

WASHINGTON FEDERAL INC
Form 10-Q
January 27, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2009

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 number 0-25454

WASHINGTON FEDERAL, INC.

(Exact name of registrant as specified in its charter)

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Washington
(State or other jurisdiction of
incorporation or organization) **91-1661606**
(I.R.S. Employer
Identification No.)
425 Pike Street Seattle, Washington 98101
(Address of principal executive offices and zip code)
(206) 624-7930
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report.)

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 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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of class:	at January 25, 2010
Common stock, \$1.00 par value	112,446,911

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WASHINGTON FEDERAL, INC. AND SUBSIDIARIES

PART I

Item 1. Financial Statements (Unaudited)

The Condensed Consolidated Financial Statements of Washington Federal, Inc. and Subsidiaries filed as a part of the report are as follows:

Consolidated Statements of Financial Condition as of December 31, 2009 and September 30, 2009 Page 3

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	December 31, 2009	September 30, 2009
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 936,833	\$ 498,388
Available-for-sale securities, including encumbered securities of \$918,499 and \$860,655, at fair value	1,920,165	2,201,083
Held-to-maturity securities, including encumbered securities of \$76,488 and \$80,717, at amortized cost	97,795	103,042
Loans receivable, net	8,855,533	8,983,430
Interest receivable	49,459	53,288
Premises and equipment, net	134,397	133,477
Real estate held for sale	183,508	176,863
FHLB stock	144,495	144,495
Intangible assets, net	256,069	256,797
Other assets	84,212	31,612
	\$ 12,662,466	\$ 12,582,475
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Customer accounts		
Savings and demand accounts	\$ 7,921,117	\$ 7,786,467
Repurchase agreements with customers	50,137	55,843
	7,971,254	7,842,310
FHLB advances	2,074,507	2,078,930
Other borrowings	800,000	800,600
Advance payments by borrowers for taxes and insurance	15,075	38,376
Federal and state income taxes	13,384	18,075
Accrued expenses and other liabilities	54,496	58,699
	10,928,716	10,836,990
Stockholders equity		
Common stock, \$1.00 par value, 300,000,000 shares authorized; 129,512,273 and 129,320,072 shares issued; 112,439,949 and 112,247,748 shares outstanding	129,512	129,320
Paid-in capital	1,576,352	1,574,555
Accumulated other comprehensive income, net of taxes	38,386	54,431
Treasury stock, at cost; 17,072,324 shares	(208,985)	(208,985)
Retained earnings	198,485	196,164
	1,733,750	1,745,485
	\$ 12,662,466	\$ 12,582,475

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**WASHINGTON FEDERAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

	Quarter Ended December 31, 2009 2008	
	(In thousands, except per share data)	
INTEREST INCOME		
Loans	\$ 137,451	\$ 152,319
Mortgage-backed securities	27,281	25,312
Investment securities and cash equivalents	938	908
	165,670	178,539
INTEREST EXPENSE		
Customer accounts	36,485	55,908
FHLB advances and other borrowings	31,420	32,618
	67,905	88,526
Net interest income	97,765	90,013
Provision for loan losses	69,750	35,000
Net interest income after provision for loan losses	28,015	55,013
OTHER INCOME		
Gain on sale of investments	20,428	
Other	3,809	4,175
	24,237	4,175
OTHER EXPENSE		
Compensation and fringe benefits	13,637	14,805
Occupancy	3,249	3,174
FDIC insurance	3,564	279
Other	6,525	6,329
	26,975	24,587
Gain (loss) on real estate acquired through foreclosure, net	(12,720)	(1,239)
Income before income taxes	12,557	33,362
Income taxes	4,646	11,844
NET INCOME	7,911	21,518
Preferred dividends accrued		1,349
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 7,911	\$ 20,169
PER SHARE DATA		
Basic earnings	\$ 0.07	\$ 0.23
Diluted earnings	.07	.23

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Cash dividends	.05	.05
Basic weighted average number of shares outstanding	112,353,941	87,966,308
Diluted weighted average number of shares outstanding, including dilutive stock options	112,583,127	88,028,272

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**WASHINGTON FEDERAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Quarter Ended December 31, 2009 (In thousands)	December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 7,911	\$ 20,169
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization (accretion) of fees, discounts, premiums and intangible assets, net	3,099	621
Depreciation	1,350	1,275
Stock option compensation expense	300	300
Provision for loan losses	69,750	35,000
Loss (gain) on investment securities and real estate held for sale, net	(7,708)	1,055
Decrease (increase) in accrued interest receivable	3,829	(3,068)
Increase in income taxes payable	4,632	11,855
FHLB stock dividends		(11)
Decrease (increase) in other assets	(52,600)	3,305
Decrease in accrued expenses and other liabilities	(4,203)	(11,251)
Net cash provided by operating activities	26,360	59,250
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans originated		
Single-family residential loans	(181,228)	(218,519)
Construction loans - speculative	(21,524)	(28,573)
Construction loans - custom	(72,525)	(64,752)
Land - acquisition & development	(16,395)	(12,693)
Land - consumer lot loans	(3,359)	(3,790)
Multi-family loans	(18,840)	(27,287)
Commercial real estate	(11,815)	(50,607)
Commercial & industrial	(55,433)	(60,229)
HELOC	(17,381)	(24,715)
Consumer	(567)	(12,765)
	(399,067)	(503,930)
Loan principal repayments	453,184	353,585
Other changes in loans, net	(62,418)	(56,775)
FHLB stock redemption		394
Available-for-sale securities purchased	(237,080)	(489,454)

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Principal payments and maturities of available-for-sale securities	195,273	36,596	
Available-for-sale securities sold	315,836		
Principal payments and maturities of held-to-maturity securities	5,285	2,824	
Proceeds from sales of real estate held for sale	47,002	13,058	
Premises and equipment purchased	(2,270)	(2,475)	
Net cash provided (used) by investing activities	315,745	(646,177)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in customer accounts	128,944	115,204	
Net increase (decrease) in borrowings	(5,023)	367,718	
Proceeds from exercise of common stock options	1,310	10.11	Warrant for Purchase of Shares of Common Stock, dated February 21, 2001, granted by Liquidmetal Technologies, Inc. to Tjoa Thian Song (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1 filed on November 20, 2001 (Registration No. 333-73716)).

10.12 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)).

10.13 Foreign Corporation Lease Zone Occupancy (Lease) Agreement, dated March 5, 2002, between

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Exhibit Number	Document Description
	Kyonggi Local Corporation and Liquidmetal Korea Co., Ltd. <i>(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)).</i>
10.14	Credit Service Agreement, dated February 2003, between Liquidmetal Korea Co., Ltd. and Kookmin Bank <i>(incorporated by reference to Exhibit 10.20 to the Form 10-K filed on March 31, 2003).</i>
10.15	Agreement for Rent dated February, 2003, between Liquidmetal Korea Co., Ltd. and Dong Myung Seo Bank <i>(incorporated by reference to Exhibit 10.21 to the Form 10-K filed on March 31, 2003).</i>
10.16	Settlement Agreement, dated January 10, 2004, between Liquidmetal Korea Co., Ltd. and Growell Metal Co., Ltd. <i>(incorporated by reference to Exhibit 10.29 to the Form 10-K filed on November 10, 2004).</i>
10.17	Amended and Restated Securities Purchase Agreement, dated March 1, 2004, among Liquidmetal Technologies, Inc., Michigan Venture Capital Co., Ltd., and the investors identified as Purchasers therein <i>(incorporated by reference to Exhibit 10.1 to the Form 8-K filed on July 2, 2004).</i>
10.18	Form of 6% Senior Convertible Note issued under Amended and Restated Securities Purchase Agreement <i>(incorporated by reference to Exhibit 10.2 to the Form 8-K filed on July 2, 2004).</i>
10.19	Registration Rights Agreement, dated March 1, 2004, among Liquidmetal Technologies, Inc. and the purchasers under Amended and Restated Securities Purchase Agreement <i>(incorporated by reference to Exhibit 10.3 to the Form 8-K filed on July 2, 2004).</i>
10.20	Common Stock Purchase Warrant, dated March 1, 2004, granted by Liquidmetal Technologies, Inc. to Michigan Venture Capital Co., Ltd. <i>(incorporated by reference to Exhibit 10.4 to the Form 8-K filed on July 2, 2004).</i>
10.21	Factory Mortgage Agreement, dated March 1, 2004, among Liquidmetal Korea Co., Ltd., Michigan Venture Capital Co., Ltd., and the other parties identified therein <i>(incorporated by reference to Exhibit 10.5 to the Form 8-K filed on July 2, 2004).</i>
10.22	Securities Purchase Agreement, dated March 1, 2004, among Liquidmetal Technologies, Inc. and the investors identified as Purchasers therein <i>(incorporated by reference to Exhibit 10.6 to the Form 8-K filed on July 2, 2004).</i>
10.23	Form of 6% Senior Convertible Note issued under Securities Purchase Agreement <i>(incorporated by reference to Exhibit 10.7 to the Form 8-K filed on July 2, 2004).</i>
10.24	Registration Rights Agreement, dated March 1, 2004, among Liquidmetal Technologies, Inc. and the purchasers under Securities Purchase Agreement <i>(incorporated by reference to Exhibit 10.8 to the Form 8-K filed on July 2, 2004).</i>
10.25	Form of Common Stock Purchase Warrant granted to purchasers under Securities Purchase Agreement <i>(incorporated by reference to Exhibit 10.9 to the Form 8-K filed on July 2, 2004).</i>

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- 10.26 Form of Placement Agent Common Stock Purchase Warrant, dated March 1, 2004
(incorporated by reference to Exhibit 10.10 to the Form 8-K filed on July 2, 2004).
- 10.27 Security Agreement, dated March 1, 2004, between Liquidmetal Technologies, Inc. and
Middlebury Capital LLC, as agent *(incorporated by reference to Exhibit 10.11 to the
Form 8-K filed on July 2, 2004).*
- 10.28 Note Exchange Agreement, dated July 29, 2004, among Liquidmetal Technologies, Inc.
and certain individuals identified as Noteholders therein *(incorporated by reference to
Exhibit 10.1 to the Form 8-K filed on August 20, 2004).*
- 10.29 Form of 10% Senior Secured Notes Due 2005 of Liquidmetal Technologies, Inc. issued
pursuant to Note Exchange Agreement filed as Exhibit 10.2 hereto *(incorporated by
reference to Exhibit 10.2 to the Form 8-K filed on August 20, 2004).*
- 10.30 Form of 6% Senior Secured Note Due 2007 of Liquidmetal Technologies, Inc. issued
pursuant to Note Exchange Agreement filed as Exhibit 10.3 hereto *(incorporated by
reference to Exhibit 10.3 to the Form 8-K filed on August 20, 2004).*

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Exhibit Number	Document Description
10.31	Note Exchange Agreement, dated July 29, 2004, among Liquidmetal Technologies, Inc and Winvest Venture Partners Inc. <i>(incorporated by reference to Exhibit 10.4 to the Form 8-K filed on August 20, 2004).</i>
10.32	10% Senior Secured Notes Due 2005 of Liquidmetal Technologies, Inc. issued to Winvest Venture Partners Inc. <i>(incorporated by reference to Exhibit 10.5 to the Form 8-K filed on August 20, 2004).</i>
10.33	Form of 6% Senior Secured Note Due 2007 of Liquidmetal Technologies, Inc. issued to Winvest Venture Partners Inc. <i>(incorporated by reference to Exhibit 10.6 to the Form 8-K filed on August 20, 2004).</i>
10.34	Securities Purchase Agreement dated August 2, 2005, among Liquidmetal Technologies, Inc. and the parties identified as Purchasers therein <i>(incorporated by reference from Exhibit 10.1 of the Registrant s 10-Q/A filed on 08/30/05)</i>
10.35	Form of 7% Senior Secured Convertible Note of Liquidmetal Technologies, Inc., dated August 2, 2005 <i>(incorporated by reference from Exhibit 10.2 of the Registrant s 10-Q/A filed on 08/30/05)</i>
10.36	Form of Common Stock Purchase Warrant, dated August 2, 2005 <i>(incorporated by reference from Exhibit 10.3 of the Registrant s 10-Q/A filed on 08/30/05)</i>
10.37	Amended and Restated Registration Rights Agreement, dated August 2, 2005, among Liquidmetal Technologies, Inc. and the parties identified as Purchasers therein <i>(incorporated by reference from Exhibit 10.4 of the Registrant s 10-Q/A filed on 08/30/05)</i>
10.38	Amended and Restated Security Agreement, dated August 2, 2005, among Liquidmetal Technologies, Inc. and the parties identified as the Secured Parties therein <i>(incorporated by reference from Exhibit 10.5 of Registrant s 10-Q/A filed on 08/30/05)</i>
10.39	Securities Purchase Agreement, dated June 13, 2005, among Liquidmetal Technologies, Inc. and the parties identified as Purchasers therein <i>(incorporated by reference from Exhibit 99.1 of the Registrant s 8-K filed on 06/16/05)</i>
10.40	Form of 10% Convertible Unsecured Note of Liquidmetal Technologies, Inc. due June 2006 <i>(incorporated by reference from Exhibit 99.2 of the Registrant s 8-K filed on 06/16/05)</i>
10.41	Form of Common Stock Purchase Warrant, dated June 13, 2005 <i>(incorporated by reference from Exhibit 99.3 of the Registrant s 8-K filed on 06/16/05)</i>
10.42	Registration Rights Agreement, dated June 13, 2005, among Liquidmetal Technologies, Inc. and the parties identified as Purchasers therein <i>(incorporated by reference from Exhibit 99.4 of the Registrant s 8-K filed on 06/16/05)</i>
10.43	Agreement, dated November 3, 2004, between Liquidmetal Technologies, Inc. and John Kang relating to liability under Section 16(b) <i>(incorporated by reference from Exhibit 10.58 to the Form 10-K filed on March 16, 2006).</i>
10.44	Form of Indemnity Agreement between Liquidmetal Technologies, Inc. and directors and executive officers <i>(incorporated by reference from Exhibit 10.59 to the Form 10-K filed on March 16, 2006).</i>
10.45	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. <i>(incorporated by reference to Exhibit 10.60 to the Registration Statement on Form S-1 (Amendment No. 1) filed on 04/20/06 (Registration No. 333-130251)).</i>
10.46	10% Subordinated Promissory Note Due October 16, 2006 of Liquidmetal Technologies, Inc., dated March 17, 2006, issued to Atlantic Realty Group, Inc. <i>(incorporated by reference to Exhibit 10.61 to the Registration Statement on Form S-1 (Amendment No. 1) filed on 04/20/06 (Registration No. 333-130251)).</i>
10.47	Warrant for Purchase of Shares of Common Stock, dated March 17, 2006, granted by Liquidmetal Technologies, Inc. to Atlantic Realty Group, Inc. <i>(incorporated by reference to Exhibit 10.62 to the Registration Statement on Form S-1 (Amendment No. 1)</i>

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filed on 04/20/06 (Registration No. 333-130251).

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Exhibit Number	Document Description
10.48	Amendment to Settlement Agreement, dated March 21, 2006, between Liquidmetal Technologies, Inc. and Innometal Co., Ltd. <i>(incorporated by reference to Exhibit 10.63 to the Registration Statement on Form S-1 (Amendment No. 1) filed on 04/20/06 (Registration No. 333-130251))</i> .
10.49	Employment Agreement, dated April 19, 2006, between Liquidmetal Technologies, Inc. and Ricardo Salas <i>(incorporated by reference to Exhibit 10.64 to the Registration Statement on Form S-1 (Amendment No. 1) filed on 04/20/06 (Registration No. 333-130251))</i> .
10.50	Consulting Agreement, dated April 12, 2006, between Liquidmetal Technologies, Inc. and William Johnson <i>(incorporated by reference to Exhibit 10.65 to the Registration Statement on Form S-1 (Amendment No. 1) filed on 04/20/06 (Registration No. 333-130251))</i> .
10.51	Securities Purchase Agreement, dated May 17, 2006, among Liquidmetal Technologies, Inc. and the parties identified as Purchasers therein <i>(incorporated by reference to Exhibit 10.66 to the Registration Statement on Form S-1 (Amendment No. 2) filed on 07/20/06 (Registration No. 333-130251))</i> .
10.52	Form of 8% Unsecured Subordinated Note due August 2007 <i>(incorporated by reference to Exhibit 10.67 to the Registration Statement on Form S-1 (Amendment No. 2) filed on 07/20/06 (Registration No. 333-130251))</i> .
10.53	Form of Common Stock Purchase Warrant, dated May 17, 2006 <i>(incorporated by reference to Exhibit 10.68 to the Registration Statement on Form S-1 (Amendment No. 2) filed on 07/20/06 (Registration No. 333-130251))</i> .
10.54	Registration Rights Agreement, dated May 17, 2006, among Liquidmetal Technologies, Inc. and the parties identified as Purchasers therein <i>(incorporated by reference to Exhibit 10.69 to the Registration Statement on Form S-1 (Amendment No. 2) filed on 07/20/06 (Registration No. 333-130251))</i> .
10.55	Consulting Agreement, dated October 20, 2006, between Liquidmetal Technologies, Inc. and James Kang <i>(incorporated by reference from Exhibit 10.1 to the Form 8-K filed on 10/24/06)</i> .
10.56	Amendment of Stock Option Agreements and Consulting Agreement, dated November 13, 2006, between Liquidmetal Technologies, Inc. and James Kang <i>(incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on 11/14/06)</i> .
10.57	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) <i>(incorporated by reference from Exhibit 10.1 to the Form 8-K filed on 01/04/07)</i> .
10.58	Form of Convertible Subordinated Note issued pursuant to Securities Purchase Agreement <i>(incorporated by reference from Exhibit 10.2 to the Form 8-K filed on 01/04/07)</i> .
10.59	Form of Common Stock Purchase Warrant issued pursuant to Securities Purchase Agreement <i>(incorporated by reference from Exhibit 10.3 to the Form 8-K filed on 01/04/07)</i> .
10.60	Registration Rights Agreement, dated January 3, 2007, among the Company and the Buyers <i>(incorporated by reference from Exhibit 10.4 to the Form 8-K filed on 01/04/07)</i> .
10.61	Amendment No. 2 to Factoring, Loan & Security Agreement, dated January 23, 2007, between Liquidmetal Technologies Inc. and Hana Financial, Inc. <i>(incorporated by reference from Exhibit 10.75 to the Form 10-K filed on 03/16/07)</i> .
10.62	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 <i>(incorporated by reference from Exhibit 10.1 to the Form 8-K filed on 04/27/07)</i> .

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Exhibit Number	Document Description
10.63	Standard Industrial / Commercial Single-Tenant Lease, dated February 13, 2007, between Liquidmetal Technologies, Inc. and 30452 Esperanza LLC (<i>incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on 05/15/07</i>).
10.63	Lease, dated March 19, 2007, between Liquidmetal Technologies, Inc. and Larry Ruffino and Roland Ruffino (<i>incorporated by reference from Exhibit 10.1 to the Form 10-Q filed on 05/15/07</i>).
10.64(1)	Principles of Agreement and Security Agreement, dated June 1, 2007, between Liquidmetal Technologies, Inc. and Foster Wheeler Energy Services, Inc.
10.65(1)	Equipment Purchase Agreement and Licensing Agreement, dated June 1, 2007, between Liquidmetal Technologies, Inc. and Gracemetal, as amended.
21.1	Subsidiaries of the Registrant. (<i>incorporated by reference from Exhibit 21 to the Form 10-K filed on November 10, 2004</i>).
23.1(1)	Consent of Registered Independent Public Accounting Firm, Choi, Kim & Park, LLP.
23.2(1)	Consent of Registered Independent Public Accounting Firm, Stonefield Josephson, Inc.
23.3(1)	Consent of Foley & Lardner LLP (filed as part of Exhibit (5)).
24(1)	Power of Attorney relating to subsequent amendments (included on the signature page to this Registration Statement)

* Denotes a management contract or compensatory plan or arrangement required to be filed as an exhibit to this S-1.

(1) Previously filed.

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