AMTECH SYSTEMS INC
Form 10-Q
February 09, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended: December 31, 2015
OR

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

For the transition period from ________________ to ________________

Commission File Number: 0-11412

AMTECH SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Arizona (State or other jurisdiction of incorporation or organization)	86-0411215 (I.R.S. Employer Identification No.)
131 South Clark Drive, Tempe, Arizona (Address of principal executive offices)	85281 (Zip Code)

Registrant’s telephone number, including area code: 480-967-5146

Indicate by a 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. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

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

Large accelerated filer [ ]	Accelerated filer [X]
	Smaller Reporting Company [ ]

Non-accelerated filer [ ] (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 [X]
Shares of Common Stock outstanding as of January 29, 2016: 13,167,509

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements
AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands except share data)

	December 31, 2015 (Unaudited)	September 30, 2015
Assets		
Current Assets		
Cash and cash equivalents	$22,617	$25,852
Restricted cash	847	638
Accounts receivable		
Trade (less allowance for doubtful accounts of $3,708 and $5,009 at December 31, 2015, and September 30, 2015, respectively)	16,063	14,488
Unbilled and other	7,084	8,494
Inventories	21,541	23,329
Deferred income taxes	2,050	2,050
Notes and other receivable	67	7,079
Other	6,117	3,772
Total current assets	76,386	85,702
Property, Plant and Equipment - Net	17,079	17,761
Deferred income taxes - Long Term	430	430
Other Assets - Long Term	1,145	3,356
Investments	2,716	2,733
Intangible Assets - Net	4,665	4,939
Goodwill	10,974	10,535
Total Assets	$113,395	$125,456
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$10,582	$15,646
Current maturities of long-term debt	822	919
Accrued compensation and related taxes	5,349	5,605
Accrued warranty expense	766	793
Deferred profit	4,679	4,873
Customer deposits	4,601	7,154
Other accrued liabilities	2,725	3,551
Income taxes payable	940	830
Total current liabilities	30,464	39,371
Long-term Debt	9,234	8,448
Income Taxes Payable - Long Term	5,690	4,990
Total liabilities	45,388	52,809
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock; 100,000,000 shares authorized; none issued	—	—
Common stock; $0.01 par value; 100,000,000 shares authorized; shares issued and outstanding: 13,164,009 and 13,150,469 at December 31, 2015, and September 30, 2015, respectively	132	131
Additional paid-in capital	110,533	110,191
Accumulated other comprehensive loss	(9,201)	(8,666)

Retained deficit	(32,837)	(28,822)
Total stockholders' equity	68,627	72,834
Noncontrolling interest	(620)	(187)
Total equity	68,007	72,647
Total Liabilities and Stockholders' Equity	$113,395	$125,456

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except per share data)

	Three Months Ended December 31,	
	2015	2014
Revenues, net of returns and allowances	$22,074	$12,396
Cost of sales	16,119	8,968
Gross profit	5,955	3,428
Selling, general and administrative	7,596	6,384
Research, development and engineering	2,288	1,837
Operating loss	(3,929)	(4,793)
Interest expense and other income, net	(219)	97
Loss before income taxes	(4,148)	(4,696)
Income tax provision	300	180
Net loss	(4,448)	(4,876)
Add: net loss (income) attributable to noncontrolling interest	433	(319)
Net loss attributable to Amtech Systems, Inc.	$(4,015)	$(5,195)
Loss Per Share:		
Basic loss per share attributable to Amtech shareholders	$(0.31)	$(0.53)
Weighted average shares outstanding	13,152	9,854
Diluted loss per share attributable to Amtech shareholders	$(0.31)	$(0.53)
Weighted average shares outstanding	13,152	9,854

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(in thousands)

	Three Months Ended December 31,	
	2015	2014
Net loss	$(4,448)	$(4,876)
Foreign currency translation adjustment	(535)	(1,058)
Comprehensive loss	(4,983)	(5,934)
Comprehensive (income) loss attributable to noncontrolling interest	433	(313)
Comprehensive loss attributable to Amtech Systems, Inc.	$(4,550)	$(6,247)

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended December 31, 2015	2014
Operating Activities		
Net loss	$(4,448)	$(4,876)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	783	705
Write-down of inventory	39	35
Deferred income taxes	9	(4)
Non-cash share based compensation expense	342	232
Provision for (reversal of) allowance for doubtful accounts	(158)	44
Changes in operating assets and liabilities:		
Restricted cash	(220)	(244)
Accounts receivable	(309)	2,371
Inventories	1,412	(535)
Accrued income taxes	212	172
Other assets	(167)	(722)
Accounts payable	(4,861)	(429)
Accrued liabilities and customer deposits	(3,354)	6,407
Deferred profit	(50)	(1,259)
Net cash (used in) provided by operating activities	(10,770)	1,897
Investing Activities		
Purchases of property, plant and equipment	(108)	(155)
Acquisitions, net of cash acquired	—	(253)
Proceeds from partial sale of subsidiary	7,012	—
Loss on equity investments	17	—
Net cash provided by (used in) investing activities	6,921	(408)
Financing Activities		
Payments on long-term debt	(180)	—
Borrowings on long-term debt	830	—
Net cash provided by financing activities	650	—
Effect of Exchange Rate Changes on Cash	(36)	(302)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,235)	1,187
Cash and Cash Equivalents, Beginning of Period	25,852	27,367
Cash and Cash Equivalents, End of Period	$22,617	$28,554
Supplemental Cash Flow Information:		
Cash paid for interest	$89	$—

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2015 AND 2014
(UNAUDITED)

1. Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation - Amtech Systems, Inc. (the “Company” or “Amtech”) is a global manufacturer of capital equipment, including thermal processing, silicon wafer handling automation, and related consumables used in fabricating solar cells, LED and semiconductor devices. The Company sells these products to solar cell and semiconductor manufacturers worldwide, particularly in Asia, United States and Europe.

The Company serves niche markets in industries that are experiencing rapid technological advances and which historically have been very cyclical. Therefore, future profitability and growth depend on the Company’s ability to develop or acquire and market profitable new products and on its ability to adapt to cyclical trends.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), and consequently do not include all disclosures normally required by accounting principles generally accepted in the United States of America. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments necessary, all of which are of a normal and recurring nature, to present fairly our financial position, results of operations and cash flows. Certain information and note disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015.

The consolidated results of operations for the three months ended December 31, 2015, are not necessarily indicative of the results to be expected for the full fiscal year.

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and subsidiaries in which it has a controlling interest. The Company reports noncontrolling interests in consolidated entities as a component of equity separate from the Company’s equity. The equity method of accounting is used for investments over which the Company has a significant influence but not a controlling financial interest. All material intercompany accounts and transactions have been eliminated in consolidation.

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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition - The Company reviews product and service sales contracts with multiple deliverables to determine if separate units of accounting are present. Where separate units of accounting exist, revenue allocated to delivered items is the lower of the relative selling price of the delivered items in the sales arrangement or the portion of the selling price that is not contingent upon performance of the service.

The Company recognizes revenue when persuasive evidence of an arrangement exists; the product has been delivered and title has transferred, or services have been rendered; and the seller’s price to the buyer is fixed or determinable and collectability is reasonably assured. For us, this policy generally results in revenue recognition at the following points:

1. For the Company's equipment business, transactions where legal title passes to the customer upon shipment, revenue is recognized upon shipment for those products where the customer's defined specifications have been met with at least two similarly configured systems and processes for a comparably situated customer. Selling prices may include both equipment and services, i.e., installation and start-up services performed by our service technicians. The equipment and services are multiple deliverables. Certain equipment that has a positive track record of successful installation and customer acceptance are considered to be routine systems. Revenue recognition upon delivery of such equipment that has been routinely installed and accepted is equal to the total selling price minus the relative selling price of the undelivered services.

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Where the installation and acceptance of more than two similarly configured items of equipment have not become routine, recognition of revenue upon delivery of equipment is limited to the lesser of (i) the total selling price minus the relative selling price of the undelivered services or (ii) the non-contingent amount.

Since the Company only defers those costs directly related to installation, or other unit of accounting not yet delivered, and the portion of the contract price is often considerably greater than the relative selling price of those items, the policy at times will result in deferral of profit that is disproportionate in relation to the deferred revenue. When this is the case, the gross margin recognized in one period will be lower and the gross margin reported in a subsequent period will improve.

2. For products where the customer's defined specifications have not been met with at least two similarly configured systems and processes, the revenue and directly related costs are deferred at the time of shipment and later recognized at the time of customer acceptance or when this criterion has been met. On occasion, the Company has experienced longer than expected delays in receiving cash from certain customers pending final installation or system acceptance. If some customers refuse to pay the final payment, or otherwise delay final acceptance or installation, the deferred revenue would not be recognized, adversely affecting future cash flows and operating results.

3. Sales of certain equipment, spare parts and consumables are recognized upon shipment, as there are no post shipment obligations other than standard warranties.

4. Service revenue is recognized upon performance of the services requested by the customer. Revenue related to service contracts is recognized ratably over the period of the contract or in accordance with the terms of the contract, which generally coincides with the performance of the services requested by the customer.

Deferred Profit – Revenue deferred pursuant to the Company's revenue recognition policy, net of the related deferred costs, if any, is recorded as deferred profit in current liabilities. The components of deferred profit are as follows:

	December 31, 2015	September 30, 2015
	(dollars in thousands)	
Deferred revenues	$6,994	$7,280
Deferred costs	2,315	2,407
Deferred profit	$4,679	$4,873

Cash Equivalents – The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of amounts invested in U.S. money market funds and various U.S. and foreign bank operating and time deposit accounts.

Restricted Cash – Restricted cash of $0.8 million and $0.6 million as of December 31, 2015, and September 30, 2015, respectively, includes collateral for bank guarantees required by certain customers from whom deposits have been received in advance of shipment. Restricted cash as of December 31, 2015 and September 30, 2015 includes $0.2 million relating the Company's proportional responsibility, assumed in connection with the BTU International Inc. ("BTU") acquisition, for clean-up costs at a Superfund site.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable are recorded at the gross sales price of products sold to customers on trade credit terms. Accounts receivable are considered past due when payment has not been received from the customer within the normal credit terms extended to that customer. A valuation allowance is established for accounts when collection is no longer probable. Accounts are written off against the allowance when the probability of collection is remote.

Accounts Receivable - Unbilled and Other – Unbilled and other accounts receivable consist mainly of the contingent portion of the sales price that is not collectible until successful installation of the product. These amounts are generally billed upon final customer acceptance.

Concentrations of Credit Risk – Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and trade accounts receivable. The Company’s customers consist of solar cell and semiconductor manufacturers worldwide, as well as the lapping and polishing marketplace. Credit risk is managed by performing ongoing credit evaluations of the customers’ financial condition, by requiring significant deposits where appropriate, and by

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actively monitoring collections. Letters of credit are required of certain customers depending on the size of the order, type of customer or its creditworthiness, and country of domicile. Reserves for potentially uncollectible receivables are maintained based on an assessment of collectability.

The Company maintains its cash, cash equivalents and restricted cash in multiple financial institutions. Balances in the United States, which account for approximately 80% of the Company's total cash balances are primarily invested in US Treasuries or are in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The remainder of the Company’s cash is maintained with financial institutions with reputable credit in The Netherlands, France and China.

As of December 31, 2015 and September 30, 2015, no customer individually represented greater than 10% of accounts receivable.

Refer to Note 6 to Condensed Consolidated Financial Statements, Major Customers and Foreign Sales, for information regarding revenue and assets in other countries subject to fluctuation in foreign currency exchange rates.

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Inventories – Inventories are stated at the lower of cost or net realizable value. Approximately 60% of inventory is valued on an average cost basis with the remainder determined on a first-in, first-out (FIFO) basis. The components of inventories are as follows:

	December 31, 2015	September 30, 2015
	(dollars in thousands)	
Purchased parts and raw materials	$10,950	$11,587
Work-in-process	4,314	5,089
Finished goods	6,277	6,653
	$21,541	$23,329

Property, Plant and Equipment – Property, plant and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. The cost of property retired or sold and the related accumulated depreciation are removed from the applicable accounts when disposition occurs and any gain or loss is recognized. Depreciation is computed using the straight-line method. Useful lives for equipment, machinery and leasehold improvements range from three to seven years; for furniture and fixtures from five to ten years; and for buildings 20-30 years.

The following is a summary of property, plant and equipment:

	December 31, 2015	September 30, 2015
	(dollars in thousands)	
Land, building and leasehold improvements	$17,904	$18,095
Equipment and machinery	9,564	9,709
Furniture and fixtures	5,325	5,465
	32,793	33,269
Accumulated depreciation and amortization	(15,714)	(15,508)
	$17,079	$17,761

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Goodwill - Goodwill and intangible assets with indefinite lives are not subject to amortization, but are tested for impairment when it is determined that it is more likely than not that the fair value of a reporting unit or the indefinite-lived intangible asset is less than its carrying amount, typically at the end of the fiscal year, or more frequently if circumstances dictate.

The following is a summary of activity in goodwill:

	Solar	Semiconductor	Polishing	Total
	(dollars in thousands)			
Goodwill	$6,617	$4,463	$728	$11,808
Accumulated impairment losses	(1,273)	—	—	(1,273)
Carrying value at September 30, 2015	5,344	4,463	728	10,535
Goodwill recognized due to acquisitions	—	600	—	600
Net exchange differences	(161)	—	—	(161)
Carrying value at December 31, 2015	$5,183	$5,063	$728	$10,974
Goodwill	$6,413	$5,063	$728	$12,204
Accumulated impairment losses	(1,230)	—	—	(1,230)
Carrying value at December 31, 2015	$5,183	$5,063	$728	$10,974

Intangibles – Intangible assets are capitalized and amortized on a straight-line basis over their useful life if the life is determinable. If the life is not determinable, amortization is not recorded.

The following is a summary of intangibles:

	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		December 31, 2015			September 30, 2015		
		(dollars in thousands)					
Non-compete agreements	4-8 years	$133	$ (133)	$—	$137	$ (137)	$—
Customer lists	10 years	2,412	(776)	1,636	2,434	(808)	1,626
Technology	5-10 years	3,126	(1,526)	1,600	3,223	(1,368)	1,855
Trade names	10-15 years	1,449	(97)	1,352	1,456	(72)	1,384
Other	2-10 years	287	(210)	77	278	(204)	74
		$7,407	$ (2,742)	$4,665	$7,528	$ (2,589)	$4,939

Long-lived assets - Long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Warranty – A limited warranty is provided free of charge, generally for periods of 12 to 24 months, for all purchases of the Company’s new products and systems. Accruals are recorded for estimated warranty costs at the time revenue is recognized. The following is a summary of activity in accrued warranty expense:

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	Three Months Ended December 31,	
	2015	2014
	(dollars in thousands)	
Beginning balance	$793	$628
Warranty expenditures	(22)	(228)
Warranty provisions/(adjustment)	(5)	307
Ending balance	$766	$707

Stock-Based Compensation - The Company measures compensation costs relating to share-based payment transactions based upon the grant date fair value of the award. Those costs are recognized as expense over the requisite service period, which is generally the vesting period. The benefits of tax deductions in excess of recognized compensation cost are credited to additional paid-in capital and reported as cash flow from financing activities rather than as cash flow from operating activities.

Stock-based compensation expense reduced the Company's results of operations by the following amounts:

	Three Months Ended December 31,	
	2015	2014
	(dollars in thousands)	
Effect on income before income taxes (1)	$(342)	$(232)
Effect on income taxes	48	36
Effect on net income	$(294)	$(196)

(1) Stock-based compensation expense is included in selling, general and administrative expenses.

Stock options issued under the terms of the Company's option plans have, or will have, an exercise price equal to the fair market value of the common stock at the close of trading on the NASDAQ the day prior to the date of the option grant and expire no later than 10 years from the date of grant, with the most recent grant expiring in 2025. Options issued by the Company generally vest over six months to four years, subject to the Company's board of directors' discretion.

Stock option transactions and the options outstanding are summarized as follows:

	Three months ended December 31,			
	2015		2014	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of period	1,627,477	$9.11	1,063,324	$7.37
Granted	344,075	5.25	282,500	9.98
Exercised	—	—	—	—
Forfeited	(33,642)	14.90	—	—
Outstanding at end of period	1,937,910	$8.34	1,345,824	$7.91
Exercisable at end of period	1,189,855	$9.21	802,703	$7.81
Weighted average fair value of options	$3.03		$6.09	

granted during the period

The fair value of options was estimated at the applicable grant date using the Black-Scholes option pricing model with the following assumptions:

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	Three months ended December 31,	
	2015	2014
Risk free interest rate	2%	2%
Expected life	6 years	6 years
Dividend rate	0%	0%
Volatility	62%	67%

To estimate expected lives for this valuation, it was assumed that options will be exercised at varying schedules after becoming fully vested. Forfeitures have been estimated at the time of grant and will be revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based upon historical experience. Fair value computations are highly sensitive to the volatility factor assumed; the greater the volatility, the higher the computed fair value of the options granted. The Company uses historical stock prices to determine the volatility factor.

The Company awards restricted shares under the existing share-based compensation plans. The Company's restricted share awards vest in equal annual installments over a two- to four-year period. The total value of these awards is expensed on a ratable basis over the service period of the employees receiving the grants. The "service period" is the time during which the employees receiving grants must remain employees for the shares granted to fully vest.

Restricted stock transactions and awards outstanding are summarized as follows:

	Three months ended December 31,			
	2015		2014	
	Awards	Weighted Average Grant Date Fair Value	Awards	Weighted Average Grant Date Fair Value
Beginning Outstanding	13,540	$7.98	35,203	$10.13
Released	(13,540)	7.98	(21,663)	11.47
Ending Outstanding	—	$—		

Craig E. LaBarge
Chief Executive Officer, President and Director

/s/ DONALD H. NONNENKAMP
Donald H. Nonnenkamp
Vice President, Chief Financial Officer and Secretary

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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 28, 2009 and June 29, 2008, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended June 28, 2009. We also have audited the Company's internal control over financial reporting as of June 28, 2009, 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 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 LaBarge, Inc. and subsidiaries as of June 28, 2009 and June 29, 2008, and the results of its operations and its cash flows for each of the years in the three-year period ended June 28, 2009, 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 28, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired Pensar Electronic Solutions, LLC(Pensar) during the fiscal year ended June 28, 2009, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of June 28, 2009 Pensar's internal control over financial reporting associated with total assets of $48.9 million and total revenues of $25.9 million included in the consolidated financial statements of the Company as of and for the fiscal year ended June 28, 2009.   Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Pensar.

/s/ KPMG LLP

St. Louis, Missouri
August 28, 2009

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

	Fiscal Year Ended		
	June 28, 2009	June 29, 2008	July 1, 2007

Net sales	**$ 273,368**	$ 279,485	$ 235,203
Cost and expenses:			
Cost of sales	**222,583**	224,498	189,408
Selling and administrative expense	**32,810**	29,557	26,269
Interest expense	**1,294**	1,459	2,241
Other expense (income), net	**14**	133	(714)
Earnings before income taxes	**16,667**	23,838	17,999
Income tax expense	**6,329**	9,011	6,656
Net earnings	**$ 10,338**	$ 14,827	$ 11,343
Basic net earnings per common share	**$ 0.67**	$ 0.98	$ 0.75
Average basic common shares outstanding	**15,498**	15,198	15,143
Diluted net earnings per common share	**$ 0.64**	$ 0.92	$ 0.71
Average diluted common shares outstanding	**16,044**	16,138	16,047

See accompanying notes to consolidated financial statements.

LaBarge, Inc.

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share amounts)

	June 28, 2009	June 29, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 4,297**	$ 1,646
Accounts and other receivables, net	**37,573**	40,778
Inventories	**54,686**	66,927
Prepaid expenses	**1,090**	1,245
Deferred tax assets, net	**3,055**	1,960
Total current assets	**100,701**	112,556
Property, plant and equipment, net	**30,624**	17,248
Intangible assets, net	**11,255**	1,548
Goodwill, net	**43,457**	24,292
Other assets, net	**4,798**	4,828
Total assets	**$ 190,835**	$ 160,472
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	**$ ---**	$ 10,500
Current maturities of long-term debt	**6,162**	4,682
Trade accounts payable	**18,354**	22,684
Accrued employee compensation	**10,957**	13,494
Other accrued liabilities	**2,483**	2,552
Cash advances from customers	**6,738**	11,897
Total current liabilities	**44,694**	65,809
Long-term advances from customers for purchase of materials	**47**	622
Deferred tax liabilities, net	**1,885**	---

Deferred gain on sale of real estate and other liabilities	**1,732**	2,125
Long-term debt	**39,326**	447
Stockholders' equity:		
Common stock, $0.01 par value. Authorized 40,000,000 shares; 15,958,839 issued at June 28, 2009 and 15,773,253 at June 29, 2008, including shares in treasury	**160**	158
Additional paid-in capital	**14,700**	16,547
Retained earnings	**88,939**	78,601
Accumulated other comprehensive loss	**(141)**	---
Less cost of common stock in treasury; 56,765 at June 28, 2009 and 419,503 at June 29, 2008	**(507)**	(3,837)
Total stockholders' equity	**103,151**	91,469
Total liabilities and stockholders' equity	**$ 190,835**	$ 160,472

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Cash flows from operating activities:			
Net earnings	**$ 10,338**	$ 14,827	$ 11,343
Adjustments to reconcile net cash provided by operating activities, net of effects of acquisition:			
Depreciation and amortization	**6,930**	5,290	5,030
Gain on sale of real estate	**---**	---	(635)
Amortization of deferred gain on sale of real estate	**(481)**	(481)	(133)
Loss on disposal of property, plant and equipment	**108**	45	---
Stock-based compensation	**1,128**	1,445	1,076
Other than temporary impairment of investments	**26**	59	179
Deferred taxes	**790**	361	(1,161)
Changes in operating assets and liabilities:			
Accounts and notes receivable, net	**10,480**	(10,574)	(465)
Inventories	**18,589**	(7,210)	(5,898)
Prepaid expenses	**259**	1,088	(590)
Trade accounts payable	**(9,794)**	3,531	2,749
Accrued liabilities	**(3,018)**	2,350	3,408
Advance payments from customers	**(5,735)**	7,316	(2,952)
Net cash provided by operating activities	**29,620**	18,047	11,951
Cash flows from investing activities:			
Acquisition, net of cash acquired	**(45,074)**	---	---
Additions to property, plant and equipment	**(10,799)**	(4,840)	(5,220)
Proceeds from disposal of property and equipment and other assets	**25**	130	25
Additions to other assets and intangibles	**(652)**	(480)	(1,069)
Proceeds from sale of real estate	**---**	---	9,550
Proceeds from surrender of insurance policy	**---**	---	306
Other investing activities	**---**	5	---
Net cash (used) provided by investing activities	**(56,500)**	(5,185)	3,592

Cash flows from financing activities:			
Borrowings on revolving credit facility	**50,050**	91,278	69,575
Payments of revolving credit facility	**(60,550)**	(95,603)	(74,225)
Excess tax benefits from stock option exercises	**3,083**	213	405
Remittance of minimum taxes withheld as part of a net share settlement of stock option exercises	**(1,689)**	---	---
Borrowings of long-term debt	**42,014**	---	258
Repayments of long-term debt	**(1,654)**	(6,302)	(11,020)
Transaction costs related to bank financing	**(274)**	---	---
Issuance of treasury stock	**2,055**	781	1,121
Purchase of treasury stock	**(3,504)**	(1,975)	(2,212)
Net cash provided (used) by financing activities	**29,531**	(11,608)	(16,098)
Net increase (decrease) in cash and cash equivalents	**2,651**	1,254	(555)
Cash and cash equivalents at beginning of fiscal year	**1,646**	392	947
Cash and cash equivalents at end of fiscal year	**$ 4,297**	$ 1,646	$ 392
Non-cash investing transactions:			
Increase in capital lease obligations	**$ ---**	$ ---	$ 8

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
STOCKHOLDERS' EQUITY			
Common stock, beginning of year	**$ 158**	$ 158	$ 158
Shares issued during year	**2**	---	---
Common stock, end of year	**160**	158	158
Paid-in capital, beginning of year	**16,547**	16,174	15,185
Stock compensation programs	**(1,847)**	373	989
Paid-in capital, end of year	**14,700**	16,547	16,174
Retained earnings, beginning of year	**78,601**	63,774	52,431
Net earnings for the year	**10,338**	14,827	11,343
Retained earnings, end of year	**88,939**	78,601	63,774
Accumulated other comprehensive loss, beginning of year	**---**	---	---
Other comprehensive loss for the year	**(141)**	---	---
Accumulated other comprehensive loss, end of year	**(141)**	---	---
Treasury stock, beginning of year	**(3,837)**	(3,696)	(2,940)
Acquisition of treasury stock	**(3,504)**	(1,975)	(2,212)
Issuance of treasury stock	**6,834**	1,834	1,607
Forfeiture of nonvested shares	**---**	---	(151)
Treasury stock, end of year	**(507)**	(3,837)	(3,696)
Total stockholders' equity	**$ 103,151**	$ 91,469	$ 76,410

COMPREHENSIVE INCOME			
Net earnings	**$ 10,338**	$ 14,827	$ 11,343
Other comprehensive loss	**(141)**	---	---
Total comprehensive income	**$ 10,197**	$ 14,827	$ 11,343
COMMON SHARES			
Common stock, beginning of year	**15,773,253**	15,773,253	15,773,253
Shares issued during year	**185,586**	---	---
Common stock, shares issued, end of year	**15,958,839**	15,773,253	15,773,253
TREASURY SHARES			
Treasury stock, beginning of year	**(419,503)**	(506,704)	(606,262)
Acquisition of shares	**(293,004)**	(145,038)	(194,010)
Issuance of shares	**655,742**	232,239	293,568
Treasury stock, end of year	**(56,765)**	(419,503)	(506,704)

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

LaBarge, Inc. and subsidiaries (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.

The Company markets its services to customers desiring an engineering and manufacturing partner capable of developing and providing products that can perform reliably in harsh environmental conditions, such as high and low temperatures, 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, medical, aerospace, natural resources, industrial and other commercial markets. As a contract manufacturer, revenues and profit levels are impacted, primarily, by the volume of sales in the particular period.

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. All inter-company balances and transactions have been eliminated in consolidation.

Accounting Period

The Company uses a fiscal year ending the Sunday closest to June 30; each fiscal quarter is 13 weeks. Fiscal years 2009, 2008 and 2007 consisted of 52 weeks.

All subsequent events have been evaluated for disclosure in the financial statements through August 28, 2009, the date of filing.

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 ("U.S. GAAP") 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

The Company's revenue is derived from units and services delivered pursuant to contracts. The Company has a significant number of contracts for which revenue is accounted for under the percentage of completion method using the units of delivery as the measure of completion. This method is consistent with Statement of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" ("SOP 81-1"). The percentage of total revenue recognized from contracts within the scope of SOP 81-1 is generally 40-60% of total revenue in any given quarter. These contracts are primarily fixed price contracts that vary widely in terms of size, length of performance period and expected gross profit margins. Under the units of delivery method, the Company recognizes revenue when title transfers, which is usually upon shipment of the product or completion of the service.

The Company also sells products under purchase agreements, supply contracts and purchase orders that are not within the scope of SOP 81-1. The Company provides goods from continuing production over a period of time. The Company builds units to the customer specifications and based on firm purchase orders from the customer. The purchase orders tend to be of a relatively short duration and customers place orders on a periodic basis. The pricing is generally fixed for some length of time and the quantities are based on individual purchase orders. Revenue is recognized in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition." Revenue is recognized on substantially all transactions when title transfers, which is usually upon shipment.

Therefore, revenue for contracts within the scope of SOP 81-1 and for those not within the scope of SOP 81-1 is recognized when title transfers, which is usually upon shipment or completion of the service.

However, the cost of sales recognized under both contract types is determined differently. The percentage-of-completion method for contracts that are within the scope of SOP 81-1 gives effect to the most recent contract value and estimates of cost at completion. Contract costs generally include all direct costs, such as materials, direct labor, subcontracts and indirect costs identifiable with or allocable to the contracts. Learning or start-up costs, including tooling and set-up costs incurred in connection with existing contracts, are charged to existing contracts. The contract costs do not include any sales, marketing or general and administrative costs. Revenue is calculated as the number of units shipped multiplied by the sales price per unit. The Company estimates the total revenue of the contract and the total contract costs and calculates the contract cost percentage and gross profit margin. The gross profit during a period is equal to the earned revenue for the period times the estimated contract gross profit margin. Thus, if no changes to estimates were made the procedure results in every dollar of earned revenue having the same cost of earned revenue percentage and gross profit percentages. This method is applied consistently on all of the contracts accounted for under SOP 81-1.

The Company periodically reviews all estimates to complete as required by SOP 81-1 and the estimated total cost and expected gross profit are revised as required over the life of the contract. The revision to the estimated total cost is accounted for as a change of an estimate. A cumulative catch up adjustment is recorded in the period of the change in the estimated costs to complete the contract. Therefore, cost of sales and gross profit in a period includes (a) a cumulative catch-up adjustment to reflect the adjustment of previously recognized profit associated with all prior period revenue recognized based on the current estimate of gross profit margin, as appropriate, and (b) an entry to record the current period costs of sales and related gross profit margin based on the current period sales multiplied by the current estimate of the gross profit margin on the contract. Cumulative adjustments are reported as a component of cost of sales.

In summary, the cumulative gross profit margin recognized through the end of the current period on a contract will equal the current estimate of the gross profit margin on the contract multiplied by the contract revenues recognized through the end of the current period. The current period gross profit will equal current period sales multiplied by the expected gross profit margin (on a percentage basis) on the contract plus or minus any net effect of cumulative adjustments to prior period sales under the contract.

In addition, when there is an anticipated loss on a contract, a provision for the entire loss is recorded in the period when the anticipated loss is determined. The loss is reported as a component of cost of sales. Therefore, the cumulative gross profit margin recognized through the end of the current period on a contract with an estimated loss will equal the current estimate of the gross profit margin on the contract multiplied by the contract revenues recognized through the end of the current period plus the provision for the additional loss on contract revenues yet to be recognized. The current period gross profit on a contract with a loss reserve will equal current period sales at a 0% gross profit margin plus or minus any net effect of cumulative adjustments to the loss reserve based on any changes to the estimated total loss on the contract.

This method of recording costs for contracts under SOP 81-1 is equivalent to Alternative A as described in paragraph 80 of SOP 81-1.

The contracts that are not subject to SOP 81-1 are not subject to estimated costs of completion. Cost of sales under these contracts are based on the actual cost of material, labor and overhead charged to each job. The contract costs do not include any selling and administrative expenses.

During fiscal year 2007, the Company entered into an 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 Principal 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. For the fiscal year ended June 28, 2009, the Company's net sales recognized under this contract were $13.0 million related to the manufactured assemblies, and $493,000 related to the supplied parts.

On a very limited number of transactions, at a customer's request, the Company will recognize revenue when title passes, but prior to the shipment of the product to the customer. As of June 28, 2009, the Company has recognized revenue on products for which title has transferred but the product has not been shipped to the customer of $762,000. The Company recognizes revenue for storage and other related services as the services are provided.

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. The Company considers factors, which include but are not limited to: (i) the customer's payment history, (ii) the customer's current financial condition and (iii) any other relevant information about the collectibility of the receivable. The Company considers all information available to it in order to make an informed and reasoned judgment as to whether it is probable that an accounts receivable asset has been impaired as of a specific date. The Company's policy on bad debt allowances for accounts receivable is to provide for any invoice not collected in 360 days, and to provide for additional amounts where, in the judgment of management, such an allowance is warranted based on the specific facts and circumstances.

Inventories

Inventories, other than work-in-process inventoried costs relating to those contracts accounted for under SOP 81-1, are carried at the lower of cost or market value.

Inventoried costs relating to contracts accounted for under SOP 81-1 are stated at the actual production cost, including overhead, tooling and other related non-recurring costs, incurred to date, reduced by the amounts identified with revenue recognized on units delivered. Selling and administrative expenses are not included in inventory costs. Inventoried costs related to these contracts are reduced, as appropriate, by charging any amounts in excess of estimated realizable value to cost of sales. The costs attributed to units delivered under these contracts are based on the estimated average cost of all units expected to be produced. This average cost utilizes, as appropriate, the learning curve concept, which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition. In accordance with industry practice, inventories include amounts relating to long-term contracts that will not be realized in one year. Since the inventory balance is dependent on the estimated cost at completion of a contract, inventory is impacted by all of the factors described in the Revenue Recognition and Cost of Sales section above.

In addition, management regularly reviews all inventory for obsolescence to determine whether any 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, inventory write-downs may be required. For the fiscal years ended June 28, 2009, June 29, 2008 and July 1, 2007, expense for obsolete or slow-moving inventory charged to income before income taxes was $1.5 million, $1.9 million and $1.3 million (excluding the impact of the charges related to Eclipse as described in Note 5 of the Consolidated Financial Statements), respectively.

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. Effective July 2, 2007, the Company adopted the recognition and disclosure provision of Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement 109" ("FIN 48"). FIN 48 addresses the accounting for uncertain tax position that a Company has taken or expects to take on a tax return. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

Fair Value of Financial Instruments

The Company considered the carrying amounts of cash and cash equivalents, securities and other current assets and liabilities, 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 in the financial statements are consistent with the estimated fair value as of June 28, 2009.

Additionally, the interest rate swap agreement, further described in Note 11 to the Consolidated Financial Statements, has been recorded by the Company based on the estimated fair value as of June 28, 2009.

Property, Plant and Equipment

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

Cash Equivalents

The Company considers cash equivalents to be temporary investments that 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 eligible employees 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

The Company accounts for stock-based compensation under Statements of Financial Accounting Standard ("SFAS") No. 123R ("SFAS No. 123R"),which requires that all stock-based compensation be recognized as expense, measured at the fair value of the award. 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.

During the fiscal years ended June 28, 2009, June 29, 2008 and July 1, 2007, 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 the SFAS No. 123R, the entire tax benefit of $16,000 for fiscal year 2009, $213,000 for fiscal year 2008 and $95,000 for fiscal year 2007 was recorded as an increase to additional paid-in capital.

No stock options were issued in the years ended June 28, 2009, 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. 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. No performance units were issuable for the fiscal year 2009, as the performance conditions were not met. Included in diluted shares at June 28, 2009 and June 29, 2008 and were 141,923 shares issuable for fiscal 2008 performance, as the performance condition had been met. The Company issued 108,084 shares related to the fiscal year 2007 performance and recognized related compensation expense in fiscal years 2009, 2008 and 2007.

For the fiscal year ended June 28, 2009, total stock-based compensation was $1.1 million ($678,000 after-tax), equivalent to earnings per basic and diluted share of $0.04. 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.

Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," intangible assets deemed to have indefinite lives and goodwill are not subject to amortization. All other intangible assets are amortized over their estimated useful lives. Goodwill and other intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. This testing requires comparison of the estimated fair values of the reporting units to the carrying values of the reporting units. When appropriate, the carrying value of impaired assets is reduced to fair value. During the fourth quarter of 2009, the Company completed its annual impairment test and determined that the fair value of its reporting units are in excess of the carrying values, and that there was no impairment of goodwill. Different assumptions regarding such factors as sales levels and price changes, labor and material cost changes, interest rates and productivity could affect such valuations.

Recently Adopted Accounting Standards

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"). EITF 06-4 addresses the accounting for endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods. The Company adopted EITF 06-4 on June 30, 2008, which did not have a material impact on the Company's consolidated financial statements.

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. In accordance with SFAS No. 159, 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. The Company adopted the provisions of SFAS No. 159 on June 30, 2008, which did not have a material impact on its consolidated financial statements.

In March 2008, the FASB Issued SFAS No. 161, "Disclosures about Derivative Instruments and hedging Activities, an amendment of FASB Statement No. 133," which requires companies to disclose their objectives and strategies for using derivative instruments, whether or not designated as hedging instruments under SFAS no. 133. SFAS No. 161 was effective for the Company for the fiscal year ended June 28, 2009 and did not have a material impact on its Consolidated Financial Statements.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165") which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 was effective for the Company for the fiscal year ended June 28, 2009 and did not have a material impact on its consolidated financial statements. The Company performed an evaluation of subsequent events through August 28, 2009, the date which the financial statements were issued, and determined no subsequent events had occurred which would require changes to its accounting or disclosures.

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 required relative to fair value measurements. The Company adopted the provisions of SFAS No. 157 on June 30, 2008 for financial assets and liabilities which did not have a material impact on its Consolidated Financial Statements. As permitted under FASB Staff Position 157-2, “Effective Date of FASB Statement No. 157,” the Company will defer the adoption of SFAS No. 157 for its nonfinancial assets and nonfinancial liabilities until the Company’s fiscal year ended June 27, 2010. The Company does not expect the adoption of SFAS No. 157 related to nonfinancial assets and liabilities to have a material impact on its consolidated financial statements.

Recently Issued Accounting Standards

In December 2007, the FASB issued SFAS No. 141R, “Business Combinations” (SFAS No. 141R”), which provides guidance on the accounting and reporting for business combinations. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008. The Company adopt SFAS No. 141R effective June 30, 2009 and does not expect the adoption to have a material impact on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162” (“SFAS No. 168”). SFAS No. 168 provides for the FASB Accounting Standards Codification (the “Codification”) to become the single official source of authoritative, nongovernmental U.S. GAAP. The Codification did not change U.S. GAAP but reorganizes the literature and is effective for the Company’s interim and annual periods ending after September 15, 2009. The Company does not expect the adoption of SFAS No. 168 to have a material impact on its consolidated financial statements.

2. ACQUISITION

On December 22, 2008, the Company acquired substantially all of the assets of Pensar Electronic Solutions, LLC (“Pensar”). The acquisition of Pensar, located in Appleton, Wisconsin, provided the Company with a presence in the Upper Midwest, and added significant new medical, natural resources and industrial accounts to the Company’s customer mix.

Pensar is a contract electronics manufacturer that designs, engineers and manufactures low-to-medium volume, high-mix, complex printed circuit board assemblies and higher-level electronic assemblies for customers in a variety of end markets. Pensar’s calendar 2008 revenues were $52.4 million. The company has long-term customer relationships with industry leaders in a variety of commercial markets, with the medical, natural resources and industrial sectors accounting for the largest contributions to revenues.

The purchase price for the net assets acquired was $45.4 million. In addition, the Company assumed working capital liabilities of approximately $5.8 million, primarily trade accounts payable, and incurred estimated transaction costs of $158,000. Included in the current assets acquired was $302,000 of cash. The purchase agreement includes an earn-out provision based on Pensar attaining certain financial targets for the periods ending June 28, 2009 and June 27, 2010. The financial targets for the period ending June 28, 2009 were not met and no additional consideration has been paid. If the financial targets are met for the 18 months ending June 27, 2010, the sellers would receive additional consideration of $2.2 million. The acquisition was financed with $35.0 million of senior debt, $7.9 million of borrowings under the Company’s short-term revolving credit facility and $2.5 million in cash.

The initial purchase price has been allocated to Pensar’s net tangible and intangible assets based upon their estimated fair value as of the date of the acquisition. The preliminary purchase price allocation as of June 28, 2009, was as follows:

(in thousands)

	As of June 28, 2009
Current assets	**$14,029**
Property and equipment	**7,369**
Intangible assets	**10,620**
Goodwill	**19,165**
Total assets acquired	**$51,183**
Current liabilities	**5,807**
Long-term liabilities	**---**
Total liabilities assumed	**$ 5,807**
Net assets acquired	**$45,376**

The Company believes that substantially all of the goodwill will be deductible for tax purposes. The preliminary estimates of intangible assets include $9.7 million for Pensar's "customer list," which is expected to be amortized over eight years, and $950,000 for "employee non-compete contracts" which is expected to be amortized over two years. At June 28, 2009, the goodwill attributable to the Pensar acquisition was increased by $1.3 million as compared with the initial allocation as of December 28, 2008 primarily to reflect a reduction of the estimated value of the employee non-compete agreements, based on a revised estimate of the useful life of the agreements.

Sales attributable to Pensar were $25.9 million for the twelve months ended June 28, 2009. The impact on the Company's net earnings for the fiscal year 2009 was a loss of $481,000 pretax ($289,000 after-tax), which had a ($0.02) impact on basic and diluted earnings per share.

The following table represents LaBarge's pro forma consolidated results of operations as if the acquisition of Pensar had occurred at the beginning of fiscal year 2008. Such results have been prepared by adjusting the historical LaBarge results to include Pensar results of operations and incremental interest and other expenses related to acquisition debt. The Pensar financial results in the pro forma table are based on Pensar's audited historical financial statements. The pro forma results do not include any cost savings that may result from the combination of the LaBarge and Pensar operations. The pro forma results may not necessarily reflect the consolidated operations that would have existed had the acquisition been completed at the beginning of such periods nor are they necessarily indicative of future results.

Pro forma financial results:

(dollars in thousands, except per-share data)

	June 28, 2009	June 29, 2008
Net sales	**$298,479**	$330,468
Basic net earning per common share	**$ 0.71**	$ 1.07
Diluted net earnings per common share	**$ 0.68**	$ 1.01

The pro forma consolidated results of operations for the fiscal year ended June 28, 2009 reduced the cost of sales for the acquired manufacturing profit of $218,000 that was capitalized as part of the inventory acquired, and subsequently recognized in the cost of sales in accordance with SFAS No. 141, "Business Combinations."

3. SALES AND NET SALES

Sales and net sales consist of the following:

(in thousands)

	Fiscal Year Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Sales	**$274,304**	$280,354	$236,414
Less sales discounts	**936**	869	1,211
Net sales	**$273,368**	$279,485	$235,203

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 of the fiscal years presented.

Customer Information

The Company's top three customers and their relative contributions to sales for fiscal year ended June 28, 2009 were as follows: Owens-Illinois Group Inc., $38.8 million (14.2%), Raytheon Company, $24.1 million (8.8%) and Schlumberger Ltd., $23.3 million (8.5%). This compares with Owens-Illinois Group Inc., $39.8 million (14.2%), Schlumberger Ltd., $31.2 million (11.2%) and Modular Mining Systems, Inc., $26.2 million (9.4%), for fiscal year ended June 29, 2008 and Schlumberger Ltd., $30.3 million (12.9%), Northrop Grumman Systems Corp., $22.7 million (9.7%) and Modular Mining Systems, Inc., $22.6 million (9.6%), for fiscal year ended July 1, 2007.

ACCOUNTS AND OTHER RECEIVABLES

4.

Accounts and other receivables consist of the following:

(in thousands)

	June 28, 2009	June 29, 2008
Billed shipments	**$35,269**	$40,105
Less allowance for doubtful accounts	**350**	252
Trade receivables, net	**34,919**	39,853
Other current receivables	**2,654**	925
	$37,573	$40,778

Accounts receivable related to the Pensar acquisition were $8.0 million at June 28, 2009. Included in accounts receivable at June 28, 2009 was $791,000 of receivables due directly from the U.S. Government and $13.8 million due from customers related to contracts with the U.S. Government. Included in accounts receivable at June 29, 2008 was $408,000 of receivables due directly from the U.S. Government and $13.6 million due from customers related to contracts with the U.S. Government.

At June 28, 2009, the amounts due from the three largest accounts receivable debtors and the percentage of total accounts receivable represented by those amounts were $6.2 million (17.5%), $3.4 million (9.7%) and $2.6 million (7.3%). This compares with $10.3 million (25.7%), $3.4 million (8.5%) and $2.9 million (7.2%) at June 29, 2008.

On November 25, 2008, Eclipse Aviation Corporation ("Eclipse"), a customer of the Company, announced that it filed a petition for relief under Chapter 11 of the United States Bankruptcy Code. The Company recorded additional selling and administrative expense of $3.7 million in the quarter ended December 28, 2008 to reserve for the receivables due to the Company from Eclipse. (The Company also took charges against inventory as described in more detail in Note 5.) On March 5, 2009, the Eclipse bankruptcy case was converted to Chapter 7 liquidation. During the quarter ended March 29, 2009, the Company wrote-off the entire trade receivables against the allowance for doubtful accounts. The Company does not expect any recovery from the bankruptcy estate.

Other current receivables for fiscal years ended June 28, 2009 and June 29, 2008, included an income tax receivable of $2.2 million and $778,000, respectively.

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
2007	$ 174	$ 76	$ 36	$ 214
2008	214	72	34	252
2009	**252**	**3,943**	**3,845**	**350**

Excluding the Eclipse charge, total expense for the year was $262,000, which primarily relates to a reserve for a start-up company that has stopped making payments on its account.

INVENTORIES

5.

Inventories consist of the following:

(in thousands)

	June 28, 2009	June 29, 2008
Raw materials	**$38,902**	$47,221
Work in progress	**3,768**	2,307
Inventoried costs relating to long-term contracts, net of amounts attributable to revenues recognized to date	**9,296**	14,078
Finished goods	**2,720**	3,321
Total	**$54,686**	$66,927

Included in the inventory balance at June 28, 2009 is $5.0 million attributable to the Pensar acquisition.

For the fiscal year ended June 28, 2009 and June 29, 2008, expense for obsolescence charged to income before taxes was $5.7 million and $1.9 million, respectively. The expense for obsolescence in the fiscal year ended June 28, 2009 includes a $4.2 million charge related to the Eclipse bankruptcy described in Note 4.

As described in Note 4, Eclipse has filed for bankruptcy under Chapter 7. The Company had approximately $4.6 million of inventory related to the production of the Eclipse E500 aircraft that was written down to its market value during the quarter ended December 28, 2008. The Company analyzed the inventory to reasonably determine the lower of cost or market value in light of the significant uncertainty surrounding the Company's future role in the production of the Eclipse E500 aircraft, if any. As a result of this analysis, the Company recorded additional cost of sales expense of $4.2 million to record inventory at the lower of cost or market value during the quarter ended December 28, 2008. The remaining inventory was valued at $422,000 which the Company was able to recover by June 28, 2009 by selling some items to brokers and returning some items to vendors. As of June 28, 2009 the carrying value of inventory related to Eclipse is zero.

The following table shows the cost elements included in the inventoried costs related to long-term contracts:

(in thousands)

	June 28, 2009	June 29, 2008
Production costs of goods currently in process [(1)]	**$9,115**	$ 9,977
Excess of production costs of delivered units over the estimated average cost of all units expected to be produced, including tooling and non-recurring costs	**621**	3,954
Unrecovered costs subject to future negotiation	**69**	387
Reserve for contracts with estimated costs in excess of contract revenues	**(509)**	(240)
Total inventoried costs	**$9,296**	$14,078

(1) Selling and administrative expenses are not included in inventory costs.

Included in the "Excess of production costs of delivered units" at June 29, 2008 is $1.5 million related to the Eclipse contract. This deferred cost was written off in the quarter ended December 28, 2008 as part of the $4.2 million charge described above. The remaining excess production costs have declined by $1.8 million as compared with June 29, 2008. Deferred production costs generally tend to be significant on large multi-year contracts for which the Company has not previously produced the product. As of June 28, 2009, the Company has completed, or is nearing completion on, several such large multi-year contracts. There are fewer similar such contracts in the early stage of production as compared with June 29, 2008.

The inventoried costs relating to long-term contracts includes unrecovered costs of $69,000 and $387,000 at June 28, 2009 and June 29, 2008, respectively, which are subject to future determination through negotiation or other procedures not complete at June 28, 2009. In the opinion of management, these costs will be recovered by contract modification.

The Company records a loss reserve when the estimated costs of a contract exceed the net realizable value of such contract. The Company currently has two contracts that generate the majority of the loss reserves. Both contracts are fixed price contracts where the Company underestimated the materials cost and the inflation in commodity prices when the contracts were bid. The Company has recorded a reserve equal to the amount that estimated costs would exceed the net realizable revenue over the contract. The increase in the reserve from June 29, 2008 is due to a new contract entered into in 2009, where a loss is anticipated.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows:

(in thousands)

	June 28, 2009	June 29, 2008	Estimated useful life in years
Land	**$ 1,083**	$ 68	---
Building and improvements	**10,398**	4,425	3 - 40
Leasehold improvements	**3,694**	4,150	2 - 15
Machinery and equipment	**38,099**	29,560	2 - 16
Furniture and fixtures	**2,834**	2,456	3 - 16
Computer equipment	**3,454**	3,172	3
Construction in progress	**1,885**	466	---
	61,447	44,297	
Less accumulated depreciation	**30,823**	27,049	
	$30,624	$17,248	

The acquisition of Pensar added $7.2 million ($6.7 million net of accumulated depreciation) to Property Plant and Equipment at June 28, 2009. Other major expenditures included the purchase of the Tulsa facility for $2.5 million and the purchase of surface mount assembly lines to increase capabilities at the Pittsburgh and Tulsa facilities for $4.2 million.

Depreciation expense was $4.9 million, $4.2 million and $3.8 million for the fiscal years ended June 28, 2009, June 29, 2008 and July 1, 2007, respectively. $496,000 of depreciation expense in the fiscal year ended June 28, 2009 was attributable to the Pensar acquisition.

7. INTANGIBLE ASSETS, NET

Intangible assets, net, are summarized as follows:

(in thousands)

	June 28, 2009	June 29, 2008
Software	**$ 5,133**	$4,090
Less accumulated amortization	**3,972**	3,457
Net software	**1,161**	633
Customer lists	**13,070**	3,400
Less accumulated amortization	**3,679**	2,485
Net customer lists	**9,391**	915
Employee agreements	**950**	---
Less accumulated amortization	**247**	---
Net employee agreements	**703**	---
	$11,255	$1,548

Intangibles are amortized over periods ranging from two to eight years. Amortization expense was $2.0 million for the fiscal year ended June 28, 2009, $1.1 million for fiscal year ended June 29, 2008 and $1.2 million for the fiscal year ended July 1, 2007.

The Company anticipates that amortization expense will approximate $2.7 million for fiscal year 2010, $2.1 million for fiscal year 2011, $1.8 million for fiscal year 2012, $430,000 for fiscal year 2013 and $430,000 for fiscal year 2014.

At June 28, 2009, the Pensar operation had software of $204,000 ($167,000 net of amortization), customer list of $9.7 million ($9.0 million net of amortization), and to employee agreements of $950,000 ($703,000 net of amortization).

8. GOODWILL

Goodwill is summarized as follows:

(in thousands)

	June 28, 2009	June 29, 2008
Goodwill	**$43,657**	$24,492
Less accumulated amortization	**200**	200
Net goodwill	**$43,457**	$24,292

The increase in goodwill resulted from the acquisition of Pensar.

9. OTHER ASSETS

Other assets are summarized as follows:

(in thousands)

	June 28, 2009	June 29, 2008
Cash value of life insurance	**$4,482**	$4,612
Deposits, licenses and other, net	**47**	112
Securities held for sale	**---**	26
Deferred financing costs, net	**233**	42
Other	**36**	36
	$4,798	$4,828

The increase in deferred financing costs is the result of borrowing to finance the Pensar acquisition. The cash value of life insurance relates to Company-owned life insurance policies on certain current and retired key employees as described in Note 13 to the Consolidated Financial Statements.

10. 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 with the property 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, was $635,000 pretax ($391,000 after-tax) and was recorded as a gain in other income in the fiscal year ended July 1, 2007. The remainder of the gain is being 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 28, 2009, $481,000 in the fiscal year ended June 29, 2008 and $133,000 in the fiscal year ended July 1, 2007.

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**

2010	$ 603	$ (481)	$ 122
2011	603	(481)	122
2012	603	(481)	122
2013	435	(346)	89

11. 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 28, 2009	June 29, 2008
Short-term borrowings:		
Revolving credit agreement:		
Balance at year-end	**$ ---**	$10,500
Interest rate at year-end	**4.00%**	3.83%
Average amount of short-term borrowings outstanding during period	**$ 2,206**	$14,764
Average interest rate for fiscal year	**4.10%**	5.79%
Maximum short-term borrowings at any month-end	**$ 5,875**	$19,025
Senior long-term debt:		
Senior lender:		
Term loan	**$45,000**	$ 4,500
Other	**488**	629
Total senior long-term debt	**45,488**	5,129
Less current maturities	**6,162**	4,682
Long-term debt, less current maturities	**$39,326**	$ 447

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 2009, 2008 and 2007 were $897,000, $1.5 million and $2.1 million, respectively.

Senior Lender:

The Company entered into a senior secured loan agreement on December 22, 2008, amended on January 30, 2009. The following is a summary of certain provisions 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 28, 2009, there were no outstanding loans under the revolving credit facility. As of June 28, 2009, letters of credit issued were $1.1 million, leaving an aggregate of $28.9 million available under the revolving credit facility. This credit facility matures on December 28, 2011.

- An aggregate $45.0 million term loan, with principal payments beginning in September 2009, at a quarterly rate of $2.0 million, increasing to $2.5 million in September 2010 and increasing to $2.7 million in September 2011. The balance is due on December 28, 2011.

- Interest on the revolving facility and the term loan is calculated at a base rate or LIBOR plus a stated spread based on certain ratios. For the fiscal year ended June 28, 2009, the average rate was approximately 3.9%.

- All loans are secured by substantially all the assets of the Company other than real estate.

- Covenants and certain financial performance criteria consisting of Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") in relation to debt, minimum net worth and operating cash flow in relation to fixed charges. The Company was in compliance with its borrowing agreement covenants as of and during the fiscal year ended June 28, 2009. The write-off of certain assets related to Eclipse during the fiscal year ended June 28, 2009 did not impact the Company's debt covenant compliance.

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With the acquisition of Pensar and the term loan associated with the purchase, the Company's exposure to variable interest rates has increased. This variability and market volatility creates a level of uncertainty in interest payments on a period-to-period basis.

Interest Rate Swap:

To mitigate the risk, associated with interest rate volatility, during the period ended June 28, 2009, the Company entered into an interest rate swap agreement with a bank. This pay-fixed, receive-floating rate swap limits the Company's exposure to interest rate variability and allows for better cash flow control. The swap is not used for speculating purposes.

Under the agreement, the Company fixed the interest payments to a base rate of 1.89% plus a stated spread based on certain ratios. The beginning notional amount is $35.0 million, which will amortize simultaneously with the term loan schedule in the associated loan agreement and will mature on December 28, 2011.

The interest rate swap agreement has been designated as a cash flow hedging instrument under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and the Company has formally documented, designated and assessed the effectiveness of the interest rate swap. The financial statement impact of ineffectiveness for the fiscal year ended June 28, 2009 was immaterial.

Fair Value:

At June 28, 2009, the Company recorded a liability of $234,000 classified within other long-term liabilities in the consolidated balance sheet, and accumulated other comprehensive loss of $141,000 (net of deferred income tax effects of $93,000) relating to the fair market value of the swap contract.

The Company adopted SFAS No. 157, "Fair Value Measurements," on its financial assets and liabilities effective June 30, 2008. SFAS No. 157establishes a three-level hierarchy for disclosure of fair value measurements, based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's interest rate swap is valued using a present value calculation based on an implied forward LIBOR curve (adjusted for the Company's credit risk) and is classified within Level 2 of the valuation hierarchy, as presented below:

(in thousands)

	Fair Value as of June 28, 2009			
	Level 1	Level 2	Level 3	Total
Other long-term liabilities:				
Interest rate swap derivative	**$ ---**	$ 234	$ ---	$ 234
	$ ---	$ 234	$ ---	$ 234

Other Long-Term Debt:

Other long-term debt includes capital lease agreements with outstanding balances totaling $238,000 at June 28, 2009 and $336,000 at June 29, 2008.

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

(in thousands)

Fiscal Year	
2010	$ 6,162
2011	12,069
2012	27,257
2013	---
2014	---
Total	$45,488

12. 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.

Rental expense under operating leases is as follows:

(in thousands)

	Fiscal Year Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Initial term of more than one year	**$2,985**	$2,894	$2,526
Deferred gain on sale leaseback	**(481)**	(481)	(133)
Short-term rentals	**---**	155	44
	$2,504	$2,568	$2,437

At June 28, 2009, the future minimum lease payments under operating leases with initial noncancellable terms in excess of one year are as follows:

(in thousands)

Fiscal Year	
2010	$ 2,658
2011	1,640
2012	1,087
2013	877
2014	258
Thereafter	1,666
Total	$ 8,186

The $1.7 million due after 2014 relates to an obligation under a long-term facility lease in Huntsville, Arkansas.

13. 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 2009, 2008 and 2007, Company matching contributions were $419,000, $494,000 and $456,000, respectively. The Company has suspended the matching contributions as of April 17, 2009. In addition, 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 years 2009, 2008 and 2007.

The Company has a deferred compensation plan for certain employees who, due to Internal Revenue Service ("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 $95,000, $90,000 and $85,000 in fiscal years 2009, 2008 and 2007, 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 $1.7 million at June 28, 2009, compared with $1.6 million at June 29, 2008. The liability for the deferred compensation and interest thereon is included in accrued employee compensation and was $5.2 million at June 28, 2009, compared with $4.8 million at June 29, 2008.

The Company has an employee stock purchase plan that allows eligible employees 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. During the fiscal year ended June 28, 2009, 25,946 shares were purchased by the Company in aggregate amount of $318,000 for which the Company recognized expense of approximately $59,000. For the fiscal year ended June 29, 2008, 24,166 shares were purchased by the Company in the aggregate amount of $307,000, for which the Company recognized expense of approximately $65,000. For the fiscal year ended July 1, 2007, 26,481 shares were purchased by the Company in the aggregate amount of $325,000 for which the Company recognized expense of approximately $70,000. The Company has suspended the employee stock purchase plan as of April 17, 2009.

14. OTHER EXPENSE (INCOME), NET

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

(amounts in thousands)

	Fiscal Year Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Interest income	**$ 8**	$ 11	$ 83
Property rental income	**---**	---	646
Property rental expense	**---**	---	(447)
Gain on sale of real estate	**---**	---	635
Other than temporary impairment of investments	**(26)**	(59)	(179)
Other, net	**4**	(85)	(24)
	$ (14)	$ (133)	$ 714

Refer to Note 10 for discussion of the gain on the sale of real estate in the fiscal year ended July 1, 2007.

15. INCOME TAXES

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

(in thousands)

	June 28, 2009	June 29, 2008	July 1, 2007
Current:			
U.S. Federal	**$ 4,431**	$ 7,211	$ 6,728
State and Local	**1,011**	1,443	1,089
Total	**$ 5,442**	$ 8,654	$ 7,817
Deferred:			
U.S. Federal	**$ 750**	$ 245	$ (950)
State and Local	**137**	112	(211)
Total	**$ 887**	$ 357	$ (1,161)

Income tax expense from operations:			
U.S. Federal	**$ 5,181**	$ 7,455	$ 5,778
State and Local	**1,148**	1,556	878
Total	**$ 6,329**	$ 9,011	$ 6,656

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

(in thousands)

	June 28, 2009	June 29, 2008	July 1, 2007
Computed "expected" tax expense	**$ 5,834**	$ 8,343	$ 6,300
Increase (decrease) in income taxes resulting from:			
Federal tax credit – current year	**---**	---	(30)
Tax exposure adjustment	**(185)**	(135)	(151)
State and local tax, net	**813**	1,007	655
Other	**(133)**	(204)	(118)
Total	**$ 6,329**	$ 9,011	$ 6,656

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 28, 2009	June 29, 2008
Deferred tax assets:		
Inventories due to additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986 and inventory valuation provisions	**$ 1,917**	$ 994
Gain on sale-leaseback transaction	**714**	891
Deferred compensation	**2,668**	2,632
Loss reserves on long-term contracts	**217**	96
Accrued vacation	**462**	462
Other than temporary impairment of asset - held for sale	**307**	292
Other	**361**	224
Total gross deferred tax assets	**$ 6,646**	$ 5,591
Deferred tax liabilities:		
Goodwill and intangibles	**$ (2,775)**	$ (2,180)
Property, plant and equipment, principally due to differences in depreciation methods	**(2,618)**	(1,447)
Other	**(83)**	(4)

Total gross deferred tax liabilities	**$**	**(5,476)**	$	(3,631)
Net deferred tax assets	**$**	**1,170**	$	1,960

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 $4.1 million for fiscal 2009, $8.4 million for fiscal 2008 and $7.7 million for fiscal 2007.

On July 2, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, — An Interpretation of FASB Statement No. 109." The amount of unrecognized tax benefits as of June 28, 2009 included $158,000 of uncertain tax benefits and other items, which would impact the Company's provision for income taxes and effective tax rate if recognized. The amount of unrecognized tax benefits as of June 29, 2008 included $274,000 of uncertain tax benefits and other items, which would impact the Company's provision for income taxes and effective tax rate if recognized.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 28, 2009, there was approximately $53,000 of accrued interest related to uncertain tax positions.

The Company's federal income tax return for fiscal years 2009 and 2008 are open tax years. In August 2009, the Company was notified that the IRS would be auditing the fiscal year 2008 return. The Company files in numerous state jurisdictions with varying statutes of limitation open from 2004 through 2009, depending on each jurisdiction's unique tax laws. During the fiscal year 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 fiscal year ended June 29, 2008.

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

(in thousands)

		June 28, 2009	June 29, 2008
Balance at beginning of the year	**$**	**274**	$ 630
Increase in unrecognized benefits		---	15
Reductions for tax positions of prior years		**(116)**	(135)
Settlements with tax authorities		---	(236)
Balance at end of year	**$**	**158**	274

16. EARNINGS PER COMMON SHARE

Basic and diluted earnings per common share are computed as follows:

(amounts in thousands, except per-share amounts)

	Fiscal Year Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Net earnings	**$10,338**	$ 14,827	$11,343
Basic net earnings per common share	**$ 0.67**	$ 0.98	$ 0.75
Diluted net earnings per common share	**$ 0.64**	$ 0.92	$ 0.71

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

(in thousands)

	June 28, 2009	June 29, 2008	July 1, 2007
Average common shares outstanding -- basic	**15,498**	15,198	15,143
Dilutive options and nonvested shares	**546**	940	904
Adjusted average common shares outstanding -- diluted	**16,044**	16,138	16,047

All outstanding stock options and nonvested shares at June 28, 2009, June 29, 2008 and July 1, 2007 were dilutive. The stock options expire in various periods through 2014. The Company had awarded certain key executives nonvested shares tied to the Company's fiscal year 2008 financial performance. The compensation expense related to these awards is recognized quarterly. The nonvested shares vest over the next fiscal year.

17. STOCK-BASED COMPENSATION

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 2.2 million 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 28, 2009 include stock options, restricted stock and performance units.

As described in Note 13 to the Consolidated Financial Statements, the Company has an employee stock purchase plan, which expense is recognized in stock-based compensation expense.

Stock-based compensation was lower for the fiscal year ended June 28, 2009 because the Company did not achieve the financial goals tied to fiscal year 2009 performance units. For the fiscal year ended June 28, 2009, total stock-based compensation was $1.1 million ($678,000 after-tax), equivalent to earnings per basic and diluted shares of $0.04. 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 dilutive share of $0.05.

During the fiscal years ended June 28, 2009, June 29, 2008 and July 1, 2007, total stock-based compensation expense was $1.1 million, $1.4 million and $1.2 million, respectively.

As of June 28, 2009, the total unrecognized compensation expense related to nonvested shares and performance units was $615,000 pretax, and the period over which it is expected to be recognized is approximately one year. At June 29, 2008, the total unrecognized compensation expense related to nonvested awards, including stock options, performance units and nonvested shares was $1.7 million pretax, and the period over which it was expected to be recognized was 1.7 years.

Stock Options

A summary of the Company's Plans as of June 28, 2009 is presented below:

	Number of Shares	**Weighted Average Exercise Price**	**Number of Shares Exercisable**	**Weighted Average Exercise Price**	**Weighted Average Fair Value Granted Options**
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	
Canceled	**(4,500)**	**8.54**	**---**	**---**	
Exercised	**(892,285)**	**3.08**	**---**	**---**	**---**
Outstanding at June 28, 2009	**584,539**	**$ 4.97**	**584,539**	**$ 4.97**	

The following table summarizes information about stock options outstanding and exercisable as of June 28, 2009:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (1) *(in millions)*
$2.50 – 3.00	212,787	1.6	$ 2.72	$ 1,378
$3.01 – 5.96	169,100	4.0	3.52	960
$5.97 – 8.54	202,652	5.2	8.54	134
	584,539	3.5	$ 4.97	$ 2,472

The intrinsic value of a stock option is the amount by which the June 28, 2009 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 28, 2009 and June 29, 2008 was $8.2 million and $792,000, respectively. The cash received in fiscal years 2009, 2008 and 2007 from the exercise of stock options was $295,000, $474,000 and $585,000, 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 28, 2009 is presented below:

	Number of Nonvested Shares	Weighted Average Grant Price
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
Issued	**141,923**	**13.00**
Vested	**(108,084)**	**12.29**

Forfeited	**---**	**---**
Nonvested shares at June 28, 2009	**141,923**	**$ 13.00**

For the fiscal years ended 2009, 2008 and 2007, compensation expense related to the LTIP was $1.1 million, $1.4 million and $1.1 million, respectively.

18. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data is set forth below:

(amounts in thousands, except per-share amounts)

Fiscal Year 2009	**September 28, 2008**	**December 28, 2008**	**March 29, 2009**	**June 28, 2009**	**Total**
Net sales	**$ 68,192**	$ **68,207**	**$ 72,216**	**$ 64,753**	**$ 273,368**
Cost of sales	**53,929**	**57,955**	**57,558**	**53,141**	**222,583**
Selling and administrative expense	**8,270**	**9,642**	**7,828**	**7,070**	**32,810**
Interest expense	**158**	**145**	**508**	**483**	**1,294**
Other expense (income), net	**10**	**6**	**4**	**(6)**	**14**
Net earnings before income taxes	**5,825**	**459**	**6,318**	**4,065**	**16,667**
Income tax expense	**2,156**	**210**	**2,506**	**1,457**	**6,329**
Net earnings	**$ 3,669**	$ **249**	**$ 3,812**	**$ 2,608**	**$ 10,338**
	$				
Basic net earnings per common share	**$ 0.24**	$ **0.02**	**$ 0.24**	**$ 0.17**	**$ 0.67**
Average common shares outstanding	**15,234**	**15,451**	**15,656**	**15,651**	**15,498**
	$				
Diluted net earnings per common share	**$ 0.23**	$ **0.02**	**$ 0.24**	**$ 0.16**	**$ 0.64**
Average diluted common shares outstanding	**16,090**	**16,059**	**16,042**	**16,029**	**16,044**

Fiscal Year 2008	September 30, 2007	December 30, 2007	March 30, 2008	June 29, 2008	Total
Net sales	**$** 59,190	$ 67,052	$ 75,442	$ 77,801	$ 279,485
Cost of sales	47,818	53,676	60,410	62,594	224,498
Selling and administrative expense	6,947	7,465	7,689	7,456	29,557
Interest expense	427	387	392	253	1,459
Other expense, net	10	22	21	80	133
Net earnings before income taxes	3,988	5,502	6,930	7,418	23,838
Income tax expense	1,468	2,105	2,597	2,841	9,011
Net earnings	**$** 2,520	$ 3,397	$ 4,333	$ 4,577	$ 14,827
	$				
Basic net earnings per common share	$ 0.17	$ 0.22	$ 0.29	$ 0.30	$ 0.98
Average common shares outstanding	15,200	15,216	15,200	15,171	15,198
	$				
Diluted net earnings per common share	$ 0.16	$ 0.21	$ 0.27	$ 0.28	$ 0.92

Average diluted common shares outstanding	16,018	16,092	16,056	16,115	16,138

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EXHIBIT INDEX

Exhibit Number	Description
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.
2.2	Asset Purchase Agreement dated as of December 22, 2008 by and between Pensar Electronic Solutions, LLC, all Members of Pensar Electronic Solutions, LLC and LaBarge Acquisition Company, Inc., previously filed as Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-05761) for the quarter ended December 28, 2008, and incorporated herein by reference.
3.1(a)	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 (File No. 001-05761) for the quarter ended October 1, 1995 and incorporated herein by reference.
3.1(b)	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	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(a)	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(b)	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(c)	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(d)	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(e)	Fourth Amendment to the Loan Agreement dated December 1, 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.
10.2(f)	Fifth Amendment to the Loan Agreement dated October 3, 2008, by and among the Company, LaBarge, Electronics, Inc., as borrowers, U.S. Bank National Association, Wells Fargo Bank, National Association and National City Bank of Pennsylvania, as lenders, and U.S. Bank National Association, as agent for the lenders, previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-05761) for the quarter ended September 28, 2008 and incorporated herein by reference.
10.2(g)	Loan Agreement dated as of December 22, 2008 by and among the Company, LaBarge Electronics, Inc. and LaBarge Acquisition Company, Inc., as borrowers, U.S. Bank National Association and Wells Fargo Bank, National Association, as lenders, and U.S. Bank National Association, as agent, previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-05761) for the quarter ended December 28, 2008 and incorporated herein by reference.
10.2(h)	First Amendment dated January 30, 2009 to the Loan Agreement dated December 22, 2008, by and among the Company, LaBarge Electronics, Inc. and LaBarge Acquisition Company, Inc., as borrowers, U.S. Bank National Association and Wells Fargo Bank, National Association, as lenders, and U.S. Bank National Association, as agent, previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-05761) for the quarter ended March 29, 2009 and incorporated herein by reference.
10.3(a)*	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 (File No. 001-05761) for the year ended December 31, 1990 and incorporated herein by reference.
10.3(b)*	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(c)*	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(d)*	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(e)*	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(f)*	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(g) *	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' Annual Report on Form 10-K (File No. 001-05761) on September 27, 1999 and incorporated herein by reference.
10.4(a)*	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.
10.4(b)*	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.
10.5*	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.
10.6*	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.
10.7(a)*	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.
10.7(b)*	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.
10.8*	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.
10.9*	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.
10.10*	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.
10.11	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 13a-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 13a-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, 2009

LaBarge, Inc.
By: /s/ DONALD H. NONNENKAMP
Donald H. Nonnenkamp
Vice President, Chief Financial Officer & Secretary

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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, herby 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.

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.

SIGNATURE	TITLE	DATE
/s/ CRAIG E. LaBARGE Craig E. LaBarge	Chief Executive Officer, President and Director (Principal Executive Officer)	August 26, 2009
/s/ DONALD H. NONNENKAMP Donald H. Nonnenkamp	Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	August 26, 2009
/s/ ROBERT G. CLARK Robert G. Clark	Director	August 26, 2009
/s/ THOMAS A. CORCORAN Thomas A. Corcoran	Director	August 26, 2009
/s/ JOHN G. HELMKAMP, JR. John G. Helmkamp, Jr.	Director	August 26, 2009
/s/ LAWRENCE J. LeGRAND Lawrence J. LeGrand	Director	August 26, 2009
/s/ JACK E. THOMAS, JR. Jack E. Thomas, Jr.	Director	August 26, 2009