

LIQUIDPISTON

2022 Report

Dear investors,

We've had a great year with significant investment and support by our DOD customers. We are currently executing on over \$20M of R&D contracts with the Army and Air Force, we are thrilled to have made a profit in 2022. We've expanded our facility to a 15,000 square foot campus in Bloomfield, CT including a new machine shop with 5-axis CNC, CNC turning, and wire EDM capability.

We need your help!

Number 1: Hiring engineers, scientists, and other positions. We are offering \$5,000 referral bonus, so send over your referrals. Number 2: We have an open Reg A+ campaign - tell your friends & post on social media - invest.liquidpiston.com. Number 3: We are seeking relationships with CNC machine shops and manufacturers, send information to info@liquidpiston.com.

Sincerely,

Per Sweeney

Director

Nikolay Shkolnik

CTO

Alexander Shkolnik

CEO

Our Mission

We can't overstate how important our new thermodynamic cycle is - this is the first leap forward in combustion engine technology in 85 years. We've exceeded objectives in several multi-million dollar government contracts, and received follow-up funding to continue R&D. We have huge enterprise customers lining up for potential licensing deals. Initially, we will be 100% focused on military applications. We won't stop, however, until we overturn the entire \$400 Billion combustion engine market.

[See our full profile](#)



How did we do this year?

Report Card

A+



The Good

Awarded a \$17M Phase I Army contract to advance Hybrid Electric Vehicles for Unmanned Aerial Vehicles (UAVs).

Awarded a \$3M contract from DPMPTM Army Laboratory for Compact Efficient Rotary Engine Program.

We were profitable!



The Bad

Despite hiring & staffing challenges, we added net 6 permanent employees.

Certain supply chain issues caused delays in part procurement and therefore testing.

New engine development programmatic delays.

2022 At a Glance

January 1 to December 31


\$6,682,426 +157%
Revenue


\$1,327,909
Net Profit


\$2,081,987 +123%
Short Term Debt


\$11,109,790
Ratios in 2022


\$14,388,463
Cash on Hand
As of 03/30/23

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes and other financial information included elsewhere in this offering. Some of the information contained in this discussion and analysis, including information regarding the strategy and plans for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

Engines are dirty, and physics tells us we can do better! We've developed an optimized thermodynamic cycle and built a fundamentally new combustion engine with the goal of it being cleaner, cheaper, quieter, and smaller. Compared to piston engines, our 'X' rotary engine has the potential to be ~50-lbs smaller and lighter than a Diesel, and up to 2x more efficient than a gasoline engine. An electric vehicle using LiquidPiston combined with a small battery pack could have a lower CO2 footprint compared to plug-in electric vehicles.

Milestones

LiquidPiston, Inc. was incorporated in the State of Delaware in June 2014.

Since then, we have:

- 79 patients

- Developed X-Engine technology that has 2 primary moving parts and is up to 10x smaller and lighter versus a comparably powered piston diesel engine

- 18 contracts signed totaling over \$30M (4 commercial R&D contracts and 14 DoD contracts)

Historical Results of Operations

- Revenues & Gross Margin. For the period ended December 31, 2022, the Company had revenues of \$6,682,426 compared to the year ended December 31, 2021, when the Company had revenues of \$2,604,033. Our gross margin was 50.62% in fiscal year 2022, compared to 38.23% in 2021.

• **Assets.** As of December 31, 2022, the Company had total assets of \$15,749,285, including \$13,248,306 in cash. As of December 31, 2021, the Company had \$12,092,600 in total assets, including \$8,015,115 in cash.

- *Net Income.* The Company has had net income of \$1,327,909 and net losses of \$1,818,378 for the fiscal years ended December 31, 2022 and December 31, 2021, respectively.

- *Liabilities.* The Company's liabilities totaled \$2,229,778 for the fiscal year ended December 31, 2022 and \$1,084,487 for the fiscal year ended December 31, 2021.

Related Party Transaction

Refer to Question 26 of this Form C for disclosure of all related party transactions.

Liquidity & Capital Resources

To-date, the company has been financed with \$24,561,819 in equity and \$2,206,000 in convertibles.

We plan to use the proceeds as set forth in this Form C under "Use of Funds"

We will likely require additional financing in excess of the proceeds from the Offering in order to perform operations over the lifetime of the Company. We are currently raising capital under a Regulation A offering, see [invest.lapointecorp.com](#) and our offering [circular](#). Except as otherwise described in this Form C, we do not have additional sources of capital other than the proceeds from the offering. Because of the complexities and uncertainties in establishing a new business strategy, it is not possible to adequately project whether the proceeds of this offering will be sufficient to enable us to implement our strategy. This complexity and uncertainty will be increased if less than the maximum amount of securities offered in this offering is sold. The Company intends to raise additional capital in the future from investors. Although capital may be available for early-stage companies, there is no guarantee that the Company will receive any investments from investors.

Runway & Short/Mid Term Expenses

LiquidPiston, Inc. cash in hand is \$14,388,462.82, as of March 2023. Over the last three months, revenues have averaged \$699,477.26/month, cost of goods sold has averaged \$300,482.17/month, and operational expenses have averaged \$735,449.17/month, for an average burn rate of \$336,454.08 per month. Our intent is to be profitable in 6 months.

From January 1st thru March 31, 2023, we raised \$2,870,701.65 in our current Reg A raise.

Revenues and costs are both expected to be about \$700,000 per month, as the company executes on its government contracts. The Company will also be making capital investments in the facility.

The Company incurred losses from operations and has had negative cash flows from operating activities since its inception through December 31, 2021. In 2022, the Company made a \$368,397 profit from operations due to DOD R&D contracts, and a net income of \$1,297,909 including interest, PPP forgiveness, and federal employee retention credits. The Company's current operating plan indicates that new research and development and consulting contracts will be essential to funding the completion of its ongoing research and development activities. Management expects the results of operations operate near breakeven for the next several years.

The Company has government research and development contracts that it is executing on. The Company also has an ongoing Regulation A offering (invest.liquidpiston.com).

All projections in the above narrative are forward-looking and not guaranteed.

Assets: 8%	Earnings per Share: \$0.08	Revenue per Employee: \$208,826	Cash to Assets: 84%	Revenue to Receivables: ~	Debt Ratio: 14%
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**We ♥ Our
1053 Investors**

Thank You For Believing In Us

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DATE	AMOUNT	SECURITY	PURPOSE
02/2016	\$251,000		Regulation C, Rule 506(s)
09/2016	\$1,230,000		Regulation C, Rule 506(s)
04/2017	\$999,999		4(c)(3)
08/2017	\$796,150		4(c)(3)
05/2018	\$200,000		Regulation D, Rule 505(c)
03/2019	\$100,000		Regulation D, Rule 505(c)
03/2019	\$889,317		4(c)(3)
12/2019	\$425,000		Regulation C, Rule 506(c)
04/2020	\$1,069,413	Common Stock	Regulation Crowdfunding
07/2020	\$673,378	Common Stock	Regulation D, Rule 506(c)
09/2020	\$166,122	Common Stock	Regulation D, Rule 506(c)
03/2021	\$1,765,966	Common Stock	Regulation A+
01/2022	\$810,983	Common Stock	Regulation A+
04/2022	\$245,747	Common Stock	Regulation C, Rule 506(c)
12/2022	\$2,726,180	Common Stock	Regulation A+
03/2023	\$3,827,400	Common Stock	Regulation A+

The use of proceeds is to fund general operations.

Convertible Notes Outstanding

DATE	AMOUNT	INTEREST	COUPON	VALUATION CAP	MATURITY
02/27/2016	\$251,000 ⁽¹⁾			\$2,700,000	03/25/2020
09/24/2016	\$1,230,000 ⁽²⁾			\$15,000,000	
05/24/2018	\$200,000 ⁽³⁾	4.0%	0.0%	\$30,000,000	05/24/2021
03/11/2019	\$100,000 ⁽⁴⁾	4.0%	0.0%	\$35,000,000	03/11/2021
12/29/2019	\$425,000 ⁽⁵⁾				

Outstanding Debts

None.

Related Party Transactions

In November 2015, \$2.25 million of the Company's secured convertible promissory notes, plus interest, were called by senior lenders. The Company had no means to repay the loans—the Company's outstanding liabilities were far in excess of assets. The Company was financially insolvent and in need of an immediate cash infusion to avoid dissolution. Without such infusion, immediate foreclosure was threatened by lenders, and the Company lacked sufficient capital to continue to meet operating needs. On December 1, 2015, the company's Management purchased all equity and convertible note holding from Adams Capital Management. In December 2015, the company's Management approached the Company and lenders with a term sheet relating to a Management Buyout / Merger in order to gain the Company the cash infusion necessary to continue operations, satisfy interest and service return to its stockholders. This was the only offer received by the Company. The term sheet was subsequently negotiated on behalf of the Company by an independent director, who was able to negotiate such terms with the Company's senior lenders as to avoid foreclosure and to increase the consideration offered by Management. On December 14, 2015, the Board unanimously approved the term sheet relating to the Merger, which was subsequently enacted on January 13, 2016. On that date, LiquidPiston, Inc. merged with LiquidPiston Holdings, Inc. The Holdings Company was solely and owned by Company Management. As part of the merger, LiquidPiston Inc. paid back a portion of the Notes outstanding, so partial repayment to the note lenders, and the balance of the notes were converted into Series D preferred stock. All preferred shares in the company were then converted into Common Stock, and as consideration for the merger, LiquidPiston Holdings Inc. paid an additional sum that was distributed amongst all shareholders. Subsequently as part of the Merger, a faculty convertible notes, and stock options in LiquidPiston, Inc., were cancelled. LiquidPiston, Inc. was the surviving entity in the merger. Nikolay Stokich and Alexander Stokich each owned 50% of the surviving entity.

Name	Alexander and Nikolay Stokich
Amount Invested	\$0
Transaction type	Other
Issued	01/13/2016
Relationship	Alexander is cofounder/CEO of LPi, Nikolay is cofounder/CTO of LPi

On January 13, 2016, the company entered into a reverse merger with LiquidPiston Holdings, Inc. with LiquidPiston, Inc. as the surviving entity. LiquidPiston Holdings was owned by Alexander and Nikolay Stokich. Previous debt holders were repaid a portion of debt. All remaining debt was converted to new 4% preferred equity as consideration in the merger. Total repayment of debt and proceeds to stock holders by LiquidPiston Holdings Inc was \$359,000.

Capital Structure

CLASS OF SECURITY	SECURITIES (OR AMOUNT, IF APPLICABLE)	SECURITIES (OR AMOUNT, IF APPLICABLE)	VOTING RIGHTS
Common Stock	25,000,000	16,953,149	Yes
Series Seed 1 Preferred Shares	200,000	8,228	Yes

SECURITIES RECEIVED FOR
RESUME VOTING EXERCISE OR CONVERSION

Warrants:

Options: 1,185,280 granted / 2,000,000 total out on pool

Risks

Our business model relies on partners to license, co-develop, and manufacture engines, if partners do not take on the capital intensive initiative, the company would require significant additional financing to bring the engines to market.

Customers are currently concentrated to two government programs. These programs focus on initial R&D efforts, and are not guaranteed to continue to mature into future programs.

Our future success depends on the efforts of a small management team. The loss of services of the members of the management team may have an adverse effect on the company. There can be no assurance that we will be successful in attracting and retaining other personnel we require to successfully grow our business.

Commercialization Risk: LiquidPiston develops technology for engines. Our business model relies on potential strategic partners to 1) assist in co-development of the engine by either funding a portion of development, or providing in-kind resources to assist in the development; and 2) adopt the LiquidPiston engine technology on a licensing basis. The automotive space is known to be especially difficult for a new entrant, which is the reason we have chosen the military and small-engine markets to start, rather than going direct to automotive. However, even in these spaces, there has not been no markedly new engine designs that have been successfully commercially adopted since the V-engine engine was developed in the 1960s.

Technical Risk: The basic operating principles of the 'X' engine have been established; however, optimization remains in order to reach the full potential of the cycle and the thermodynamic cycle. In order to commercialize the technology, the engine technology may need to be matured to further 1) attain durability targets sufficient for the application; 2) attain any certification requirements, including durability, emissions, or other requirements, as established by the EPA, or the military, or otherwise as required by a customer; 3) the engine design must be iterated toward volume production, and it is not known yet exactly what the engine will cost in production, as it will be highly dependent on final application and customer requirements; other application specific requirements may be required.

Financing Risk: Developing an engine is a time-consuming and expensive process. The current financing provided funding to complement certain government contracts. The company will rely on raising a Series A, later in 2016 or 2019 to accelerate commercial adoption of the technology. While we think it is likely we will raise this round, this is not guaranteed, and the company requires external financing until it is self sufficient.

Description of Securities for Prior Reg CF Raise

Additional issuances of securities. Following the Investor's investment in the Company, the Company may sell interests to additional investors, which will dilute the percentage interest of the Investor in the Company. The Investor may have the opportunity to increase its investment in the Company in such a transaction, but such opportunity cannot be assured. The amount of additional financing needed by the Company, if any, will depend upon the maturity and objectives of the Company. The decline of an opportunity or the inability of the Investor to make a follow-on investment, or the lack of an opportunity to make such a follow-on investment, may result in substantial dilution of the Investor's interest in the Company.

Issuer repurchases of securities. The Company may have authority to repurchase its securities from shareholders, which may serve to decrease any liquidity in the market for such securities, decrease the percentage interests held by other similarly situated investors to the Investor, and create pressure on the Investor to sell its securities to the Company concurrently.

A sale of the issuer or of assets of the issuer. As a minority owner of the Company, the Investor will have limited or no ability to influence a potential sale of the Company or a substantial portion of its assets. Thus, the Investor will rely upon the executive management of the Company and the Board of Directors of the Company to manage the Company so as to maximize value for shareholders. Accordingly, the success of the Investor's investment in the Company will depend in large part upon the skill and expertise of the executive management of the Company and the Board of Directors of the Company. If the Board of Directors of the Company authorizes a sale of all or a part of the Company, or a disposition of a substantial portion of the Company's assets, there can be no guarantee that the value received by the Investor, together with the fair market value of the value remaining in the Company, will be equal to or exceed the value of the Investor's initial investment in the Company.

Transactions with related parties. The Investor should be aware that there will be occasions when the Company may encounter potential conflicts of interest in its operations. On any issue involving conflicts of interest, the executive management and Board of Directors of the Company will be guided by their good faith judgment as to

the Company's best interests. The Company may engage in transactions with affiliates, subsidiaries or other related parties, which may be on terms which we not deem favorable, but it will be in all cases consistent with the duties of the management of the Company to its shareholders. By acquiring an interest in the Company, the investor will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

Minority Ownership

An investor in the Company will likely hold a minority position in the Company, and thus be limited as to its ability to control or influence the governance and operations of the Company.

The marketability and value of the investor's interest in the Company will depend upon many factors outside the control of the investor. The Company will be managed by its officers and be governed in accordance with the strategic direction and decision-making of its Board of Directors, and the investor will have no independent right to name or remove an officer or member of the Board Of Directors of the Company.

Following the investor's investment in the Company, the Company may sell interests to additional investors, which will dilute the percentage interest of the investor in the Company. The investor may have the opportunity to increase its investment in the Company in such a transaction, but such opportunity cannot be assured.

The amount of additional financing needed by the Company, if any, will depend upon the maturity and objectives of the Company. The declining of an opportunity or the inability of the investor to make a follow-on investment, or the lack of an opportunity to make such a follow-on investment, may result in substantial dilution of the investor's interest in the Company.

Exercise of Rights Held by Principal Shareholders

As holders of a majority-in-interest of voting rights in the Company, the shareholders may make decisions with which the investor disagrees, or that negatively affect the value of the investor's securities in the Company and the investor will have no recourse to change these decisions. The investor's interests may conflict with those of other investors, and there is no guarantee that the Company will develop in a way that is optimal for or advantageous to the investor.

For example, the shareholders may change the terms of the articles of incorporation for the company, change the terms of securities issued by the Company, change the management of the Company, and even force a minority holder to exit the company. The shareholders may make changes that affect the tax treatment of the Company in ways that are unfavorable to you but favorable to them. They may also vote to engage in new offerings and/or to register certain of the Company's securities in a way that negatively affects the value of the securities the investor owns. Other holders of securities of the Company may also have access to more information than the investor, leaving the investor at a disadvantage with respect to any decisions regarding the securities he or she owns. The shareholders have the right to redeem their securities at any time. Shareholders could decide to force the Company to redeem their securities at a time that is not favorable to the investor and is damaging to the Company. Investors' exit may affect the value of the Company and/or its viability. In cases where the rights of holders of convertible debt, warrants, or other securities, options or warrants are exercised, or if new awards are granted under our equity compensation plans, an investor's interests in the Company may be diluted. This means that the pro-rata portion of the Company represented by the investor's securities will decrease, which could also diminish the investor's voting and/or economic rights. In addition, as discussed above, if a majority-in-interest of holders of securities with voting rights cause the Company to issue additional stock, an investor's interest will typically also be diluted. Based on the risks described above, the investor could lose all or part of his or her investment in the securities in this offering, and may never see positive returns.

Restrictions on Transfer

The securities offered via Regulation Crowdfunding may not be transferred by any purchaser of such securities during the one-year period beginning when the securities were issued, unless such securities are transferred:

- to the issuer;
- to an accredited investor⁽⁹⁾;
- as part of an offering registered with the U.S. Securities and Exchange Commission; or
- to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

Valuation Methodology for Prior Reg CF Raise

The offering price for the securities offered pursuant to this Form C has been determined arbitrarily by the Company and does not necessarily bear any relationship to the Company's book value, assets, earnings or other generally accepted valuation criteria. In determining the offering price, the Company did not employ investment banking firms or other outside organizations to make an independent appraisal or evaluation. Accordingly, the offering price should not be considered to be indicative of the actual value of the securities offered hereby.

In the future, any value given the notes by the Company will be determined by the board of directors in accordance with U.S. generally accepted accounting principles. If the notes are traded on a market and their price is readily available, they will be valued based on their trading price. Otherwise, they will be valued at fair market value as determined in good faith in accordance with generally accepted standards on a quarterly basis. For example, the notes may be valued based on principal plus anticipated interest payments over the course of the term of the loan. Valuation determinations will be reviewed no less than annually by the Company's board of directors.

In the future, we will perform valuations of our common stock that take into account factors such as the following:

- unrelated third party valuations of our common stock;
- the price at which we or other securities, such as convertible debt or preferred stock, in light of the rights, preferences and privileges of our those securities relative to those of our common stock;
- our results of operations, financial position and capital resources;
- current business conditions and projections;
- the lack of marketability of our common stock;
- the hiring of key personnel and the experience of our management;
- the introduction of new products;
- the risk inherent in the development and expansion of our products;
- our stage of development and material risks related to our business;
- the likelihood of achieving a liquidity event, such as an initial public offering or a sale of our company given the prevailing market conditions and the nature and history of our business;
- industry trends and competitive environment;
- trends in consumer spending, including consumer confidence;
- overall economic indicators, including gross domestic product, employment, inflation and interest rates; and
- the general economic outlook.

We will analyze factors such as those described above using a combination of financial and market-based methodologies to determine our business enterprise's value. For example, we may use methodologies that assume that businesses operating in the same industry will share similar characteristics and that the Company's value will correlate to those characteristics, and/or methodologies that compare transactions in similar securities issued by us that were conducted in the market.

Company

LiquidPiston, Inc.
- Delaware Corporation
- Created June 2004
- 32 employees

1957a Blue Hill Ave
Bloomfield CT 06002

<http://liquidpiston.com>

Business Description

Refer to the LiquidPiston profile.

EDGAR Filing

The Securities and Exchange Commission hosts the official version of this annual report on their EDGAR web site. It looks like it was built in 1999.

Compliance with Prior Annual Reports

LiquidPiston has previously not complied with the reporting requirements under Rule 202 of Regulation Crowdfunding.

Delayed filing.

All prior investor updates

You can refer to the company's updates page to view all updates to date. Updates are for investors only and will require you to log in to the Webunder account used to make the investment.

