

LIQUIDMETAL TECHNOLOGIES INC
Form 10-Q/A
July 20, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

Amendment No. 3

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005

OR

o **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. 001-31332

LIQUIDMETAL TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

33-0264467
(I.R.S. Employer
Identification No.)

25800 Commercentre Drive, Suite 100
Lake Forest, California 92630
(address of principal executive office, zip code)

Registrant's telephone number, including area code: **(949) 206-8000**

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 at least the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 11, 2005, there were 41,609,652 shares of the registrant's common stock, \$.001 par value, outstanding.

As of July 11, 2005, there were 41,609,652 shares of the registrant's common stock, \$.001 par value, outstanding.

**LIQUIDMETAL TECHNOLOGIES, INC.
AMENDMENT NO. 3 TO FORM 10-Q
FOR THE QUARTER ENDED June 30, 2005**

EXPLANATORY NOTE

We are filing this Amendment No. 3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, as filed with the U.S. Securities and Exchange Commission (SEC) on August 15, 2005, as amended on August 30, 2005 and March 16, 2006, to restate our financial statements to properly account for the conversion feature of the senior convertible notes issued in March 2004 (see Note 8 to the condensed consolidated financial statements). Additionally, reclassifications to our financial statements have been made for consistent presentation of our change in value of warrant liabilities.

Other than the changes referred to above, all other information included in the above described Form 10-Q, remains unchanged. This amendment does not reflect events occurring after the filing of such Form 10-Q 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.

FORWARD-LOOKING INFORMATION

Statements in this report concerning the future sales, expenses, profitability, financial resources, product mix, market demand, product development and other statements in this report concerning the future results of operations, financial condition and business of Liquidmetal Technologies, Inc. are forward-looking statements as defined in the Securities Act of 1933 and Securities Exchange Act of 1934. Investors are cautioned that the Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment, including competition, need for increased acceptance of products, ability to continue to develop and extend our brand identity, ability to anticipate and adapt to a competitive market, ability to effectively manage rapidly expanding operations, amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure, ability to provide superior customer service, dependence upon key personnel and the like. The Company's most recent filings with the Securities and Exchange Commission, including Form 10-K, contain additional information concerning many of these risk factors, and copies of these filings are available from the Company upon request and without charge.

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PART I

FINANCIAL INFORMATION

Item 1 Financial Statements

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	(unaudited) June 30, 2005 (Restated)	December 31, 2004 (Restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,256	\$ 742
Restricted cash		754
Trade accounts receivables, net of allowance for doubtful accounts of \$69 and \$108	2,359	1,668
Inventories	2,190	2,353
Prepaid expenses and other current assets	954	930
Total current assets	6,759	6,447
Property, plant and equipment, net	14,996	16,434
Idle equipment	193	1,906
Long term inventory		1,810
Other intangibles, net	1,158	1,143
Other assets	816	768
Total assets	\$ 23,922	\$ 28,508
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 7,095	\$ 4,969
Settlement payable	3,294	3,246
Deferred revenue	934	900
Short-term debt	493	
Long-term debt, current portion, net of debt discount of \$3,082 and \$2,831	7,102	4,010
Warrant liabilities	1,677	550
Conversion feature liabilities	4,368	6,650
Other liabilities, current portion	752	1,032
Total current liabilities	25,715	21,357
Long-term debt, net of current portion	2,044	2,618
Other long-term liabilities, net of current portion	373	342
Total liabilities	28,132	24,317
Shareholders Equity (Deficiency):		
Common stock, \$0.001 par value; 100,000,000 shares authorized and 41,609,652 issued and outstanding at June 30, 2005 and December 31, 2004	42	42
Additional paid-in capital	129,650	129,650
Accumulated deficit	(136,256)	(127,472)
Accumulated other comprehensive income	2,354	1,971

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Total shareholders' equity (deficiency)	(4,210)	4,191
Total liabilities and shareholders' equity (deficiency)	\$ 23,922	\$ 28,508

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

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(in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005 (Restated)	2004 (Restated)	2005 (Restated)	2004 (Restated)
Revenue	\$ 3,727	\$ 4,055	\$ 6,570	\$ 10,343
Cost of sales	3,962	2,475	6,797	6,032
Gross (loss) profit	(235)	1,580	(227)	4,311
Operating Expenses:				
Selling, general, and administrative	1,567	2,544	4,157	5,609
Research and development	213	345	610	686
Impairment of long lived assets	3,394		3,394	
Total expenses	5,174	2,889	8,161	6,295
(Loss) from operations	(5,409)	(1,309)	(8,388)	(1,984)
Change in value of warrants, gain (loss)	(100)	694	33	1,280
Change in value of conversion feature, gain	1,167	3,904	2,282	5,614
Interest expense	(1,181)	(2,255)	(2,718)	(2,651)
Interest income	1	22	7	34
(Loss) income from continuing operations	(5,522)	1,056	(8,784)	2,293
(Loss) from discontinued equipment manufacturing operations, net of tax		(356)		(749)
Net (loss) income	(5,522)	700	(8,784)	1,544
Other comprehensive (loss) income				
Foreign exchange translation gain	62	43	383	422
Comprehensive (loss) income	\$ (5,460)	\$ 743	\$ (8,401)	\$ 1,966
Net (loss) income per share basic and diluted:				
(Loss) income per share continuing operations	\$ (0.13)	\$ 0.03	\$ (0.21)	\$ 0.06
(Loss) per share discontinued operations	\$	\$ (0.01)	\$	\$ (0.02)
(Loss) income per share basic and diluted	\$ (0.13)	\$ 0.02	\$ (0.21)	\$ 0.04
Number of weighted average shares basic and diluted	41,610	41,610	41,610	41,610

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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(in thousands, except per share data)

(unaudited)

	For the Six Months Ended June 30,	
	2005 (Restated)	2004 (Restated)
Operating activities:		
Net income (loss)	\$ (8,784)	\$ (1,544)
Adjustments to reconcile net loss from operations to net cash used for operating activities:		
Impairment of long lived assets	3,394	
Loss on disposal of asset	1	
Depreciation and amortization	1,694	1,823
Amortization of debt discount	1,031	2,283
Gain from change in value of warrants	(33)	(1,280)
(Loss) gain from change in value of conversion feature	(2,282)	5,614
Stock-based compensation		276
Bad debt (recovery) expense	(43)	105
Warranty expense	76	137
Changes in operating assets and liabilities:		
Accounts receivable	(648)	(521)
Inventories	320	(2,235)
Prepaid expenses and other current assets	(24)	189
Other assets	(169)	(575)
Accounts payable and accrued expenses	2,050	(201)
Deferred revenue	34	(597)
Other liabilities	(182)	(927)
Net cash used for continuing operations	(3,565)	(5,593)
Net cash provided by discontinued operations		822
Net cash used for operating activities	(3,565)	(4,771)
Investing Activities:		
Purchases of property and equipment	(63)	
Proceeds from sale of property and equipment	1	
Investment in patents and trademarks	(70)	(102)
Net cash used for investing activities	(132)	(102)
Financing Activities:		
Proceeds from borrowings	4,669	9,924
Repayment of borrowings	(1,613)	(1,841)
Proceeds from restricted cash	754	(58)
Net cash provided by financing activities	3,810	8,025
Effect of foreign exchange translation	401	77
Net increase in cash and cash equivalents	514	3,229
Cash and cash equivalents at beginning of period	742	3,127
Cash and cash equivalents at end of period	\$ 1,256	\$ 6,356
Supplemental cash flow information:		
Interest paid	\$ 229	\$ 208
Taxes paid	\$	\$

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

During the six months ended June 30, 2004, the Company sold its 51% ownership interest in Dongyang to the 49% minority shareholder, which resulted in a loss of \$46 from disposal of discontinued operations as of June 30, 2004.

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

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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For the Six Months Ended June 30, 2005 and 2004

(in thousands, except per share data)

(unaudited)

1. Basis of Presentation / Description of Business

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles) for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. In addition, certain reclassifications have been made for consistent presentation. Operating results for the three and six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for any future periods or the year ending December 31, 2005. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's Form 10-K filed with the Securities and Exchange Commission on March 30, 2005.

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, the bulk Liquidmetal alloys segment includes tooling and prototype sampling, and the manufacture and sale of die casting equipment (see Note 7). 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.

Stock-based compensation

The Company applies Accounting Principles Board (APB) Opinion No. 25 for options when the exercise price of options granted to employees is less than the fair value of the underlying stock on the date of grant. The Company applies Statement of Financial Accounting Standards (SFAS) No. 123 for options granted to non-employees who perform services for the Company.

Had the Company determined compensation cost based on the fair value at the grant date for stock options consistent with the method of SFAS No. 123, the Company's loss from continuing operations and basic and diluted loss per share from continuing operations would have been as follows:

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	For the Three Months Ended June 30, 2005 (Restated)		For the Six Months Ended June 30, 2005 (Restated)	
		2004 (Restated)		2004 (Restated)
Net income (loss) from continuing operations as reported	\$	(5,522)	\$	1,056
			\$	(8,784)
				\$
				2,293
<i>Add:</i>				
stock-based employee compensation expense included in reported net loss, net of related tax effects			7	276
<i>Deduct:</i>				
total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects		(736)	(1,100)	(1,519)
				(2,809)
Proforma net loss from continuing operations:	\$	(6,258)	\$	(44)
			\$	(10,303)
				\$
				(240)
Basic and diluted loss per share:				
As reported	\$	(0.13)	\$	0.03
Proforma	\$	(0.15)	\$	(0.00)
			\$	(0.21)
				\$
				0.06