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LABARGE INC
Form 10-K
August 28, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 29, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the transition period _____ to _____.

Commission File Number 1-5761

LaBARGE, INC.

(Exact name of registrant specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

73-0574586

(I.R.S. Employer Identification Number)

9900 CLAYTON ROAD, ST. LOUIS, MISSOURI 63124

(Address of principal executive offices) (ZIP Code)

Registrant's telephone number, including area (314) 997-0800 code:

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

Common Stock, \$.01 par value

American Stock Exchange

Title of Class

Name of each exchange on which registered

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

Series C Junior Participating Preferred Stock Purchase Rights

Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [] No [X]

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 [X] No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting
company
(Do not check if a 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

As of August 27, 2008, 15,773,253 shares of common stock of the registrant were outstanding; the aggregate market value of the shares of common stock of the registrant held by non-affiliates was approximately \$195.4 million, based upon the closing price of \$15.17 per share on the American Stock Exchange on August 27, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Company's definitive proxy materials relating to the Company's 2008 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the Company's fiscal year are incorporated in Part III of this annual report.

LaBarge, Inc.
Form 10-K
For The Year Ended June 29, 2008

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PART I

ITEM 1. **BUSINESS**

General Development of Business and Information about Business Activity

LaBarge, Inc. (“LaBarge” or the “Company”) is a Delaware corporation, incorporated in 1968, that manufactures and designs high-performance electronic, electromechanical and interconnect systems on a contract basis for customers in diverse technology-driven markets. The Company’s core competencies are to provide complete electronic systems solutions, including the manufacturing, engineering and design of interconnect systems, circuit card assemblies and high-level assemblies for its customers’ specialized applications.

The Company markets its services to customers desiring an engineering and manufacturing partner capable of developing and providing products capable of performing in harsh environmental conditions, such as high and low temperatures, severe shock and vibration. The Company serves customers in a variety of markets including defense, aerospace, natural resources, industrial, medical and other commercial markets. The Company’s engineering and manufacturing facilities are located in Arkansas, Missouri, Oklahoma, Texas and Pennsylvania. The Company employs approximately 1,350 people, including approximately 1,140 people who provide support for production activities (including assembly, testing and engineering) and approximately 210 people who provide administrative support.

The Company uses a fiscal year ending the Sunday closest to June 30; each fiscal quarter is 13 weeks. Fiscal years 2008, 2007 and 2006 each consisted of 52 weeks.

The Company operates its business in one reporting segment. See the consolidated financial statements and the notes thereto filed with this Annual Report on Form 10-K for information relating to revenues from external customers, profits, total assets and geographical areas for each of the last three fiscal years.

Sales and Marketing

During fiscal 2008, 38.4% of the Company’s revenues were generated from defense customers, 23.4% from natural resources customers, 18.2% from industrial customers, 7.5% from commercial aerospace customers, and 7.1% from medical customers. The remaining 5.4% of sales came from various customers in the government systems, telecommunications and other industries. The Company produces electronic equipment for use in a variety of high-technology applications, including military communication, radar and weapons systems, industrial automation, military and commercial aircraft, satellites, space launch vehicles, oil and gas wells, mine automation equipment and medical devices. The Company’s broad-based core competencies in electronics design and manufacturing allow it to pursue diverse opportunities with customers in many different markets. The diversification of the Company’s customer base helps protect it from volatility in any one market sector.

With few exceptions, the Company’s sales are made pursuant to fixed-price contracts. Larger, long-term government contracts frequently have provisions for milestone payments, progress payments or cash advances for purchase of inventory.

The Company seeks to develop strong, long-term relationships with its customers, which will provide the basis for future sales. These close relationships allow the Company to better understand each customer’s business needs and identify ways to provide greater value to the customer.

Competition

There is intense competition for all of the Company’s targeted customers. While the Company is not aware of another entity that competes in all of its capabilities, there are numerous companies, many larger, which compete in one or more of these capabilities. The Company’s customers

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frequently have the ability to produce internally the products contracted to the Company, but because of cost, capacity, engineering capability or other reasons, outsource production of such products to the Company. The principal bases of competition are service, price, engineering expertise, technical and manufacturing capabilities, quality, reliability, and overall project management capability.

Concentration of Business

The Company's three largest customers accounted for 14.2%, 11.2%, and 9.4%, respectively, of total sales in fiscal 2008. No other customer accounted for more than 7.0% of total sales. Sales to the largest 10 customers represented approximately 69.6% of the Company's total sales in fiscal year 2008 and 69.9% in fiscal year 2007.

In fiscal years 2008 and 2007, the Company's derived net sales of 38.4% and 37.3%, respectively, from sales contracts with original equipment manufacturers ("OEMs") doing business with the U.S. Government or its agencies. Generally, government contracts may be terminated at the convenience of the government. When such contracts are terminated, the Company typically receives payments to cover its direct and indirect costs incurred before termination.

Manufacturing Operations

The Company has organized its engineering and production to provide flexible independent plant locations with specific design and manufacturing capabilities. This approach allows local management at each facility to concentrate the necessary attention on specific customer needs and, at the same time, control all key aspects of the engineering and manufacturing processes.

Generally, but not always, there are multiple sources for materials required by the Company for its manufacturing process. However, pursuant to some of its contracts, the Company is limited to a single source for certain components. In most cases, the Company believes that if it were unable to obtain components from the designated source, it would be able to obtain a new source, mutually agreed upon by the parties, without adversely impacting its manufacturing process.

Strategy

The Company's business strategy is to serve as an outsourcing partner to OEMs that do business in diverse markets by providing a package of broad-based manufacturing capabilities and value-added services. This strategy is designed around the Company's core competencies in manufacturing complex electronic and electromechanical assemblies, subsystems and interconnect systems for specialized applications where reliability is critical. The Company's business historically was concentrated in the defense and other government-related markets. In recent years, that focus has broadened to include industrial and commercial customers. This greater market diversity helps protect the Company from downturns in any one market.

Capital Structure

The Company entered into a senior secured loan agreement with a group of banks on February 17, 2004. The following is a summary of the agreement:

- A revolving credit facility, up to \$30.0 million, available for direct borrowings or letters of credit. The facility is based on a borrowing base formula equal to the sum of 85% of eligible receivables and 35% of eligible inventories. As of June 29, 2008, outstanding loans under the revolving credit facility were \$10.5 million; letters of credit issued were \$1.1 million; and an aggregate of \$18.4 million was available under the revolving credit facility. This credit facility matures on February 17, 2009. See Note 18 for discussion of the renewal of the credit facility.
- A \$25.0 million term loan amortized beginning May 2004, at a quarterly rate of \$1.0 million, increased to \$1.25 million in May 2006 and increased to \$1.5 million in May 2007. Final maturity is February 17, 2009. As of June 29, 2008, the amount outstanding was \$4.5 million.
- Interest on both loans is calculated at a percentage of prime or a stated rate over LIBOR based on certain ratios. For the fiscal year ended June 29, 2008, the average rate was approximately 5.93%.
- Both loans are secured by substantially all the assets of the Company other than real estate.
- Covenants and performance criteria consist of Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") in relation to debt, EBITDA in relation to fixed charges and minimum net worth. The Company was in compliance with its borrowing agreement covenants as of June 29, 2008.

Other Long-Term Debt:

Other long-term debt includes capital lease agreements with outstanding balances totaling \$336,000 at June 29, 2008 and \$470,000 at July 1, 2007.

The aggregate maturities of long-term obligations are as follows:

(in thousands)

<u>Fiscal Year</u>	
2009	... \$4,682.....
2010146.....
201151.....
2012250.....
2013
<hr/>	
Total	... \$5,129.....

Environmental Compliance

Though the Company is subject to a variety of environmental regulations, compliance with federal, state and local environmental laws is not expected to materially affect the capital expenditures, earnings or competitive position of the Company.

Financial Information About Foreign and Domestic Operations and Export Sales

No information has been included hereunder because the Company’s foreign sales in each of fiscal 2008, fiscal 2007 and fiscal 2006 were less than 10% of total Company revenue.

Available Information

The Company makes available, free of charge, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, through our website at www.labarge.com as soon as reasonably practicable after the Company electronically files such material with, or furnish it to, the Securities and Exchange Committee (“SEC”).

ITEM 1A. RISK FACTORS

The Company is subject to certain risks and events that, if one or more of them occur, could adversely affect our business, financial condition and results of operations, and the trading price of our common stock. You should consider the following risk factors, in addition to other information presented in this report, as well as the other reports and registration statements we file from time to time with the SEC, in evaluating the Company and our business and making an investment in our securities. The risks below are not the only risks that the Company faces. Additional risks not currently known to us or those that we currently deem immaterial may also impair our business.

The Company experiences variable operating results.

The Company’s results of operations have varied and may continue to fluctuate significantly from period to period, including on a quarterly basis. Consequently, results of operations in any period should not be considered indicative of the results for any future period, and fluctuations in operating results may also result in fluctuations in the price of the Company’s common stock.

The Company’s quarterly and annual results may vary significantly depending on numerous factors, many of which are beyond the Company’s control. These factors include:

- Changes in sales mix to customers;
- Changes in delivery schedules from our customers;
- Changes in availability and cost of components;
- Volume of customer orders relative to capacity;
- Market demand and acceptance of our customers’ products;
- Price erosion within the electronics manufacturing services (“EMS”) marketplace; and

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- Capital equipment requirements needed to remain technologically competitive.

Because the Company's customer base is concentrated, significant reduction in sales to any of the Company's major customers or the loss of a major customer could have a material impact on the Company's operations.

Although the Company believes its relationships with its large customers are good, there can be no assurance that the Company will retain any or all of its large customers or will be able to form new relationships with customers upon the loss of one or more of its existing customers. This risk may be further complicated by pricing pressures and intense competition prevalent in our industry.

As of June 29, 2008, the Company's backlog includes approximately \$39.7 million relating to orders on a very light jet program with one customer. Based on current estimates, approximately \$32.1 million of the backlog is scheduled to ship beyond the next 12 months. At June 29, 2008, included in trade receivables was \$3.4 million due from this customer, of which \$1.1 million was past due based on the terms of the contract. Included in inventory was \$3.2 million related to this contract. As of August 26, 2008, the trade receivables due from this customer were \$3.8 million, of which \$2.6 million was past due.

In response to the past due receivables, the Company's management is in discussions with the customer to develop a payment plan. The customer is currently attempting to raise additional equity to fund its operations, including satisfying obligations to suppliers. The Company does not expect to receive payment for the receivables prior to the customer raising additional equity. If the customer is able to raise additional equity, the Company anticipates that the receivables outstanding as of June 29, 2008 will be paid-in full. If the customer is unable to raise additional equity, the Company may not collect the receivables or recover the full value of inventory related to this program, which could adversely affect the Company's operations.

The customer has also notified the Company of a significant delay in the customer's production schedule. The Company anticipates that shipments to this customer will be minimal in the first half of fiscal year 2009, as compared to shipments of \$4.7 million in the first half of fiscal 2008. Based on schedules received from the customer, the Company anticipates that shipments will resume to previous levels in the second half of fiscal year 2009.

A material portion of the Company's business is dependent on U.S. Government defense contracts, which could be adversely affected by cutbacks in government defense spending.

In fiscal 2008 and 2007, approximately 38% and 37%, respectively, of the Company's net sales were generated from subcontracts with OEMs on defense contracts with the U.S. Government. The Company's net sales could be negatively impacted as a result of government defense spending cuts, general budgetary constraints, and the complex and competitive government procurement processes. If the Company is unable to maintain the recent level of government-related sales, or replace government-related contracts with those of comparable non-government customers, the Company's sales and results of operations will be adversely affected.

Some of the Company's contracts involving the government are subject to cancellation at the government's option.

In fiscal 2008 and 2007, approximately 38% and 37%, respectively, of the Company's revenues were derived from subcontracts with OEMs on their contracts with the U.S. Government. The government has the right to terminate these contracts without cause for its convenience. While the Company normally recovers its direct and indirect costs, termination of the contract by the government could result in the Company receiving lower than anticipated profits for the Company.

The requirements of the Company's customers vary.

The Company does not generally obtain long-term purchase contracts. The timing of purchase orders placed by the Company's customers is affected by a number of factors, including variation in demand for the customers' products, federal government funding, regulatory changes affecting customers' industries, customer attempts to manage their inventory, changes in customers' manufacturing strategies, and customers' technical problems or issues. Many of these factors are outside the control of the Company.

The Company and its customers may be unable to keep current with the industry's technological changes.

The market for the Company's manufacturing services is characterized by rapidly changing technology and continuing product development. The future success of the Company's business will depend in large part upon its and its customers' ability to maintain and enhance technological capabilities, develop and market manufacturing services that meet changing customer needs, and successfully anticipate or respond to technological changes in manufacturing processes on a cost-effective and timely basis.

Certain of the Company's customers must be in compliance with a new European standard, Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS Directive 2002-95-EC) for all products shipped to the European marketplace. The purpose of the directive is to restrict the use of hazardous substances in electrical and electronic equipment and to contribute to the environmentally sound recovery and disposal of electrical and electronic equipment waste. In addition, electronic component manufacturers must produce electronic components that are lead-free. The Company's Pittsburgh operation has implemented lead-free wave solder and reflow systems. The Company relies on numerous

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third-party suppliers for components used in the Company's production process. Customers' specifications may require the Company to obtain components from a single source or a small number of suppliers. There is no assurance these suppliers will comply with this new standard. The inability to utilize any such suppliers could increase the cost of components and have a material impact on the Company's results of operations.

The Company faces intense industry competition and downward pricing pressures.

The EMS industry is highly fragmented and characterized by intense competition. Some of the Company's competitors have substantially greater manufacturing, purchasing, marketing and financial resources than the Company. Many of the Company's customers have the in-house capability to fulfill their manufacturing requirements.

There can be no assurance that competition from existing or potential competitors will not have a material adverse impact on the Company's business, financial condition or results of operations. The introduction of lower priced competitive capabilities, significant price reductions by the Company's competitors or significant pricing pressures from its customers could adversely affect the Company's business, financial condition, and results of operations.

The Company may not have the ability to control, and may not accurately estimate, its costs associated with performing under fixed-price contracts.

Most of the Company's contracts are on a fixed-price basis. In order to realize a profit on these contracts, the Company must, when it bids these contracts, accurately estimate its costs to complete the contracts. Its failure to accurately estimate these costs can result in cost overruns, which result in reduced or lost profits. Estimates of labor costs are most difficult in the case of contracts with new customers. For example, in fiscal 2007, the Company incurred unanticipated labor and other costs in the early stages of several contracts with new customers, which had a negative impact on the Company's operating margins.

The availability and cost of raw components may adversely affect the Company's operations.

The Company relies on numerous third-party suppliers for components used in the Company's production process. Certain of these components are available only from single sources or a limited number of suppliers. In addition, a customer's specifications may require the Company to obtain components from a single source or a small number of suppliers. The loss of any such suppliers could have a material negative impact on the Company's results of operations. The Company could operate at a cost disadvantage compared with competitors who have greater direct buying power from suppliers. Inflation relative to raw material commodity pricing could adversely impact the Company's results of operations.

The Company may not be able to replace completed, canceled or reduced contracts with new contracts.

The Company is dependent upon contract awards from its customers. The size and timing of contracts vary from period to period. If the Company is unable to replace completed, canceled or reduced contracts in a timely fashion, revenues and operating results will decline.

The Company is dependent on key personnel.

The Company depends significantly on its executive and plant management. The loss of the services of any of these key employees could have a material impact on the Company's business and results of operations. In addition, despite significant competition, continued growth and expansion of the Company's contract manufacturing business will require that it attract, motivate and retain additional skilled and experienced personnel. The inability to satisfy these requirements could have a negative impact on the Company's ability to remain competitive in the future.

Failure to comply with environmental regulations could subject the Company to liability.

The Company is subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during its manufacturing process. Any failure by the Company to comply with present or future regulations could subject it to future liabilities or the suspension of production, which could have a material negative impact on the Company's results of operations.

The price of the Company's stock is volatile.

The price of the Company's Common Stock historically has experienced significant volatility due to a number of factors including: fluctuations in the Company's revenue and earnings, the market's changing expectations for the Company's growth, overall equity market conditions, the limited float of the Company's Common Stock and other factors either related or unrelated to the Company's operations. Such fluctuations are expected to continue.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The Company's principal facilities, which are deemed adequate and suitable for the Company's business, are as follows:

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<u>Location</u>	<u>Principal Use</u>	<u>Land (acres)</u>	<u>Buildings (sq. ft.)</u>	<u>Calendar Year of Termination of Lease</u>
Berryville, AR	Manufacturing & Offices	17.5	52,000	Owned
Houston, TX	Manufacturing & Offices	2	33,000	2013
Huntsville, AR	Manufacturing & Offices	6	69,000	2020
Joplin, MO	Manufacturing & Offices	5	60,000	Owned
Joplin, MO	Manufacturing	4	33,000	2008
Joplin, MO	Manufacturing	1	56,600	2011
Pittsburgh, PA	Manufacturing & Offices	5	135,502	2010
Pittsburgh, PA	Manufacturing	1	29,880	2010
St. Louis, MO	Offices	3	27,790	2013
Tulsa, OK	Manufacturing & Offices	3	55,000	2008
Tulsa, OK	Manufacturing	1	6,425	2010
Tulsa, OK	Offices	0.5	3,235	2010

The Company is currently negotiating lease extension agreements for the facilities in Joplin and Tulsa, which leases terminate in calendar year 2008. The Company is confident that these leases will renew.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company and its subsidiaries are involved in various legal and other proceedings that are incidental to the conduct of our business. Management believes that none of these proceedings, if adversely determined, would have a material effect on our financial condition and results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no items submitted to a vote of the security holders in the quarter ended June 29, 2008.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Price and Cash Dividends: LaBarge, Inc.'s Common Stock is listed on the American Stock Exchange, under the trading symbol of "LB." The following table indicates the quarterly high and low sale prices for the stock for the fiscal years 2008 and 2007, as reported by the American Stock Exchange.

<u>Fiscal 2008</u>	<u>High</u>	<u>Low</u>
July – September 2007	\$12.99	\$ 9.70
October – December 2007	15.10	11.75

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January – March 2008	15.00	10.16
April – June 2008	14.20	11.91

Fiscal 2007

July – September 2006	\$13.94	\$ 9.89
October – December 2006	14.00	10.06
January – March 2007	13.78	12.20
April – June 2007	13.82	11.04

Holders:

As of August 28, 2008, there were 1,889 holders of record of LaBarge, Inc.'s Common Stock.

Dividend Policy:

The Company has paid no cash dividends on its Common Stock. The Company currently anticipates that it will retain any future earnings for the development, operation and expansion of its business and for possible acquisitions, and does not intend to pay cash dividends in the foreseeable future.

The following table contains certain information as of June 29, 2008 with respect to options granted and outstanding under the Company's three stock option plans, weighted average exercise prices of outstanding options, warrants and rights, and the number of securities remaining available for future issuance under these plans.

<u>Plan category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(a)</u>	<u>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column a) (c)</u>
Equity compensation plans approved by security holders	1,481,324	\$3.84	6,462
Equity compensation plans not approved by security holders	---	---	---

The following table contains certain information as of June 29, 2008 with respect to restricted stock awards outstanding under the 2004 Long Term Incentive Plan.

<u>Plan category</u>	<u>Number of Securities to be Issued Based on Outstanding Grants (a)</u>	<u>Weighted Average Price of Securities Issued (b)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column a) (c)</u>
Equity compensation plans approved by security holders	141,923	\$13.00	525,512
Equity compensation plans not approved by security holders	---	---	---

In August 2007, the Company's Board of Directors authorized the Company to repurchase up to 1 million shares of its Common Stock. In the quarter ended June 29, 2008, the Company repurchased 37,400 shares of its Common Stock. The following table discloses certain information relating to these repurchases.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
March 31 – April 27, 2008	---	\$ ---	---	913,928
April 28 – May 25, 2008	4,400	13.21	4,400	909,528
May 26 – June 29, 2008	33,000	13.18	33,000	876,528
Total	37,400		37,400	876,528

(1) Shares repurchased under resolution of the Board of Directors dated August 22, 2007, authorizing repurchase of up to 1,000,000 shares. This authorization expired on August 22, 2008 and was renewed on August 25, 2008. Purchases under this authorization were made in the open market.

ITEM 6. SELECTED FINANCIAL DATA

(in thousands, except per-share amounts)

	Year Ended				
	June 29, 2008	July 1, 2007	July 2, 2006	July 3, 2005	June 27, 2004
Net sales	\$ 279,485	\$ 235,203	\$ 190,089	\$ 182,294	\$ 131,510
Pretax earnings from continuing operations	23,838	17,999	15,964	16,865	11,503
Net earnings from continuing operations	14,827	11,343	9,708	10,870	6,971
Discontinued operations:					
Loss from operations, net of taxes	---	---	---	---	(114)
Gain (loss) on disposal, net of taxes	---	---	---	---	12
Net earnings	\$ 14,827	\$ 11,343	\$ 9,708	\$ 10,870	\$ 6,869
Basic earnings (loss) per share:					

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Net earnings from continuing operations	\$	0.98	\$	0.75	\$	0.64	\$	0.72	\$	0.47
Net loss from discontinued operations		---		---		---		---		(0.01)
Basic net earnings per share	\$	0.98	\$	0.75	\$	0.64	\$	0.72	\$	0.46
Diluted earnings (loss) per share:										
Net earnings from continuing operations	\$	0.92	\$	0.71	\$	0.60	\$	0.68	\$	0.45
Net loss from discontinued operations		---		---		---		---		(0.01)
Diluted net earnings per share	\$	0.92	\$	0.71	\$	0.60	\$	0.68	\$	0.44
Total assets	\$	160,472	\$	142,582	\$	140,350	\$	119,937	\$	117,958
Long-term debt		5,129		11,431		22,193		21,605		26,270

No cash dividends have been paid during the aforementioned periods.

The Company's interest in the Network Technologies Group was reported as a discontinued operation. Accordingly, the operating results of the Network Technologies Group for fiscal year 2004 are reported as discontinued operations.

The Company acquired substantially all of the assets of Pinnacle Electronics LLC in fiscal year 2004.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

Certain sections of this report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, that relate to future events or our future financial performance. We have attempted to identify these statements by terminology including "believe," "anticipate," "plan," "expect," "estimate," "intend," "seek," "goal," "may," "will," "should," "can," "continue," or the negative of these terms or other comparable terminology. These statements include statements about our market opportunity, our growth strategy, competition, expected activities, and the adequacy of our available cash resources. These statements may be found in the sections of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Legal Proceedings." Although we believe that, in making any such statement, our expectations are based on reasonable assumptions, readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions as discussed in Item 1A, "Risk Factors of this Annual Report on Form 10-K."

Given these uncertainties, undue reliance should not be placed on such forward-looking statements. Unless otherwise required by law, the Company disclaims an obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein to reflect future events or developments.

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Overview

The Company designs, engineers and produces sophisticated electronic and electromechanical systems and devices, and complex interconnect systems on a contract basis for its customers. The Company markets its services to companies in technology-driven industries desiring an engineering and manufacturing partner capable of developing and providing high-reliability electronic equipment, including products capable of performing in harsh environmental conditions, such as high and low temperatures, and severe shock and vibration. The Company's customers do business in a variety of markets with significant revenues from customers in the defense, government systems, aerospace, natural resources, industrial, and other commercial markets. Engineering and manufacturing facilities are located in Arkansas, Missouri, Oklahoma, Texas and Pennsylvania.

Results of Operations – Fiscal 2008 – 2007 – 2006

Backlog

(in thousands)

	Change Fiscal 2008 vs. 2007	Fiscal Year Ended		
		2008	2007	2006
Backlog	\$15,084	\$ 221,293	\$ 206,209	\$ 183,869

The growth in backlog, over the three years presents, is the result of a sales and marketing effort that focuses on matching the Company's core competencies and the application of those competencies with the outsourcing needs of targeted large customers in a variety of industries. Approximately \$48.4 million of the backlog at fiscal 2008 year-end is scheduled to ship beyond the next 12 months, pursuant to the shipment schedules of the contracts that comprise backlog. This compares with \$55.1 million at fiscal year-end 2007.

As of June 29, 2008, the Company's backlog includes approximately \$39.7 million relating to orders on a very light jet program. Approximately \$32.1 million of the backlog is scheduled to ship beyond the next 12 months. This program is discussed in more detail in Item 1A, "Risk Factors," in the section related to customer concentration.

Net Sales

(in thousands)

	Change Fiscal 2008 vs. 2007	Fiscal Year Ended		
		2008	2007	2006
Net sales	\$44,282	\$ 279,485	\$ 235,203	\$ 190,089

A primary contributor to the Company's 19% increase in sales in fiscal year 2008, versus fiscal years 2007 and 2006, was shipments to defense customers. Defense shipments generated sales of \$107.2 million in fiscal 2008, versus \$87.3 million in fiscal 2007 and \$75.8 million in fiscal 2006. LaBarge provides cables and electronic assemblies for a variety of defense applications including aircraft, radar systems and shipboard programs. Another contributor to the increase in sales in fiscal year 2008, versus fiscal years 2007 and 2006, was shipments of capital equipment to natural resources customers, including downhole tools and mine management systems, representing \$65.4 million of sales, versus \$57.3 million in fiscal 2007 and \$38.9 million in fiscal 2006. In addition, shipments to the industrial market sector were \$50.9 million in fiscal 2008 versus \$36.8 million in fiscal 2007 and \$33.5 million in fiscal 2006. Shipments to the government systems market sector were \$10.6 million in fiscal 2008, compared with \$21.6 million in fiscal 2007 and \$18.7 million in fiscal 2006. Shipments to commercial aerospace customers were \$21.0 million in fiscal 2008, versus \$18.2 million in fiscal 2007 and \$10.1 million in fiscal 2006.

Sales to the Company's 10 largest customers represented 69.6% of total revenue in fiscal 2008, versus 69.9% in fiscal 2007 and 69.0% in fiscal 2006. The Company's top three customers for fiscal 2008 represented 14.2%, 11.2% and 9.4%, respectively, of total sales.

Gross Profit

(amounts in thousands)

	Change Fiscal 2008 vs. 2007	Fiscal Year Ended		
		2008	2007	2006
	\$9,192	\$ 54,987	\$ 45,795	\$ 40,990

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Gross profit Gross margin	0.2 points	19.7%	19.5%	21.6%

The gross profit margin for fiscal 2008 increased by 0.2 points from fiscal 2007. Prior to fiscal year 2007, the Company's gross profit margin has ranged from 20% to 23%. During the fiscal year ended July 1, 2007, the gross margin declined due in large part to higher than anticipated labor and material costs on certain early-stage contracts that will not be fully recoverable from our customers, and start-up expenses on a significant new contract in the industrial market sector. In addition, in the fiscal years ended June 29, 2008 and July 1, 2007, the Company recorded costs of \$248,000 and \$738,000, respectively, to account for the actual and anticipated loss on current and future shipments on one particular program.

Improvements were made in operations to address these difficulties, resulting in the gross margin increase in the fiscal year ended June 29, 2008. Action plans on each of the affected programs were developed and implemented. These plans include specific steps to: reduce recurring labor hours and mitigate material price increases; eliminate excessive scrap; and, where appropriate, renegotiate contract prices.

Gross profit margins vary significantly from contract to contract. The gross profit margin for any particular quarter or year will reflect the mix of contract revenue in that period.

Selling and Administrative Expense

(dollars in thousands)

Change Fiscal 2008 vs. 2007	Fiscal Year Ended		
	2008	2007	2006
Selling and administrative expense	\$ 29,557	\$ 26,269	\$ 23,037
Percent of sales	10.6%	11.2%	12.1%
(0.6) points	10.6%	11.2%	12.1%

Selling and administrative expense in fiscal 2008 increased from the prior year due to higher salaries and wages (\$700,000) caused by increased head count and wage inflation; higher incentive compensation expense (\$1.4 million); higher medical expenses (\$240,000); and increased personnel recruiting and relocation expenses of (\$266,000).

Selling and administrative expense in fiscal 2007 increased from the prior year due to higher salaries and wages (\$1.2 million) caused by increased head count and wage inflation; higher accrued incentive compensation expense (\$1.5 million); sales commissions on higher sales levels (\$363,000); and increased professional fees (\$200,000).

Interest Expense

(in thousands)

Change Fiscal 2008 vs. 2007	Fiscal Year Ended		
	2008	2007	2006
Interest expense	\$ (782)	\$ 2,241	\$ 2,083
	\$ (782)	\$ 2,241	\$ 2,083

Interest expense decreased in fiscal year 2008 from the prior year due to lower average interest rates and lower debt levels.

Interest expense increased in fiscal year 2007 from the prior year due to higher average debt levels to finance higher average levels of working capital (primarily inventory) and higher average interest rates.

Income Tax Expense

(in thousands)

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	Change Fiscal 2008 vs. 2007	<u>Fiscal Year Ended</u>		
		2008	2007	2006
<u>Income tax expense</u>	\$2,355	\$9,011	\$ 6,656	\$ 6,256

The effective income tax rate for fiscal 2008 was 38%, compared with 37% and 39% in fiscal years 2007 and 2006, respectively. The effective income tax rate for fiscal year 2006 was higher due to additional Sub Part F income from the Company's investment in an offshore captive insurance company.

Net Earnings and Earnings Per Share

(amounts in thousands, except per-share data)

	<u>Fiscal Year Ended</u>		
	2008	2007	2006
Net earnings	\$ 14,827	\$ 11,343	\$ 9,708
Basic net earnings per share	\$ 0.98	\$ 0.75	\$ 0.64
Diluted net earnings per share	\$ 0.92	\$ 0.71	\$ 0.60

Fiscal years 2008, 2007 and 2006 each included 52 weeks of operation.

(share amounts in thousands)

	<u>Fiscal Year Ended</u>		
	2008	2007	2006
Average common shares outstanding -- basic	15,198	15,143	15,156
Dilutive options and performance units	940	904	946
Adjusted average common shares outstanding -- diluted	16,138	16,047	16,102

All outstanding stock options and nonvested shares at June 29, 2008, July 1, 2007 and July 2, 2006 were dilutive. The options expire in various periods through 2014. The nonvested shares vest over the next two fiscal years. The Company had awarded certain key executives performance units tied to the Company's fiscal year 2008 financial performance. The compensation expense related to these awards is recognized quarterly and since the performance conditions were met at June 29, 2008, 142,923 shares are included in the Company's dilutive shares.

Liquidity Capital Resources

The following shows LaBarge's equity and total debt positions:

Stockholders' Equity and Debt

(in thousands)

	<u>Fiscal Year Ended</u>	
	2008	2007
Stockholders' equity	\$91,469	\$ 76,410
Debt	15,629	26,256

The Company's operations generated \$18.0 million of cash in fiscal 2008, compared with \$11.9 million in fiscal 2007. Net change in advance payments from customers was a source of cash of \$7.3 million in fiscal 2008 and a use of cash of \$3.0 million in fiscal 2007. The increase in accounts and other receivables was a use of cash of \$10.6 million in fiscal year 2008 and \$500,000 in fiscal 2007. Days sales outstanding was 48.3 days in fiscal 2008, compared with 42.5 days in fiscal year 2007. Increases in inventories used cash of \$7.2 million and \$5.9 million, in fiscal 2008 and 2007, respectively; while inventory turns were 3.4 times in fiscal 2008, compared with 3.2 times in fiscal 2007.

Investing activities, primarily capital expenditures, used cash of \$5.2 million in fiscal 2008. At 2008 fiscal year end, the Company's total debt-to-equity ratio was 0.17 to 1, versus 0.34 to 1 at the end of fiscal 2007.

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Overall, management believes availability of funds going forward from cash generated from operations and available bank credit facilities should be sufficient to support the planned operations and capital expenditures of the Company's business for the next two fiscal years. The Company has received a commitment from a group of banks for an extension of its current credit facility. Closing is expected in the first quarter of fiscal 2009.

The following table shows LaBarge's contractual obligations as of June 29, 2008:

(in thousands)

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Long-term debt and capital lease obligations	\$ 5,129	\$ 4,682	\$ 197	\$ 250	\$ ---
Operating lease obligations	11,505	2,947	4,385	1,950	2,223
Total	\$ 16,634	\$ 7,629	\$ 4,582	\$ 2,200	\$ 2,223

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements. In preparing these financial statements, management has made its best estimates and judgment of certain amounts included in the financial statements. The Company believes there is a likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. Application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Company's senior management discusses the accounting policies described below with the Audit Committee of the Company's Board of Directors on a periodic basis.

The following discussion of critical accounting policies is intended to bring to the attention of readers those accounting policies that management believes are critical to the Company's consolidated financial statements and other financial disclosures. It is not intended to be a comprehensive list of all of our significant accounting policies that are more fully described in the Notes to the Consolidated Financial Statements included with this annual report on Form 10-K for the fiscal year ended June 29, 2008.

Revenue Recognition and Cost of Sales

Revenue is generally recognized when title transfers, which is usually upon shipment. On a very limited number of contracts, at a customer's request, the Company will recognize revenue when ownership passes. As of June 29, 2008, July 1, 2007 and July 2, 2006, the Company has recognized revenue under these arrangements of \$1.6 million, \$2.2 million, and \$2.4 million, respectively. The Company recognizes revenue for storage and other related services as the services are provided.

The percentage-of-completion method gives effect to the most recent contract value and estimates of cost at completion. Management's estimates of material, labor and overhead costs on long-term contracts are critical to the Company. Since some contracts extend over a long period of time, revisions in cost during the progress of work have the effect of adjusting current period earnings applicable to performance in prior periods. When the current contract cost estimate indicates a loss, provision is made for the total anticipated loss in the period the loss becomes evident.

During fiscal year 2007, the Company entered into a new significant agreement with an industrial customer to manufacture and supply certain parts. Under the Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") No. 99-19, "Reporting Revenue Gross as a Principle versus Net as an Agent," the cost of the supplied parts is netted against the invoice price to determine net sales when the part is shipped. In fiscal year 2008, the Company's net revenues recognized under this contract were \$11.6 million, related to the manufactured assemblies, and \$521,000, related to the supplied parts.

Inventories

Inventories, which consist of materials, labor and manufacturing overhead, are carried at the lower of cost or market value. In addition, management regularly reviews inventory for obsolescence to determine whether any additional write-down is necessary. Various factors are considered in making this determination, including expected program life, recent sales history, predicted trends and market conditions. If actual demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required. For the years ended June 29, 2008 and July 1, 2007, expense for obsolete or slow-moving inventory charged to income before income taxes was \$1.9 million and \$1.3 million, respectively.

Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements” (“SFAS No. 157”), to clarify the definition of fair value, establish a framework for measuring fair value and expand the disclosures on fair value measurements. SFAS No. 157 becomes effective for the Company in its fiscal year ending June 28, 2009. The Company does not believe that adopting the provisions of SFAS No. 157 will have a material impact on its consolidated financial statements. The Company will defer the adoption of SFAS No. 157 for its nonfinancial assets and nonfinancial liabilities until the year ended June 27, 2010, as permitted under FASB Staff Position 157-2, “Effective Date of FASB Statement No. 157.”

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS No. 159”), to permit all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses, on items for which the fair value option has been elected, in earnings at each subsequent reporting date, and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157. An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. The Company does not believe that the adoption of the provisions of SFAS No. 159 will have a material impact on its consolidated financial statements when it becomes effective for the fiscal year ending June 28, 2009.

In September 2006, the FASB’s Emerging Issues Task Force (“EITF”) reached a consensus on EITF Issue No. 06-4, “Accounting for Deferred Compensation and Postretirement Benefits Aspects of Endorsement Split-Dollar Life Insurance Arrangements” (“EITF 06-4”). This addresses only endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods. EITF 06-4 becomes effective for the Company in its fiscal year ending June 28, 2009. The Company does not believe that adopting the provisions of EITF 06-4 will have a material impact on its consolidated financial statements.

Recently Adopted Accounting Standards

The Company adopted the provisions of FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109” (“FIN 48”) on July 2, 2007. The implementation of FIN 48 did not result in an adjustment to the liability for unrecognized income tax benefits. At the adoption date of July 2, 2007, there was approximately \$630,000 of unrecognized tax benefits, all of which would affect the Company’s effective tax rate if recognized. At June 29, 2008, there was approximately \$274,000 of unrecognized tax benefits.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 29, 2008, there was approximately \$83,000 of accrued interest related to uncertain tax positions.

The Company’s federal income tax return for fiscal years 2008 and 2007 are open tax years. We file in numerous state jurisdictions with varying statutes of limitation open from 2003 through 2006, depending on each jurisdiction’s unique tax laws. The Company’s federal returns for fiscal year 2005 and fiscal year 2006 were recently examined by the Internal Revenue Service (“IRS”). During the quarter ended June 29, 2008, the IRS concluded its examination of the Company’s federal returns for fiscal years 2005 and 2006. As a result of adjustments to the Company’s claimed research and experimentation credits, and other issues, the Company settled with the IRS for \$236,000. The unrecognized tax benefits were decreased by \$371,000 as a result of the settlement and the expiration of certain statutes. The Company recorded \$15,000 of the additional expense related to the settlement during the year ended June 29, 2008.

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

No information has been included hereunder because the Company’s foreign sales in each of fiscal years 2008, 2007 and 2006 were less than 10% of total Company revenue. All foreign contracts are paid in U.S. dollars and the Company is not significantly exposed to foreign currency translation. However, if the significance of foreign sales grows, management will continue to monitor whether it would be appropriate to use foreign currency risk management instruments to mitigate any exposures.

Interest Rate Risk

As of June 29, 2008, the Company had \$15.6 million in total debt. Of total debt, \$629,000 has a fixed rate and is not subject to interest rate risk. The interest rate on the remaining \$15.0 million is subject to fluctuation. If interest rates increased 1%, the additional interest cost to the Company would be approximately \$102,000 for one year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the “Index to Consolidated Financial Statements” contained on page 25 filed herewith.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A.

CONTROLS AND PROCEDURES

Evaluation Of Disclosure Controls And Procedures

The Company's Chief Executive Officer and President, and the Company's Vice President and Chief Financial Officer, have conducted an evaluation of the design and effectiveness the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report.

The Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures are functioning adequately and effectively. The Company's disclosure controls and procedures are based upon a chain of financial and general business reporting lines that converge in the headquarters of the Company in St. Louis, Missouri. The reporting process is designed to ensure that information required to be disclosed by the Company in the reports that it files with or submits to the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

Changes In Internal Controls

During our fourth fiscal quarter of 2008, there were no changes in internal control over financial reporting identified in connection with Management's evaluation that have materially affected or that are reasonably likely to materially affect these controls.

For Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm, please refer to pages 26-27 of this annual report.

ITEM 9B. OTHER INFORMATION

Not Applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Certain information required by this Item 10 will be included in the Company's 2008 definitive proxy materials to be filed with the SEC within 120 days after the end of the Company's fiscal year covered by this report and is incorporated herein by reference. The following sections of the 2008 proxy materials are herein incorporated by reference: "Election of Directors" (note that information regarding executive officers is included in this section); information disclosing the Audit Committee financial expert under the "Report of the Audit Committee;" and "Section 16(a) Beneficial Ownership Reporting Compliance."

The Company has a long-standing Policy on Business Conduct and Ethics applicable to all employees and directors (including the Company's principal executive officer, principal financial officer, principal accounting officer and controller), which is available in the investor relations section of the Company's website at www.labarge.com. The Company intends to satisfy the disclosure requirement under Item 10 of Form 8-K regarding the amendment to, or a waiver from, a provision of this policy that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K by posting such information on its website.

There have been no material changes to the procedures by which stockholders may recommend nominees to the Board of Directors since the filing of the quarterly report on Form 10-Q for the fiscal quarter ended March 30, 2008.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item 11 will be included in the Company's 2008 definitive proxy materials to be filed with the SEC within 120 days after the end of the Company's fiscal year covered by this report under Proposal 1, "Election of Directors," and is herein incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Certain information required by this Item 12 will be included in the Company's 2008 definitive proxy materials to be filed with the SEC within 120 days after the end of the Company's fiscal year covered by this report under the section "Voting Securities and Ownership Thereof By Management and Certain Beneficial Owners" and is herein incorporated by reference.

Information concerning securities authorized for issuance under equity compensation plans is included in Part II, Item 5 for this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain information required by this Item 13 will be included in the Company's 2008 definitive proxy materials to be filed with the SEC within 120 days after the end of the Company's fiscal year covered by this report under the section "Certain Relationships and Related Transactions" and is herein incorporated by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Certain information required by this Item 14 will be included in the Company's 2008 definitive proxy materials to be filed with the SEC within 120 days after the end of the Company's fiscal year covered by this report under the section "Ratification of Independent Registered Public Accounting Firm" and is herein incorporated by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- a. The following documents are filed as part of this Annual Report on Form 10-K: (1) Financial Statements and (2) Schedules noted in the "Index to Consolidated Financial Statements" on page 25 and (3) Exhibits noted under "Exhibits."
- b. Exhibits filed with this Annual Report on Form 10-K are included under "Exhibits" below.
- c. None

EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
2.1	Asset Sale and Purchase Agreement dated as of February 17, 2004 by and between LaBarge Electronics, Inc. and Pinnacle Electronics, Inc. previously filed with the Securities and Exchange Commission with the Company's Current Report on Form 8-K (File No. 001-05761) on February 23, 2004, and incorporated herein by reference.
3.1	Restated Certificate of Incorporation, dated October 26, 1995, previously filed as Exhibit 3.1(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 1995 and incorporated herein by reference.
3.1(a)	Certificate of Amendment to Restated Certificate of Incorporation, dated November 7, 1997, previously filed as Exhibit 3.1(a) to the Company's Quarterly Report on Form 10-Q (File No. 001-05761) for the quarter ended December 28, 1997 and incorporated herein by reference.
3.2	By-Laws, as amended, previously filed as Exhibit 3.2(a) to the Company's Quarterly Report on Form 10-Q (File No. 001-05761) for the quarter ended October 1, 1995 and incorporated herein by reference.

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- 3.3 Certificate of Designations for Series C Junior Participating Preferred Stock, previously filed as Exhibit 3 to the Company's Registration Statement on Form 8-A (File No. 000-33319) on November 9, 2001 and incorporated herein by reference.
- 4.1(a) Form of Rights Agreement dated as of November 8, 2001, between the Company and UMB Bank, as Rights Agent, which includes as Exhibit B the form of Rights Certificate, previously filed as Exhibit 4 to the Company's Registration Statement on Form 8-A (File No. 000-33319) on November 9, 2001 and incorporated herein by reference.
- 4.1(b) First Amendment to the Rights Agreement appointing Registrar and Transfer Company as successor Rights Agent with respect to Series C Junior Participating Preferred Stock Purchase Rights, previously filed with Securities & Exchange Commission with the Company's Current Report on Form 8-K (File No. 001-05761), dated January 4, 2002 and incorporated herein by reference.
- 10.1* First Amendment and Restatement to the LaBarge Employees Savings Plan executed on May 3, 1990 and First Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on June 5, 1990, previously filed as Exhibits (i) and (ii), respectively, to the LaBarge, Inc. Employees Savings Plan's Annual Report on Form 11-K for the year ended December 31, 1990 and incorporated herein by reference.
- 10.2(a) Term Loan Promissory Note dated February 17, 2004 in the principal amount of \$6,080,000 executed by LaBarge Properties, Inc. and payable to U.S. Bank National Association previously filed with the Company's Current Report on Form 8-K (File No. 001-05761) on February 23, 2004 and incorporated herein by reference.
- 10.2(b) Loan Agreement dated February 17, 2004 by and among the Company, LaBarge Electronics, Inc. and U.S. Bank National Association as agent previously filed with the Company's Current Report on Form 8-K (File No. 001-05761) on February 23, 2004 and incorporated herein by reference.
- 10.2(c) First Amendment to the Loan Agreement dated April 16, 2004 by and among the Company, LaBarge, Electronics, Inc., as borrowers, U.S. Bank National Association and National City Bank of Pennsylvania, as lenders, and U.S. Bank National Association, as agent, previously filed with the Company's Annual Report on Form 10-K (File No. 001-05761) on September 3, 2004 and incorporated herein by reference.
- 10.2(d) Second Amendment to the Loan Agreement dated August 24, 2005 by and among the Company, LaBarge, Electronics, Inc., as borrowers, U.S. Bank National Association and National City Bank of Pennsylvania, as lenders, and U.S. Bank National Association, as agent. Previously filed with the Company's Annual Report on Form 10-K (File No. 001-05761) on September 8, 2005 and incorporated herein by reference.
- 10.2(e) Third Amendment to the Loan Agreement dated February 10, 2006 by and among the Company, LaBarge, Electronics, Inc., as borrowers, U.S. Bank National Association and National City Bank of Pennsylvania, as agent, previously filed with the Company's Current Report on Form 8-K (File No. 001-05761) on February 15, 2006 and incorporated herein by reference.
- 10.2(f) Fourth Amendment to the Loan Agreement dated February 10, 2006 by and among the Company, LaBarge, Electronics, Inc., as borrowers, U.S. Bank National Association and National City Bank of Pennsylvania, as agent, previously filed with the Company's Form 10-Q (File No. 001-05761) on February 7, 2007 and incorporated herein by reference.
- 10.3(a)* Second Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on November 30, 1993, previously filed with the Securities and Exchange Commission July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.3(b)* Third Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on March 24, 1994, previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.

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- 10.3(c)* Fourth Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on January 3, 1995, previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.3(d)* Fifth Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on October 26, 1995, previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.3(e)* Sixth Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on January 9, 1998. Previously filed as Exhibit II, respectively, to the LaBarge, Inc. Employees Savings Plan's Annual Report on Form 11-K for the year ended December 31, 1997 and incorporated herein by reference.
- 10.3(f)* Seventh Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on August 11, 1999. Previously filed with the Securities and Exchange Commission with the Company's Annual Report on Form 10-K (File No. 001-05761) on September 27, 1999 and incorporated herein by reference.
- 10.4* LaBarge, Inc. 1993 Incentive Stock Option Plan. Previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.5* First Amendment to the LaBarge, Inc. 1993 Incentive Stock Option Plan. Previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.6* Management Retirement Savings Plan of LaBarge, Inc. Previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.7* LaBarge, Inc. 1995 Incentive Stock Option Plan. Previously filed with the Securities and Exchange Commission with the Company's Annual Report on Form 10-K on September 19, 1996 and incorporated herein by reference.
- 10.8* LaBarge, Inc. Employee Stock Purchase Plan. Previously filed with the Securities and Exchange Commission with the Company's definitive Proxy Statement on Schedule 14A, (File No. 001-05761) filed on September 21, 1998, and incorporated herein by reference.
- 10.9* First Amendment to the LaBarge, Inc. Employee Stock Purchase Plan. Previously filed with the Securities and Exchange Commission with the Company's Quarterly Report on Form 10-Q (File No. 001-05761) on May 12, 1999 and incorporated here in by reference.
- 10.10* LaBarge, Inc. 1999 Non-Qualified Stock Option Plan. Previously filed with the Company's definitive Proxy Statement on Schedule 14A (File No. 001-05761) filed on October 8, 1999, and incorporated herein by reference.
- 10.11* Form of Executive Severance Agreement, previously filed with Securities and Exchange Commission with the Company's Current Report on Form 8-K (File No. 001-05761) on February 22, 2005, and incorporated herein by reference.
- 10.12*

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LaBarge, Inc. 2004 Long Term Incentive Plan, previously filed with the Commission with the Company's Current Report on Form 8-K filed November 2, 2004 and incorporated herein by reference.

10.13 Form of Competitive Practices Agreement, previously filed with the Commission with the Company's Current Report on Form 8-K (File No. 001-05761) filed February 22, 2005 and incorporated herein by reference.

21** Subsidiaries of the Company.

23** Consent of Independent Registered Public Accounting Firm.

24** Power of Attorney (see signature page).

31.1** Certification by Chief Executive Officer pursuant to Exchange Act Rule 13-a - 14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2** Certification by Chief Financial Officer pursuant to Exchange Act Rule 13-a - 14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1** Certification by Chief Executive Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2** Certification by Chief Financial Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan, contract or arrangement.

** Document filed herewith.

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SIGNATURES

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

Date: August 28, 2008

LaBarge, Inc.

By:

/s/DONALD H. NONNENKAMP

Donald H. Nonnenkamp

Vice President & Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Craig E. LaBarge and Donald H. Nonnenkamp and each of them, and substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign this Report, any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereto.

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Pursuant to the requirements of the Securities Act of 1934, the Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/CRAIG E. LaBARGE</u> Craig E. LaBarge	Chief Executive Officer, President and Director (principal executive officer)	<u>August 25, 2008</u>
<u>/s/DONALD H. NONNENKAMP</u> Donald H. Nonnenkamp	Vice President, Chief Financial Officer and Secretary (principal financial and accounting officer)	<u>August 25, 2008</u>
<u>/s/ROBERT G. CLARK</u> Robert G. Clark	Director	<u>August 25, 2008</u>
<u>/s/THOMAS A. CORCORAN</u> Thomas A. Corcoran	Director	<u>August 25, 2008</u>
<u>/s/JOHN G. HELMKAMP, JR.</u> John G. Helmkamp, Jr.	Director	<u>August 25, 2008</u>
<u>/s/LAWRENCE J. LeGRAND</u> Lawrence J. LeGrand	Director	<u>August 25, 2008</u>
<u>/s/JACK E. THOMAS, JR.</u> Jack E. Thomas, Jr.	Director	<u>August 25, 2008</u>

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All other schedules have been omitted as they are not applicable, not significant, or the required information is given in the consolidated financial statements or note thereto.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in the Securities Exchange Act of 1934, as amended, Rule 13a-15(f)). Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we assessed the effectiveness of our internal control over financial reporting as of June 29, 2008. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the report entitled "Internal Control-Integrated Framework." Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, our management has concluded that, as of June 29, 2008, our internal control over financial reporting is effective based on its evaluation. Our independent registered public accounting firm, KPMG LLP, has issued an audit report on our internal control over financial reporting, which is included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

LaBarge, Inc.:

We have audited the accompanying consolidated balance sheets of LaBarge, Inc. and subsidiaries (the Company) as of June 29, 2008 and July 1, 2007, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended June 29, 2008. We also have audited the Company's internal control over financial reporting as of June 29, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that

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the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 29, 2008 and July 1, 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended June 29, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 29, 2008 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

KPMG LLP

St. Louis, Missouri

August 28, 2008

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LaBarge, Inc. CONSOLIDATED STATEMENTS OF INCOME *(amounts in thousands, except per-share amounts)*

	Year Ended		
	June 29, 2008	July 1, 2007	July 2, 2006
Net sales	\$ 279,485	\$ 235,203	\$ 190,089
Cost and expenses:			
Cost of sales	224,498	189,408	149,099
Selling and administrative expense	29,557	26,269	23,037
Interest expense	1,459	2,241	2,083
Other (income) and expense, net	133	(714)	(94)
Earnings before income taxes	23,838	17,999	15,964
Income tax expense	9,011	6,656	6,256
Net earnings	\$ 14,827	\$ 11,343	\$ 9,708
Basic net earnings per common share	\$ 0.98	\$ 0.75	\$ 0.64
Average common shares outstanding	15,198	15,143	15,156
Diluted net earnings per common share	\$ 0.92	\$ 0.71	\$ 0.60
Average diluted common shares outstanding	16,138	16,047	16,102

See accompanying notes to consolidated financial statements.

LaBarge, Inc.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share amounts)

	June 29, 2008	July 1, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,646	\$ 392
Accounts and other receivables, net	40,778	30,204
Inventories	66,927	59,717
Prepaid expenses	1,245	2,333
Deferred tax assets, net	1,960	1,822
Total current assets	112,556	94,468
Property, plant and equipment, net	17,248	16,269
Intangible assets, net	1,548	2,282
Goodwill, net	24,292	24,292
Deferred tax asset, net	---	499
Other assets, net	4,828	4,772
Total assets	\$ 160,472	\$ 142,582
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 10,500	\$ 14,825
Current maturities of long-term debt	4,682	6,300
Trade accounts payable	22,684	18,643
Accrued employee compensation	13,494	10,837
Other accrued liabilities	2,552	2,321
Cash advances	11,897	3,613
Total current liabilities	65,809	56,539
Long-term advances from customers for purchase of materials	622	1,590
Deferred gain on sale of real estate and other liabilities	2,125	2,912
Long-term debt	447	5,131
Stockholders' equity:		
Common stock, \$.01 par value.		
Authorized 40,000,000 shares;		
15,773,253 issued at June 29, 2008 and July 1, 2007, respectively,		
including shares in treasury	158	158
Additional paid-in capital	16,547	16,174
Retained earnings	78,601	63,774
Less cost of common stock in treasury, shares of 419,503 at June 29, 2008 and 506,704 at July 1, 2007	(3,837)	(3,696)
Total stockholders' equity	91,469	76,410
Total liabilities and stockholders' equity	\$ 160,472	\$ 142,582

See accompanying notes to consolidated financial statements.

LaBarge, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Year Ended		
	June 29, 2008	July 1, 2007	July 2, 2006
Cash flows from operating activities:			
Net earnings	\$ 14,827	\$ 11,343	\$ 9,708
Adjustments to reconcile net cash provided by operating activities:			
Gain on sale of real estate	---	(635)	---
Amortization of deferred gain on sale of real estate	(481)	(133)	---
Loss on disposal of property, plant and equipment	45	---	13
Depreciation and amortization	5,290	5,030	4,588
Stock-based compensation	1,445	1,076	1,452
Other than temporary impairment of investment	59	179	181
Realized gain (loss) on sale of investment	---	---	(30)
Deferred taxes	361	(1,161)	(519)
Other	---	---	(20)
Changes in assets and liabilities:			
Accounts and notes receivable, net	(10,574)	(465)	(6,368)
Inventories	(7,210)	(5,898)	(12,477)
Prepaid expenses	1,088	(590)	(769)
Trade accounts payable	3,531	2,749	5,390
Accrued liabilities	2,350	3,408	(2,580)
Advance payments	7,316	(2,952)	(7,144)
Net cash provided (used) by operating activities	18,047	11,951	(8,575)
Cash flows from investing activities:			
Additions to property, plant and equipment	(4,840)	(5,220)	(3,997)
Proceeds from disposal of property and equipment and other assets	130	25	62
Additions to other assets and intangibles	(480)	(1,069)	(588)
Proceeds from sale of securities available for sale	---	---	89
Proceeds from sale of real estate	---	9,550	---
Proceeds from surrender of insurance policy	---	306	---
Other	5	---	---
Net cash (used) provided by investing activities	(5,185)	3,592	(4,434)
Cash flows from financing activities:			
Borrowings on revolving credit facility	91,278	69,575	82,350
Payments of revolving credit facility	(95,603)	(74,225)	(64,525)
Excess tax benefits from disqualifying stock options	213	405	184
Payments of long-term debt	(6,302)	(11,020)	(4,737)
Borrowings of long-term debt	---	258	---
Issuance of treasury stock	781	1,121	756
Purchase of treasury stock	(1,975)	(2,212)	(892)
Net cash (used) provided by financing activities	(11,608)	(16,098)	13,136
Net increase (decrease) in cash and cash equivalents	1,254	(555)	127
Cash and cash equivalents at beginning of year	392	947	820
Cash and cash equivalents at end of period	\$ 1,646	\$ 392	\$ 947

Non-cash transactions:

Increase in capital lease obligations	\$ ---	\$ 8	\$ 664
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See accompanying notes to consolidated financial statements.

LaBarge, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(amounts in thousands, except share amounts)

	Year Ended		
	June 29, 2008	July 1, 2007	July 2, 2006
STOCKHOLDERS' EQUITY			
Common stock, beginning of year	\$ 158	\$ 158	\$ 158
Common stock, end of year	158	158	158
Paid-in capital, beginning of year	16,174	15,185	13,722
Stock compensation programs	373	989	1,463
Paid-in capital, end of year	16,547	16,174	15,185
Retained earnings, beginning of year	63,774	52,431	42,723
Net earnings for the year	14,827	11,343	9,708
Retained earnings, end of year	78,601	63,774	52,431
Treasury stock, beginning of year	(3,696)	(2,940)	(2,773)
Acquisition of treasury stock	(1,975)	(2,212)	(892)
Issuance of treasury stock	1,834	1,607	725
Forfeiture of nonvested shares	---	(151)	---
Treasury stock, end of year	(3,837)	(3,696)	(2,940)
Total stockholders' equity	\$ 91,469	\$ 76,410	\$ 64,834
COMPREHENSIVE INCOME			
Net earnings	\$ 14,827	\$ 11,343	\$ 9,708
Total comprehensive income	\$ 14,827	\$ 11,343	\$ 9,708
COMMON SHARES			
Common stock, beginning of year	15,773,253	15,773,253	15,773,253
Common stock, shares outstanding, end of year	15,773,253	15,773,253	15,773,253
TREASURY SHARES			
Treasury stock, beginning of year	(506,704)	(606,262)	(723,345)
Acquisition of shares	(145,038)	(194,010)	(68,033)
Issuance of shares	232,239	293,568	185,116
Treasury stock, end of year	(419,503)	(506,704)	(606,262)

See accompanying notes to consolidated financial statements.

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LaBarge, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company manufactures and assists in the design and engineering of sophisticated electronic and electromechanical systems and devices and complex interconnect systems on a contract basis for its customers in diverse markets.

Our contract manufacturing capabilities are marketed to companies desiring an engineering and manufacturing partner capable of developing and providing high-reliability electronic equipment, including products capable of performing in harsh environmental conditions, such as high and low temperatures, severe shock and vibration. The Company serves customers in the defense, aerospace, natural resources, industrial, and other commercial markets. The group's engineering and manufacturing facilities are located in Arkansas, Missouri, Oklahoma, Texas and Pennsylvania.

Principles of Consolidation

The consolidated financial statements include the accounts of LaBarge, Inc. and its wholly-owned subsidiaries. Investments in less than 20%-owned companies are accounted for at cost.

Accounting Period

The Company uses a fiscal year ending the Sunday closest to June 30; each fiscal quarter period is 13 weeks. Fiscal years 2008, 2007 and 2006 consisted of 52 weeks.

Segment Reporting Policy

The Company reports its operations as one segment.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Revenue Recognition and Cost of Sales

Revenue is generally recognized when title transfers, which is usually upon shipment. On a very limited number of contracts, at customer's request, the Company will recognize revenue when ownership passes. As of June 29, 2008, July 1, 2007 and July 2, 2006, the Company has recognized revenue under these arrangements of \$1.6 million, \$2.2 million and \$2.4 million, respectively. The Company recognizes revenue for storage and other related services as the services are provided.

The percentage-of-completion method gives effect to the most recent contract value and estimates of cost at completion. Management's estimates of material, labor and overhead costs on long-term contracts are critical to the Company. Since some contracts extend over a long period of time, revisions in cost during the progress of work have the effect of adjusting current period earnings applicable to performance in prior periods. When the current contract cost estimate indicates a loss, provision is made for the total anticipated loss in the period the loss becomes evident.

During fiscal year 2007, the Company entered into a new significant agreement with an industrial customer to manufacture and supply certain parts. Under the Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") No. 99-19, "Reporting Revenue Gross as a Principle versus Net as an Agent," the cost of the supplied parts was netted against the invoice price to determine net sales when the part is shipped. In fiscal year 2008, the Company's net revenues recognized under this contract were \$11.6 million, related to the manufactured assemblies, and \$521,000, related to the supplied parts.

Accounts Receivable

Accounts receivable have been reduced by an allowance for amounts that management estimates are un-collectable. This estimated allowance is based primarily on management's evaluation of the financial condition of the Company's customers.

Inventories

Inventories are valued at the lower of cost or market. In addition, management regularly reviews inventory for obsolescence to determine whether any additional write-down is necessary. Various factors are considered in making this determination, including expected program life, recent sales history, predicted trends and market conditions. If actual demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

The Company procures materials and manufactures products to customer requirements. Raw materials are stated at the lower of cost or market as determined by the weighted average cost method.

Work in process consists of actual production costs, including factory overhead and tooling costs, reduced by costs attributable to units for which sales have been recognized. Such costs under contracts are determined by the average cost method based on the estimated average cost of all units expected to be produced under the contract. Inventories relating to long-term contracts are classified as current assets although a portion of the inventory is not expected to be realized within one year.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company has considered future taxable income analyses and feasible tax planning strategies in assessing the need for the valuation allowance. Should the Company determine that it would not be able to recognize all or part of its net deferred tax assets in the future, an adjustment to the carrying value of the deferred tax assets would be charged to income in the period in which such determination is made.

Fair Value of Financial Instruments

The Company considered the carrying amounts of cash and cash equivalents, securities and other, including accounts receivable and accounts payable to approximate fair value because of the short maturity of these financial instruments.

The Company has considered amounts outstanding under the long-term debt agreements and determined that carrying amounts recorded on the financial statement are consistent with the estimated fair value as of June 29, 2008.

Property, Plant and Equipment

Property, plant and equipment is carried at cost and includes additions and improvement which extend the remaining useful life of the assets. Depreciation is computed on the straight-line method.

Cash Equivalents

The Company considers cash equivalents to be temporary investments which are readily convertible to cash, such as certificates of deposit, commercial paper and treasury bills with original maturities of less than three months.

Cash Advances

The Company receives cash advances from customers under certain contracts. Cash advances are usually liquidated over the period of product deliveries.

Employee Benefit Plans

The Company has a contributory savings plan covering certain employees. The Company expenses all plan costs as incurred.

The Company offers a non-qualified deferred compensation program to certain key employees whereby they may defer a portion of their annual compensation for payment upon retirement plus a guaranteed return. The program is unfunded; however, the Company purchases Company-owned life insurance contracts through which the Company will recover a portion of its cost upon the death of the employee.

The Company also offers an employee stock purchase plan that allows any eligible employee to purchase common stock at the end of each quarter at 15% below the market price as of the first or last day of the quarter, whichever is lower. The Company recognizes an expense for the 15% discount.

Stock-Based Compensation

Effective July 4, 2005, the Company adopted SFAS "Share-Based Payment" ("SFAS No. 123R"). This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB No. 25. SFAS No. 123R requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. This statement was adopted using the modified prospective method of application, which requires the Company to recognize compensation expense on a prospective basis. Therefore, prior-period financial statements have not been restated. Under this method, in addition to reflecting compensation expense for new share-based awards, expense is also recognized to reflect the remaining service period of awards that had been included in pro forma disclosures in prior periods. SFAS No. 123R also requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows.

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During the fiscal years ended June 29, 2008, July 1, 2007 and July 2, 2006, the Company was notified that shares issued upon the exercise of incentive stock options (“ISOs”) were sold prior to being held by the employee for 12 months. These disqualifying dispositions resulted in an excess tax benefit for the Company. Since the ISOs vested prior to adoption of Statements of Financial Accounting Standard (“SFAS”) No. 123R (“SFAS No. 123R”), the entire tax benefit of \$213,000 for fiscal year 2008, \$95,000 for fiscal year 2007 and \$184,000 for fiscal year 2006 was recorded as an increase to additional paid-in capital.

No stock options were issued in the years ended June 29, 2008 and July 1, 2007. All stock options previously granted were at prices not less than fair market value of the common stock at the grant date. All stock options outstanding at June 29, 2008, July 1, 2007 and July 2, 2006 were dilutive and included in the computation of diluted earnings per share. These options expire in various periods through 2014.

The Company has a program to award performance units tied to financial performance to certain key executives. The awards have a three-year performance period and compensation expense is recognized over three years. Included in diluted shares at June 29, 2008 were 141,923 shares issuable for fiscal 2008 performance, as the performance condition has been met. The Company issued 108,084 shares related to the fiscal year 2007 performance and recognized related compensation expense in fiscal years 2008 and 2007. The Company issued 79,693 shares related to the fiscal year 2006 award and related compensation expense was recognized in fiscal years 2008, 2007 and 2006.

For the fiscal year ended June 29, 2008, total stock-based compensation was \$1.4 million (\$891,000 after tax), equivalent to earnings per basic and diluted share of \$0.06. For the fiscal year ended July 1, 2007, total stock-based compensation was \$1.2 million (\$733,000 after tax) equivalent to earnings per basic and diluted share of \$0.05.

Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”), to clarify the definition of fair value, establish a framework for measuring fair value and expand the disclosures on fair value measurements. SFAS No. 157 becomes effective for the Company in its fiscal year ending June 28, 2009. The Company does not believe that adopting the provisions of SFAS No. 157 will have a material impact on its consolidated financial statements. The Company will defer the adoption of SFAS No. 157 for its nonfinancial assets and nonfinancial liabilities until the year ended June 27, 2010, as permitted under FASB Staff Position 157-2, “Effective Date of FASB Statement No. 157.”

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS No. 159”), to permit all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses, on items for which the fair value option has been elected, in earnings at each subsequent reporting date, and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157. An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. The Company does not believe that the adoption of the provisions of SFAS No. 159 will have a material impact on its consolidated financial statements when it becomes effective for the fiscal year ending June 28, 2009.

In September 2006, the FASB’s EITF reached a consensus on EITF Issue No. 06-4, “Accounting for Deferred Compensation and Postretirement Benefits Aspects of Endorsement Split-Dollar Life Insurance Arrangements” (“EITF 06-4”). This addresses only endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods. EITF 06-04 becomes effective for the Company in its fiscal year ending June 28, 2009. The Company does not believe that adopting the provisions of EITF 06-4 will have a material impact on its consolidated financial statements.

Recently Adopted Accounting Standards

The Company adopted the provisions of FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109” (“FIN 48”) on July 2, 2007. The implementation of FIN 48 did not result in an adjustment to the liability for unrecognized income tax benefits. At the adoption date of July 2, 2007, there was approximately \$630,000 of unrecognized tax benefits, all of which would affect the Company’s effective tax rate if recognized. At June 29, 2008, there was approximately \$274,000 of unrecognized tax benefits.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 29, 2008, there was approximately \$83,000 of accrued interest related to uncertain tax positions.

The Company’s federal income tax returns for fiscal years 2008 and 2007 are open tax years. We file in numerous state jurisdictions with varying statutes of limitation open from 2003 through 2006, depending on each jurisdiction’s unique tax laws. The Company’s federal returns for fiscal year 2005 and fiscal year 2006 were recently examined by the Internal Revenue Service (“IRS”). During the quarter ended June 29, 2008, the IRS concluded its examination of the Company’s federal returns for fiscal years 2005 and 2006. As a result of adjustments to the Company’s claimed research and experimentation credits, and other issues, the Company settled with the IRS for \$304,000 which includes interest and penalties. The unrecognized tax benefits were decreased by \$236,000 as a result of the settlement and \$135,000 for the expiration of certain statutes. The Company recorded \$15,000 of additional expense related to the IRS settlement during the year ended June 29, 2008.

2.

SALES AND NET SALES

Sales and net sales consist of the following:

(in thousands)

	Fiscal Year Ended		
	June 29, 2008	July 1, 2007	July 2, 2006
Sales	\$280,354	\$236,414	\$191,305
Less sales discounts	869	1,211	1,216
Net sales	\$279,485	\$235,203	\$190,089

Geographic Information

The Company has no sales offices or facilities outside of the United States. Sales for exports did not exceed 10% of total sales in any fiscal year.

Customer Information

Customers accounting for more than 9% of net sales for the years ended June 29, 2008, July 1, 2007 and July 2, 2006 were as follows:

Customer	2008	2007	2006
1	14%	13%	12%
2	11	10	12
3	9	10	11

ACCOUNTS AND OTHER RECEIVABLES

3.

Accounts and other receivables consist of the following:

(in thousands)

	June 29, 2008	July 1, 2007
Billed shipments, net of progress payments	\$40,105	\$30,042
Less allowance for doubtful accounts	252	214
Trade receivables, net	39,853	29,828
Other current receivables	925	376
	\$40,778	\$30,204

Progress payments are payments from customers in accordance with contractual terms for contract costs incurred to date. Such payments are recognized as revenue when the completed units are shipped.

At June 29, 2008, the amounts due from the three largest accounts receivable debtors and the percentage of total accounts receivable represented by those amounts were \$10.3 million (25.7%), \$3.4 million (8.5%), and \$2.9 million (7.2%). This compares with \$4.4 million (15%), \$2.5 million (8%), and \$2.3 million (8%) at July 1, 2007.

At June 29, 2008, the second largest account receivable debtor with a balance of \$3.4 million includes \$1.1 million, which is past due. The Company is in discussions with this customer to develop a payment plan, the success of which is contingent on the customer raising additional capital. If the customer is able to raise additional equity, the Company anticipates that the receivables outstanding as of June 29, 2008 will be paid-in full. If the customer is unable to raise additional equity, the Company may not collect the receivables, which could adversely affect the Company's operations. The Company's allowance for doubtful accounts does not include any amounts for this customer.

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At June 29, 2008, other current receivables included an income tax receivable of \$778,000.

Allowance for Doubtful Accounts

This account represents amounts that may be uncollectible in future periods.

(in thousands)

Fiscal Year	Balance Beginning of Period	Additions/ (Recoveries) Charged to Expense	Less Deductions	Balance End of Period
2006	\$ 326	\$ (65)	\$ 87	\$ 174
2007	174	76	36	214
2008	214	72	34	252

INVENTORIES

4.

Inventories consist of the following:

(in thousands)

	June 29, 2008	July 1, 2007
Raw materials	\$47,221	\$39,369
Work in progress	19,706	20,348
	\$66,927	\$59,717

In accordance with contractual agreements, the U.S. Government has a security interest in inventories identified with contracts for which progress payments have been received.

For the fiscal years ended June 29, 2008, July 1, 2007 and July 2, 2006, expense for obsolete or slow moving inventory charged to income before income taxes was \$1.9 million, \$1.3 million, and \$900,000, respectively.

The Company's June 29, 2008 inventory balance included \$3.2 million related to a contract with a customer who has deferred its production schedule. The inventory value will be realizable if this customer is able to resume its production schedule, which in part, is contingent upon the customer's ability to raise additional capital. If the customer is unable to resume its production schedule, the Company may not recover the full value of the inventory related to this customer. No provision was recorded for this inventory as of June 29, 2008.

5.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows:

(in thousands)

	June 29, 2008	July 1, 2007	Estimated useful life in years
Land	\$ 68	\$ 68	---
Building and improvements	4,425	4,353	3 - 40
Leasehold improvements	4,150	3,810	2 - 15
Machinery and equipment	29,560	26,731	2 - 16
Furniture and fixtures	2,456	2,165	3 - 16
Computer equipment	3,172	3,008	3
Construction in progress	466	896	---

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	44,297	41,031
Less accumulated depreciation	27,049	24,762
	\$ 17,248	\$ 16,269

Depreciation expense was \$4.2 million, \$3.8 million and \$3.3 million for the fiscal years ended June 29, 2008, July 1, 2007 and July 2, 2006, respectively.

6. INTANGIBLE ASSETS, NET

Intangible assets, net, are summarized as follows:

(in thousands)

	June 29, 2008	July 1, 2007
Software	\$ 4,090	\$ 3,830
Less accumulated amortization	3,457	3,043
Net software	633	787
Customer list	3,400	3,400
Less accumulated amortization	2,485	1,918
Net customer list	915	1,482
Other, net	---	13
	\$ 1,548	\$ 2,282

Intangibles are amortized over a three-to-six-year period. Amortization expense was \$1.1 million for fiscal year ended June 29, 2008, and \$1.2 million for each of the fiscal years ended July 1, 2007 and July 2, 2006.

The Company anticipates that amortization expense will approximate \$1.1 million for fiscal year 2009, \$831,000 for fiscal year 2010, \$465,000 for fiscal year 2011, \$415,000 for fiscal year 2012 and \$430,000 for fiscal year 2013.

7. GOODWILL

Goodwill is summarized as follows:

(in thousands)

	June 29, 2008	July 1, 2007
Goodwill	\$ 24,492	\$ 24,492
Less accumulated amortization	200	200
Net goodwill	\$ 24,292	\$ 24,292

There were no changes in the carrying amount of goodwill for the period ended June 29, 2008.

8. OTHER ASSETS

Other assets is summarized as follows:

(in thousands)

	June 29, 2008	July 1, 2007

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Cash value of life insurance	\$4,612	\$4,390
Deposits, licenses and other, net	112	154
Securities held for sale	26	85
Deferred financing costs, net	42	108
Other	36	35
	\$4,828	\$4,772

The Company's investment in securities held for sale consists of 1.6 million shares of Norwood Abbey Ltd. This investment is the result of shares and options acquired as a partial settlement of a note receivable. In the years ended June 29, 2008 and July 1, 2007, the Company recorded an other-than-temporary write-down on the 1.6 million shares of \$59,000 and \$179,000, respectively.

9. SALE-LEASEBACK TRANSACTION

On March 22, 2007, the Company sold its headquarters building complex for \$9.6 million. Simultaneously, the Company entered into a six-year lease with the building's new owner. The lease on the building qualifies as an operating lease. LaBarge's continuing involvement is more than a minor part, but less than substantially all of the use of the property. The gain on the transaction was \$3.5 million. The profit on the sale, in excess of the present value of the minimum lease payments over the lease term, is \$635,000 pretax (\$391,000 after tax) and is recorded as a gain in other income in the year ended July 1, 2007. The remainder of the gain will be amortized over the six years of the lease as a reduction in rent expense. Of this amount, \$481,000 was recognized in the fiscal year ended June 29, 2008.

The obligations for future minimum lease payments as of June 29, 2008, and the amortization of the remaining deferred gain is:

(in thousands)

Fiscal Year	Minimum Lease Payments	Deferred Gain Amortization	Net Rental Expense
2009	\$ 603	\$ (481)	\$ 122
2010	603	(481)	122
2011	603	(481)	122
2012	603	(481)	122
2013	435	(346)	89

10. SHORT- AND LONG-TERM OBLIGATIONS

Short-term borrowings, long-term debt and the current maturities of long-term debt consist of the following:

(amounts in thousands)

	June 29, 2008	July 1, 2007
Short-term borrowings:		
Revolving credit agreement:		
Balance at year-end	\$10,500	\$14,825
Interest rate at year-end	3.83%	6.91%
Average amount of short-term borrowings outstanding during period	\$14,764	\$13,486
Average interest rate for fiscal year	5.79%	7.29%
Maximum short-term borrowings at any month-end	\$19,025	\$16,675
Senior long-term debt:		
Senior lender:		
Term loan	\$ 4,500	\$10,500
Other	629	931
Total senior long-term debt	5,129	11,431
Less current maturities	4,682	6,300

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<u>Long-term debt, less current maturities</u>	<u>\$ 447</u>	<u>\$ 5,131</u>
--	---------------	-----------------

The average interest rate was computed by dividing the sum of daily interest costs by the sum of the daily borrowings for the respective periods.

Total net cash payments for interest in fiscal years 2008, 2007 and 2006 were \$1.5 million, \$2.1 million and \$1.9 million, respectively.

The Company entered into a senior loan agreement on February 17, 2004, which was last amended in December 2006. The Company incurred \$330,000 of financing costs that have been deferred and amortized over a period beginning May 2004 and ending February 2009. At June 29, 2008, the unamortized amount was \$42,000.

Senior Lender:

The Company entered into a senior secured loan agreement with a group of banks on February 17, 2004. The following is a summary of the agreement:

- A revolving credit facility, up to \$30.0 million, available for direct borrowings or letters of credit. The facility is based on a borrowing base formula equal to the sum of 85% of eligible receivables and 35% of eligible inventories. As of June 29, 2008, outstanding loans under the revolving credit facility were \$10.5 million; letters of credit issued were \$1.1 million; and an aggregate of \$18.4 million was available under the revolving credit facility. This credit facility matures on February 17, 2009. See Note 18 for discussion of the renewal of the credit facility.
- A \$25.0 million term loan amortized beginning May 2004, at a quarterly rate of \$1.0 million, increased to \$1.25 million in May 2006 and increased to \$1.5 million in May 2007. Final maturity is February 17, 2009. As of June 29, 2008, the amount outstanding was \$4.5 million.
- Interest on both loans is calculated at a percentage of prime or a stated rate over LIBOR based on certain ratios. For the fiscal year ended June 29, 2008, the average rate was approximately 5.93%.
- Both loans are secured by substantially all the assets of the Company other than real estate.
- Covenants and performance criteria consist of Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") in relation to debt, EBITDA in relation to fixed charges and minimum net worth. The Company was in compliance with its borrowing agreement covenants as of June 29, 2008.

Other Long-Term Debt:

Other long-term debt includes capital lease agreements with outstanding balances totaling \$336,000 at June 29, 2008 and \$470,000 at July 1, 2007.

The aggregate maturities of long-term obligations are as follows:

(amounts in thousands)

<u>Fiscal Year</u>	
2009	\$4,682
2010	146
2011	51
2012	250
2013	775
Total	\$5,129

11.

OPERATING LEASES

The Company operates certain of its manufacturing facilities in leased premises and with leased equipment under noncancellable operating lease agreements having an initial term of more than one year and expiring at various dates through 2020.

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Rental expense under operating leases is as follows:

(in thousands)

	Fiscal Year Ended		
	June 29, 2008	July 1, 2007	July 2, 2006
Initial term of more than one year	\$2,894	\$2,526	\$2,121
Deferred gain on sale leaseback	(481)	(133)	---
Short-term rentals	155	44	143
	\$2,568	\$2,437	\$2,264

At June 29, 2008, the future minimum lease payments under operating leases with initial noncancellable terms in excess of one year are as follows:

(in thousands)

Fiscal Year	
2009	..\$2,947.....
2010	...2,644.....
2011	...1,741.....
2012	...1,067.....
2013883.....
Thereafter	..\$2,223.....

The \$2.2 million thereafter relates to an obligation under a long-term facility lease in Huntsville, Arkansas.

12. EMPLOYEE BENEFIT PLANS

The Company has a qualified contributory savings plan under Section 401(k) of the Internal Revenue Code for employees meeting certain service requirements. The plan allows eligible employees to contribute up to 60% of their compensation, with the Company matching 50% of the first \$25 per month and 25% of the excess on the first 8% of this contribution. During fiscal years 2008, 2007 and 2006, Company matching contributions were \$494,000, \$456,000 and \$449,000, respectively.

At the discretion of the Board of Directors, the Company may also make contributions dependent on profits each year for the benefit of all eligible employees under the plan. There were no such contributions for fiscal 2008, 2007 and 2006.

The Company has a deferred compensation plan for selected employees who, due to IRS guidelines, cannot take full advantage of the contributory savings plan. This plan, which is not required to be funded, allows eligible employees to defer portions of their current compensation and the Company guarantees an interest rate of between prime and prime plus 2%. To support the deferred compensation plan, the Company may elect to purchase Company-owned life insurance. The increase in the cash value of the life insurance policies exceeded the premiums paid by \$90,000, \$85,000 and \$79,000 in fiscal years 2008, 2007 and 2006, respectively. The cash surrender value of the Company-owned life insurance related to deferred compensation is included in other assets along with other policies owned by the Company, and was \$1.6 million at June 29, 2008, compared with \$1.5 million at July 1, 2007. The liability for the deferred compensation and interest thereon is included in accrued employee compensation and was \$4.8 million at June 29, 2008, compared with \$4.3 million at July 1, 2007.

The Company has an employee stock purchase plan that allows any eligible employee to purchase common stock at the end of each quarter at 15% below the market price as of the first or last day of the quarter, whichever is lower. For the year ended June 29, 2008, 24,166 shares were purchased in the aggregate amount of \$307,000, for which the Company recognized expense of approximately \$65,000. For the year ended July 1, 2007, 26,481 shares were purchased in the aggregate amount of \$325,000, for which the Company recognized expense of approximately \$70,000. For the year ended July 2, 2006, 21,690 shares were purchased in the aggregate amount of \$325,000, for which the Company recognized expense of approximately \$55,000.

13. OTHER INCOME (OTHER DEDUCTIONS), NET

The components of other income, net, are as follows:

(amounts in thousands)

	Fiscal Year Ended		
	June 29, 2008	July 1, 2007	July 2, 2006
Interest income	\$ 11	\$ 83	\$ 7
Property rental income	---	646	835
Property rental expense	---	(447)	(603)
Gain on sale of real estate	---	635	---
Other than temporary impairment of asset	(59)	(179)	(181)
Other, net	(85)	(24)	36
	\$ (133)	\$ 714	\$ 94

On March 22, 2007, the Company sold its headquarters building complex for \$9.6 million. Simultaneously, the Company entered into a six-year lease with the building's new owner. The lease on the building qualifies as an operating lease. LaBarge's continuing involvement is more than a minor part, but less than substantially all of the use of the property. The gain on the transaction was \$3.5 million. The profit on the sale, in excess of the present value of the minimum lease payments over the lease term, is \$635,000 pretax (\$391,000 after tax) and is recorded as a gain in other income in the fiscal year ended July 1, 2007. The remainder of the gain will be amortized over the six years of the lease as a reduction in rent expense. Of this amount, \$481,000 was recognized in the fiscal year ended June 29, 2008.

14.

INCOME TAXES

Total income tax expense (benefit) was allocated as follows:

(in thousands)

	June 29, 2008	July 1, 2007	July 2, 2006
Current:			
U.S.			
Federal	\$ 7,211	\$ 6,728	\$ 5,716
State and Local	1,443	1,089	1,059
Total	\$ 8,654	\$ 7,817	\$ 6,775
Deferred:			
U.S.			
Federal	\$ 245	\$ (950)	\$ (469)
State and Local	112	(211)	(50)
Total	\$ 357	\$ (1,161)	\$ (519)

Income tax expense from continuing operations:

U.S.			
Federal	\$ 7,455	\$ 5,778	\$ 5,247
	1,556	878	1,009

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State and Local			
Total	\$9,011	\$ 6,656	\$6,256

Income tax expense (benefit) from continuing operations differed from the amounts computed by applying the U.S. Federal income tax rate of 35% as a result of the following:

(in thousands)

	June 29, 2008	July 1, 2007	July 2, 2006
Computed "expected" tax expense	\$ 8,343	\$ 6,300	\$ 5,587
Increase (reduction) in income taxes resulting from:			
Federal tax credit – current year	---	(30)	(55)
Tax exposure adjustment	(135)	(151)	(99)
State and local tax, net	1,007	655	622
Other	(204)	(118)	201
Total	\$ 9,011	\$ 6,656	\$ 6,256

The Company regularly reviews its potential tax liabilities for tax years subject to audit.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

(in thousands)

	June 29, 2008	July 1, 2007
Deferred tax assets:		
Inventories due to additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986 and inventory valuation provisions	\$ 994	\$ 818
Gain on sale-leaseback transaction	891	1,059
Deferred compensation	2,632	2,254
Loss reserves on long-term contracts	96	279
Accrued vacation	462	382
Other than temporary impairment of asset - held for sale	292	263
Other	224	159
Total gross deferred tax assets	\$ 5,591	\$ 5,214
Deferred tax liabilities:		
Goodwill and intangibles	\$ (2,180)	\$ (1,560)
Property, plant and equipment, principally due to differences in depreciation methods	(1,447)	(1,286)
Other	(4)	(47)
Total gross deferred tax liabilities	\$ (3,631)	\$ (2,893)
Net deferred tax assets	\$ 1,960	\$ 2,321

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A valuation allowance is provided, if necessary, to reduce the deferred tax assets to a level, which, more likely than not, will be realized. The net deferred tax assets reflect management's belief that it is more likely than not that future operating results will generate sufficient taxable income to realize the deferred tax assets.

Total cash payments for federal and state income taxes were \$8.4 million for fiscal 2008, \$7.7 million for fiscal 2007 and \$8.0 million for fiscal 2006.

As discussed in Note 1, on July 2, 2007, the Company adopted a new accounting standard, FIN 48, Accounting for Uncertainty in Income Taxes.

The amount of unrecognized tax benefits as of June 29, 2008, included \$274,000 of uncertain tax benefits and other items. As of June 29, 2008, approximately \$274,000 of the unrecognized tax benefits would impact the Company's provision for income taxes and effective tax rate if recognized.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

(in thousands)

July 1, 2007	\$ 630
Increase in unrecognized benefits	15
Reductions for tax positions of prior years	(135)
Settlements with tax authorities	(236)
Balance at June 29, 2008	\$ 274

The Company classifies interest and penalties on uncertain tax positions as provision for income taxes. There is \$83,000 of accrued interest related to uncertain tax positions as of June 29, 2008.

15. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

(amounts in thousands, except earnings per-share amounts)

	June 29, 2008	July 1, 2007	July 2, 2006
Net earnings	\$ 14,827	\$ 11,343	\$ 9,708
Basic net earnings per share	\$ 0.98	\$ 0.75	\$ 0.64
Diluted net earnings per share	\$ 0.92	\$ 0.71	\$ 0.60

Basic earnings per share are calculated using the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated using the weighted average number of shares outstanding during the period plus shares issuable upon the assumed exercise of dilutive share options and performance units by using the treasury stock method.

(in thousands)

	June 29, 2008	July 1, 2007	July 2, 2006
Average common shares outstanding -- basic	15,198	15,143	15,156
Dilutive options and performance units	940	904	946
Adjusted average common shares outstanding -- diluted	16,138	16,047	16,102

16.

STOCK PROGRAMS

The Company has established the 1993 Incentive Stock Option Plan, the 1995 Incentive Stock Option Plan, and the 1999 Non-Qualified Stock Option Plan (collectively, the "Plans"). The Plans provide for the issuance of up to 2,200,000 shares to be granted in the form of stock-based awards to key employees of the Company. In addition, pursuant to the 2004 Long Term Incentive Plan ("LTIP"), the Company provides for the issuance of up to 850,000 shares to be granted in the form of stock-based awards to certain key employees and nonemployee directors. The Company may satisfy the awards upon exercise with either new or treasury shares. The Company's stock compensation awards outstanding at June 29, 2008 include stock options, restricted stock and performance units.

Also, the Company has an Employee Stock Purchase Plan that allows any eligible employee to purchase common stock at the end of each quarter at 15% below the market price as of the first or last day of the quarter, whichever is lower. The Company recognizes as expense the difference between the price the employee pays and the market price of the stock on the last day of the quarter.

For the fiscal year ended June 29, 2008, total stock-based compensation was \$1.4 million (\$891,000 after tax), equivalent to earnings per basic and diluted share of \$0.06. For the fiscal year ended July 1, 2007, total stock-based compensation was \$1.2 million (\$733,000 after tax) equivalent to earnings per basic and diluted share of \$0.05.

As of June 29, 2008, the total unrecognized compensation expense related to nonvested awards, including stock options and performance units, was \$1.7 million pretax, and the period over which it is expected to be recognized is approximately 1.7 years.

A summary of the Company's Plans as of June 29, 2008 is presented below:

	Number of Shares	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Exercise Price	Weighted Average Fair Value Granted Option
Outstanding at July 3, 2005	1,880,576	\$ 3.96	1,100,226	\$ 2.92	
Canceled	(3,750)	8.54	---	---	
Exercised	(105,675)	3.43	---	---	
Outstanding at July 2, 2006	1,771,151	\$ 3.94	1,573,119	\$ 3.52	
Canceled	(2,000)	8.54	---	---	
Exercised	(187,838)	4.25	---	---	
Outstanding at July 1, 2007	1,581,313	\$ 3.90	1,581,313	\$ 3.90	
Canceled	---	---	---	---	
Exercised	(99,989)	4.69	---	---	---
Outstanding at June 29, 2008	1,481,324	\$ 3.84	1,481,324	\$ 3.84	

Stock Options

The following table summarizes information about stock options outstanding:

Outstanding and Exercisable Options				
Range of Exercise Prices	Number Outstanding at June 29, 2008	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value (1) (in millions)
\$ 2.50 – 3.00	944,547	2.0	\$ 2.59	\$ 9.8
3.01 – 5.96	266,200	5.0	3.52	2.5
\$ 5.97 – 8.54	270,577	6.2	8.54	1.2
	1,481,324	3.3	\$ 3.84	\$ 13.5

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The intrinsic value of a stock option is the amount by which the current market value of the underlying stock exceeds the exercise price of the option.

The total intrinsic value of stock options exercised during the fiscal years ended June 29, 2008 and July 1, 2007 was \$792,000 and \$1.6 million, respectively. The exercise period for all stock options generally may not exceed 10 years from the date of grant. Stock option grants to individuals generally become exercisable over a service period of one to five years.

There were no stock options granted in the fiscal year ended June 29, 2008.

Performance Units and Nonvested Stock

The Company's LTIP provides for the issuance of performance units, which will be settled in stock subject to the achievement of the Company's financial goals. Settlement will be made pursuant to a range of opportunities relative to net earnings. No settlement will occur for results below the minimum threshold and additional shares shall be issued if the performance exceeds the targeted goals. The compensation cost of performance units is subject to adjustment based upon the attainability of the target goals.

Upon achievement of the performance goals, shares are awarded in the employee's name but are still subject to a two-year vesting condition. If employment is terminated (other than due to death or disability) prior to the vesting period, the shares are forfeited. Compensation expense is recognized over the performance period plus vesting period. The awards are treated as a liability award during the performance period and as an equity award once the performance targets are settled. Awards vest on the last day of the second year following the performance period.

A summary of the Nonvested Shares as of June 29, 2008 is presented below:

	Number of Nonvested Shares	Weighted Average Grant Price
Nonvested shares at July 3, 2005	---	\$ ---
Issued	56,251	18.00
Vested	---	---
Forfeited	---	---
Nonvested shares at July 2, 2006	56,251	\$ 18.00
Issued	81,193	13.33
Vested	(51,251)	(18.00)
Forfeited	(11,932)	15.25
Nonvested shares at July 1, 2007	74,261	\$ 13.33
Issued	108,084	12.29
Vested	(74,261)	13.33
Forfeited	---	---
Nonvested shares at June 29, 2008	108,084	\$ 12.29

There are 141,923 shares included in diluted shares that are treated as a liability award at June 29, 2008.

For the fiscal years ended 2008, 2007 and 2006, compensation expense related to the LTIP was \$1.4 million, \$1.1 million and \$757,000, respectively.

17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data is set forth below:

(amounts in thousands, except per-share amounts)

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FY2008	September 30, 2007	December 30, 2007	March 30, 2008	June 29, 2008
Net sales	\$ 59,190	\$ 67,052	\$ 75,442	\$ 77,801
Cost of sales	47,818	53,676	60,410	62,594
Selling and administrative expense	6,947	7,465	7,689	7,456
Interest expense	427	387	392	253
Other expense, net	10	22	21	80
Earnings before income taxes	3,988	5,502	6,930	7,418
Income tax expense	1,468	2,105	2,597	2,841
Net earnings	\$ 2,520	\$ 3,397	\$ 4,333	\$ 4,577
Basic net earnings per common share	\$ 0.17	\$ 0.22	\$ 0.29	\$ 0.30
Average common shares outstanding	15,200	15,216	15,200	15,171
Diluted net earnings per common share	\$ 0.16	\$ 0.21	\$ 0.27	\$ 0.28
Average diluted common shares outstanding	16,018	16,092	16,056	16,115

FY2007	October 1, 2006	December 31, 2006	April 1, 2007	July 1, 2007
Net sales	\$ 49,900	\$ 60,820	\$ 59,619	\$ 64,864
Cost of sales	39,243	48,314	48,657	53,194
Selling and administrative expense	5,991	6,800	6,728	6,750
Interest expense	651	564	557	469
Other expense (income), net	44	(64)	(661)	(33)
Net earnings before income taxes	3,971	5,206	4,338	4,484
Income tax expense	1,560	2,009	1,495	1,592
Net earnings	\$ 2,411	\$ 3,197	\$ 2,843	\$ 2,892
Basic net earnings per common share	\$ 0.16	\$ 0.21	\$ 0.19	\$ 0.19
Average common shares outstanding	15,121	15,112	15,166	15,174
Diluted net earnings per common share	\$ 0.15	\$ 0.20	\$ 0.18	\$ 0.18
Average diluted common shares outstanding	16,058	16,008	16,049	16,007

18.

SUBSEQUENT EVENT

On July 23, 2008, the Company accepted a bank commitment to enter into a new \$35.0 million, two-year secured credit facility. The facility will consist of a \$25.0 million revolving credit and a \$10 million term loan. The term loan calls for quarterly payments of \$500,000, with the balance due at maturity. Remaining terms are substantially similar to the Company's existing bank credit facility. Closing of this credit facility is expected during the first quarter of fiscal 2009.

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EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
2.1	Asset Sale and Purchase Agreement dated as of February 17, 2004 by and between LaBarge Electronics, Inc. and Pinnacle Electronics, Inc. previously filed with the Securities and Exchange Commission with the Company's Current Report on Form 8-K (File No. 001-05761) on February 23, 2004, and incorporated herein by reference.
3.1	Restated Certificate of Incorporation, dated October 26, 1995, previously filed as Exhibit 3.1(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 1995 and incorporated herein by reference.
3.1(a)	Certificate of Amendment to Restated Certificate of Incorporation, dated November 7, 1997, previously filed as Exhibit 3.1(a) to the Company's Quarterly Report on Form 10-Q (File No. 001-05761) for the quarter ended December 28, 1997 and incorporated herein by reference.
3.2	By-Laws, as amended, previously filed as Exhibit 3.2(a) to the Company's Quarterly Report on Form 10-Q (File No. 001-05761) for the quarter ended October 1, 1995 and incorporated herein by reference.
3.3	Certificate of Designations for Series C Junior Participating Preferred Stock, previously filed as Exhibit 3 to the Company's Registration Statement on Form 8-A (File No. 000-33319) on November 9, 2001 and incorporated herein by reference.
4.1(a)	Form of Rights Agreement dated as of November 8, 2001, between the Company and UMB Bank, as Rights Agent, which includes as Exhibit B the form of Rights Certificate, previously filed as Exhibit 4 to the Company's Registration Statement on Form 8-A (File No. 000-33319) on November 9, 2001 and incorporated herein by reference.
4.1(b)	First Amendment to the Rights Agreement appointing Registrar and Transfer Company as successor Rights Agent with respect to Series C Junior Participating Preferred Stock Purchase Rights, previously filed with Securities & Exchange Commission with the Company's Current Report on Form 8-K (File No. 001-05761), dated January 4, 2002 and incorporated herein by reference.
10.1*	First Amendment and Restatement to the LaBarge Employees Savings Plan executed on May 3, 1990 and First Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on June 5, 1990, previously filed as Exhibits (i) and (ii), respectively, to the LaBarge, Inc. Employees Savings Plan's Annual Report on Form 11-K for the year ended December 31, 1990 and incorporated herein by reference.
10.2(a)	Term Loan Promissory Note dated February 17, 2004 in the principal amount of \$6,080,000 executed by LaBarge Properties, Inc. and payable to U.S. Bank National Association previously filed with the Company's Current Report on Form 8-K (File No. 001-05761) on February 23, 2004 and incorporated herein by reference.
10.2(b)	Loan Agreement dated February 17, 2004 by and among the Company, LaBarge Electronics, Inc. and U.S. Bank National Association as agent previously filed with the Company's Current Report on Form 8-K (File No. 001-05761) on February 23, 2004 and incorporated herein by reference.
10.2(c)	First Amendment to the Loan Agreement dated April 16, 2004 by and among the Company, LaBarge, Electronics, Inc., as borrowers, U.S. Bank National Association and National City Bank of Pennsylvania, as lenders, and U.S. Bank National Association, as agent, previously filed with the Company's Annual Report on Form 10-K (File No. 001-05761) on September 3, 2004 and incorporated herein by reference.

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- 10.2(d) Second Amendment to the Loan Agreement dated August 24, 2005 by and among the Company, LaBarge, Electronics, Inc., as borrowers, U.S. Bank National Association and National City Bank of Pennsylvania, as lenders, and U.S. Bank National Association, as agent. Previously filed with the Company's Annual Report on Form 10-K (File No. 001-05761) on September 8, 2005 and incorporated herein by reference.
- 10.2(e) Third Amendment to the Loan Agreement dated February 10, 2006 by and among the Company, LaBarge, Electronics, Inc., as borrowers, U.S. Bank National Association and National City Bank of Pennsylvania, as agent, previously filed with the Company's Current Report on Form 8-K (File No. 001-05761) on February 15, 2006 and incorporated herein by reference.
- 10.2(f) Fourth Amendment to the Loan Agreement dated February 10, 2006 by and among the Company, LaBarge, Electronics, Inc., as borrowers, U.S. Bank National Association and National City Bank of Pennsylvania, as agent, previously filed with the Company's Form 10-Q (File No. 001-05761) on February 7, 2007 and incorporated herein by reference.
- 10.3(a)* Second Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on November 30, 1993, previously filed with the Securities and Exchange Commission July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.3(b)* Third Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on March 24, 1994, previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.3(c)* Fourth Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on January 3, 1995, previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.3(d)* Fifth Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on October 26, 1995, previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.3(e)* Sixth Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on January 9, 1998. Previously filed as Exhibit II, respectively, to the LaBarge, Inc. Employees Savings Plan's Annual Report on Form 11-K for the year ended December 31, 1997 and incorporated herein by reference.
- 10.3(f) * Seventh Amendment to the First Amendment and Restatement of the LaBarge, Inc. Employees Savings Plan executed on August 11, 1999. Previously filed with the Securities and Exchange Commission with the Company's Annual Report on Form 10-K (File No. 001-05761) on September 27, 1999 and incorporated herein by reference.
- 10.4* LaBarge, Inc. 1993 Incentive Stock Option Plan. Previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.5* First Amendment to the LaBarge, Inc. 1993 Incentive Stock Option Plan. Previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.
- 10.6* Management Retirement Savings Plan of LaBarge, Inc. Previously filed with the Securities and Exchange Commission on July 24, 1996 with the Company's Registration Statement on Form S-3, No. 333-08675 and incorporated herein by reference.

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- 10.7* LaBarge, Inc. 1995 Incentive Stock Option Plan. Previously filed with the Securities and Exchange Commission with the Company's Annual Report on Form 10-K on September 19, 1996 and incorporated herein by reference.
- 10.8* LaBarge, Inc. Employee Stock Purchase Plan. Previously filed with the Securities and Exchange Commission with the Company's definitive Proxy Statement on Schedule 14A, (File No. 001-05761) filed on September 21, 1998, and incorporated herein by reference.
- 10.9* First Amendment to the LaBarge, Inc. Employee Stock Purchase Plan. Previously filed with the Securities and Exchange Commission with the Company's Quarterly Report on Form 10-Q (File No. 001-05761) on May 12, 1999 and incorporated here in by reference.
- 10.10* LaBarge, Inc. 1999 Non-Qualified Stock Option Plan. Previously filed with the Company's definitive Proxy Statement on Schedule 14A (File No. 001-05761) filed on October 8, 1999, and incorporated herein by reference.
- 10.11* Form of Executive Severance Agreement, previously filed with Securities and Exchange Commission with the Company's Current Report on Form 8-K (File No. 001-05761) on February 22, 2005, and incorporated herein by reference.
- 10.12* LaBarge, Inc. 2004 Long Term Incentive Plan, previously filed with the Commission with the Company's Current Report on Form 8-K filed November 2, 2004 and incorporated herein by reference.
- 10.13 Form of Competitive Practices Agreement, previously filed with the Commission with the Company's Current Report on Form 8-K (File No. 001-05761) filed February 22, 2005 and incorporated herein by reference.
- 21** Subsidiaries of the Company.
- 23** Consent of Independent Registered Public Accounting Firm.
- 24** Power of Attorney (see signature page).
- 31.1** Certification by Chief Executive Officer pursuant to Exchange Act Rule 13-a - 14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2** Certification by Chief Financial Officer pursuant to Exchange Act Rule 13-a - 14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1** Certification by Chief Executive Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2** Certification by Chief Financial Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan, contract or arrangement.

** Document filed herewith