding at December 31, 2009	5,166,385	2.26		
Granted	3,080,000	0.12		
Exercised	-	-		
Forfeited	(60,000)	0.17		
Expired	(1,696,422)	4.54		
Options outstanding at December 31, 2010	6,489,963	\$0.67	8.0	\$1,203
Options exercisable at December 31, 2010	2,810,763	\$1.27	6.5	\$93
Options vested or expected to vest at December 31, 2010	4,493,885	\$0.89	7.4	\$553

The following table summarizes the Company's stock options outstanding and exercisable by ranges of option prices as of December 31, 2010:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Numbers of options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price	
\$0.00 - \$ 5.00	6,432,541	8.03	\$0.55	2,745,341	\$1.00	
5.01 - 10.00	10,000	2.01	9.81	10,000	9.81	
10.01 - 15.00	47,422	1.32	14.93	47,422	1.32	
	Total	6,489,963		2,802,763		

14. Preferred Units of Subsidiary

On February 22, 2008, LMC completed a transaction under which it issued and sold \$2,500 in preferred membership units to two minority members of LMC (the "Preferred Units Transaction"). Immediately following the sale of the preferred membership units, the subscription proceeds (after a 1% transaction fee) were distributed to LMC's common unit members, and as a result of such distribution, the Company received approximately \$1,714 in the distribution.

The preferred units issued by LMC have an accruing priority return of 14% per year that are priority over any distribution made by LMC and may be redeemed at any time within four years of issuance through cash payment or distribution in excess of the 14% priority return. LMC is required to redeem the preferred units on or before the second anniversary of the issue date and failure to redeem the preferred units at the specified time will result in the preferred unit holders receiving an additional 2% of common membership units per quarter until the preferred units are redeemed in full. An additional 2,767 common membership units were issued during the year ended December 31, 2010 as a result of LMC's non-redemption.

On December 15, 2010, the Company and two other members of LMC contributed additional \$1,444 into LMC in exchange for additional common unit membership. The proceeds of the contribution were used to make a distribution to the two holders of the preferred membership units in the aggregate amount of \$813, which represented the accrued but unpaid priority return of the preferred units and to redeem an aggregate 381 preferred units owned by the two holders at an aggregate redemption price of \$1,194.

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As of December 31, 2010, LMC has redeemed \$592 of its preferred units and distributed \$1,016 in priority return to the preferred unit holders. The total preferred units outstanding are \$1,785 and \$2,264 as of December 31, 2010 and 2009, respectively.

15. Discontinued Operations and Long-Lived Assets to be Disposed Of Other Than by Sale

In 2003, the Company set up a manufacturing plant in South Korea, Liquidmetal Technologies Korea (“LMTK”), to handle its bulk Liquidmetal alloys business which includes manufacturing and selling components made out of bulk alloys. During 2010 and 2009, LMTK experienced net losses as a result of continuing economic downturn. These losses and uncertainty surrounding its future cash flows, led the Company to evaluate its investment for recoverability. As a result, in November 2010, the Company decided to discontinue LMTK’s operations.

As of December 31, 2010, the Company has outstanding liens on LMTK assets by various creditors, and there is \$2,175 of past-due trade payables. The Company is currently working to resolve the matter with each creditor by seeking a forbearance or compromise. If the Company cannot repay the amounts due or obtain a forbearance or compromise, the creditors may seek to foreclose on the Company’s assets located in South Korea. The Company is currently in the process of selling its manufacturing plant in Pyongtaek, Korea through an auction sale whereby the proceeds from the sale will be used to satisfy the liabilities from the aforementioned creditors.

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

	December 31,	
	2010	2009
Revenue	\$ 96	\$ 3,947
Income (loss) from discontinued operations	(2,928)	(2,225)

The Company reclassified certain of LMTK assets into long-lived assets to be disposed of other than by sale are as follows:

	December 31,	
	2010	2009
Restricted cash	\$46	\$45
Prepaid expenses and other current assets	\$375	\$355
Property, plant and equipment, net	3,288	4,931
Other assets	49	48
Total	3,758	5,379

16. Income Taxes

Significant components of deferred tax assets are as follows:

	Years Ended December 31,	
	2010	2009

Loss carry forwards	\$ 46,089	\$ 40,675
Other	5,779	2,893
Total deferred tax asset	51,868	43,568
Valuation allowance	(51,868)	(43,568)
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,			
	2010		2009	
Expected federal tax benefit	(34)%	(34)%
State tax expense, net of expected federal tax benefit	(6)%	(56)%
Foreign loss not subject to U.S. federal income tax	0	%	(301)%
Net operating loss utilized or expired	(27)%	(915)%
Other	0	%	0	%
Increase (decrease) in valuation allowance	67	%	1,305	%
Total tax provision	0	%	0	%

As of December 31, 2010, the Company had approximately \$115 of net operating loss (“NOL”) carryforwards for U.S. federal income tax purposes expiring in 2010 through 2030. In addition, the Company has California state NOL carryforwards of approximately \$86 expiring in 2010 through 2020. The Company and Liquidmetal Golf 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. As of December 31, 2010, Liquidmetal Technologies, Inc. had approximately \$107 in federal NOL carryforwards, expiring in 2010 through 2030 and Liquidmetal Golf, Inc. had approximately \$38 in federal NOL carryforwards, expiring in 2013 through 2028.

As of December 31, 2010, the Company had approximately \$242 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 \$280, 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, 2010, 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, 2010.

Tax years 2006 through 2010 and 1999 through 2010 are subject to examination by the federal and state taxing authorities, respectively. The Company is currently undergoing an income tax examination for its fiscal year ended

December 31, 2008.

17. Segment Reporting and Geographic Information

FASB ASC Topic 280, Segment Reporting, requires companies to provide certain information about their operating segments. In April 2002, the Company began classifying operations into two reportable segments: Liquidmetal alloy industrial coatings and bulk Liquidmetal alloys. The Liquidmetal alloy industrial coatings are used primarily as a protective coating for industrial machinery and equipment, such as drill pipe used by the oil drilling industry and boiler tubes used by coal burning power plants.

Bulk Liquidmetal alloys include market opportunities to manufacture and sell casing components for electronic devices, medical devices, sporting goods, tooling, prototype sampling, defense applications and metal processing equipment. Primarily, the expenses incurred by the bulk Liquidmetal alloy segment are manufacturing, research and development costs, and selling expenses associated with identifying and developing market opportunities. Bulk Liquidmetal alloy products can be distinguished from Liquidmetal alloy coatings in that the bulk Liquidmetal alloy can have significant thickness, up to approximately one inch, which allows for their use in a wider variety of applications other than a thin protective coating applied to machinery and equipment. In 2010, the Company discontinued a portion of its bulk alloy manufacturing facility located in Korea. Revenue and expenses associated with research and development services are included in the bulk Liquidmetal alloy segment. The accounting policies of the reportable segments are the same as those described in Note 3 above.

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The Company has restated certain previously issued financial statements for due to an error related to the Company's accounting for embedded convertible feature of senior convertible notes (see Note 2).

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

	Coatings	Bulk Alloy	Segment Totals
Year ended December 31, 2010:			
Revenue to external customers (restated)	\$9,794	\$20,474	\$30,268
Gross profit (restated)	3,544	20,212	23,756
Total segment (loss) income	(412)	18,246	17,834
Total identifiable assets at end of period	3,893	3,963	7,856
Year ended December 31, 2009:			
Revenue to external customers	\$8,656	\$2,117	\$10,773
Gross profit	3,129	1,759	4,888
Total segment loss	(304)	(1,737)	(2,041)
Total identifiable assets at end of period	2,485	6,134	8,619

Reconciling information for the statements of operations between reportable segments and the Company's restated consolidated totals is shown in the following table:

	Years ended December 31,	
	2010	2009
	(restated)	
Total segment income (loss) before interest expense and discontinued operations	\$ 17,834	\$ 492
General and administrative expenses, excluded	(3,471)	(3,247)
Loss before interest, other income, income taxes, and discontinued operations	14,363	(2,755)
Loss from extinguishment of debt	-	(1,471)
Change in value of warrants, gain	(10,394)	9,835
Change in value of conversion feature, gain	444	1,827
Other expense	(2,800)	(308)
Other income	70	-
Interest expense	(4,033)	(4,553)
Interest income	6	-
Income taxes	-	(168)
Loss attributable to noncontrolling interest	576	69
Loss from discontinued operations, net	(2,928)	(2,225)
Consolidated net (loss) income (restated)	\$ (4,696)	\$ 251

Included in bulk alloy segment income for the year ended December 31, 2010 is \$84 of other income recognized from accounts payables write-off. During the year ended December 31, 2010, there was one customer that accounted for

more than 10% of revenues from continuing operations. There was no customer that accounted for more than 10% of our revenues from continuing operations during 2009.

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

Reconciling information for the balance sheets between reportable segments and the Company's consolidated totals is shown in the following table:

	December 31,	
	2010	2009
Total segment assets	\$ 7,856	\$ 8,619
Cash and cash equivalents	5,070	64
Prepaid expenses and other current assets	787	62
Other property, plant and equipment, net	37	62
Intangibles, net	1,105	1,214
Other assets	190	419
Total consolidated assets	\$ 15,045	\$ 10,440

Assets excluded from segments include assets attributable to the Company's corporate headquarters. The largest asset represents the Company's intangible assets, consisting primarily of the Company's patents and trademarks.

Revenues from sales to companies in the United States were \$28,339 and \$8,579 during the years ended December 31, 2010 and 2009, respectively. The revenue related to the United States of America was earned under defense-related research and development contracts, sales of coatings products, sales of Liquidmetal bulk alloy products and royalty revenues.

During the years ended December 31, 2010 and 2009, the Company had revenue on sales to companies outside of the United States of \$2,008 and \$6,141, respectively, of which \$50 and \$4,573 represented sales to companies located in South Korea, respectively.

Long-lived assets include net property, plant, and equipment and net intangible assets. The Company had long-lived assets of \$1,917 and \$1,968 located in the United States at December 31, 2010 and 2009, respectively. The Company had long-lived assets of \$3,288 and \$4,931 located in South Korea at December 31, 2010 and 2009, respectively.

18. Income (Loss) Per Common Share

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

Options to purchase 6,489,963 shares of common stock at prices ranging from \$0.23 to \$15.00 per share were outstanding at December 31, 2010, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive.

Warrants to purchase 47,232,459 shares of common stock between \$0.48 and \$1.75 per share outstanding at December 31, 2010 were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive.

78,735,585 shares of common stock issuable upon conversion of the Company's preferred stocks with conversion prices between \$0.10 and \$0.22 per share outstanding at December 31, 2010 were not included in the computation of diluted EPS for the period as the inclusion would have been antidilutive.

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There is no reconciliation of the number of common shares used in calculation of basic and diluted EPS for the year ended December 31, 2010 as the calculation would have been antidilutive. A reconciliation of the number of common shares used in calculation of basic and diluted EPS for the year ended December 31, 2009 is presented below:

	For the Year Ended December 31, 2009
Weighted average basic shares	46,083,970
Effect of dilutive securities:	
Stock options	4,385,256
Warrants	59,928,242
Conversion of preferred stocks	13,130,137
Conversion of notes payable	90,901,432
Weighted average diluted shares	214,429,037

19. Commitments and Contingencies

The Company is from time to time a party to certain legal proceedings arising in the ordinary course of business. Although outcomes cannot be predicted with certainty, the Company does not believe that any legal proceeding to which it is a party will have a material adverse effect on the Company's financial position, results of operations, and cash flows.

In June 2006, the Company entered into a joint venture agreement with SAGA, SpA in Padova, Italy, ("SAGA") a specialist precision parts manufacturer. The joint venture is named Liquidmetal SAGA Italy, Srl ("LSI"). The Company also entered into an exclusive manufacturing license agreement for the eyewear industry with LSI. In December 2006, the Company exercised its right to own 19.9% of LSI and in 2007, the Company contributed an additional \$303 into LSI as additional investment. The contribution did not change the Company's 19.9% interest in LSI. During the fourth quarter of the year ended December 31, 2009, the Company wrote-off its investment of \$306 in the joint venture due to lower than anticipated growth in the eyewear industry. The Company has never recognized any revenue from the joint venture. On August 6, 2010, SAGA 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 LSI.

On March 19, 2011, the Company entered into a preliminary binding Settlement Agreement with SAGA pursuant to which (i) both parties agreed to terminate the joint venture, (ii) both parties agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) the Company agreed to pay SAGA \$2,800 in the form of restricted shares of the Company's common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI will be terminated (see Note 22). As part of the restatement, the Company increased its accrual for the settlement and potential legal fees to \$3,100 as of December 31, 2010 (see Note 2).

The Company has outstanding liens on assets located in its South Korean subsidiary by various creditors, and there is \$2,175 of past-due trade payables as of December 31, 2010. The Company is currently working to resolve the matter with each creditor by seeking a forbearance or compromise. If the Company cannot repay the amounts due or obtain a

forbearance or compromise, the creditors may seek to foreclose on the Company's assets located in South Korea.

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. Future minimum lease payments under non-cancelable operating leases during subsequent years are as follows:

December 31,	Minimum Payments
2011	356
2012	118
Total	\$474

Rent expense was \$386 and \$364 for the years ended December 31, 2010 and 2009, respectively.

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20. 401(k) Savings Plan

The Company has a tax-qualified employee savings and retirement plan, or 401(k) plan, which covers all of its United States-based employees. Our Korean employees are covered under a government sponsored pension program and do not participate in the U.S. based 401(k) program.

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.

21. Related Party Transactions

During 2009, John Kang, the Company's former Chairman, advanced the Company \$250 to fund working capital needs. On August 5, 2010, the Company paid Mr. Kang \$63, which represents the total amount outstanding as well as 10% accrued interest as of that date. There were no capital advances outstanding from Mr. Kang as of December 31, 2010.

On August 1, 2010, the Company entered into an agreement with Mr. Kang to provide consulting services to the Company through December 31, 2011 and on a month-to-month basis thereafter. During the year ended December 31, 2010, the Company paid \$102 for his services.

On October 14, 2010, the Company signed an agreement with Innovative Materials Group, Inc. ("IMG"), a Chinese Corporation 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 and in turn, transfer the machinery and equipment over to IMG. This agreement has not yet been completed as of December 31, 2010, and the deposit amount is presented as other assets and other liabilities, current portion, on the Company's consolidated balance sheet.

In March 2011, the Company paid \$100 in advance legal fees to defend Mr. Kang, as the Representative Director of our Korean Subsidiary, against allegations relating to the Company's Korean subsidiary's involvement in customs reporting violations in South Korea.

During each of the year ended December 31, 2010 and 2009, Ricardo Salas, the Company's Director and Executive Vice President, advanced the Company \$210 and \$175, respectively, to meet working capital needs, which were included in short-term debt. On August 5, 2010, the Company paid Mr. Salas \$408 which represented the total amount outstanding as well as 10% accrued interest as of that date. As of December 31, 2010 and 2009, Mr. Salas held \$0 and \$259, respectively, of the Company's unsecured subordinated notes. There were no capital advances outstanding from Mr. Salas as of December 31, 2010.

In October 2009, Mr. Kang, Mr. Salas, and Tony Chung, our Company's Chief Financial Officer, acquired 80,000 shares of the Company's Series A-1 Preferred Stock and 2,000,000 warrants for an aggregate cash price of \$400. The

Series A-1 Preferred Stock are convertible into the Company's common stock at a conversion price of \$0.10 per common share. Further, the warrants are issuable into the Company's common stock at an exercise price of \$0.50 per share and expire on January 3, 2012.

In May 2009, the Company completed a transaction in which (i) the holders of the Company's 8% Convertible Subordinated Notes exchanged such notes for a combination of new 8% Senior Secured Convertible Notes and shares of a new series of convertible preferred stock designated "Series A-2 Preferred Stock", together with warrants thereon, and (ii) certain investors purchased, for an aggregate purchase price of \$2,500, shares of a new series of convertible preferred stock designated as "Series A-1 Preferred Stock" (see Note 11). The lead investors in this transaction were Carlyle Liquid, LLC and Carlyle Liquid Holdings, LLC (the "Carlyle Entities"), which were organized by Abdi Mahamedi. Mr. Mahamedi became a director and greater-than-5% beneficial owner of the Company by reason of the May 2009 transaction. Mr. Salas is the Managing Partner for Carlyle Liquid Holdings, LLC and has sole voting and investment control over the shares held by Carlyle Liquid Holdings, LLC. Mr. Jack Chitayat, a former Board member, is the Managing Partner for Carlyle Liquid LLC and has sole voting and investment control over the shares held by Carlyle Liquid, LLC. Additionally, Robert Biehl, a director of the Company, is a passive investor in Carlyle Liquid Holdings, LLC.

During the years ended December, 31, 2010 and 2009, Mr. Robert Biehl provided leadership consulting services to executive management of the Company. In August 2010, the Company issued 300,000 shares of the Company's stock in lieu of \$42 of consulting services provided by Mr. Biehl during 2010. In May 2009, the Company issued 233,010 of 100% vested, stock options at an exercise price of \$0.21 in lieu of \$48 of consulting services that were provided by Mr. Biehl throughout 2009.

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During the year ended December 31, 2010, Mr. Mahamedi and Carlyle Liquid Holdings, LLC advanced the Company \$30 and \$75, respectively, to fund our working capital needs. On August 5, 2010, we paid off \$31 and \$78 to Mr. Mahamedi and Carlyle Liquid Holdings, LLC, respectively, representing the amounts outstanding and 10% accrued interest of that date. There were no capital advances outstanding from Mr. Mahamedi and Carlyle Liquid Holdings, LLC as of December 31, 2010.

The Company has an exclusive license agreement with LLPG, Inc. (“LLPG”), a corporation headed by Jack Chitayat, 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 Company recognized revenues from product sales and licensing fees of \$0 and \$203 from LLPG during the years ended December 31, 2010 and 2009, respectively. There are no outstanding trade receivables due from LLPG as of December 31, 2010 and 2009.

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

On June 1, 2008, the Company entered into a transaction with Grace Metal (currently Liquidmetal Korea Co., Ltd. “LMK”), under which (i) LMK agreed to purchase various equipments (including die casting machines and vacuum induction melters) used in the Company’s bulk amorphous alloy business segment and (ii) the Company granted LMK a 10-year exclusive license to manufacture products made from bulk Liquidmetal alloys for customers whose principal headquarters or whose major operations are located in South Korea. LMK was formed by an investor group that includes the former director and officer of the Company, James Kang, who is also the brother of John Kang, former Chairman of the company.

In consideration of the license agreement with LMK, the Company was entitled to royalty of 10% of LMK’s net sales of licensed products (unless LMK’s margin on the products falls below specified levels, in which case a new royalty would have been negotiated in good faith). Effective June 1, 2009, the royalty rate was adjusted to 5%. On June 15, 2010, the license agreement with LMK was terminated.

The Company purchased production supplies and outsourced production of certain bulk alloy production with LMK. In June 2008, the Company began sharing the use of its manufacturing facility and production equipment in Pyongtaek, South Korea, with LMK as the Company began significant outsourcing of its bulk alloy parts production. The Company incurred expenses for purchase of production supplies and outsourcing fees of \$0 and \$1,252 during the years ended December 31, 2010 and 2009, respectively. There are no trade payables due to LMK outstanding for both December 31, 2010 and 2009. The Company recognized revenue from sales of raw materials and royalties for a total of \$0 and \$4,540 during the years ended December 31, 2010 and 2009 respectively. There are no trade receivables due from LMK outstanding at both December 31, 2010 and 2009.

22. Subsequent Event

On March 19, 2011, the Company entered into a preliminary binding settlement agreement with SAGA pursuant to which (i) both parties agreed to terminate the joint venture, (ii) both parties agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) the Company agreed to pay SAGA \$2,800 in the form of restricted shares of the Company's common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI will be terminated. As part of the restatement, we increased our accrual for the settlement and potential legal fees to \$3,100 as of December 31, 2010 (see Note 2). The adjustments resulted in an increase to accounts payable and accrued liabilities of \$2,800 and an increase to other expenses of \$2,800.

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Schedule II – Valuation and Qualifying Accounts

Schedule II - Valuation and Qualifying Accounts	Balance at Beginning of Period	Additions Charged to Expenses	Write-offs and Payments	Balance at End of Period
Allowance for doubtful accounts				
Year ended December 31, 2010	\$1,314	\$-	\$(1,313)	\$1
Year ended December 31, 2009	121	1,193	-	1,314
Year ended December 31, 2008	89	32	-	121
Product warranty accrual				
Year ended December 31, 2010	\$284	\$(4)	\$-	\$280
Year ended December 31, 2009	314	-	(30)	284
Year ended December 31, 2008	631	26	(343)	314
Deferred tax asset valuation allowance *				
Year ended December 31, 2010	\$43,568	\$8,300	\$-	\$51,868
Year ended December 31, 2009	44,476	-	\$(908)	43,568
Year ended December 31, 2008	38,804	5,672	-	44,476

* The deferred tax asset valuation allowance represents a 100% reserve against the deferred tax asset accounts at December 31, 2010, 2009 and 2008, respectively.