Home Federal Bancorp, Inc.
Form 8-K/A
October 23, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: August 7, 2009

Home Federal Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Maryland	001-33795	68-0666697
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

500 12th Avenue South
Nampa, Idaho 83651
(Address of principal executive offices and zip code)

(208) 466-4634
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Note

On August 13, 2009, Home Federal Bancorp, Inc. ("Company") filed a Current Report on Form 8-K to report that its wholly owned subsidiary, Home Federal Bank of Nampa, Idaho (“Home Federal”), entered into a definitive purchase and assumption agreement (the “Agreement”) with the Federal Deposit Insurance Corporation (“FDIC”), pursuant to which Home Federal assumed certain deposits, excluding brokered deposits, and certain assets of Community First Bank, a commercial bank headquartered in Prineville, Oregon. In that filing, Home Federal indicated that it would amend the Form 8-K at a later date to the extent financial information was required by Item 9.01. This amendment is being filed to update the disclosure in Item 2.01 and to provide the required financial information in Item 9.01.

Item 2.01 Completion of Acquisition or Disposition of Assets

The acquisition consisted of assets with a preliminary fair value estimate of approximately $189.8 million, including $112.4 million of loans, $15.6 million of investment securities, $22.1 million of cash and cash equivalents, $7.4 million of foreclosed assets, $735,000 of Federal Home Loan Bank of Seattle (”FHLB”) stock, $1.6 million of other assets, and a $30.0 million indemnification asset associated with the loss sharing agreement with the FDIC. Liabilities with a preliminary fair value estimate of $174.5 million were also assumed, including $143.5 million of deposits, $19.2 million of FHLB advances and other borrowings and $11.8 million of other liabilities. Home Federal also entered into a loss sharing agreement with the FDIC. Under the loss sharing agreement, Home Federal will share in the losses on assets covered under the agreement (referred to as covered assets). The FDIC has agreed to reimburse Home Federal for 80% of losses up to $34.0 million, and 95% of losses that exceed that amount. Reimbursement for losses on single family one-to-four residential mortgage loans are to be made quarterly until the end of the quarter in which the tenth anniversary of the closing of the acquisition occurs, and reimbursement for losses on non-single family one-to-four residential mortgage loans are to be made quarterly until the end of the quarter in which the fifth anniversary of the closing of the acquisition occurs. The reimbursable losses from the FDIC are based on the book value of the relevant loans and foreclosed assets as determined by the FDIC as of the date of the acquisition, August 7, 2009, as well as certain expenses related to the maintenance and preservation of foreclosed real estate.

The loss sharing agreement is subject to the following servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss sharing agreement were recorded as an indemnification asset at their estimated fair value of $30.0 million on the acquisition date. Based upon the acquisition date preliminary fair values estimate of the net assets acquired, no goodwill was recorded. The transaction resulted in a pre-tax gain of $25.0 million, which will be classified as an extraordinary gain in the Company’s September 30, 2009, Consolidated Statement of Operations, net of income taxes. Due to the difference in tax bases of the assets acquired and liabilities assumed, the Company recorded a deferred tax liability of $9.7 million, resulting in an after-tax gain of $15.3 million. Under the Internal Revenue Service code, the gain will be recognized for tax reporting over the next six years.

An analysis of the likely short-term and long-term effects of the loss sharing agreement on the Company’s cash flows and reported results is included in Item 9.01(a) below.

The foregoing description of the Purchase and Assumption Agreement, including the loss sharing agreement, is a summary and is qualified in its entirety by reference to the full version of the Purchase and Assumption Agreement. A copy of the Purchase and Assumption Agreement, including the loss sharing agreement, was previously filed as Exhibit 2.1 to this report and is incorporated by reference into this Item 2.01. In addition, a copy of the press release announcing the transaction described above was previously filed as Exhibit 99.1 to this report and is incorporated by reference into this Item 2.01.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements and Exhibits

Discussion

As set forth in Item 2.01 above, on August 7, 2009, Home Federal acquired certain assets and assumed certain liabilities relating to eight former branch offices of Community First Bank pursuant to the Agreement. A narrative description of the anticipated effects of the acquisition on the Company's financial condition, liquidity, capital resources and operating results is presented below. This discussion should be read in conjunction with the historical financial statements and the related notes of the Company, which have been filed with the Securities and Exchange Commission and the audited statement of assets acquired and liabilities assumed, which is included below.

The acquisition resulted in significant increases in the Company's total assets and total deposits, which management believes will positively affect the Company's operating results, as the Company earns more from interest earned on its assets than it pays in interest on deposits and other borrowings. The ability of the Company to successfully collect interest and principal on loans acquired will also impact the Company's cash flows and operating results.

The Company considers the determination of the initial fair value of loans acquired in the August 7, 2009, FDIC-assisted transaction and the initial fair value of the related FDIC indemnification asset involve a high degree of judgment and complexity. The carrying value of the acquired loans and the FDIC indemnification asset reflect management's best estimate of the amount to be realized on each of these assets. The Company determined the estimated fair value of the assumed assets and liabilities in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. However, the amount the Company realizes on these assets could differ materially from the carrying value reflected in these financial statements, based upon the timing of collections on the acquired loans in future periods. Because of the loss sharing agreement with the FDIC on these assets, the Company should not incur any significant losses. Management estimates that the Company's total exposure related to the assets covered under the loss sharing agreement is $12.9 million, excluding expenses to maintain foreclosed assets, based on balances of loss share assets totaling $155.2 million. To the extent the actual values realized for the acquired loans are different from the estimate the FDIC indemnification asset will generally be impacted in an offsetting manner due to the loss sharing support from the FDIC.

Financial Condition

In the acquisition, Home Federal purchased $112.4 million in loans receivable at a preliminary fair value estimate. This amount represents approximately 24.4% of Home Federal's total loans at September 30, 2008. Foreclosed assets acquired were $7.4 million at fair value.

Home Federal acquired $14.8 million in cash and cash equivalents from Community First Bank and received an additional $7.3 million of cash from the FDIC, reflecting the excess of the asset purchase discount over the net book value of assets acquired in the transaction. A portion of the cash acquired has been retained to create additional liquidity but most of the acquired cash was utilized in September 2009 to reduce assumed FHLB advances with interest rates that were above Home Federal's average cost of funds, thus improving Home Federal's interest rate spread. Home Federal also acquired $15.6 million in securities, at fair value.

The following table presents information with respect to the carrying value of loans and investments acquired, as well as their principal amount and average contractual yield and term, and the amounts of acquired loans that are accounted for under AICPA Statement of Position 03-3 ("SOP 03-3") and other loans. All non-accrual loans have been excluded from the calculation of "average contractual rate" in the table.

Schedule of Earning Assets Acquired
August 7, 2009
(in thousands)

	Community First Bank Book Balance	Fair Value	FDIC Loss Recovery Fair Value	Combined Fair Value	Average Months to Maturity	Average Contractual Rate
Earning Assets						
Interest bearing deposits in other banks	$ 6,266	$ 6,266	$ -	$ 6,266	-	-%
Federal funds sold	4,560	4,560	-	4,560	-	-
Investment securities	15,634	15,634	-	15,634	234	4.79
Non SOP 03-3 loans						
Commercial loans	81,925	68,570	-	68,570	83	6.45
Consumer loans	9,742	9,010	-	9,010	83	5.13
Residential real estate loans	10,265	8,617	-	8,617	113	6.80
Total Non SOP 03-3 loans	101,932	86,197	-	86,197	86	6.36
SOP 03-3 loans (1)	40,403	26,153	-	26,153	33	6.51
FDIC indemnification asset	-	-	30,038	30,038	-	-
Total loans, gross	142,335	112,350		112,350	71	6.38
Total earning assets	$168,795	$138,810	$30,038	$168,848	-	-

(1) See the discussion of SOP 03-3 loans and other acquired loans under "Operating Results and Cash flows".

In the acquisition, Home Federal assumed $143.5 million in deposits, at a preliminary fair value estimate. This amount represents approximately 38.5% of Home Federal's total deposits of $372.9 million at September 30, 2008. Demand and savings deposits accounts make up $68.0

4

million of these assumed deposits. Home Federal also assumed $19.2 million in FHLB advances and other borrowings, at fair value.

In its assumption of the deposit liabilities, the Company believed that the customer relationships associated with these deposits have intangible value. The Company applied Statement of Financial Accounting Standard (“SFAS”) No. 142, Goodwill and Other Intangible Assets, which prescribes the accounting for goodwill and other intangible assets, such as core deposit intangibles. The Company determined the fair value of a core deposit intangible asset totaling approximately $2.1 million. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates, age of deposit relationships, and the maturities of time deposits. In accordance with the provisions of Statement of Financial Accounting Standard No. 141, Business Combinations, the Company allocated the excess over cost to the fair value of the core deposit intangible asset, thus reducing the carrying value of the intangible asset to zero.

Operating Results and Cash Flows

The Company’s management has from time to time become aware of acquisition opportunities and has performed various levels of review related to potential acquisitions in the past. This particular transaction was attractive to us for a variety of reasons, including the:

- ability to expand into non-overlapping yet complementary markets on the outer rim of the Company’s targeted growth markets;

- ability to compete against banks in Community First Bank’s markets based on Home Federal’s relative capital strength – several banks in these markets are under regulatory order and are less than well-capitalized;

- attractiveness of immediate core deposit growth with low cost of funds. Over the past several years, organic core deposit growth has been difficult as financial institutions competed over core deposits. This acquisition allowed us to immediately increase core deposits at an attractive cost;

Based on these and other factors, including the level of FDIC support related to the acquired loans and foreclosed assets, the Company believes this acquisition will produce positive earnings once various operational functions have been consolidated in the third calendar quarter of 2010.

The Company expects that the acquisition will positively affect its operating results in the near term. Based on June 30, 2009, information, total assets increased by approximately 28.2%, or $189.8 million, and total deposits increased by approximately 38.2% or $143.5 million.

The Company believes the transaction will improve Home Federal’s net interest income, as Home Federal earns more from interest earned on its loans and investments than it pays in interest on deposits and borrowings. The extent to which Home Federal’s net interest margin may be adversely affected by a portion of the loans that were acquired and for which the accrual of interest income may cease will be somewhat offset by the loss sharing agreement and the related discounts recorded upon the purchase of the loans.

Based on the loss sharing agreement with the FDIC, the Company's loss on the first $34.0 million in covered assets that it acquired will be 20%, and thus only $6.8 million in losses could possibly be realized by the Company. Any loss on covered assets in excess of the $34.0 million amount will be limited to five percent, and thus another approximately $6.1 million in losses could possibly be realized by the Company. This scenario is based upon no principal being collected from the borrowers on any of the covered assets but does not consider the Company's share of incremental expenses to maintain foreclosed assets, a portion of which Home Federal is responsible.

Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. The transaction resulted in a pre-tax gain of $25.0 million, which will be classified as an extraordinary gain, net of income taxes, in the September 30, 2009, Consolidated Statement of Operations in the Company's Annual Report on Form 10-K.

SOP 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer, applies to a loan with evidence of deterioration of credit quality since origination, acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. SOP 03-3 prohibits carrying over or creating an allowance for loan losses upon initial recognition. On the acquisition date, the preliminary estimate of the contractually required principal payments receivable for all SOP 03-3 loans acquired in the acquisition was $40.4 million and the estimated fair value of these loans was $26.2 million. These amounts were determined based upon the estimated remaining life of the underlying loans, which include the effects of estimated prepayments. At August 7, 2009, a majority of these loans were valued based on the current liquidation value of the underlying collateral, because the expected cash flows are primarily based on the liquidation of underlying collateral and the timing and amount of the cash flows could not be reasonably estimated. There was no allowance for credit losses related to these SOP 03-3 loans at August 7, 2009, based on the provision of this statement.

On the acquisition date, the preliminary estimate of the contractually required principal payments receivable for all non-SOP 03-3 loans acquired in the acquisition was $101.9 million and the estimated fair value of the loans totaled $86.2 million. The Company determined an allowance for credit losses totaling approximately $16.8 million that should be applied to the non SOP 03-3 portion of acquired loans, which was derived using the Company's allowance methodology, which was modified to consider the significantly distressed economy in the markets served by Community First Bank.

The loss sharing agreement will likely have a material impact on the cash flows and operating results of the Company in both the short term and the long term. In the short term, as stated above, it is likely that there will be a significant amount of the covered assets that will experience deterioration in payment performance or will be determined to have inadequate collateral values to repay the loans. In such instances, the Company will cease the accrual of interest income, which will affect operating results, and the Company will likely no longer receive payments from the borrowers, which will affect cash flows. The loss sharing agreement will not completely offset the financial effects of such a situation. However, if a loan is subsequently charged off or charged down after the Company exhausts its best efforts at collection, the loss sharing agreement will cover a substantial portion of the loss associated with the covered assets.

The effects of the loss sharing agreement on cash flows and operating results in the long term will be similar to the short-term effects described above. The long-term effects that the Company will specifically experience will depend primarily on the ability of the borrowers under the various loans covered by the loss sharing agreement to make payments over time. As the loss sharing agreement covers a ten year period for single family loans, and a five year period for non-single family loans and foreclosed real estate acquired, changing economic conditions will likely affect the timing of future charge-offs and the resulting reimbursements from the FDIC. The Company believes that any recapture of interest income and recognition of cash flows from the borrowers or received from the FDIC (as part of the FDIC indemnification asset) may be recognized unevenly over this period, as the Company exhausts its collection efforts under its normal practices. In addition, the Company recorded substantial discounts related to the purchase of these covered assets. A portion of these discounts will be accretable to income over the term of the loss sharing agreement and will be dependent upon the timing and success of Home Financial's collection efforts on the covered assets.

Liquidity and Capital Resources

Home Federal believes that its liquidity position will be improved as a result of this transaction. Home Federal acquired $22.1 million in cash and cash equivalents as well as $15.6 million of investment securities. These securities provide monthly cash flows in the form of principal and interest payments and are readily marketable. These additions to Home Federal's balance sheet represent additional support for Home Federal's liquidity needs.

Deposits in the amount of $143.5 million were also assumed. Of this amount, $68.0 million were in the form of highly liquid non-interest bearing transaction accounts, money market and NOW accounts and savings accounts. Certificates of deposit comprised $75.5 million of total deposits, or 52.6%. A maturity analysis indicates that 48.5% of the total certificates mature before December 31, 2009. Through September 30, 2009, Home Federal has retained substantially all of the core deposits assumed and the certificates of deposit portfolio declined $6.5 million as Home Federal would not match term deposit rates offered by competitors that exceeded the Company's alternative funding sources.

At June 30, 2009, Home Federal was "well-capitalized" under relevant regulatory ratios. Home Federal remains "well-capitalized" following the transaction. Home Federal had the following capital ratios at June 30, 2009:

Tier 1 leverage ratio	32.3	%
Tier 1 risk based capital ratio	21.9	
Total risk based capital ratio	33.6	
Total equity capital / total assets	21.9	

The acquisition will reduce Home Federal's Tier 1 leverage ratio. However the impact on Home Federal's risk-based capital ratios will be significantly mitigated by the requirement that assets

7

covered by the loss share agreement and the FDIC indemnification asset be reported at a 20% risk weighting.

Statements made in the foregoing discussion, other than those concerning historical financial information, may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to risks and uncertainties. These forward-looking statements include, without limitation, statements regarding Home Federal's expectations concerning its financial condition, operating results, cash flows, liquidity and capital resources. A discussion of risks, uncertainties and other factors that could cause actual results to differ materially from management's expectations is set forth under "Management's Discussion and Analysis of Results of Operations and Financial Condition" in the Company's Annual Report on Form 10-K for the year ended September 30, 2008.

Financial Statements

The following financial statements are attached hereto as Exhibit 99.2 and incorporated by reference into this Item 9.01(a):

Report of Independent Registered Public Accounting Firm

Statement of Assets Acquired and Liabilities Assumed at August 7, 2009

Notes to Statement of Assets Acquired and Liabilities Assumed

Home Federal has omitted certain financial information of Community First Bank required by Rule 3-05 of Regulation S-X and the related pro forma financial information under Article 11 of Regulation S-X in accordance with a request for relief submitted to the Securities and Exchange Commission in accordance with the guidance provided in Staff Accounting Bulletin 1:K, Financial Statements of Acquired Troubled Financial Institutions ("SAB 1:K"). SAB 1:K provides relief from the requirements of Rule 3-05 in certain instances, such as the transaction, where a registrant engages in an acquisition of a significant amount of assets of a troubled financial institution that involves pervasive federal assistance and audited financial statements of the troubled financial institution that are not reasonably available.

(d) Exhibits

23.1 Consent of Moss Adams LLP

99.2 Report of Independent Registered Public Accounting Firm

Statement of Assets Acquired and Liabilities Assumed at August 7, 2009

Notes to Statement of Assets Acquired and Liabilities Assumed

SIGNATURES

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.

HOME FEDERAL BANCORP, INC.

Date: October 23, 2009

By: /s/ Eric S. Nadeau
Eric S. Nadeau
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Moss Adams LLP
99.2	Audited statement of assets acquired and liabilities assumed in the FDIC-assisted transaction involving Community First Bank as of August 7, 2009.

tr>

Net cash (used) by investing activities

(454

)

(805

)

Cash flows from financing activities:

Borrowings on revolving credit facility

22,025

		19,000
Payments of revolving credit facility	**(27,825)**	(20,225)
Repayments of long-term debt	**(1,577)**	(1,574)
Issuance of treasury stock	**185**	287
Purchase of treasury stock	**(307)**	(265

)

Net cash (used) by financing activities

(7,499

)

(2,777

)

Net (decrease) increase in cash and cash equivalents

(693

)

1,504

Cash and cash equivalents at beginning of period

1,646

392

Cash and cash equivalents at end of period	**$ 953**	$ 1,896

See accompanying notes to consolidated financial statements.

LaBarge, Inc.
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(Unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS -- BASIS OF PRESENTATION

The consolidated balance sheet at September 28, 2008, and the related consolidated statements of income and cash flows for the three months ended September 28, 2008 and September 30, 2007, 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 information and footnote disclosures normally included in consolidated financial statements prepared in conformity with U.S. 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 June 29, 2008.

Recently Adopted Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"), to clarify the definition of fair value, establish a framework for measuring fair value and expand the disclosures on fair value measurements. On June 30, 2008, the company adopted the provision of SFAS No. 157. The adoption did not have a material impact on its consolidated financial statements. The Company will defer the adoption of SFAS No. 157 for its nonfinancial assets and nonfinancial liabilities until the year ended June 27, 2010, as permitted under FASB Staff Position 157-2, "Effective Date of FASB Statement No. 157."

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), to permit all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses, on items for which the fair value option has been elected, in earnings at each subsequent reporting date, and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157. On June 30, 2008, the Company adopted the provisions of SFAS No. 159. The adoption did not have a material impact on its consolidated financial statements when it became effective for the fiscal year ending June 28, 2009.

In September 2006, the FASB's EITF reached a consensus on EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefits Aspects of Endorsement Split-Dollar Life Insurance Arrangements" ("EITF 06-4"). This addresses only endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods. EITF 06-04 was adopted on June 30, 2008. Adopting the provisions of EITF 06-4 did not have a material impact on the Company's consolidated financial statements.

2. SALES AND NET SALES

Sales and net sales consist of the following:
(in thousands)

	Three Months Ended			
	September 28, 2008		September 30, 2007	
Sales	**$**	**68,470**	$	59,349
Less sales discounts		**278**		159
Net sales	**$**	**68,192**	$	59,190

Geographic Information

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

ACCOUNTS AND OTHER RECEIVABLES

3.

Accounts and other receivables consist of the following:
(in thousands)

	Three Months Ended			
	September 28, 2008		June 29, 2008	
Billed shipments	**$**	**36,682**	$	40,105
Less allowance for doubtful accounts		**318**		252
Trade receivables, net		**36,364**		39,853
Other current receivables		**226**		925
Total	**$**	**36,590**	$	40,778

At September 28, 2008, the amounts due from the three largest accounts receivable debtors and the percentage of total accounts receivable represented by those amounts were $8.6 million (23%), $3.8 million (10%), and $3.1 million (8%). This compares with $10.3 million (26%), $3.4 million (9%), and $2.9 million (7%) at June 29, 2008.

At September 28, 2008, the second largest accounts receivable debtor, with a balance of $3.8 million, includes $3.6 million which is past due. The Company is in discussions with this customer to develop a payment plan, the success of which is contingent on the customer raising additional capital. If the customer is able to raise additional equity, the Company anticipates that the receivables outstanding as of September 28, 2008 will be paid in full. If the customer is unable to raise additional equity, the Company may not collect the receivables, which could adversely affect the Company's operations. As of September 28, 2008, the Company's allowance for doubtful accounts includes $79,000 associated with this customer related to disputed invoices which have been outstanding for more than one year. The Company's allowance for doubtful accounts does not include any other amounts for this customer.

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

4. INVENTORIES

Inventories consist of the following:

(in thousands)

	September 28, 2008	June 29, 2008
Raw materials	**$ 46,952**	$47,221
Work in progress	**18,586**	19,706
	$ 65,538	$66,927

For the three months ended September 28, 2008 and September 30, 2007, expense for obsolete or slow-moving inventory charged to income before taxes was $597,000 and $317,000, respectively.

The Company's inventory balance at September 28, 2008 included $3.8 million related to a contract with a customer who has deferred its production schedule. The inventory value will be realizable if this customer is able to resume its production schedule which, in part, is contingent upon the customer's ability to raise additional capital. If the customer is unable to resume its production schedule, the Company may not recover the full value of the inventory related to this customer. No provision was recorded for this inventory as of September 28, 2008.

5. INTANGIBLE ASSETS, NET

Intangible assets, net, is summarized as follows:

(in thousands)

	September 28, 2008	June 29, 2008
Software	**$ 4,141**	$4,090
Less accumulated amortization	**3,551**	3,457
Net software	**590**	633
Customer list	**3,400**	3,400
Less accumulated amortization	**2,626**	2,485
Net customer list	**774**	915
Total intangible assets, net	**$ 1,364**	$1,548

Intangibles are amortized over a three-to-six-year period. Amortization expense was $266,000 for the three months ended September 28, 2008, compared with $281,000 for the three months ended September 30, 2007.

The Company anticipates that amortization expense will approximate $1.1 million for fiscal year 2009, $0.9 million for fiscal year 2010, $0.5 million for fiscal year 2011, $0.4 million for fiscal year 2012 and $0.4 million for fiscal year 2013.

6. GOODWILL

Goodwill is summarized as follows:

(in thousands)

	September 28, 2008	June 29, 2008
Goodwill	**$ 24,492**	$24,492
Less accumulated amortization	**200**	200
Net goodwill	**$ 24,292**	$24,292

There were no changes in the carrying amount of goodwill for the fiscal quarter ended September 28, 2008.

7. OTHER ASSETS

Other assets is summarized as follows:
(in thousands)

	September 28, 2008	June 29, 2008
Cash value of life insurance	**$ 4,724**	$4,612
Deposits, licenses and other, net	**98**	112
Securities held for sale	**13**	26
Deferred financing costs, net	**36**	42
Other	**36**	36
Total	**$ 4,907**	$4,828

8. SHORT- AND LONG-TERM OBLIGATIONS

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

	September 28, 2008	June 29, 2008
Short-term borrowings:		
Revolving credit agreement:		
Balance at quarter-end	**$ 1,200**	$ 10,500
Interest rate at quarter-end	**4.23%**	3.83%
Average amount of short-term borrowings outstanding during period	**$ 6,146**	$ 14,764
Average interest rate for period	**4.05%**	5.79%
Maximum short-term borrowings at any month-end	**$ 5,875**	$ 19,025
Senior long-term debt:		
Senior lender:		
Term loan	**$ 6,500**	$ 4,500
Other	**552**	629
Total senior long-term debt	**7,052**	5,129
Less current maturities	**2,138**	4,682
Long-term debt, less current maturities	**$ 4,914**	$ 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.

The Company entered into a senior loan agreement on February 17, 2004, which was amended on October 3, 2008. The amended agreement extended the credit facility for two years. Remaining terms are substantially similar to the Company's existing bank credit facility.

The amended agreement allows the Company to borrow up to a $10.0 million term loan. This new credit facility resulted in the Company paying down short-term borrowings with the proceeds from the term loan. In accordance with SFAS No. 6, "Classification of Short-term Obligations Expected to be Refinanced, an amendment of ARB No. 43,"("SFAS No. 6") the Company classified those current obligations, $3.5 million, that have been refinanced on a long-term basis as long-term debt in the consolidated balance sheet as of September 28, 2008.

Senior Lender:

The Company entered into a senior secured loan agreement with a group of banks on October 3, 2008. The following is a summary of the agreement:

- A revolving credit facility, up to $25.0 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 September 28, 2008, the outstanding loans under the revolving credit facility were $4.7 million; $3.5 million of the loans were reclassified to long-term debt under SFAS No. 6 due to the October 3, 2008 amendment to the credit facility. As of September 28, 2008, letters of credit issued were $1.0 million; and an aggregate of $22.8 million was available under the revolving credit facility. This credit facility matures on October 3, 2010.

- A $10.0 million term loan amortized beginning November 2008, at a quarterly rate of $500,000, with the balance due October 2010. The balance sheet reflects the amount outstanding at September 28, 2008 under the previous term loan, $3.0 million, plus the reclassification of $3.5 million of short-term borrowings to long-term debt discussed in the paragraph above. The Company is obligated to borrow the remaining $3.5 million by November 30, 2008.

- Interest on both loans is calculated at a percentage of prime or a stated rate over LIBOR based on certain ratios. For the fiscal quarter ended September 28, 2008, the average rate was approximately 4.47%.

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

- Covenants and performance criteria consist of Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") in relation to debt, EBITDA in relation to fixed charges and minimum net worth. The Company was in compliance with its borrowing agreement covenants as of September 28, 2008.

Other Long-Term Debt:

Other long-term debt includes capital lease agreements with outstanding balances totaling $302,000 the three months ended September 28, 2008 and $336,000 at June 29, 2008.

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

(in thousands)

Fiscal Year	
2009	$1,605
2010	2,146
2011	3,051
2012	250
2013	---
Total	$7,052

9. CASH FLOWS

Total cash payments for interest for the three months ended September 28, 2008 and September 30, 2007 amounted to $132,000 and $456,000, respectively. Net cash payments for federal and state income taxes were $0 and $4,000 for the three months ended September 28, 2008 and September 30, 2007, respectively.

EARNINGS PER COMMON SHARE

10.

Basic and diluted earnings per share are computed as follows:

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

	September 28, 2008	September 30, 2007
Net earnings	**$ 3,669**	$ 2,520
Basic net earnings per share	**$ 0.24**	$ 0.17
Diluted net earnings per share	**$ 0.23**	$ 0.16

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

(in thousands)

	Three Months Ended	
	September 28, 2008	September 30, 2007
Average common shares outstanding – basic	**15,234**	15,200
Dilutive options and nonvested shares	**856**	818
Adjusted average common shares outstanding -- diluted	**16,090**	16,018

All stock options outstanding and nonvested shares at September 28, 2008 and September 30, 2007 were dilutive and included in the computation of diluted earnings per share. These options expire in various periods through 2014. The nonvested shares vest over the next two fiscal years.

11. 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 2,200,000 shares to be granted in the form of stock-based awards to key employees of the Company. In addition, pursuant to the 2004 Long Term Incentive Plan ("LTIP"), the Company provides for the issuance of up to 850,000 shares to be granted in the form of stock-based awards to certain key employees and nonemployee directors. The Company may satisfy the awards upon exercise with either new or treasury shares. The Company's stock compensation awards outstanding at September 28, 2008 include stock options, restricted stock and performance units.

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

For the quarter ended September 28, 2008, total stock-based compensation was $572,000 ($355,000 after tax), equivalent to earnings per basic and diluted shares of $.02. For the three months ended September 30, 2007, total stock-based compensation was $283,000 ($177,000 after tax), equivalent to earnings per basic and diluted share of $0.01.

As of September 28, 2008, the total unrecognized compensation expense related to nonvested awards, including stock options and performance units, was $1.4 million pretax, and the period over which it is expected to be recognized is approximately 1.5 years. As of September 30, 2007, the total unrecognized compensation expense related to nonvested awards, including stock options and performance units, was $1.0 million pre-tax and the period over which it was expected to be recognized was 1.5 years.

A summary of the Company's Stock Option Plans as of September 28, 2008 is presented below:

	Number of Shares	Weighted-Average Exercise Price		Number of Shares Exercisable	Weighted-Average Exercise Price		Weighted-Average Fair Value Granted Option
Outstanding at June 29, 2008	1,481,324	$	3.84	1,481,324	$	3.84	
Canceled	**---**		**---**				
Exercised	**11,675**		**8.54**				
Outstanding at September 28, 2008	**1,469,649**	**$**	**3.81**	**1,469,649**	**$**	**3.81**	**---**

Stock Options

The following table summarizes information about stock options outstanding:

Outstanding and Exercisable Options as of September 28, 2008					
Range of Exercise Prices	**Number Outstanding**	**Weighted-Average Remaining Contractual Life**		**Weighted-Average Exercise Price**	**Aggregate Intrinsic Value (1) (in millions)**
$ 2.50 – 3.00	944,547	1.7	$	2.59	$ 12.1
$ 3.03 – 5.96	266,200	4.8		3.52	3.2
$ 5.97 – 8.54	258,902	5.9		8.54	1.8
	1,469,649	3.0	$	3.81	$ 17.1

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

The total intrinsic value of stock options exercised during the fiscal quarters ended September 28, 2008 and September 30, 2007 was $56,000 and $103,000, 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.

No stock options were issued in the fiscal quarters ended September 28, 2008 and September 30, 2007. All stock options previously granted were at prices not less than fair market value of the common stock at the grant date. All stock options outstanding at September 28, 2008 were dilutive and included in the computation of diluted earnings per share. These options expire in various periods through 2014.

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 September 28, 2008 is presented below:

	Number of Nonvested Shares	Weighted-Average Grant Price
Nonvested shares at June 29, 2008	108,084	$ 12.29
Issued	**141,923**	**13.00**
Vested	**---**	**---**
Forfeited	**---**	**---**
Nonvested shares at September 28, 2008	**250,007**	**$ 12.69**

For the quarters ended September 28, 2008 and September 30, 2007, compensation expense related to the LTIP was $551,000, and $271,000, respectively.

LaBARGE, INC.

FORM 10-Q

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2

Forward-Looking Statements

This report contains forward-looking statements that relate to future events or our future financial performance. We have attempted to identify these statements by terminology including "believe," "anticipate," "plan," "expect," "estimate," "intend," "seek," "goal," "may," "will," "should," "can," "continue," or the negative of these terms or other comparable terminology. These statements include statements about our market opportunity, our growth strategy, competition, expected activities, and the adequacy of our available cash resources. These statements may be found throughout the Report, including in the section of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including those discussed in our most recent Annual Report on Form 10-K. These risks and uncertainties may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Accordingly, we can give no assurances that any of the events anticipated by the forward-looking statements will occur, or if any of them do, what impact they will have on our results of operations or financial condition. We expressly decline any obligation to publicly revise any forward-looking statements that have been made to reflect the occurrence of events after the date of this report.

General

General Development of Business and Information about Business Activity

LaBarge, Inc. ("LaBarge" or the "Company") is a Delaware corporation, incorporated in 1968, that provides custom high-performance electronic, electromechanical and interconnect systems on a contract basis for customers in diverse technology-driven markets. The Company's core competencies are manufacturing, engineering and design of interconnect systems, circuit card assemblies, high-level assemblies, and complete electronic systems for its customers' specialized applications.

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 serves customers in a variety of markets including defense, aerospace, natural resources, industrial, medical and other commercial markets. The Company's engineering and manufacturing facilities are located in Arkansas, Missouri, Oklahoma, Texas and Pennsylvania. The Company employs approximately 1,340 people, including approximately 1,130 people who provide support for production activities (including assembly, testing and engineering) and approximately 210 people who provide administrative support.

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

Results of Operations - Three Months Ended September 28, 2008

Backlog

(in thousands)

	Change	**September 28, 2008**	June 29, 2008
Backlog	$(2,928)	**$ 218,365**	$ 221,293

Approximately $62.9 million of the backlog at September 28, 2008 is scheduled to ship beyond the next 12 months pursuant to the shipment schedules contained in those contracts. This compares with $48.4 million at June 29, 2008.

As of September 28, 2008, the Company's backlog includes approximately $39.6 million relating to orders on a very light jet program. Approximately $25.5 million of the backlog is scheduled to ship beyond the next 12 months. This program is discussed in more detail in Part II - Item 1A, "Risk Factors," in the section related to customer concentration.

Net Sales

(dollars in thousands)

		Three Months Ended	
	Change	**September 28, 2008**	September 30, 2007
Net sales	15.2%	**$ 68,192**	$ 59,190

The largest contributor to fiscal 2009 first-quarter revenues was shipments to defense customers, representing $30.8 million of net sales, versus $22.9 million in 2008. During the current year's first quarter, LaBarge provided cables and electronic assemblies for a variety of defense applications, including military aircraft, missile systems, radar systems and shipboard programs. Shipments to natural resources customers were $11.2 million in the first quarter of fiscal 2009, compared with $15.4 million in the year-ago period. In addition, industrial customers represented $14.6 million of fiscal 2009 first-quarter net sales, compared with $11.0 million in the year-ago period. Shipments to medical customers represented $4.7 million of fiscal 2009 first-quarter net sales, compared with $3.2 million in the year-ago period.

Sales to the Company's 10 largest customers represented 70% of total revenue in the first quarter of fiscal 2009, compared with 69% for the same period of fiscal 2008. The Company's top three customers accounted for 18%, 9% and 9%, respectively, of total sales for the first quarter of fiscal 2009. This compares with 13%, 12% and 11%, respectively, for the first quarter of fiscal 2008.

Gross Profit

(dollars in thousands)

		Three Months Ended	
	Change	**September 28, 2008**	September 30, 2007
Gross profit	2,891	**14,263**	11,372
Gross margin	$ 1.7 points	**$ 20.9%**	$ 19.2%

Gross profit margins vary significantly from contract to contract. The gross profit margin for any particular quarter will reflect the mix of contracts recognized in revenue for the quarter. The gross margin expansion is the result of improved operating efficiencies and favorable product mix.

Selling and Administrative Expenses

(dollars in thousands)

Three Months Ended

	Change	**September 28, 2008**	September 30, 2007
Selling and administrative expenses	$ 1,323	**$ 8,270**	$ 6,947
Percent of sales	0.4 points	**12.1%**	11.7%

Selling and administrative expenses increased over the prior comparable period, primarily as a result of an increase in compensation cost and related fringes of $1.3 million due to wage inflation and higher accrued incentive pay.

Interest Expense

(in thousands)

		Three Months Ended	
	Change	**September 28, 2008**	September 30, 2007
Interest expense	$ (269)	**$ 158**	$ 427

Interest expense declined for the three months ended September 28, 2008, versus the year-ago period. The reduction reflects lower average debt levels and lower average interest rates.

Average interest rates during the current-year period were 4.3%, compared with 6.8% in the comparable quarter a year ago.

Income Tax Expense

(in thousands)

		Three Months Ended	
	Change	**September 28, 2008**	September 30, 2007
Income tax expense	$ 688	**$ 2,156**	$ 1,468

The reported income tax rate was 37.0% and 36.8% for the three-month periods ended September 28, 2008 and September 30, 2007, respectively. The effective income tax rate for the three-month period ended September 28, 2008 was 37.9%, compared with 37.3% for the three-month period ended September 30, 2007. The difference between the reported income tax rate and the effective income tax rate was due to changes in estimated Sub Part F income.

Liquidity Capital Resources

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

Stockholders' Equity and Debt

(in thousands)

	September 28, 2008	June 29, 2008
Stockholders' equity	**$95,896**	$91,469
Debt	**8,252**	15,629

The Company's operations generated $7.3 million of cash in the first quarter ended September 28, 2008.

Senior Lender:

The Company entered into a senior secured loan agreement with a group of banks on October 3, 2008. The following is a summary of the agreement:

- A revolving credit facility, up to $25.0 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 September 28, 2008, the outstanding loans under the revolving credit facility were $4.7 million; $3.5 million of the loans were reclassified to long-term debt under SFAS No. 6 due to the October 3, 2008 amendment to the credit facility. As of September 28, 2008, letters of credit issued were $1.0 million; and an aggregate of $22.8 million was available under the revolving credit facility. This credit facility matures on October 3, 2010.

- A $10.0 million term loan amortized beginning November 2008, at a quarterly rate of $500,000, with the balance due October 2010. The balance sheet reflects the amount outstanding at September 28, 2008 under the previous term loan, $3.0 million, plus the reclassification of $3.5 million of short-term borrowings to long-term debt discussed in the paragraph above. The Company is obligated to borrow the remaining $3.5 million by November 30, 2008.

- Interest on both loans is calculated at a percentage of prime or a stated rate over LIBOR based on certain ratios. For the fiscal quarter ended September 28, 2008, the average rate was approximately 4.47%.

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

- Covenants and performance criteria consist of Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") in relation to debt, EBITDA in relation to fixed charges and minimum net worth. The Company was in compliance with its borrowing agreement covenants as of September 28, 2008.

Other Long-Term Debt:

Other long-term debt includes capital lease agreements with outstanding balances totaling $302,000 the three months ended September 28, 2008 and $336,000 at June 29, 2008.

The aggregate maturities of long-term obligations are as follows:
(in thousands)

Fiscal Year	
2009	$1,605
2010	2,146
2011	3,051
2012	250
2013	---
Total	$7,052

Critical Accounting Policies

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

The following discussion of critical accounting policies is intended to bring to the attention of readers those accounting policies that management believes are critical to the Company's consolidated financial statements and other financial disclosures. It is not intended to be a comprehensive list of all of our significant accounting policies that are more fully described in the Notes to the Consolidated Financial Statements included with this quarterly report on Form 10-Q for the quarter ended September 28, 2008 and as referenced in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2008.

Revenue Recognition and Cost of Sales

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. The Company has a significant number of contracts for which revenue is accounted for under the percentage of completion method based upon units delivered. This results in revenue for these contracts being recognized when the units are shipped to the customer and title transfers.

The percentage-of-completion method gives effect to the most recent contract value and estimates of cost at completion. Management's estimates of material, labor and overhead costs on long-term contracts are critical to the Company. Due to the size, length of time and nature of many of our contracts, the estimation of costs through completion is complicated and subject to many variables. Total contract cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends, business base and other economic projections. Factors that influence these estimates include inflationary trends, technical and schedule risk, performance trends, business volume assumptions, asset utilization, and anticipated labor rates.

The development of estimates of costs at completion involves procedures and personnel in all areas that provide financial or production information on the status of contracts. Estimates of each significant contract's value and estimate of costs at completion are reviewed and reassessed quarterly. Changes in these estimates result in recognition of cumulative adjustments to the contract profit in the period in which the change in estimate was made. When the current estimate of costs indicates a loss will be incurred on the contract, a provision is made in the current period for the total anticipated loss.

Due to the significance of judgment in the estimation process described above, it is likely that different cost of sales amounts could be recorded if we used different assumptions, or if the underlying circumstances were to change. Changes in underlying assumptions/estimates, supplier performance, or circumstances may adversely or positively affect financial performance in the future.

During fiscal year 2007, the Company entered 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 Principle versus Net as an Agent," the cost of the supplied parts is netted against the invoice price to determine net sales when the part is shipped. In the quarter ended September 28, 2008, the Company's net revenues recognized under this contract were $4.8 million, related to the manufactured assemblies, and $137,000, 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 September 28, 2008, the Company has recognized revenue on products for which title has transferred but the product has not been shipped to the customer of $950,000. The Company recognizes revenue for storage and other related services as the services are provided.

Inventories

Inventories, which consist of materials, labor and manufacturing overhead, are carried at the lower of cost or market value. In addition, management regularly reviews inventory for obsolescence to determine whether any additional write-down is necessary. Various factors are considered in making this determination, including expected program life, recent sales history, predicted trends and market conditions. If actual demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required. For the quarters ended September 28, 2008 and September 30, 2007, expense for obsolete or slow-moving inventory charged to income before income taxes was $597,000 and $317,000, respectively.

Recently Adopted Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"), to clarify the definition of fair value, establish a framework for measuring fair value and expand the disclosures on fair value measurements. On June 29, 2008, the company adopted the provision of SFAS No. 157. The adoption did not have a material impact on its consolidated financial statements. The Company will defer the adoption of SFAS No. 157 for its nonfinancial assets and nonfinancial liabilities until the year ended June 27, 2010, as permitted under FASB Staff Position 157-2, "Effective Date of FASB Statement No. 157."

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), to permit all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses, on items for which the fair value option has been elected, in earnings at each subsequent reporting date, and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157. On June 29, 2008, the Company adopted the provisions of SFAS No. 159. The adoption did not have a material impact on its consolidated financial statements when it became effective for the fiscal year ending June 28, 2009.

In September 2006, the FASB's EITF reached a consensus on EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefits Aspects of Endorsement Split-Dollar Life Insurance Arrangements" ("EITF 06-4"). This addresses only endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods. EITF 06-04 was adopted on June 29, 2008. Adopting the provisions of EITF 06-4 did not have a material impact on the Company's consolidated financial statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

No information has been included hereunder because the Company's foreign sales in each of fiscal quarters ended September 28, 2008 and September 30, 2007, were less than 10% of total Company revenue. All foreign contracts are paid in U.S. dollars and the Company is not significantly exposed to foreign currency translation. However, if the significance of foreign sales grows, management will continue to monitor whether it would be appropriate to use foreign currency risk management instruments to mitigate any exposures.

Interest Rate Risk

As of September 28, 2008, the Company had $8.3 million in total debt. Industrial revenue bonds and capital leases totaling $552,000 have a fixed rate and are not subject to interest rate risk. The interest rate on the remaining $7.7 million is subject to fluctuation. If interest rates increased 1.0%, the additional interest cost to the Company would be approximately $68,000 for one year.

ITEM 4. Controls and Procedures

Evaluation Of Disclosure Controls And Procedures

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

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

Changes In Internal Controls

During our first fiscal quarter of 2009, there were no changes in internal control over financial reporting identified in connection with Management's evaluation that have materially affected or that are reasonably likely to materially affect these controls.

PART II

ITEM 1A. Risk Factors

Our Annual Report on Form 10-K for the year ended June 28, 2008, includes "Risk Factors" under Item 1A of Part I. Except for the updated risk factors described below, there have been no material changes from the risk factors described in our Form 10-K. The information below updates, and should be read in conjunction with, the risk factors and information disclosed in our Form 10-K.

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

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

As of September 28, 2008, the Company's backlog included approximately $39.6 million relating to orders on a very light jet program with one customer. Based on current estimates, approximately $25.5 million of the backlog is scheduled to ship beyond the next 12 months.

As of September 28, 2008, the trade receivables due from this customer were $3.8 million, of which $3.6 million was past due. Included in inventory as of September 28, 2008 was $3.8 million related to this program.

At June 29, 2008, included in trade receivables was $3.4 million due from this customer, of which $1.1 million was past due. Included in inventory as of June 29, 2008 was $3.2 million related to this program.

In response to the past due receivables, the Company's management is in discussions with the customer to develop a payment plan. The customer is currently attempting to raise additional equity to fund its operations, including satisfying obligations to suppliers. The Company does not expect to receive payment for the receivables prior to the customer raising additional equity. If the customer is able to raise additional equity, the Company anticipates that the receivables outstanding as of September 28, 2008 will be paid-in full. If the customer is unable to raise additional equity, the Company may not collect the receivables or recover the full value of inventory related to this program, which could adversely affect the Company's operations. As of September 28, 2008, the Company's allowance for doubtful accounts includes $79,000 associated with this customer related to disputed invoices which have been outstanding for more than one year. The Company's allowance for doubtful accounts does not include any other amounts for this customer.

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

ITEM 6.	**Exhibits**
10.1	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 and Wells Fargo, as agent, filed herewith.
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.

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: October 30, 2008

By: /S/ DONALD H. NONNENKAMP
Name: Donald H. Nonnenkamp
Vice President and Chief Financial Officer
Principal Financial Officer