LIQUIDMETAL TECHNOLOGIES INC
Form 10-Q
August 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

OR

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)

Delaware

33-0264467

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification No.)

30452 Esperanza

Rancho Santa Margarita, CA 92688

(Address of principal executive offices, zip code)

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Yes No

The number of common shares outstanding as of July 31, 2015 was 473,149,485.

LIQUIDMETAL TECHNOLOGIES, INC.
FORM 10-Q
FOR THE QUARTER ENDED June 30, 2015

FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q 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,” “may,” “anticipates,” “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 results. These statements are not guarantees of future performance, and undue reliance should not be placed on these statements. It is important to note that our actual results could differ materially from what is expressed in our forward-looking statements due to the risk factors described in the section of our Annual Report on Form 10-K for the year ended December 31, 2014 entitled “Risk Factors,” as well as the following risks and uncertainties:

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

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

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

Our limited history of licensing our technology to third parties;

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.

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

FINANCIAL INFORMATION

Item 1 – Financial Statements

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except par value and share data)

June 30,

December 31,

2015

2014

(Unaudited)

(Audited)

ASSETS

Current assets:

Cash

$ 5,284 $ 10,009

Restricted cash

2,005 -

Trade accounts receivable, net of allowance for doubtful accounts

13 83

Inventory

65 -

Prepaid expenses and other current assets

203 374

Total current assets

$ 7,570 $ 10,466

Property and equipment, net

1,147 1,118

Patents and trademarks, net

619 669

Other assets

137 31

Total assets

$ 9,473 $ 12,284

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable

$ 114 $ 155

Accrued liabilities

912 705

Deferred revenue

4 -

Short-term debt

200 -

Total current liabilities

$ 1,230 $ 860

Long-term liabilities:

Warrant liabilities

1,817 2,005

Other long-term liabilities

856 856

Total liabilities

$ 3,903 $ 3,721

Stockholders' equity:

Convertible, redeemable Preferred Stock, $0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2015 and December 31, 2014.

- -

Common stock, $0.001 par value; 700,000,000 shares authorized; 470,149,485 and 464,482,819 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively.

470 464

Warrants	18,179	18,179
Additional paid-in capital	202,176	200,610
Accumulated deficit	(215,197)	(210,636)
Non-controlling interest in subsidiary	(58)	(54)
Total stockholders' equity	5,570	8,563
Total liabilities and stockholders' equity	$ 9,473	$ 12,284

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE LOSS

(in thousands, except share and per share data)

(unaudited)

For the Three Months

Ended June 30,

For the Six Months

Ended June 30,

2015

2014

2015

2014

Revenue

Products

$ 15 $ 121 $ 38 $ 277

Licensing and royalties	24	32	27	36
Total revenue	39	153	65	313
Cost of sales	133	75	152	215
Gross margin	(94)	78	(87)	98
Operating expenses				
Selling, marketing, general and administrative	1,891	2,021	3,743	3,872
Research and development	455	392	937	726
Total operating expenses	2,346	2,413	4,680	4,598
Operating loss	(2,440)	(2,335)	(4,767)	(4,500)
Change in value of warrants, gain (loss)	349	(145)	188	(1,871)
Debt discount amortization expense	-	(31)	-	(52)
Interest income	6	2	14	2
Net loss	(2,085)	(2,509)	(4,565)	(6,421)

Net loss attributable to non-controlling interest	2	5	4	8
Net loss and comprehensive loss attributable to Liquidmetal Technologies' stockholders	$ (2,083)	$ (2,504)	$ (4,561)	$ (6,413)
Net loss per common share attributable to Liquidmetal Technologies' stockholders, basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
Number of weighted average shares- basic and diluted	466,371,708	449,401,890	465,427,263	418,501,883

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2015

(in thousands, except share data)

(unaudited)

Preferred

Shares

Common

Shares

Common

Stock

Warrants

part of

Additional

Paid-in

Capital

Additional

					Paid-in Capital	**Accumulated Deficit**	**Non-Controlling Interest**	**Total**
Balance, December 31, 2014	**-**	**464,482,819**	**$ 464**	**$ 18,179**	**$ 200,610**	**$ (210,636)**	**$ (54)**	**$ 8,563**
Common stock issuance		5,500,000	6		682			688
Stock option exercises		166,666			13			13
Stock-based compensation					715			715
Restricted stock issued to officer					156			156
Net loss						(4,561)	(4)	(4,565)
Balance, June 30, 2015	**-**	**470,149,485**	**$ 470**	**$ 18,179**	**$ 202,176**	**$ (215,197)**	**$ (58)**	**$ 5,570**

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, except per share data)

(unaudited)

	Six Months Ended June 30,	
	2015	**2014**
Operating activities:		
Net loss	$ (4,565)	$ (6,421)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	241	104
Gain on sale of fixed asset	-	(5)
Stock-based compensation	715	426

Restricted stock compensation issued to officer

156 156

(Gain) loss from change in value of warrants

(188) 1,871

Debt discount amortization

- 52

Changes in operating assets and liabilities:

Trade accounts receivable

70 147

Inventory

(65) -

Prepaid expenses and other current assets

171 178

Other assets

(106) -

Accounts payable and accrued expenses

166 (268)

Deferred revenue

4 -

Net cash used in operating activities

(3,401) (3,760)

Investing Activities:

Purchases of property and equipment

(220) (558)

Increase in restricted cash	(2,005)	5
Investment in patents and trademarks	-	(1)
Net cash used in investing activities	(2,225)	(554)
Financing Activities:		
Proceeds from short-term debt	200	-
Proceeds from exercise of stock options	13	146
Proceeds from stock issuance	688	16,000
Net cash provided by financing activities	901	16,146
Net (decrease) increase in cash	(4,725)	11,832
Cash at beginning of period	10,009	2,062
Cash at end of period	$ 5,284	$ 13,894

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2015 and 2014

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

(unaudited)

1. Description of Business

Liquidmetal Technologies, Inc. (the “Company”) is a materials technology company that develops and commercializes products made from amorphous alloys. The Company’s family of alloys consists of a variety of bulk alloys and composites that utilize the advantages offered by amorphous alloys technology. The Company designs, develops and sells products and components from bulk amorphous alloys to customers in various industries. The Company also partners with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products. The Company believes that its proprietary bulk alloys are the only commercially viable bulk amorphous alloys currently available in the marketplace.

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

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

2. Basis of Presentation and Recent Accounting Pronouncements

The accompanying unaudited interim consolidated financial statements as of and for the three and six months ended June 30, 2015 and June 30, 2014 have been prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. All intercompany balances and transactions have been eliminated in consolidation. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for any future periods or the year ending December 31, 2015. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 4, 2015.

Revenue Recognition

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

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

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2015 and 2014

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

(unaudited)

Fair Value Measurements

The estimated fair values of financial instruments reported in the consolidated financial statements have been determined using available market information and valuation methodologies, as applicable. The fair value of cash, trade receivables, restricted cash, accounts payable, and short-term debt approximate their carrying value due to their short maturities. The fair value of non-current assets and liabilities approximate their carrying value unless otherwise stated.

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

Level 1 —

Quoted prices in active markets for identical assets or liabilities;

Level 2 —

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

Level 3 —

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

The Company has one financial instrument, namely warrant liabilities that are recorded at fair value on a periodic basis using Level 2 measurement inputs. Warrants are evaluated under the hierarchy of FASB ASC Subtopic 480-10, FASB ASC Paragraph 815-25-1 and FASB ASC Subparagraph 815-10-15-74 addressing embedded derivatives. The fair value of such warrants is estimated using the Black-Scholes option pricing model. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815 (see Note 11).

As of June 30, 2015, the following table represents the Company's fair value hierarchy for items that are required to be measured at fair value on a recurring basis:

	Fair Value	**Level 1**	**Level 2**	**Level 3**
Warrant liabilities	1,817	-	1,817	-

As of December 31, 2014, the following table represents the Company's fair value hierarchy for items that are required to be measured at fair value on a recurring basis:

	Fair Value	**Level 1**

Level 2

Level 3

Warrant liabilities				
	2,005	-	2,005	-

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued an accounting standards update which modifies the requirements for identifying, allocating, and recognizing revenue related to the achievement of performance conditions under contracts with customers. This update also requires additional disclosure related to the nature, amount, timing, and uncertainty of revenue that is recognized under contracts with customers. This guidance is effective beginning January 1, 2017 and is required to be applied retrospectively to all revenue arrangements. The Company is currently assessing the effects this guidance may have on its consolidated financial statements.

Ability to Continue as a Going Concern

In August 2014, the FASB issued an accounting standards update which requires an assessment of an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently addressed by U.S. auditing standards. This standard is effective for the fiscal years ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

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(unaudited)

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

3. Significant Transactions

2014 Stock Purchase Agreement

On August 20, 2014, the Company entered into a common stock purchase agreement ("2014 Purchase Agreement") with Aspire Capital Fund LLC ("Aspire Capital"), which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of $30,000 worth of the Company's common stock, $0.001 par value, over the 36-month term of the 2014 Purchase Agreement.

From time to time over the term of the 2014 Purchase Agreement, the Company may, at its sole discretion, provide Aspire Capital with a regular purchase notice (each a "Regular Purchase Notice") directing Aspire Capital to purchase up to 1,000,000 shares, but not to exceed $400, of the Company's common stock per trading day at a price per share equal to the lesser of (i) the lowest sale price of the Company's common stock on the purchase date; or (ii) the arithmetic average of the three lowest closing sale prices for the Company's common stock during the twelve consecutive trading days ending on the trading day immediately preceding the purchase date.

In addition, on any date on which the Company submits a Regular Purchase Notice to Aspire Capital for the purchase of at least 500,000 shares at a price above $0.30, the Company also has the right, in its sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing Aspire Capital to purchase an amount of stock equal to up to 30% of the aggregate shares of the Company's common stock traded on its principal market on the next trading day (the "VWAP Purchase Date"), subject to a maximum number of shares the Company may determine. The purchase price per share pursuant to such VWAP Purchase Notice is generally 95% of the volume-weighted average price for the Company's common stock traded on its principal market on the VWAP Purchase Date.

The Company may deliver multiple Regular Purchase Notices and VWAP Purchase Notices to Aspire Capital from time to time during the term of the 2014 Purchase Agreement, so long as the most recent purchase has been completed. The 2014 Purchase Agreement provides that the Company and Aspire Capital shall not effect any sales under the 2014 Purchase Agreement on any purchase date where the closing sale price of the Company’s common stock is less than $0.10 per share. There are no trading volume requirements or restrictions under the 2014 Purchase Agreement, and the Company will control the timing and amount of sales of the Company’s common stock to Aspire Capital.

On September 9, 2014, an initial registration statement covering 75,000,000 shares issued and issuable pursuant to the 2014 Purchase Agreement was declared effective by the SEC. As of June 30, 2015, the Company had received an aggregate of $688 under the 2014 Purchase Agreement through the issuance of 5,500,000 shares of its common stock at a weighted average price of $0.13 per share.

Line of Credit Facility

In February 2015, the Company entered into a $2,000 line of credit facility, with a fixed interest rate of 2.1%, which expires on February 13, 2016, subject to annual renewals and potential changes in collateral requirements. Amounts available under this facility are secured by cash collateral. Such collateral is included as restricted cash on the Company’s consolidated balance sheet. As of June 30, 2015, there are $200 in outstanding borrowings under this facility. Interest expense applicable to these borrowings was zero for both the three and six month periods ended June 30, 2015.

2013 Stock Purchase Agreement

On November 8, 2013, the Company entered into a Common Stock Purchase Agreement (the “2013 Purchase Agreement”) with Kingsbrook Opportunities Master Fund LP, Tech Opportunities LLC, and Iroquois Master Fund Ltd. (each, a “2013 Investor” and collectively, the “2013 Investors”). The 2013 Purchase Agreement provided that, upon the terms and subject to the conditions set forth therein, each of the 2013 Investors had committed to purchase such 2013 Investor’s pro rata portion of up to $20,000 (the “Total Commitment”) worth of the Company’s common stock, $0.001 par value (the “Shares”), over the 36-month term of the 2013 Purchase Agreement. In consideration for the execution and delivery of the 2013 Purchase Agreement, on November 8, 2013, the Company issued 2,666,667 shares of common stock (“the Commitment Shares”) to the 2013 Investors.

From time to time over the term of the 2013 Purchase Agreement, the Company was able to, at its sole discretion, provide each of the 2013 Investors with draw down notices (each a “Draw Down Notice”) requiring them to purchase a specified dollar amount of Shares (the “Draw Down Amount”) over a five (5) consecutive trading day period commencing on the trading day specified in the applicable Draw Down Notice (the “Pricing Period”) with each draw down subject to the limitations discussed below. The maximum amount of Shares requested to be purchased pursuant to any single Draw Down Notice could not exceed a dollar amount equal to the lesser of (i) 300% of the average trading volume of the Company's common stock during the ten (10) trading days immediately preceding the date the applicable Draw Down Notice was delivered (the "Applicable Draw Down Exercise Date") multiplied by the lower of (A) the closing trade price of the Company's common stock on the trading day immediately preceding the Applicable Draw Down Exercise Date and (B) the average of the closing trade prices of the Company's common stock for the three (3) trading days immediately preceding the Applicable Draw Down Exercise Date (such lower price, the "Reference Price"), and (ii) a specified dollar amount set forth in the 2013 Purchase Agreement based on the Reference Price as of the Applicable Draw Down Exercise Date.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2015 and 2014

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

(unaudited)

Once presented with a Draw Down Notice, each of the 2013 Investors was required to purchase such 2013 Investor's pro rata portion of the applicable Draw Down Amount on each trading day during the applicable Pricing Period on which the daily volume weighted average price for the Company's common stock (the "VWAP") equaled or exceeded an applicable floor price equal to the product of (i) 0.775 and (ii) the Reference Price, subject to adjustment (the "Floor Price"), provided that in no event could the Floor Price be less than $0.03875. If the VWAP fell below the applicable Floor Price on any trading day during the applicable Pricing Period, the 2013 Purchase Agreement provided that the 2013 Investors would not be required to purchase their pro rata portions of the applicable Draw Down Amount allocated to that trading day. The per share purchase price for the Shares subject to a Draw Down Notice was equal to 90% of the lowest daily VWAP that equaled or exceeded the applicable Floor Price during the applicable Pricing Period. Each purchase pursuant to a Draw Down Notice reduced, on a dollar-for-dollar basis, the Total Commitment under the 2013 Purchase Agreement.

The Company was prohibited from issuing a Draw Down Notice if (i) the amount requested in such Draw Down Notice exceeded certain caps based on trading volume and price, (ii) the sale of Shares pursuant to such Draw Down Notice caused the Company to issue or sell or the 2013 Investors to acquire or purchase an aggregate dollar value of Shares that exceeded the Total Commitment, (iii) the sale of Shares pursuant to the Draw Down Notice caused the Company to sell or the 2013 Investors to purchase an aggregate number of shares of the Company's common stock which resulted in the collective beneficial ownership by the 2013 Investors of more than 9.99% of the Company's common stock (as calculated pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder), or (iv) the applicable Floor Price was less than $0.03875 on the Applicable Draw Down Exercise Date. The Company could not make more than one draw down in any Pricing Period and must have allowed two (2) trading days to elapse between the completion of the settlement of any one draw down and the commencement of a Pricing Period for any other draw down.

On February 11, 2014, an initial registration statement covering 96,555,893 shares issued and issuable pursuant to the 2013 Purchase Agreement was declared effective by the SEC.

As of December 31, 2014, the Company had received an aggregate of $16,000 under the 2013 Purchase Agreement through the issuance of 85,355,615 shares of its common stock at a weighted average price of $0.19 per share. On August 22, 2014, the Company voluntarily terminated the 2013 Purchase Agreement, effective August 25, 2014.

June 2012 Visser MTA

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

Under the manufacturing and service component of the Visser MTA, the Company had agreed to engage Visser as a perpetual, exclusive manufacturer of non-consumer electronic products and to not, directly or indirectly, conduct manufacturing operations, subcontract for the manufacture of products or components or grant a license to any other party to conduct manufacturing operations, except for certain limited exceptions. Under the financing component of the Visser MTA, the Company issued and sold to Visser in a private placement transaction (i) 30,000,000 shares of common stock at a purchase price of $0.10 per share resulting in proceeds of $3,000, (ii) warrants to purchase 15,000,000 shares of common stock at an original exercise price of $0.22 per share which were to expire on June 1, 2017 and (iii) a secured convertible promissory note in the aggregate principal amount of up to $2,000. No borrowings were made by the Company u