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LABARGE INC
Form 10-Q
February 07, 2001

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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 December 31, 2000 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 . No .

Indicate the number of shares outstanding of each of the Issuer's classes of common stock as of December 31, 2000. 14,904,117 shares of common stock.

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LABARGE, INC. CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(dollars in thousands except per share data)

	THREE MONTHS ENDED	
	DECEMBER 31, 2000	January 2, 2000
NET SALES	\$ 26,923	\$ 17,552
COSTS AND EXPENSES:		
Cost of sales	21,383	14,192
Selling and administrative expense	4,052	3,634
(Gain) due to impairment of assets	-	(2,300)
Interest expense	557	489
Loss from NotiCom	-	632
Other income, net	(327)	(110)
Income earnings (loss) from continuing operations before income taxes	1,258	1,015
Income tax expense (benefit)	532	337
Net earnings (loss) from continuing operations	726	678
DISCONTINUED OPERATIONS:		
Gain (loss) from operations, net of tax benefit	-	48
NET EARNINGS (LOSS)	\$ 726	\$ 726
BASIC EARNINGS (LOSS) PER SHARE:		
Net income (loss) from continuing operations	\$.05	\$.05
Net income (loss) from discontinued operations	-	-
BASIC NET EARNINGS (LOSS)	.05	.05
AVERAGE COMMON SHARES OUTSTANDING	14,899	14,782
DILUTED EARNINGS (LOSS) PER SHARE:		
Net income (loss) from continuing operations	\$.05	\$.05
Net income (loss) from discontinued operations	-	-
DILUTED NET EARNINGS (LOSS)	\$.05	\$.05
AVERAGE DILUTED COMMON SHARES OUTSTANDING	14,899	14,782

See accompanying notes to consolidated financial statements.

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

	DECEMBER 31, 2000
<hr/>	
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 2,903
Accounts and notes receivable, net	14,011
Inventories	25,022
Prepaid expenses	812
Deferred tax assets, net	1,412
<hr/>	
TOTAL CURRENT ASSETS	\$ 44,160
<hr/>	
PROPERTY, PLANT AND EQUIPMENT, NET	12,597
DEFERRED TAX ASSETS, NET	1,941
INTANGIBLE ASSETS, NET	4,982
OTHER ASSETS, NET	5,569
<hr/>	
	\$ 69,249
<hr/>	
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Short-term borrowings	\$ 5,187
Current maturities of long-term debt	1,793
Trade accounts payable	10,069
Accrued employee compensation	4,536
Other accrued liabilities	5,439
<hr/>	
TOTAL CURRENT LIABILITIES	\$ 27,024
<hr/>	
OTHER LONG-TERM LIABILITIES	851
LONG-TERM DEBT	8,394
SUBORDINATED DEBT	5,741
<hr/>	
STOCKHOLDERS' EQUITY:	
Common stock, \$.01 par value. Authorized 40,000,000 shares; issued 15,773,253 shares at December 31, 2000 and 15,773,253 at July 2, 2000, including shares in treasury	158
Additional paid-in capital	13,670
Retained earnings	16,338

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Less cost of common stock in treasury, 869,136 shares at
December 31, 2000 and 921,199 shares at July 2, 2000 (2,927

TOTAL STOCKHOLDERS' EQUITY 27,239

\$ 69,249

See accompanying notes to consolidated financial statements.

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

(dollars in thousands)

	----- DECE

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net earnings (loss)	\$ 1
Adjustments to reconcile net cash provided by operating activities:	
Loss from NotiCom and amortization of technology	
Depreciation and amortization	1
Deferred taxes	
Other	
Changes in assets and liabilities:	
Accounts and notes receivable, net	3
Inventories	(2)
Prepaid expenses	
Trade accounts payable	1
Other accrued liabilities	2
-----	-----
NET CASH PROVIDED BY CONTINUING OPERATIONS	8
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	
-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	8

CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to property, plant and equipment	
Additions to other assets	
Investment in other companies	
Cash used by investing activities - discontinued operations	
-----	-----
NET CASH USED BY INVESTING ACTIVITIES	(1

CASH FLOWS FROM FINANCING ACTIVITIES:	

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Repayments of long-term debt	
Sale (purchase) of common stock	
Net change in short-term borrowings, net of acquisitions	(4)
Net change in short-term debt of discontinued operations	

NET CASH USED BY FINANCING ACTIVITIES	(5)

NET INCREASE IN CASH AND CASH EQUIVALENTS	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	

CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2
=====	

See accompanying notes to consolidated financial statements.

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FORM 10-Q

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. CONSOLIDATED FINANCIAL STATEMENTS - BASIS OF PRESENTATION

The consolidated balance sheets at December 31, 2000 and July 2, 2000, the related consolidated statements of operations for the three and six months ended December 31, 2000 and January 2, 2000 and the consolidated statements of cash flows for the six months ended December 31, 2000 and January 2, 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 2, 2000.

2. ACCOUNTS AND NOTES RECEIVABLE

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

DECEMBER 31,
2000

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Billed shipments, net of progress payments	\$ 13,468
Less allowance for doubtful accounts	166

Trade receivables, net	13,302
Other current receivables	709

	\$ 14,011
=====	

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.

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3. INVENTORIES

Inventories consist of the following:
(dollars in thousands)

	DECEMBER 31, 2000

Raw materials	\$ 18,357
Work in progress	7,843

	26,200
Less progress payments	1,178

	\$ 25,022
=====	

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)

DECEMBER 31,
2000

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Software	\$ 1,425
Patents	80
Goodwill	6,695

	8,200
Less amortization	3,218

	\$ 4,982
=====	

Amortization expense was approximately \$294,000 for the quarter ended December 31, 2000 and \$270,000 for the quarter ended January 2, 2000.

5. OTHER ASSETS

Other assets is summarized as following:
(dollars in thousands)

	DECEMBER 31, 2000

Cash value of life insurance	\$ 3,842
Deposits, licenses, and other	1,623
Investments in businesses	136

	\$ 5,601
Less amortization	32

	\$ 5,569
=====	

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)

DECEMBER 31,
2000

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Short-term borrowings:	
Revolving credit agreement:	
Balance at period-end	\$ 5,187
Interest rate at period-end	8.22%
Average amount of short-term borrowings outstanding during period	
	\$ 10,362
Average interest rate for period	8.85%
Maximum short-term borrowings at any month-end	\$ 13,302
=====	
Senior long-term debt:	
Senior lender:	
Term loan	\$ 3,122
Mortgage loan	5,945
Other	1,120

Total senior long-term debt	10,187
Less current maturities	1,793

Long-term debt, less current maturities	\$ 8,394
=====	
Subordinated debt	\$ 5,741
=====	

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 \$3.1 million, requiring repayments of \$393,000 of principal quarterly. Under this schedule, the term loan will be repaid in December 2002.

- 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 December 31, 2000, the maximum allowable was \$15.8 million. The revolver borrowing at quarter-end was \$5.2 million, and letters of credit outstanding totaled \$1.6 million. Unused revolving credit available at December 31, 2000 was \$9.0 million. The maturity date of the revolving credit facility is February 2002.

- Covenants and performance criteria which involve Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") in relation to debt, EBITDA in relation to fixed charges, and maximum capital expenditures. The Company is in compliance with its borrowing agreement covenants for the quarter ended December 31, 2000.

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- Interest on the loans at prime or a stated rate over LIBOR based on certain ratios. As of the quarter-end, the average rate was approximately 8.85%.
- 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 December 2000 was \$1.1 million.

Subordinated Convertible Notes:

On March 2, 1999, the Company, through its subsidiary LaBarge-OCS, Inc., purchased the remaining 90% of OCS for \$5.6 million by (1) exchanging its Subordinated Convertible Notes ("Notes") due June 2003 in the principal amount of \$4.3 million for the outstanding shares of OCS, and (2) exchanging 310,000 shares of LaBarge-OCS, Inc. common stock for outstanding options to purchase OCS common shares. The Notes bear interest at 7.5% per annum payable quarterly beginning June 29, 1999, 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 after the first anniversary of the Notes up to their maturity date. The 310,000 shares of LaBarge-OCS, Inc. common stock were exchanged for \$1.3 million of Notes in June 2000.

To mitigate the exposure to changes in interest rates, the Company entered into an interest rate swap agreement with a bank in August 1998. This agreement 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, \$7.5 million at December 31, 2000, amortizes quarterly. This agreement expires in September 2005.

OTHER LONG-TERM LIABILITIES:

Other long-term liabilities include (1) deferred revenues associated with the proprietary ScadaNET Network" (representing prepaid communication services), and (2) long-term customer advances.

7. DISCONTINUED OPERATIONS

On June 30, 2000, LaBarge Clayco Wireless was sold to Evolution Holdings, Inc. of Phoenix, Arizona. For its 90% interest in this joint venture, the Company received \$4.6 million in cash and a three-year convertible note with an estimated fair value of \$115,000. In fiscal 2000 fourth quarter, the Company recognized a one-time gain on the sale of \$2.8 million, net of taxes.

LaBarge Clayco Wireless has been accounted for as a discontinued operation.

8. INCOME TAXES

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The Company has alternative minimum and investment tax credit carryforwards of approximately \$422,000 that are available to reduce future regular federal income taxes.

9. CASH FLOWS

Total cash payments for interest for the three and six months ended December 31, 2000 were \$456,000 and \$1.0 million, compared with \$548,000 and \$1.1 million for the three and six months ended January 2, 2000. Cash payments for federal and state income taxes were \$845,000 and \$1.7 million for the three and six months ended December 31, 2000, compared with a cash refund for income taxes of \$-0- and \$754,000, for the three and six months ended January 2, 2000.

10. EARNINGS PER COMMON SHARE

Basic and diluted earnings (loss) per share are computed as follows:

	THREE MONTHS ENDED	
	DECEMBER 31, 2000	January 2, 2000
<hr style="border-top: 1px dashed black;"/>		
NUMERATOR:		
Net earnings (loss) from continuing operations	\$ 726	\$ 678
Net earnings (loss) from discontinued operations	-	48
<hr style="border-top: 1px dashed black;"/>		
Net earnings (loss)	\$ 726	\$ 726
<hr style="border-top: 1px dashed black;"/>		
DENOMINATOR:		
Denominator for basic net earnings (loss) per share	14,899	14,782
<hr style="border-top: 1px dashed black;"/>		
POTENTIAL COMMON SHARES:		
Denominator for diluted net earnings (loss) per share - adjusted weighted - average shares and assumed conversions	14,899	14,782
<hr style="border-top: 1px dashed black;"/>		
BASIC EARNINGS (LOSS) PER SHARE:		
Net earnings (loss) from continuing operations	\$.05	\$.05
Earnings (loss) from discontinued operations	-	-
<hr style="border-top: 1px dashed black;"/>		
BASIC NET EARNINGS (LOSS)	\$.05	\$.05
<hr style="border-top: 1px dashed black;"/>		
DILUTED EARNINGS (LOSS) PER SHARE:		
Net earnings (loss) from continuing operations	\$.05	\$.05
Earnings (loss) from discontinued operations	-	-
<hr style="border-top: 1px dashed black;"/>		
DILUTED NET EARNINGS (LOSS) PER SHARE:	\$.05	\$.05
<hr style="border-top: 1px dashed black;"/>		

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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.

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11. BUSINESS SEGMENT INFORMATION

Business segments:
(dollars in thousands)

NET SALES TO CUSTOMERS:

	THREE MONTHS ENDED		SIX MO
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Manufacturing Services Group	\$ 26,565	\$ 17,414	\$ 50,560
Network Technologies Group	358	138	647
=====	\$ 26,923	\$ 17,552	\$ 51,207

EARNINGS (LOSS):

	THREE MONTHS ENDED		
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Pretax earnings (loss) from continuing operations:			
Manufacturing Services Group	\$ 2,349	\$ 546	\$ 4,600
Gain due to impairment of assets	-	2,300	
Total Manufacturing Services Group	2,349	2,846	4,600
Network Technologies Group	(560)	(592)	(1,152)
NotiCom	-	(632)	
Corporate and other items	26	(118)	
Interest expense	(557)	(489)	(1,046)

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NET EARNINGS (LOSS) FROM			
CONTINUING OPERATIONS BEFORE TAX	\$	1,258	\$ 1,015
INCOME TAX EXPENSE (BENEFIT)		532	337

NET EARNINGS (LOSS) FROM			
CONTINUING OPERATIONS		726	678

Discontinued operations:			
Income (loss) from operations, net of taxes		-	48

	\$	726	\$ 726
			\$ 1,3
=====			

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DEPRECIATION & AMORTIZATION EXPENSE:

	THREE MONTHS ENDED		SIX MONTHS
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Manufacturing Services Group	\$ 375	\$ 320	\$ 784
Network Technologies Group	229	246	463
NotiCom	-	178	-
Corporate and other items	135	102	276

	\$ 739	\$ 846	\$ 1,523
=====			

INVESTMENTS & CAPITAL EXPENDITURES:

	THREE MONTHS ENDED		SIX MONTHS
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Manufacturing Services Group	\$ 356	\$ 227	\$ 1,024
Network Technologies Group	212	84	248
Investment in NotiCom	-	405	-
Corporate and other items	(180)	210	43

	\$ 388	\$ 926	\$ 1,315

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TOTAL ASSETS:

	DECEMBER 31, 2000	July 2, 2000
Manufacturing Services Group	\$ 44,907	\$ 45,283
Network Technologies Group	5,522	5,878
Corporate and other items	18,820	17,572
	\$ 69,249	\$ 68,733

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 or six months ended December 31, 2000.

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FORM 10-Q

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 manufacturing

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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. The Company derived approximately 99% of its total revenues from this group for the three and six months ended December 31, 2000.

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

The backlog of unshipped orders in the Manufacturing Services Group increased to \$89.5 million at December 31, 2000, compared to \$62.7 million at fiscal 2000 year-end. 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. Backlog growth was from commercial customers.

- 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. 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 1% of its total revenues from this group for the three and six months ended December 31, 2000.

The backlog of unshipped orders in the Network Technologies Group was \$860,000 at December 31, 2000, compared with \$382,000 at fiscal 2000 year-end. Contracts with the railroad industry represented the majority of the growth in this backlog.

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SIGNIFICANT EVENTS

Recent significant events include:

- On June 30, 2000 LaBarge Clayco Wireless was sold to Evolution Holdings, Inc. of Phoenix, Arizona. For its 90% interest in the joint venture, the Company received \$4.6 million in cash and a three-year convertible note with an estimated fair value of \$115,000. The Company recognized a one-time gain on the sale of \$2.8 million, net of taxes. LaBarge Clayco Wireless has been accounted for as a discontinued operation.
- During the latter part of fiscal 2000, it was determined that significant additional investment would be required to continue development of NotiCom L.L.C.'s BusCall(TM) product. During the fourth quarter, the Company determined it would not provide such additional funding for NotiCom. Consequently, NotiCom attempted to raise additional equity in the capital markets. To date, these efforts have not been successful. Given these events, during the fourth quarter of fiscal 2000, the Company wrote-down its remaining investment in NotiCom and the related technology to zero. The total loss to LaBarge, including its share of NotiCom's operations and the write-down was \$4.2 million in fiscal 2000.

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RESULTS OF OPERATIONS--QUARTER ENDED DECEMBER 31, 2000

NET SALES

(dollars in thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Net Sales	\$ 26,923	\$ 17,552	\$ 51,207

For the fiscal 2001 second quarter, ended December 31, 2000, net sales from continuing operations were \$26.9 million compared with \$17.6 million for the same period of fiscal 2000. Sales to our top 10 customers represented 71% of total revenue in the second quarter of fiscal 2001 versus 76% for the same period of fiscal 2000. Sales to our top three customers and the portion of total sales they represented were as follows: Northrop Grumman, 23%; Schlumberger, 16%; and Lockheed Martin, 8%.

The MANUFACTURING SERVICES GROUP. Sales in the manufacturing services segment of the business were \$26.6 million, accounting for 99% of total sales for the quarter ended December 31, 2000, up \$9.2 million (53%) over the same period of fiscal 2000.

Comparing the second quarter of fiscal 2001 with the same period of fiscal 2000, the significant sales growth came from commercial customers. Sales to commercial customers grew 111% to \$18.7 million. Sales of electro-mechanical assemblies for mail handling equipment used by the U.S. Postal Service was the most significant contribution to this growth. Sales to oil and gas customers also increased during the period.

NETWORK TECHNOLOGIES GROUP. Sales by this segment of the Company were 1% of total sales for the quarter ended December 31, 2000.

The Network Technologies Group generated second quarter sales of \$358,000 versus \$138,000 for the second quarter of fiscal 2000. Sales were primarily to the railroad industry. During fiscal 2000, the group's proprietary ScadaNET Network(TM) was selected by several rail organizations as the system of choice for their remote monitoring programs. The system is being installed at nearly 2,600 active crossings by The Burlington Northern and Santa Fe Railway Company, Union Pacific Railroad, Montana Rail Link and I&M Rail Link. Second quarter sales represented the continuation of this build-out program. The ScadaNET Network is a standard component of all new and upgraded rail crossings built by the Union Pacific Railroad and Burlington Northern and Santa Fe Railway Company. In January 2001, the Company reached an agreement with Union

Pacific Railroad to provide equipment and remote monitoring services to retrofit

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1,100 crossings in the state of Illinois.

GROSS PROFIT (dollars in thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Gross profit	\$ 5,540	\$ 3,360	\$ 11,087
Gross margin	20.6%	19.1%	21.7%

A breakdown of margins by group shows the following:

MANUFACTURING SERVICES GROUP. This group's gross profit margin was 19.2% for the quarter (20.5% for the six months) ended December 31, 2000, compared with 19.4% for the quarter (18.5% for the six months) ended January 2, 2000. Additional costs incurred associated with the later-than-expected start-up of the recently announced contract with Northrop Grumman impacted second quarter gross margins.

NETWORK TECHNOLOGIES GROUP. This group's gross profit margin was 49.3% for the quarter ended December 31, 2000. Gross margins for the Network Technologies Group were not significant for the same period of fiscal 2000, as sales totaled only \$138,000.

During the second half of fiscal 2001, we anticipate that the Company's sales mix will evolve into higher gross margins with increased sales from the Network Technologies Group.

SELLING AND ADMINISTRATIVE EXPENSES (dollars in thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Selling and administrative expenses	\$ 4,052	\$ 3,634	\$ 8,240
Percent of sales	15.1%	20.7%	16.1%

Selling and administrative expenses rose for the three and six months ended December 31, 2000 as compared to prior periods, reflecting much higher sales

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levels. As a percent of sales, selling and administrative expenses declined reflecting increased sales without a proportionate increase in selling and administrative expenses. Growth in prior periods' selling and administrative expenses were in anticipation of higher levels of sales and bookings, that were realized in the current quarter, and the expected sales levels for the remainder of the fiscal year.

MANUFACTURING SERVICES GROUP. Selling and administrative expenses for this group were \$3.2 million (12.1% of sales) for the quarter ended December 31, 2000 and \$3.1 million (17.7% of sales) for the same period of fiscal 2000.

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NETWORK TECHNOLOGIES GROUP. This group accounted for \$736,000 of selling and administrative expenses for the quarter ended December 31, 2000. This included \$219,000 in amortization of goodwill. For the same period of fiscal 2000, these expenses totaled \$592,000, including \$239,000 of goodwill. Selling and administrative expenses increased due to additional activity and larger sales volume.

INTEREST EXPENSE
(dollars in thousands)

	THREE MONTHS ENDED		SIX MONTHS
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Interest expense	\$ 557	\$ 489	\$ 1,095
	=====	=====	=====

Interest expense increased for the quarter and six months ended December 31, 2000, primarily due to higher average interest rates on additional short-term borrowings to support increased levels of average working capital.

LOSS FROM NOTICOM
(dollars in thousands)

	THREE MONTHS ENDED		SIX MONTHS
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Loss from NotiCom	\$ -	\$ 632	\$ -
	=====	=====	=====

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The Company is no longer providing funding for NotiCom L.L.C. and, at the end of fiscal year 2000, wrote-down its remaining investment to zero. No additional expense is expected to be incurred from the Company's interest in NotiCom's operations.

PRETAX EARNINGS (LOSS) FROM CONTINUING OPERATIONS (dollars in thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Pretax earnings (loss)	\$ 1,258	\$ 1,015	\$ 2,358

The change in earnings from continuing operations for the quarter ended December 31, 2000, compared with the same period of fiscal 2000, is primarily attributable to significantly higher sales (and increase of \$9.2 million) and gross profit (an increase of \$1.7 million) from the Manufacturing Services Group and the absence of a charge associated with NotiCom L.L.C., offset by the non-recurring gain recognized in the quarter ended January 2, 2000, of \$2.3 million associated with the company's investment in Transmedica International.

The Company sold certain technology during the quarter ended October 1, 2000, for a total of \$575,000. Revenue recognized in connection with this sale in the quarter ended December 31, 2000, was approximately \$246,000. The remainder of the sale price, \$137,000, will be recognized in the third quarter of fiscal 2001, matching the Company's remaining performance requirements under the terms of the sale agreement.

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TAX EXPENSE (BENEFIT) FROM CONTINUING OPERATIONS (dollars in thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Tax expense (benefit) from continuing operations	\$ 532	\$ 337	\$ 997

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Tax expense (benefit) was impacted by non-deductible goodwill expense of \$219,000 incurred in connection with the OCS acquisition in the quarter ended December 31, 2000, and \$239,000 for the same period of fiscal 2000.

DISCONTINUED OPERATIONS, NET OF TAX
(dollars in thousands)

	THREE MONTHS ENDED		SIX MONTHS ENDED
	DECEMBER 31, 2000	January 2, 2000	DECEMBER 31, 2000
Income from discontinued operations	\$ -	\$ 48	\$ -

Discontinued operations reflect the results of LaBarge Clayco Wireless, sold on June 30, 2000.

FINANCIAL CONDITION AND LIQUIDITY

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

STOCKHOLDERS' EQUITY AND DEBT
(dollars in thousands)

	DECEMBER 31, 2000	July 2, 2000
Stockholders' equity	\$ 27,239	\$ 25,773
Debt	\$ 21,115	\$ 26,578

The Company's continuing operations provided \$8.4 million of net cash for the quarter ended December 31, 2000. A reduction in net working capital assets, together with earnings generated cash, reduced short-term borrowings during the quarter ended December 31, 2000.

The Company received a \$5 million payment from a customer to finance material purchases on a contract negotiated during the quarter. \$4.4 million of this payment is classified as other accrued liabilities.

Currently, our total debt-to-equity ratio is .78 to 1 versus 1.03 to 1 at the end of fiscal 2000.

Effective October 24, 2000, our revolving credit agreement (see Note 7 in "Notes

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to Consolidated Financial Statements") maturity was extended to February 2002, and the commitment amount increased to \$18.0 million.

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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 since its acquisition in March 1999. It is too early to predict the timing and the extent of the potential wide-spread 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 credit with the bank should be sufficient to support the planned operations and capital expenditures of our business for the next two years.

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PART II

ITEM 4. Submission of Matter to a Vote of Security Holders

On November 17, 2000, at the Company's Annual Meeting of Stockholders, stockholders took the following actions:

- a. Elected two Class B Directors for a term ending in 2003. Vote tallies were as follows:

	Votes FOR	Votes ABSTAINING
	-----	-----
John G. Helmkamp, Jr.	13,370,343	164,935
Lawrence J. LeGrand	13,370,743	164,535

- b. Ratified the selection of KPMG, LLP as independent accountants for 2001 with 13,431,487 FOR votes, 54,114 AGAINST votes and 49,677 votes ABSTAINED.

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ITEM 6. Exhibits and Reports on Form 8-K

- (a) Exhibit 10.6(a) Fifth Amendment to Loan Agreement Among Bank of America, N.A. and LaBarge, Inc. LaBarge/STC, Inc., LaBarge Wireless LLC, and LaBarge OCS, Inc.
- (b) Reports on Form 8-K: On December 4, 2000, a current report on Form 8-K was submitted in accordance with Regulation FD to report the following information.
 - On December 5, 2000, certain members of the Registrant's management will meet with institutional investors and will make a slide presentation.

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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: February 6, 2001

s/Donald H. Nonnenkamp

Donald H. Nonnenkamp
Vice President
and Chief Financial Officer

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