LABARGE INC
Form 10-Q
November 07, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the Quarter Ended September 30, 2001 Commission file number: 1-5761

LaBarge, Inc.

(Exact Name of Registrant as specified in its charter)

DELAWARE	73-0574586
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9900A Clayton Road, St. Louis, Missouri	63124
(Address)	(Zip Code)

(314) 997-0800

(Registrant's telephone number, including Area Code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X|. No | |.

Indicate the number of shares outstanding of each of the Issuer's classes of common stock as of September 30, 2001. 15,773,253 shares of common stock.

LABARGE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(dollars in thousands except per share data)

	THREE MON
	SEPTEMBER 30, 2001
NET SALES	$ 32,108
COSTS AND EXPENSES:	
Cost of sales	25,888
Selling and administrative expense	4,355
Interest expense	316
Other income, net	(96)
Income before income taxes	1,645
Income tax expense	609
NET EARNINGS	$ 1,036
BASIC NET EARNINGS PER SHARE	$ .07
AVERAGE COMMON SHARES OUTSTANDING	14,981
DILUTED NET EARNINGS PER SHARE	$ .07
AVERAGE DILUTED COMMON SHARES OUTSTANDING	15,147

See accompanying notes to consolidated financial statements.

LABARGE, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(dollars in thousands)

	SEPTEMBER 30 2001
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,403
Accounts and notes receivable, net	14,759
Inventories	22,727
Prepaid expenses	735
Deferred tax assets, net	762

TOTAL CURRENT ASSETS	$ 40,386
PROPERTY, PLANT AND EQUIPMENT, NET	13,225
DEFERRED TAX ASSETS, NET	1,967
INTANGIBLE ASSETS, NET	4,890
OTHER ASSETS, NET	5,001
	$ 65,469
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Short-term borrowings	$ 2,250
Current maturities of long-term debt	1,779
Trade accounts payable	8,876
Accrued employee compensation	4,963
Other accrued liabilities	3,001
TOTAL CURRENT LIABILITIES	$ 20,869
OTHER LONG-TERM LIABILITIES	1,336
LONG-TERM DEBT	7,050
SUBORDINATED DEBT	5,621
STOCKHOLDERS' EQUITY:	
Common stock, $.01 par value. Authorized 40,000,000 shares; issued 15,773,253 shares at September 30, 2001 and 15,773,253 at July 1, 2001, including shares in treasury	158
Additional paid-in capital	13,538
Retained earnings	19,842
Accumulated other comprehensive loss	(192
Less cost of common stock in treasury, shares at 827,250 at September 30, 2001 and 812,176 shares at July 1, 2001	(2,753
TOTAL STOCKHOLDERS' EQUITY	30,593
	$ 65,469

See accompanying notes to consolidated financial statements.

LABARGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(dollars in thousands)

	SEPTE
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net earnings	$
Adjustments to reconcile net cash provided by operating activities:	
Depreciation and amortization	
Deferred taxes	
Other	
Changes in assets and liabilities, net of acquisitions:	
Accounts and notes receivable, net	
Inventories	
Prepaid expenses	
Trade accounts payable	
Accrued liabilities and other	(
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to property, plant and equipment	
Additions to other assets	
NET CASH (USED) BY INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of long-term debt	
(Purchase) sale of common stock	
Net change in short-term borrowings	
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. CONSOLIDATED FINANCIAL STATEMENTS - BASIS OF PRESENTATION

The consolidated balance sheets at September 30, 2001 and July 1, 2001, the related consolidated statements of operations for the three months ended September 30, 2001 and October 1, 2000 and the consolidated statements of cash flows for the three months ended September 30, 2001 and October 1, 2000, have been prepared by LaBarge, Inc. (the "Company") without audit. In the opinion of management, adjustments, all of a normal and recurring nature, necessary to present fairly the financial position and the results of operations and cash flows for the aforementioned periods, have been made. Certain prior year amounts have been reclassified to conform with the current year's presentation.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2001.

2. ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable consist of the following:
(dollars in thousands)

	SEPTEMBER 30, 2001
Billed shipments, net of progress payments	$ 14,703
Less allowance for doubtful accounts	275
Trade receivables, net	14,428
Other current receivables	331
	$ 14,759

Progress payments are payments from customers in accordance with contractual terms for contract costs incurred to date. Such payments are credited to the customer at the time of shipment.

At September 30, 2001 and July 1, 2001, other current receivables include $135,000 and $346,000 of customer payments to be received as a settlement under a prior claim for material.

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3. INVENTORIES

Inventories consist of the following:
(dollars in thousands)

SEPTEMBER 30,

	2001
Raw materials	$ 11,377
Work in progress	12,436
	23,813
Less progress payments	1,086
	$ 22,727

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

4. INTANGIBLE ASSETS, NET

Intangible assets, net, is summarized as follows:
(dollars in thousands)

	SEPTEMBER 30, 2001
Software	$ 1,828
Patents	99
Goodwill	6,694
	$ 8,621
Less amortization	3,731
	$ 4,890

The Company has adopted the provisions of Statement 142 with the first quarter ended September 30, 2001.

Goodwill amortization expense was $0 for the quarter ended September 30, 2001 and $229,000 for the quarter ended October 1, 2000. In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 142, "Goodwill and Other Intangible Assets." Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

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5. OTHER ASSETS

Other assets is summarized as follows:

(dollars in thousands)

	SEPTEMBER 30, 2001
Cash value of life insurance	$ 3,999
Deposits, licenses, and other	910
Investments in businesses	136
	$ 5,045
Less amortization	44
	$ 5,001

Investments in businesses primarily refers to the Company's securities in Norwood Abbey, Ltd.

6. SHORT- AND LONG-TERM OBLIGATIONS

Short-term borrowings, long-term debt and the current maturities of long-term debt consist of the following:
(dollars in thousands)

	SEPTEMBER 30, 2001
Short-term borrowings:	
Revolving credit agreement:	
Balance at period-end	$ 2,250
Interest rate at period-end	4.07%
Average amount of short-term borrowings outstanding during period	$ 2,522
Average interest rate for period	4.43%
Maximum short-term borrowings at any month-end	$ 3,282
Senior long-term debt:	
Senior lender:	
Term loan	$ 1,944
Mortgage loan	5,868
Other	1,017
Total senior long-term debt	8,829
Less current maturities	1,779
Long-term debt, less current maturities	$ 7,050
Subordinated debt	$ 5,621

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.

SENIOR LENDER:
The Company has a senior, secured loan agreement with a bank. The following is a summary of the agreement:

- A term loan, with a current balance of $1.9 million, requiring repayments of $393,000 of principal quarterly.

- A revolving credit facility up to $18.0 million based on a borrowing base formula equal to the sum of 85% of eligible receivables, 50% of eligible finished goods inventories, 30% of other eligible inventories, 50% of the net book value of equipment and 75% of the net book value of real property less the current term loan balance and outstanding letters of credit. As of September 30, 2001, the maximum allowable was $14.2 million. The revolver borrowing at quarter-end was $2.3 million, and letters of credit outstanding totaled $2.1 million. Unused revolving credit available at September 30, 2001 was $9.8 million. This credit facility matures in February 2002. It is the Company's intention to renew or replace this credit facility.

- Covenants and performance criteria which involve Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") in relation to debt and, in addition, after June 30, 2000, EBITDA in relation to fixed charges. The Company is in compliance with its borrowing agreement covenants for the quarter ended September 30, 2001.

- Interest on the loans at prime or a stated rate over LIBOR based on certain ratios. For the quarter, the average rate was approximately 4.43%.

- A $6.2 million mortgage loan to finance the Company's fiscal 1998 purchase of its headquarters building in St. Louis, Missouri. The loan has a 25-year amortization, a 7.5% interest rate and is due in January 2008. The balance at quarter-end was $5.9 million.

OTHER LONG-TERM DEBT:

Industrial Revenue Bonds:
In July 1998, the Company acquired tax-exempt Industrial Revenue Bond financing in the amount of $1.3 million. The debt is payable over 10 years with an interest rate of 5.28%. This funding was used to expand the Berryville, Arkansas, facility. The outstanding balance at September 30, 2001 was $1.0 million.

Subordinated Convertible Notes:
In March 1999, the Company, through its subsidiary LaBarge-OCS, Inc. issued its Subordinated Convertible Notes ("Notes") due June 2003 in the aggregate principal amount of $5.6 million for the acquisition of OCS. The Notes bear interest at 7.5% per annum payable quarterly, and noteholders are entitled to participation payments if LaBarge-OCS, Inc. achieves certain levels of earnings before taxes. The Notes are convertible by the holders into LaBarge, Inc. Common Stock at $8.00 per share at any time up to their maturity date.

To mitigate the exposure to changes in interest rates, the Company entered into an interest rate swap agreement with a bank on February 26, 2001. This agreement, designated as a cash flow hedge, swaps a portion of the Company's exposure to three-month LIBOR rates with a fixed rate of 5.95%. The notional amount of the agreement is $4.0 million and it expires in June 2003. In accordance with FAS 133, as amended by FAS 138, the change in fair value of the swap during the first quarter of fiscal 2002, amounting to approximately $95,000 was recorded to other comprehensive loss.

OTHER LONG-TERM LIABILITIES:
Other long-term liabilities include deferred revenues associated with the proprietary ScadaNET Network(TM) (representing prepaid communication services).

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7. CASH FLOWS

Total cash payments for interest for the three months ended September 30, 2001 were $332,000, compared with $570,000 for the three months ended October 1, 2000. Cash payments for federal and state income taxes were $345,000 for the three months ended September 30, 2001, compared with $850,000 for the three months ended October 1, 2000.

8. EARNINGS PER COMMON SHARE

Basic and diluted earnings per share are computed as follows and includes adjustments to prior period required by the adoption of FAS 142:

	THREE MONTHS END	
	SEPTEMBER 30, 2001	O
NUMERATOR:		
Reported net earnings	$ 1,036	
Add back: Goodwill amortization expense	--	
Adjusted net earnings	$ 1,036	
DENOMINATOR:		
Denominator for basic net earnings per share	14,981	
POTENTIAL COMMON SHARES:		
Denominator for diluted net earnings per share - adjusted weighted-average shares And assumed conversions	15,147	
BASIC NET EARNINGS PER SHARE:		
Reported net earnings	$ .07	
Goodwill amortization expense	--	
ADJUSTED NET EARNINGS PER SHARE	$ .07	
DILUTED NET EARNINGS PER SHARE		
Reported net earnings	$ .07	
Goodwill amortization expense	--	
ADJUSTED NET EARNINGS PER SHARE	$ .07	

The effect of conversion of the Subordinated Convertible Notes into common stock is not considered in the calculations of diluted net earnings per common share because it would have an anti-dilutive effect on earnings per share.

9. BUSINESS SEGMENT INFORMATION

Business segments:
(dollars in thousands)

NET SALES TO CUSTOMERS:

	THREE MONTHS ENDE	
	SEPTEMBER 30, 2001	O
Manufacturing Services Group	$ 31,030	$
Network Technologies Group	1,078	
	$ 32,108	$

EARNINGS:

	THREE MONTHS ENDE	
	SEPTEMBER 30, 2001	O
PRETAX EARNINGS:		
Manufacturing Services Group	$ 1,926	$
Network Technologies Group	(77)	
Corporate and other items	112	
Interest expense	(316)	
NET EARNINGS BEFORE INCOME TAXES	$ 1,645	$
INCOME TAX EXPENSE	609	
NET EARNINGS	$ 1,036	$

DEPRECIATION & AMORTIZATION EXPENSE:

	THREE MONTHS ENDE	
	SEPTEMBER 30,	O

	2001	
Manufacturing Services Group	$ 405	$
Network Technologies Group	21	
Corporate and other items	117	
	$ 543	$

INVESTMENTS & CAPITAL EXPENDITURES:

	THREE MONTHS ENDE	
	SEPTEMBER 30, 2001	Oc
Manufacturing Services Group	$ 731	$
Network Technologies Group	79	
Corporate and other items	(144)	
	$ 666	$

TOTAL ASSETS:

	SEPTEMBER 30, 2001	
Manufacturing Services Group	$ 43,420	
Network Technologies Group	5,806	
Corporate and other items	16,243	
	$ 65,469	

GEOGRAPHIC INFORMATION:

The Company has no sales offices or facilities outside of the United States. Sales for export did not exceed 10% of total sales for the three months ended September 30, 2001.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND

FINANCIAL CONDITION

FORWARD-LOOKING STATEMENTS

Statements contained in this Report which are not historical facts are forward-looking statements within the meaning of the federal securities laws. Forward-looking statements involve risks and uncertainties. Future events and the Company's actual results could differ materially from those contemplated by those forward-looking statements. Important factors which could cause the Company's actual results to differ materially from those projected in, or inferred by, forward-looking statements are (but are not necessarily limited to) the following: the impact of increasing competition or deterioration of economic conditions in the Company's markets; cutbacks in defense spending by the U.S. Government; unexpected increases in the cost of raw materials, labor and other resources necessary to operate the Company's business; the availability, amount, type and cost of financing for the Company and any changes to that financing.

LaBarge, Inc. ("LaBarge" or the "Company") is a Delaware Corporation. The Company is engaged in the following primary business activities:

- The MANUFACTURING SERVICES GROUP is the Company's core electronics manufacturing services business, which has been its principal business since 1985. This group designs, engineers and produces sophisticated electronic systems and devices and complex interconnect systems on a contract basis for its customers. In the first quarter fiscal 2002, the Company derived approximately 97% of its total revenues from this group.

  The group markets its services to companies in technology-driven industries desiring an engineering and manufacturing partner capable of developing and providing high-reliability electronic equipment, including products capable of performing in harsh environmental conditions, such as high and low temperature, severe shock and vibration. The group serves customers in a variety of markets with significant revenues from customers in the government systems, defense, aerospace, oil and gas, and other commercial markets. The group's engineering and manufacturing facilities are located in Arkansas, Missouri, Oklahoma and Texas.

  The backlog of unshipped orders in the Manufacturing Services Group increased to $94.1 million at September 30, 2001 compared with $65.7 million at October 1, 2000. The growth in backlog is the result of an improved and reorganized sales and marketing effort that concentrates on the Company's core competencies and the application of those competencies to targeted large customers in a variety of industries.

- The NETWORK TECHNOLOGIES GROUP was started in fiscal 1999 through the acquisition of privately held Open Cellular Systems, Inc. ("OCS"). The group designs and markets proprietary cellular and network communication system products and Internet services that provide monitoring and control of remote industrial equipment. Results of the group are included in the consolidated results of the Company since the date of the OCS acquisition, March 2, 1999. This group is initially focusing its marketing efforts on the railroad industry to monitor railroad crossing equipment, and on the oil and gas pipeline industry to monitor cathodic protection devices. The Company derived 3% of its total revenues from this group for the three months ended September 30, 2001.

  The backlog of unshipped orders in the Network Technologies Group is $568,000 at September 30, 2001, a small reduction from year ago levels.

SIGNIFICANT EVENTS
Recent significant events include:

- In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 142, "Goodwill and Other Intangible Assets." Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

  The Company has adopted the provisions of Statement 142 with the first quarter ended September 30, 2001. Goodwill amortization expense was $0 for the quarter ended September 30, 2001 and $229,000 for the quarter ended October 1, 2000.

RESULTS OF OPERATIONS -- THREE MONTHS ENDED SEPTEMBER 30, 2001
NET SALES

(dollars in thousands)

		THREE MONTHS END	
	Change	SEPTEMBER 30, 2001	O
Net Sales	32.2%	$ 32,108	$

For the fiscal 2002 first quarter, ended September 30, 2001, net sales from continuing operations were $32.1 million compared with $24.3 million for the same period of fiscal 2001. Sales to our top 10 customers represented 77.3% of total revenue in the first quarter of fiscal 2002 versus 71.4% for the same period of fiscal 2001. Our top three customers and the portion of total first-quarter sales they represented were as follows: Northrop Grumman, 28.9%; Schlumberger, 17.8%; and Lockheed Martin, 12.8%.

The MANUFACTURING SERVICES GROUP. Sales in the manufacturing services segment of the business were $31.0 million, accounting for 97% of total sales for the quarter ended September 30, 2001, up $7.0 million, or 29.3%, over the same period of fiscal 2001.

Comparing the first quarter of fiscal 2002 with the same period of fiscal 2001, the significant sales growth came from both commercial and defense customers. Sales to commercial customers grew 39% and sales to the defense industry grew 18%. Sales of electro-mechanical assemblies for mail sorting equipment used by the U.S. Postal Service was the most significant contributor to this growth, increasing 62%. Sales to oil and gas customers increased 50% during the period.

NETWORK TECHNOLOGIES GROUP. Sales by this segment of the Company were 3% of total sales for the quarter ended September 30, 2001.

The Group generated first-quarter sales of $1.1 million versus $289,000 for the first quarter of fiscal 2001. Sales were primarily to the railroad industry where the Company's ScadaNET Network(TM) product is used to monitor railroad crossing equipment. Major contributors to sales growth were Union Pacific Railroad and the Burlington Northern and Santa Fe Railway Company.

The Company also began shipping small numbers of units to targeted customers in the pipeline market where the ScadaNET Network(TM) is used to monitor the performance of cathodic protection devices on petroleum and natural gas pipelines.

GROSS PROFIT

(dollars in thousands)

	Change	THREE MONTHS ENDED SEPTEMBER 30, 2001	Oc
Gross profit	$ 673	$ 6,220	$
Gross margin	- 3.4 PTS.	19.4%	

A breakdown of margins by group shows the following:

MANUFACTURING SERVICES GROUP. This group's gross profit margin was 18.2% for the quarter ended September 30, 2001, compared with 22.5% for the quarter ended October 1, 2000. Sales mix changes resulted in lower gross margins.

During September, as a result of the September 11, 2001 attacks, the Company experienced disruptions caused by delays in material receipts. The Company estimates that these delays negatively affected fiscal 2002 first-quarter gross margins by 90 basis points.

NETWORK TECHNOLOGIES GROUP. This group's gross profit margin was 52.8% for the quarter ended September 30, 2001, compared with 50.1% for the quarter ended October 1, 2000.

SELLING AND ADMINISTRATIVE EXPENSE

(dollars in thousands)

	Change	THREE MONTHS ENDED SEPTEMBER 30, 2001
Selling and administrative expenses	$ 167	$ 4,355
Percent of sales	- 3.6 PTS.	13.6%

Selling and administrative expense rose for the first quarter ended September 30, 2001, compared with the prior year's first quarter, reflecting much higher sales levels. However, selling and administrative expense declined as a percentage of sales reflecting increased sales without a proportionate increase in selling and administrative expense.

MANUFACTURING SERVICES GROUP. Selling and administrative expense for this group was $3.7 million (12.0% of sales) for the quarter ended September 30, 2001 and $3.3 million (13.6% of sales) for the same period of fiscal 2001.

NETWORK TECHNOLOGIES GROUP. Selling and administrative expense for the quarter ended September 30, 2001 for this group was $646,000 and included no goodwill amortization. For the same period of fiscal 2001, these expenses totaled $743,000, including $219,000 in amortization of goodwill. Selling and administrative expense increased in the fiscal 2002 period (not including amortization of goodwill) due to additional selling and development activity, larger sales volume and greater allocation of corporate expenses.

INTEREST EXPENSE

(dollars in thousands)

	THREE MONTHS ENDED	
	SEPTEMBER 30, 2001	Oc
Interest expense	$ 316	$

Interest expense decreased for the quarter ended September 30, 2001, primarily due to lower debt levels and lower interest rates on short-term borrowings. Average short-term borrowings for the three-month period ended September 30, 2001 were $6.7 million lower than the same period of fiscal 2001.

PRETAX EARNINGS

(dollars in thousands)

	THREE MONTHS ENDED	
	SEPTEMBER 30, 2001	Oc
Pretax earnings	$ 1,645	$

The increase in pretax earnings for the quarter ended September 30, 2001, compared with the same period of fiscal 2001, is primarily attributable to significantly higher gross profit ($673,000) on higher sales, ($7.8 million) a reduction of $229,000 of goodwill amortization expense and $221,000 reduction in interest expense.

TAX EXPENSE

(dollars in thousands)

	THREE MONTHS ENDED	
	SEPTEMBER 30, 2001	Oc
Tax expense	$ 609	$

The tax rate for the quarter ended September 30, 2001, was lower than the prior year's first quarter due to the elimination of the non-deductible goodwill amortization expense of $229,000.

FINANCIAL CONDITION AND LIQUIDITY
The following table shows LaBarge's equity and total debt positions:

STOCKHOLDERS' EQUITY AND DEBT

(dollars in thousands)

	SEPTEMBER 30, 2001	July 1, 2001
Stockholders' equity	$ 30,593	$ 29,716
Debt	$ 16,700	$ 17,400

The Company's operations provided $2.2 million of net cash for the quarter ended September 30, 2001. Currently, our total debt-to-equity ratio is .55 to 1 versus .59 to 1 at the end of fiscal 2001.

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RISK FACTORS
The Company operates in a competitive marketplace and is exposed to risks associated with economic conditions.

The Network Technologies Group, as a relatively new operation, has used cash during its first two years of operation. It is too early to predict the timing and the extent of the potential widespread acceptance of this segment's products and its contribution to future earnings and cash flow.

Overall, we believe our availability of funds going forward from cash generated from operations and available bank credit should be sufficient to support the planned operations and capital expenditures of our business for the next two years.

NEW ACCOUNTING STANDARDS
In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141, "Business Combinations," and Statement No. 142, "Goodwill and Other Intangible Assets." Statement 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. Statement 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized

and reported apart from goodwill. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

The Company has adopted the provisions of Statement 142 and has reassessed the useful lives and residual values of all recorded intangible assets. No change in amortization periods was made. The Company has received third party expert advice as to the evaluation of goodwill and intangible assets value. No impairment was required to be recorded.

PART II

Not Applicable

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LABARGE, INC.

Date: November 6, 2001

/s/Donald H. Nonnenkamp

Donald H. Nonnenkamp
Vice President
and Chief Financial Officer