

LABARGE INC
Form SC 13D/A
June 02, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934 (Amendment No. 1)

LaBarge, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

_____502470107_____

(CUSIP Number)

Peter D. Goldstein
GAMCO Investors, Inc.
One Corporate Center
Rye, New York 10580-1435
(914) 921-5000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

_____May 31, 2011_____

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

CUSIP No. 502470107

1 Names of reporting persons
 I.R.S. identification nos. of above persons (entities only)
 Gabelli Funds, LLC I.D. No. 13-4044523

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
 00-Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e) X

6 Citizenship or place of organization
 New York

Number Of	: 7	Sole voting power
	:	
Shares	:	895,085 (Item 5)
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	:	None
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	:	895,085 (Item 5)
	:	
Person	:10	Shared dispositive power
	:	
With	:	None
	:	

11 Aggregate amount beneficially owned by each reporting person
 895,085 (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
 (SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)
 5.65%

14 Type of reporting person (SEE INSTRUCTIONS)

IA, CO

2

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CUSIP No. 502470107

- 1 Names of reporting persons
 I.R.S. identification nos. of above persons (entities only)
 GAMCO Asset Management, Inc. I.D. No. 13-4044521
- 2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

- 3 Sec use only
- 4 Source of funds (SEE INSTRUCTIONS)
 00-Funds of investment advisory clients
- 5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

- 6 Citizenship or place of organization
 New York

Number Of	: 7	Sole voting power
	:	
Shares	:	189,663 (Item 5)
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	:	None
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	:	189,663 (Item 5)
	:	
Person	:10	Shared dispositive power
	:	
With	:	None
	:	

- 11 Aggregate amount beneficially owned by each reporting person

189,663 (Item 5)

- 12 Check box if the aggregate amount in row (11) excludes certain shares
 (SEE INSTRUCTIONS)

- 13 Percent of class represented by amount in row (11)

1.20%

- 14 Type of reporting person (SEE INSTRUCTIONS)
 IA, CO

CUSIP No. 502470107

1 Names of reporting persons
 I.R.S. identification nos. of above persons (entities only)
 Teton Advisors, Inc. I.D. No. 13-4008049

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
 00 – Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
 Delaware

Number Of	: 7	Sole voting power
	:	
Shares	: 38,000	(Item 5)
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	: None	
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	: 38,000	(Item 5)
	:	
Person	: 10	Shared dispositive power
	:	
With	: None	
	:	

11 Aggregate amount beneficially owned by each reporting person

38,000 (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
 (SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.24%

14 Type of reporting person (SEE
 INSTRUCTIONS)

IA, CO

4

CUSIP No. 502470107

1 Names of reporting persons
 I.R.S. identification nos. of above persons (entities only)
 Gabelli Securities, Inc. I.D. No. 13-3379374

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
 00 – Client funds

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
 Delaware

Number Of	: 7	Sole voting power
	:	
Shares	:	153,223 (Item 5)
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	:	None
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	:	153,223 (Item 5)
	:	
Person	:10	Shared dispositive power
	:	
With	:	None
	:	

11 Aggregate amount beneficially owned by each reporting person

153,223 (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
 (SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.97%

14 Type of reporting person (SEE INSTRUCTIONS)
 HC, CO, IA

CUSIP No. 502470107

1 Names of reporting persons
 I.R.S. identification nos. of above persons (entities only)
 GGCP, Inc. I.D.
 No. 13-3056041

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
 None

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
 Wyoming

Number Of	: 7	Sole voting power
	:	
Shares	:	None (Item 5)
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	:	None
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	:	None (Item 5)
	:	
Person	:10	Shared dispositive power
	:	
With	:	None
	:	

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
 (SEE INSTRUCTIONS) X

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)

HC, CO

CUSIP No. 502470107

- 1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
I.D. No. 13-4007862
Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

- 3 Sec use only
- 4 Source of funds (SEE INSTRUCTIONS)
None
- 5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)
- 6 Citizenship or place of organization
New York

Number Of

Shares

Beneficially

Owned

By Each

Reporting

Person

< payment of incentives in the executive plans, use of multiple types of long-term incentives, payment caps, significant stock ownership guidelines and our anti-hedging policy. In light of these analyses, the Committee believes that the architecture of our compensation programs (executive and broad-based) provide multiple, effective safeguards to protect against undue risk.

Anti-Hedging Policy. Our stock trading policy, applicable to our directors and employees, prohibits engaging in any short sale of our stock, establishing or using a margin account with a broker-dealer for the purpose of buying or selling our stock or using it as collateral therefor, or buying or selling puts, calls, prepaid variable forward contracts, equity swaps, collars, exchange funds or other instruments or derivatives designed to hedge the value of our stock.

Communication with Directors. Shareholders desiring to communicate directly with the Board of Directors, or with any individual director, may do so in writing addressed to the intended recipient or recipients c/o Richard C. Josephson, Secretary, Schnitzer Steel Industries, Inc., P.O. Box 10047, Portland, Oregon 97296-0047. All such communications will be reviewed and forwarded to the designated recipient or

recipients in a timely manner.

Director Compensation

The following table sets forth certain information concerning compensation paid to directors other than Ms. Lundgren during the fiscal year ended August 31, 2010.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Change in Pension Value and			Total (\$)
			Non-Equity Incentive Plan Compensation \$(3)	Nonqualified Deferred Compensation Earnings \$(4)	All Other Compensation \$(5)	
David J. Anderson	70,000	120,000				190,000
Robert S. Ball	75,000	120,000				195,000
John D. Carter	720,000		1,310,400	127,169	65,996	2,223,565
Jill Schnitzer Edelson	70,000	120,000				190,000
William A. Furman	70,000	120,000				190,000
Wayland R. Hicks	70,000	120,000				190,000
Judith A. Johansen	80,000	120,000				200,000
William D. Larsson	115,000	120,000				235,000
Scott Lewis	70,000	120,000				190,000
Kenneth M. Novack	70,000	120,000				190,000
Jean S. Reynolds	70,000	120,000				190,000
Ralph R. Shaw	70,000	120,000				190,000

(1) Includes amounts deferred at the election of a director under the Deferred Compensation Plan for Non-Employee Directors. For Mr. Carter, represents base salary paid pursuant to Mr. Carter's employment agreement as the Chairman of the Board (as described below).

(2) Represents the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Classification (ASC) Topic 718, excluding the effect of estimated forfeitures. These amounts reflect the grant date fair value and may not correspond to the actual value that will be recognized by the directors. Stock awards consist of deferred stock units (DSUs) valued using the closing market price of the Company s Class A common stock on the NASDAQ Global Select Market on the grant date. On January 27, 2010, the date of the Company s 2010 Annual Meeting, each director then in office other than Mr. Carter and Ms. Lundgren was automatically granted DSUs for 2,803 shares. The grant date fair value of this DSU grant to each director was \$120,000, or \$42.81 per share, which was equal to the closing market price of the Company s Class A common stock on the grant date. These grants vest on January 18, 2011 (the day before the 2011 annual meeting), subject to continued Board service. The DSUs become fully vested on the death or disability of a director or a change in control of the Company (as defined in the DSU award agreement). After the DSUs have become vested, directors will be credited with additional whole or fractional shares to reflect dividends that would have been paid on the stock subject to the DSUs. The Company plans to issue Class A common stock to a director pursuant to vested DSUs in a lump sum in January of the year following the year the director ceases to be a director of the Company, subject to the right of the director to elect an installment payment program under the Company s Deferred Compensation Plan for Non-Employee Directors. At August 31, 2010 each non-employee director held unvested DSUs for 2,803 shares. At August 31, 2010, directors held outstanding options to purchase the following number of shares of Class A common stock: 9,000 each by Messrs. Ball, Furman, Lewis and Shaw, 900 by Ms. Reynolds, 30,250 by Mr. Novack and 114,020 by Mr. Carter.

(3) Represents a bonus based on achievement of specified performance objectives in fiscal 2010 pursuant to Mr. Carter s employment agreement as the Chairman of the Board (as described below).

(4) Represents changes in the actuarial present value of accumulated benefits under the Company s Pension Retirement Plan and the Company s Supplemental Executive Retirement Bonus Plan.

(5) Includes Company matching contributions of \$9,800 to Mr. Carter s account under the 401(k) Plan, \$20,653 in premiums paid for medical plans, \$5,543 in premiums paid for life, disability and other insurance and a \$30,000 automobile allowance. The annual fee for non-employee directors is \$70,000 (\$105,000 for Mr. Larsson as Lead Director). We do not pay fees for attendance at Board and committee meetings. The annual cash retainer for the Chairs of the Audit and Compensation Committees is \$10,000 and for the Chair of the Nominating and Corporate Governance Committee is \$5,000.

In 2004, directors began participating in the Company s SIP, and in 2004 and 2005 non-employee directors received stock option grants. Since August 2006, non-employee directors have been awarded DSUs instead of stock options. One DSU gives the director the right to receive one share of Class A common stock at a future date. At each annual meeting of shareholders, each non-employee director receives DSUs for a number of shares equal to \$120,000 divided by the closing market price of the Class A common stock on the grant date.

Non-employee directors may elect to defer all or part of their compensation under the Deferred Compensation Plan for Non-Employee Directors, which was adopted by the Board in 2006. Directors' cash fees are credited to a cash account or a stock account, as selected by the director. Payments from the cash account are paid in cash, and payments from the stock account are paid in Class A common stock. The cash account is credited with quarterly interest equal to the average interest rate paid by us under our senior revolving credit agreement (or if there are no borrowings in a quarter, at the prime rate) plus two percent. The stock account is credited with additional whole or partial shares reflecting dividends that would have been paid on the shares. Deferred amounts are paid in a single payment or in equal annual installment payments for up to 15 years commencing in January following the date the director ceases to be a director. DSUs are credited to the directors' stock accounts under the plan when the DSUs become vested, and the awards are administered under the plan. A director may elect to receive stock under a DSU in equal annual installment payments for up to 15 years commencing in January following the date the director ceases to be a director.

Mr. Carter served as the Company's CEO until December 2008, when he was succeeded in that position by our current CEO, Ms. Lundgren. At that time, Mr. Carter entered into an employment agreement with the Company to serve as our Chairman of the Board. In his role as the Chairman of the Board, Mr. Carter provides leadership at the Board level and performs important advisory and representational roles on public policy, environmental affairs and special projects. Mr. Carter receives compensation as Chairman of the Board under an amended employment agreement which governs the terms and conditions of his employment as the Chairman through December 1, 2011. At any time during the term of his employment agreement, Mr. Carter may request a reduction in his duties and time commitment to the Company and, if the Board agrees to such request, Mr. Carter's base salary will be proportionally reduced by a mutually agreed upon amount that appropriately reflects his reduced duties and time commitment. Mr. Carter's employment agreement provides for (i) an annual base salary of \$720,000, subject to annual review and increase, but not decrease, by the Committee and (ii) an annual cash bonus consisting of two parts: a bonus based on achievement of Company financial performance targets and a bonus based on achievement of management objectives which utilized the same metrics and targets as the annual performance bonus program for the CEO (see Annual Incentive Programs Annual Performance Bonus Program for Ms. Lundgren), but with a maximum multiple of 3x for each component. The total target bonus under both components for each fiscal year is 100% of Mr. Carter's base salary as of fiscal year end, with half of the total target bonus allocated to each part. The bonus earned by Mr. Carter based on fiscal 2010 performance is reported in the Non-Equity Incentive Plan Compensation column. Mr. Carter no longer participates in the Company's Long Term Incentive Plan.

We have entered into indemnity agreements with each director pursuant to which we agree to indemnify such director in connection with any claims or proceedings involving the director by reason of serving as a director of the Company, as provided in the agreement.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS
VOTE FOR THE ELECTION OF THE NOMINEES NAMED IN THIS PROXY
STATEMENT.**

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This compensation discussion and analysis describes the material elements of the compensation awarded to, earned by, or paid to the officers identified in the Summary Compensation Table (who are considered to be our named executive officers during the last fiscal year), including the objectives of our compensation policies and programs and how performance metrics are selected and evaluated. This compensation discussion and analysis also describes the role of the Compensation Committee of the Board (the Committee), our compensation philosophy and our process for establishing executive compensation.

Compensation Philosophy

The objective of our executive compensation program is to ensure that we attract, retain and motivate qualified executive officers to perform in the best long-term interests of the Company and its shareholders. Our compensation programs are designed to drive our business strategy and create shareholder value by paying for performance consistent with an acceptable risk profile. More specifically, the underpinning of our compensation philosophy is to:

Promote creation of shareholder value;

Attract and retain qualified high performing executive officers;

Be competitive in the market for talent; and

Motivate high levels of performance.

Our compensation program emphasizes delivering compensation at a competitive market level which will allow us to reward superior performance with appropriately superior compensation, and allow executive officers who demonstrate consistent performance over a multi-year period to earn compensation above the executive's annual target when we achieve above-targeted long-term performance and, conversely, to provide less than the annual target compensation when performance does not meet expectations. Our executive compensation program is designed to have sufficient flexibility to facilitate the achievement of the goals for each of our business units, but to do so within the overall objectives for performance of the Company as a whole. Individual executive compensation may be above or below the annual target level based on the individual's performance, contribution to the organization, experience and expertise, unique skills and other relevant factors.

The Executive Compensation Process

Role of the Compensation Committee. The Committee is responsible for:

Developing and making recommendations to the Board with respect to our compensation policies and programs;

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Determining the levels of all compensation to be paid to our Chief Executive Officer and other executive officers (including annual base salary and incentive compensation, equity incentives and benefit plans); and

Granting stock options, performance shares, restricted stock units (RSUs), and other awards under and administering our 1993 Stock Incentive Plan (SIP). The Committee cannot delegate this authority. The Committee regularly reports its activities to the Board.

The Committee is comprised of four directors, each of whom has been determined by the Board to be independent under our Corporate Governance Guidelines and applicable SEC and NASDAQ rules. Currently, the members of the Committee are Judith A. Johansen, Chair, William A. Furman, Wayland R. Hicks and Ralph R. Shaw. The Committee operates pursuant to a written charter (available on the Company's website at http://www.schnitzersteel.com/documents/compensation_committee_charter_jan_10.pdf) which is reviewed by the Committee on an annual basis and approved by the Board. The Committee meets at least quarterly and more frequently as circumstances require.

Use of Compensation Consultants. The Committee has authority to retain compensation consulting firms to assist it in the evaluation of executive officer and employee compensation and benefit programs. The Committee directly retained PM&P as its compensation consultant for fiscal 2010. In fiscal 2010, PM&P performed, among others, the following services for the Committee:

Attended Committee meetings in person or by telephone;

Reviewed peer group for executive compensation benchmarking;

Prepared materials and discussed executive compensation trends with the Committee, and reviewed materials supplied to the Committee by management and Towers Watson, the Company's compensation consultant;

Reviewed our equity grant practices;

Reviewed, prepared an analysis of and discussed with Towers Watson the proposed base salary, and annual incentive and long-term incentive awards for the CEO and the proposed long-term incentive awards for the other named executive officers against the competitive market;

Reviewed management's recommendations for fiscal 2009 annual incentive plan payouts and fiscal 2010 annual and long-term incentive programs and provided comments for the Committee's consideration;

Reviewed and provided comments on the Compensation Discussion and Analysis in the proxy statement for the 2010 annual meeting of shareholders; and

Provided market information on pay levels, practices and plan design for selected executive positions.

PM&P did not perform any additional services for the Company in fiscal 2010.

We retain Towers Watson as the Company's separate compensation consultant to advise management and provide input to the Committee. During fiscal 2010, Towers Watson assisted management with the following matters:

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Provided information on competitive compensation levels for the CEO and her direct reports;

Reviewed our long-term incentive plan design and grant guidelines, evaluated our aggregate share use and economic dilution compared to market practice and reviewed proposed equity grants for eligible participants;

Created executive tally sheets for the October 2009 and April and July 2010 Committee meetings;

Prepared calculations with respect to change in control agreements for inclusion in the proxy statement for our 2010 annual meeting; and

Reviewed and provided input on our officer stock ownership policy.

The Committee's and the Company's consultants provide information and data to the Committee from their surveys, proprietary data bases and other sources, which the Committee utilizes along with information provided by management and obtained from other sources. In making its decisions, the Committee also draws on expertise and information from within the Company, including from the human resources, legal and finance groups. The Committee considers executive and director compensation matters at its quarterly meetings and at special meetings as needed based on our annual compensation schedule. In making its compensation decisions, the Committee reviews tally sheets that summarize all components of compensation and benefits payable to each named executive officer, including realized compensation and benefits and potential compensation and benefits that might be realized under various scenarios.

CEO's Role in the Compensation-Setting Process. The CEO, with the assistance of Towers Watson, makes recommendations to the Committee regarding compensation for the executive officers. The CEO participates in Committee meetings at the Committee's request to provide background information regarding our strategic objectives and to evaluate the performance of and compensation recommendations for the other executive officers. The Committee utilizes the information provided by the CEO along with input from its compensation consultant and the knowledge and experience of the Committee members in making compensation decisions. The Chair of the Committee, with input from the Chairman, recommends the CEO's compensation to the Committee in executive session, not attended by the CEO. For fiscal 2010 the Committee approved the recommendations of the Committee Chair for the CEO's compensation based on the analysis of the Committee's independent compensation consultant, following discussion of that recommendation among the Committee members.

Annual Evaluation. The Committee annually evaluates the performance of the executive officers with the input of the CEO and, in executive session, evaluates the performance of the CEO and determines the annual incentive bonuses for all of the executive officers for the prior fiscal year, establishes their performance objectives for the current fiscal year, reviews and, if appropriate, adjusts their base salaries and annual incentive plan targets, and considers and approves Long Term Incentive Plan (LTIP) grants.

Performance Objectives. The Committee established performance objectives for fiscal 2010 based, in part, on an active dialogue with the CEO and the Chairman regarding strategic objectives and performance targets. The Committee evaluates the appropriateness of the financial measures used in incentive plans and the degree of difficulty in achieving specific performance targets.

Competitive Market Overview. While the Committee does not believe that it is appropriate to establish compensation levels based solely on benchmarking, it believes that information regarding pay practices at peer companies is useful in two respects. First, the Committee recognizes that our compensation practices must be competitive in the marketplace, and reviewing market pay practices provides a framework for assessing competitiveness. Second, marketplace information is one of the many factors that the Committee considers in assessing the reasonableness of compensation. Although the Committee considers compensation levels for executive officers of other companies, it does not mechanically apply the data but rather engages in a rigorous review and weighing of the competitive information with other Company and individual performance factors in making its compensation determinations.

Because we operate three distinct but related businesses, we have no direct market peers. Accordingly, determining market comparisons and establishing performance targets requires review of companies in the metals recycling, auto parts and steel manufacturing businesses, as well as broader industrial and financial markets from which we attract executive talent. In addition, we seek specialized and top caliber executive officers from the broad national and international business executive pools. Proxy data from relevant companies, as well as input from both the Company's and the

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Committee's compensation consultants, are utilized. The Committee considers competitive practices in its decision-making, but also places significant emphasis on our specific strategy, financial situation, and performance in the ultimate compensation decisions. The analysis does not focus solely on a specific peer group and includes companies from the broader national and international business sector. While total compensation is periodically compared to the competitive market, in setting

compensation the Committee does not target a specific level (such as median) but rather reviews competitive information to determine the general level of reasonableness.

For fiscal 2010, the Committee reviewed data and analysis provided by both Towers Watson and PM&P. Towers Watson provided information from its 2009 general industry compensation database for companies with revenues between \$1 billion and \$4 billion and PM&P provided data on CEO compensation from the following companies (which was the same peer group utilized by PM&P in fiscal 2009): AK Steel Holding Corp., Allegheny Technologies Inc., Carpenter Technology Corp., Century Aluminum Co., Commercial Metals, LKQ Corp., Gerdau Ameristeel Corp., Nucor Corp., Olympic Steel, Inc., Reliance Steel & Aluminum Co., Sims Metal Management Ltd., Steel Dynamics Inc., and Worthington Industries. Because, as noted above, we have no direct market peers, companies were selected from among our direct competitors and other similar companies in each of our business segments in forming the peer group.

Elements of Compensation

Our compensation program consists of the following:

Base Salary

Annual Incentive Programs (variable)

Long Term Incentive Program (variable)

Stock Options

Restricted Stock Units

Performance Shares

Executive Benefits

Retirement Benefits

Change in Control Agreements

Indemnity Agreements

Other Benefits

Purpose of Each Component. The portion of total compensation delivered in the form of base salary and benefits is intended to provide a competitive foundation and fixed rate of pay for the work being performed and associated level of responsibility commensurate with each executive's position and role with and contributions to the Company. Base salary is used to establish target payouts under the annual incentive programs. A substantial portion of the compensation opportunity beyond base salary is at risk and must be earned based upon achievement of annual and long-term performance goals, which represent performance expectations of the Board and management. The annual incentive programs are designed to drive the achievement of annual goals such as operating goals, financial goals and individual performance goals and take into account operating unit (division) performance, Company performance and individual performance. In setting compensation, the Committee focuses on total compensation opportunity for the executive and not on a specific percentage of total compensation for any particular element. In making compensation decisions, the Committee reviews tally sheets prepared by the Company's compensation consultant which calculate each executive officer's total compensation opportunity.

The LTIP, which is established under the SIP and presently consists of stock options, RSUs and performance shares, is designed to focus executive officers on long-term shareholder value creation. Stock options and RSUs focus on and reward absolute share price appreciation over the long-term, while the performance shares focus on achieving long-term financial goals. The proportion of compensation designed to be delivered in base salary versus variable pay depends on the executive's position and the opportunity for that position to influence

outcomes, and the relative levels of compensation are based on differences in the levels and scope of responsibilities of the executive officers. Generally, the more senior the level of the executive the greater the amount of pay opportunity that is variable.

CEO Supplemental Equity Award. Our compensation program in fiscal 2010 also included a supplemental award to Ms. Lundgren of RSUs for 25,000 shares granted in April 2010 which will vest based on continued employment through April 2012. The Committee approved this award on the recommendation of the Chairman primarily to recognize Ms. Lundgren's outstanding leadership of the Company through the challenging economy and markets that had existed since her assumption of the CEO role in December 2008, noting particularly the seamless leadership transition, difficult decisions made and effectively communicated to our organization, growth and efficiency initiatives, and ongoing organizational improvements. The Committee also received information and advice from PM&P and Towers Watson regarding the size of the award and the common market practice of providing a significant equity award upon the promotion of an executive to the role of CEO, and since Ms. Lundgren had not received such an award at the time of her promotion, the supplemental award was also intended in part as recognition of her promotion to CEO as well as a means to increase her equity stake in the Company. See "Stock Awards" column in the "Summary Compensation Table."

Hamaker Stock Bonus. When Mr. Hamaker was hired in 2005, his employment letter provided for the grant of RSUs as a retention incentive, including RSUs for 13,333 shares subject to Company performance over the 24 month period ending May 31, 2009. Given the purpose of the award, the performance goals were intended to be achievable under reasonably normal circumstances. The worldwide financial crisis commencing in September 2008 had an extreme adverse effect on the Company's performance and resulted in a 50% payout of these performance RSUs in July 2009. In October 2009, the Committee awarded Mr. Hamaker a fully vested stock bonus in an amount equal to the 6,666.5 shares that did not vest under his performance RSUs, based on Mr. Hamaker's continued strong performance during the worldwide financial crisis and the Committee's determination that shares intended as a hiring incentive in 2005 should not in fairness be forfeited as a result of the unprecedented financial crisis in fiscal 2009. See "Stock Awards" column in the "Summary Compensation Table."

Details of Each Component of Compensation.

Base Salary. Base salaries paid to executive officers are intended to attract and retain highly talented individuals. The Committee reviews executive officer salaries on an annual basis, and base salary revisions generally become effective in the spring of each year. Base salaries for executive officers are set on the basis of their individual performance and relevant business skills, as well as competitive information as to similar positions in other relevant companies, taking into consideration relative size, geographic location, scope of duties and sustained contributions to our success.

Because of the unprecedented global economic conditions experienced in fiscal 2009 and their effect on the Company's performance, on management's recommendation, and in light of other cost containment measures, including employee layoffs and benefit reductions, the Committee did not increase base salaries of any named executive officers as part of its customary annual review in the spring of 2009. In April 2010, we reinstated annual merit-based salary reviews. The Committee increased Ms. Lundgren's base salary to \$900,000, which was a 12.5% increase and placed her base salary at the overall level the Committee deemed appropriate in light of her performance and responsibilities as the CEO. In setting her salary, the Committee considered the recommendations of the Chairman and the Committee's independent compensation consultant, information regarding the compensation levels in the companies in the PM&P peer group, market survey data from Towers Watson, her role and responsibilities as CEO and the Company's performance during fiscal 2009 and throughout the economic downturn.

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In September 2009, the Committee approved increases in Mr. Peach's base salary from \$460,000 to \$525,000, which was a 14% increase, and in Mr. Klauer's base salary from \$374,000 to \$440,000, which was an 18%

increase, to place them at the levels considered by the Committee to be appropriate for their positions, in each case effective October 1, 2009. In the April 2010 salary review, the Committee increased the base salaries of the named executive officers other than Ms. Lundgren by 3%, as follows: Donald W. Hamaker, \$607,700; Richard D. Peach, \$540,750; Richard C. Josephson, \$498,520; and Thomas D. Klauer, \$453,200. The 3.0% increases reflected the general level of merit increases throughout the Company and the named executive officers' continued strong performance and were designed to maintain the base salaries at the levels deemed appropriate by the Committee.

Annual Incentive Programs. The Committee approves annual performance-based compensation under Ms. Lundgren's employment agreement and, for the other named executive officers, under the Annual Incentive Compensation Plan ("AICP"). A target bonus, expressed as a percentage of either base salary as of the end of the fiscal year or base salary and certain other regular compensation paid during the fiscal year, is established for each named executive officer. Ms. Lundgren's fiscal 2010 target bonus percentage was established in her amended employment agreement effective December 1, 2008 (see Employment Agreements). For other executive officers, the Committee annually reviews the target bonus percentages and approves any adjustments, which generally take effect immediately and apply on a pro-rated basis to bonuses payable for the current fiscal year.

Annual Performance Bonus Program for Ms. Lundgren. The employment agreement between the Company and Ms. Lundgren provides for an annual bonus program consisting of two parts: a bonus based on achievement of Company financial performance targets and a bonus based on achievement of management objectives. The total target bonus under both components for each fiscal year is 100% of her base salary as of the fiscal year end, with half of the total target bonus allocated to each part.

For the financial performance part of the bonus program in fiscal 2010, the Committee utilized two objective performance targets relating to the Company. Half of this part of the bonus was based on our Adjusted EPS for fiscal 2010, defined as our reported diluted earnings per share for fiscal 2010 before extraordinary items and the cumulative effects of changes in accounting principles, adjusted to eliminate the impact of four items: costs relating to government investigations into the Company's past payment practices in Asia and the compliance consultant retained by the Company in connection with the settlement of those investigations (collectively, "Investigation Expenses"); charges in fiscal 2010 for the impairment of goodwill or other intangible assets relating to acquisitions made prior to fiscal 2010 ("Impairments"); expense or income relating to the derivative accounting treatment of the natural gas contract for our Steel Manufacturing Business ("SMB") ("Derivative Accounting"); and any profits or losses of discontinued operations and any gains or losses from the disposition of a business or a material amount of assets ("Discontinued Ops"). The other half of this part of the bonus was driven by our growth strategy and based on the return on capital employed ("ROCE") of our Metals Recycling and Auto Parts Businesses for fiscal 2010, consisting of the sum of the adjusted operating income ("AOI") of our Metals Recycling Business ("MRB") and the AOI of our Auto Parts Business ("APB") for fiscal 2010 divided by the sum of the Average Capital Employed ("ACE") of MRB and the ACE of APB for fiscal 2010. AOI for each business for fiscal 2010 was defined as the business' segment operating income for fiscal 2010, adjusted to eliminate the impact of Investigation Expenses, Impairments and Discontinued Ops, and then reduced by our overall effective tax rate for fiscal 2010. ACE for each business for fiscal 2010 was generally defined as the average during the year of the business' assets less its liabilities other than debt and excluding intercompany payables and receivables. Unlike the AICP, the Committee does not retain discretion to adjust Adjusted EPS or ROCE for any items other than Investigation Expenses, Impairments, Derivative Accounting and Discontinued Ops. As provided by her employment agreement, the maximum bonus under this part of the program was 7x target. The Adjusted EPS performance goals were \$1.86 per share for a .5x payout, \$2.28 per share for a 1x target payout, \$2.81 per share for a 2x payout, \$3.09 per share for a 3x

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payout, and \$4.53 per share for a 7x payout. We consider ROCE performance goals to be confidential financial information, the disclosure of which would result in competitive harm to us because it would reveal information about our growth profile and the anticipated effects of acquisitions, none of which is otherwise made public. The Adjusted EPS and ROCE target goals were set based on our budget and outlook for fiscal 2010 at the time the targets were established and were set at levels

that the Committee considered challenging but achievable based on conditions at the time, including the continuing impact of the unprecedented global financial and economic crisis, the divisional fiscal 2010 budgets, most recent forecasts and expected impacts of growth initiatives, capital projects and operational improvements undertaken in fiscal 2009 and planned for fiscal 2010, and the cyclical nature of our business with the expectation that the probability of achieving the threshold performance level was 90%, the target performance level was 60% and the stretch performance level was 30%. In fact, while the economic environment remained weak by historical standards, through cost containment, continuous improvement initiatives and the benefits of our ability to sell to either export or domestic markets, we were able to return to profitability in the second quarter of fiscal 2010 and sustain that performance for the remainder of the fiscal year. Our reported EPS from continuing operations for fiscal 2010 was \$2.86 per share and Adjusted EPS was \$2.72 per share after adjustments to eliminate favorable impacts in fiscal 2010 of Investigation Expenses and Derivative Accounting. Ms. Lundgren was paid a bonus under this part of the program in the amount of \$954,000, representing an overall 2.12x payout, which was the average of the 1.78x payout resulting from achievement of the Adjusted EPS metric and the 2.46x payout resulting from achievement of the ROCE metric.

The second part of Ms. Lundgren's annual bonus program is based on the achievement of management objectives established by the Committee each year. As provided by her employment agreement, the maximum bonus amount for this part of the program was 3x target. The Committee established three management objectives for fiscal 2010, with one-third of the target bonus for this part of the program based on each objective. As in prior years, improvements in our workplace safety was a management objective, reflecting our ongoing focus in this area. The remaining two objectives focused on improving margins and growing volumes.

The first management objective was based on OSHA safety metrics (average of reductions from fiscal 2009 in Total Incident Rate, Lost Time Rate and Recordable Injuries), with performance goals of a 5% reduction for a .5x payout, a 10% reduction for a 1x payout and a 20% reduction for a 3x payout. The average reduction for fiscal 2010, including a reduction to reflect the disposition of the GreenLeaf full service auto parts business in October 2009, was 1.6% which resulted in a 0.16x payout factor for this objective.

The second management objective was based on the improvement in our pre-tax operating margins (consolidated operating income adjusted to exclude Investigation Expenses, Derivative Accounting, Impairments and Discontinued Ops, divided by consolidated revenues) with performance goals of a 2.3% operating margin for a .5x payout, a 4.3% operating margin for a 1x payout and a 5.3% operating margin for a 3x payout. The actual adjusted operating margin of 5.2% for fiscal 2010 resulted in a 2.78x payout factor for this objective.

The third management objective focused on volume growth, measured by increases from fiscal 2009 levels in ferrous sales volumes of 2%, 4% and 8% for a .5x payout, a 1x payout and 3x payout, respectively, in nonferrous sales volumes of 5%, 10% and 15% for a .5x payout, a 1x payout and a 3x payout, respectively, and in cars purchased of 5%, 10% and 20% for a .5x payout, a 1x payout and a 3x payout, respectively. Ferrous sales volumes were weighted 50% for this component, nonferrous sales volumes were weighted 25% for this component and cars purchased was weighted 25% for this component.

The actual increases of 1.0% for ferrous volume, 20.5% for nonferrous volume and 27.5% for cars purchased (excluding cars purchased in both years by the GreenLeaf full service auto parts business, which we sold in October 2009) resulted in a 1.63x payout factor for this objective.

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The payout multiple for this part of the bonus program was 1.52x, which resulted in a bonus of \$684,000 for Ms. Lundgren under this portion of the program, and a total bonus of \$1,638,000, which was paid in November 2010. This amount is listed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

AICP for Other Executive Officers. The AICP is a program established for our executive officers other than the CEO which recognizes overall Company performance, divisional performance relevant to the

applicable executive officer and achievement by the executive officer of annual individual performance goals. In November 2009 the Committee established metrics and goals under the AICP for fiscal 2010 for our executive officers other than Ms. Lundgren. Target bonuses based on a percentage of actual base salary and certain other regular compensation paid during the fiscal year were established for each executive officer, with such target bonus percentages continued from the prior year at 80% for Mr. Hamaker and 50% for Mr. Josephson and Mr. Klauer. In September 2009, the Committee approved an increase in target bonus percentage for Mr. Peach from 50% to 75% effective October 1, 2009 to reflect the compensation level deemed appropriate by the Committee, resulting in a weighted average target bonus percentage of 72.95% for fiscal 2010. Differences in target bonus percentages among the named executive officers reflect their varying levels of responsibility, expertise, experiences, development within roles and positions within the industry.

For fiscal 2010, the Committee established a series of performance targets based on economic profit (net operating profit after taxes at an assumed 36% effective rate minus divisional capital charge, which varies based on the maturity of the division's business) for each of our operating divisions (weighted at 50%), our EPS (weighted at 25%) and the achievement of individual goals (focused on management objectives, organizational initiatives or operational and financial improvements, among others) (weighted at 25%), corresponding to award payouts of .5x at threshold, 1x at target and 2x at stretch. Payouts below the threshold level and additional payouts above the stretch level were at the discretion of the Committee, taking into account the recommendation of management and guided by results using a linear calculation. The Committee also had discretion to adjust fiscal year earnings and economic profit to appropriately reflect non-recurring or extraordinary items. Awards under the AICP are paid in cash following the end of the fiscal year. A participant generally must be employed by the Company on the payment date to receive an award payout, although adjusted awards will be paid if employment terminates earlier on account of death, disability, retirement or involuntary termination without cause.

For fiscal 2010, the EPS performance goals were \$1.86 per share for a .5x payout, \$2.28 per share for a 1x target payout, and \$2.81 per share for a 2x payout, corresponding to the Adjusted EPS goals for Ms. Lundgren, with the expectation that the same adjustments to EPS provided for in her bonus program would be applied under the AICP. For Mr. Hamaker, the economic profit performance measure was based on the performance of the Metals Recycling Business, for Mr. Klauer the economic profit performance measure was based on the performance of the Auto Parts Business, and for Messrs. Peach and Josephson, the economic profit performance measure was based on the weighted average of the economic profit payout multiples of the three operating divisions, with the weighting based on relative revenues. We consider economic profit performance measures to be confidential financial information, the disclosure of which would result in competitive harm to us, as it would reveal to our competitors information about our growth profile, the internal capital charge allocations, the effects of planned and anticipated acquisitions, and other divisional-specific data, none of which is otherwise made public. The levels of operating income assumed for each business segment in developing the .5x, 1x and 2x target levels for EPS as disclosed above were the same levels of operating income assumed in developing the economic profit goals for each business at the same levels, so the level of difficulty in achieving the respective economic profit goals for each business is generally consistent with the difficulty of achieving the EPS goals. In addition, the economic profit metrics were set at levels that the Committee considered challenging but achievable based on conditions at the time, including the continuing impact of the unprecedented global financial and economic crisis, the divisional fiscal 2010 budgets, most recent forecasts and expected impacts of growth initiatives, capital projects and operational improvements undertaken in fiscal 2009 and planned for fiscal 2010, and the cyclical nature of our business, with the expectation that the probability of achieving the threshold performance level was 90%, the target performance level was 60% and the stretch performance level was 30%.

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Individual goals for Mr. Hamaker and Mr. Klauer were similar to the management objectives in Ms. Lundgren's bonus program but based on results for their respective divisions. Each had four equally-weighted individual goals focused on safety improvement, operating margins, volumes and ROCE of his division. Goals for divisional improvements in OSHA safety metrics were the same as Ms. Lundgren's Company-wide goals. Operating margin target goals were 7.0% for Mr. Hamaker for MRB and 16.0% for Mr. Klauer for APB. Mr. Hamaker's volume improvement goals were the same ferrous and nonferrous volume improvement goals as

in Ms. Lundgren's bonus program, weighted equally. Mr. Klauer's volume improvement goal was the same cars purchased goal as in Ms. Lundgren's bonus program. We consider ROCE goals for each division to be confidential financial information, the disclosure of which would result in competitive harm to us because it would reveal information about the growth profile of our division, and the anticipated effect of acquisitions, none of which is otherwise made public. Individual goals for Mr. Peach and Mr. Josephson were subjective goals based on completion of individual projects focused on management objectives, organizational initiatives and operational improvements, the level of attainment of which was not objectively measurable.

The Company achieved EPS of \$2.72 per share in fiscal 2010 after giving effect to adjustments approved by the Committee (which were the same adjustments applied in determining Adjusted EPS under Ms. Lundgren's bonus program). This EPS level resulted in a 1.78x payout under the EPS portion of the AICP (weighted at 25%). Payout multiples under the economic profit portion of the fiscal 2010 AICP (weighted at 50%) were 1.10x for MRB, the maximum 2.00x for APB, and 0.52x for SMB, with the payout level for corporate-level executives based on the weighted average of those three multiples being 1.12x. In reviewing the individual goals performance, the Compensation Committee exercised discretion to recognize performance under individual metrics in excess of the 2x performance level and up to a 3x performance level determined by linear extension. Mr. Hamaker's individual goals payout multiple was 0.96x, which was the average of his payout multiples of 0.47x for safety improvements, 0.84x for operating margin, 1.63x for volume improvements, and 0.90x for ROCE. Mr. Klauer's individual goals payout multiple was 2.41x, which was the average of his payout multiples of 0.64x for safety improvements, 3.00x for operating margin, 3.00x for volume improvements, and 3.00x for ROCE. The Compensation Committee determined the extent to which each of Messrs. Peach and Josephson achieved his individual goals and approved payout multiples of 1.55x for Mr. Peach and 1.23x for Mr. Josephson under the individual goals portion of the AICP (weighted at 25%). Giving effect to the above performance, the aggregate AICP payout multiples were 1.24x for Mr. Hamaker, 1.39x for Mr. Peach, 1.31x for Mr. Josephson and 2.05x for Mr. Klauer. See the Bonus and Non-Equity Incentive Plan Compensation columns in the Summary Compensation Table.

Long Term Incentive Program. All of the executive officers participate in the LTIP. Since 2005, our LTIP has consisted of two components: stock options or RSUs (time-vested awards) and performance shares. Annual LTIP award values are split equally between the two components, with the number of RSUs and the target number of performance shares calculated based on the closing market price of our common stock on the determination date, and the number of stock options calculated based on the Black-Scholes value of the options on the determination date. Our practice for the last five years has been to determine annual LTIP award levels in the fourth fiscal quarter of each year and make the awards under the option or RSU component at that time, with the awards under the performance share component delayed until the first quarter of the next fiscal year after performance goals for the ensuing three-year performance cycle have been determined. LTIP awards are made pursuant to our Policy on Employee Equity Awards, which was adopted by the Board in April 2007 and sets forth the process for granting equity awards. LTIP awards to executive officers are generally made based on grant guidelines expressed as a percentage of salary. Grant guidelines for executive officers other than the CEO are developed each year based on a review of (a) prior year grant guidelines, (b) market-based LTIP grant levels, as assessed by both the Committee's and management's consultants, and (c) CEO recommendations, taking into account performance and internal pay equity considerations, including the relative scope of the business responsibilities of each officer, the markets in which their division operates, and their individual performance. Grant guidelines for the CEO are developed each year by the Committee based on a review of prior year grant guidelines, market-based LTIP grant levels and an exercise of its discretion, taking into account executive performance. The aggregate grants are also reviewed by the Committee's consultant in terms of impact on annual dilution to shareholders.

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The LTIP award level approved in the fourth quarter of fiscal 2010 for Ms. Lundgren was 300% of base salary, which was the same percentage of salary as in fiscal 2009. The grant levels for the other named executive officers as a percentage of base salary were 82% for Mr. Hamaker, 100% for Mr. Peach, 62% for Mr. Josephson and 99% for Mr. Klauer, which placed the officers at the levels deemed by the Committee to be appropriate and reflect their respective performance, expertise, experience, development within roles and responsibilities. In

designing the long-term incentive program the Committee sought to make awards within a broad range on either side of the market median to individualize the award to the level of responsibility and performance of the recipient.

Stock Options and RSUs. Until fiscal 2006, the stock option program was our principal long-term incentive plan for executive officers. The objectives of stock options and RSUs are to align executive and shareholder long-term interests by creating a strong and direct link between executive compensation and shareholder return and to create incentives for executive officers to remain with the Company for the long term. Awarded options have an exercise price equal to the market price of our common stock on the grant date, vest over five years, and typically have a term of 10 years. Awarded RSUs generally vest over five years. For the 2008, 2009 and 2010 LTIP awards, we granted RSUs instead of stock options to executive officers and other key employees to increase the equity ownership of senior management and provide a time-based retention incentive that the Committee believes is preferred by officers and better meets its compensation and retention objectives. The awards were made pursuant to our standard form of restricted stock unit award agreement. See All Other Stock Awards: Number of Shares of Stock or Units in the Grants of Plan Based Awards in Fiscal 2010 table.

Performance Shares. Beginning in fiscal 2006, we broadened our equity compensation program to include performance-based long-term incentive awards payable in our common stock. These performance share awards are designed to focus executive officers on the achievement of long-term objective performance goals established by the Committee and vest only to the extent those performance goals are met. Since fiscal 2006, the Committee has made annual awards of performance shares covering future three-year performance periods.

For the awards granted in fiscal 2010, the Committee established performance targets based on our annual EPS for the fiscal years 2010-2012 (weighted at 50%) and the annual ROCE percentage for the same three fiscal years (weighted at 50%), corresponding to payout multiples of .5x at threshold, 1x at target and 2x at maximum of the weighted portions of the target awards. For executive officers in the MRB and APB divisions, ROCE is based on the combined ROCE of those two divisions; for executive officers in the SMB division, on the ROCE for that division; and for corporate-level executive officers, on the weighted average ROCE payout multiple for the three operating divisions. The Committee established the specific EPS and ROCE performance targets based on a variety of factors, including our budget for fiscal 2010, market outlook and historical performance. The awards provide that EPS and ROCE for each fiscal year will be adjusted to eliminate the impacts of Investigation Expenses, Impairments, Derivative Accounting, and Discontinued Ops incurred in the year. The EPS performance goals under these awards for fiscal 2010 were \$1.86 per share at the .5x payout level, \$2.28 per share at the 1x target payout level, and \$2.81 per share at the 2x payout level, which were the same EPS goals established for fiscal 2010 under our annual incentive plans. We consider the EPS targets for each of the remaining two years of the performance period and the divisional ROCE percentage targets for all years of the performance periods to be confidential financial information, the disclosure of which would result in competitive harm to us because they would reveal information about the growth profiles of us and each of our divisions, the effects of anticipated capital expenditures and corporate acquisitions, and other divisional-specific data, none of which is otherwise made public. Disclosure of this information would also impair the Company's ability to make acquisitions because it would place us at a competitive disadvantage by providing competitors sensitive information about our pricing and expansion strategy. These metrics were set at levels that the Committee considered challenging but achievable based on conditions at the time and our historical performance, with the expectation that the probability of achieving the threshold performance level was 90%, the target level was 60% and the maximum level was 30%. The Committee established the EPS and ROCE goals based on our growth strategy, expected returns on capital expenditures and other uses of capital, and budgeted and forecasted performance at the time the

goals were set. A participant generally must be employed by us on the October 31 following the end of the performance period to receive an award payout, although adjusted awards, prorated based on the period of employment during the performance period, will be paid if employment terminates earlier on account of death, disability, retirement, termination without cause after the first year of the performance period, or a sale of the Company. Awards will be paid in Class A common stock as soon as practicable after the

October 31 following the end of the performance period. See the Stock Awards column in the Summary Compensation Table and Estimated Future Payouts Under Equity Incentive Plan Awards column in the Grants of Plan-Based Awards in Fiscal 2010 table.

The three-year performance period for the performance share awards made in fiscal 2008 ended on August 31, 2010. These awards used average EPS growth and average Company ROCE as metrics, in each case adjusted to eliminate the impacts of Investigation Expenses. The average EPS growth goals were 6% for a .5x payout, 8% for a 1x target payout, and 10% for a 2x payout, with the fiscal 2007 base for purposes of calculating EPS growth in fiscal 2008 set at \$4.49 (rather than actual fiscal 2007 EPS of \$4.32) reflecting the elimination of certain large nonrecurring items. The average ROCE performance goals were 10% for a .5x payout, 12% for a 1x target payout, and 14% for a 2x payout. Our average EPS growth for fiscal years 2008, 2009 and 2010 was 101%, resulting in a 2x payout under the EPS metric, and our average ROCE for fiscal years 2008, 2009 and 2010 was 9.5%, which was slightly below the payout threshold and therefore resulted in no payout under the ROCE metric. Averaging the EPS and ROCE payouts resulted in a combined performance share payout for this performance period of 1x of target.

Participants were required to remain in our employ until October 31, 2010 to receive their performance share payouts. Each named executive officer was employed by us on October 31, 2010, and the number of shares issued to each named executive officer under these awards is shown in the Outstanding Equity Awards at Fiscal 2010 Year-End table.

Executive Benefits. Our executive benefits are intended, along with base salary, to provide a competitive fixed pay foundation for the work being performed by the executive. Named executive officers are eligible to participate in benefit plans available to non-executive employees and to receive additional benefits as described below as part of the compensation package we believe is necessary to attract and retain the desired level of executive talent.

Retirement Plans. We maintain 401(k) plans and a Pension Retirement Plan (the Pension Plan) for our employees, including named executive officers. The Pension Plan was frozen as of June 30, 2006, and no additional benefits will be accrued for participants after that date. As part of our cost containment measures, matching contributions to the 401(k) plan were suspended in the second quarter of fiscal 2009. In March 2010, the Board approved reinstatement of matching contributions effective April 1, 2010.

We also maintain a Supplemental Executive Retirement Bonus Plan (SERBP) for certain executive officers, including Ms. Lundgren. See Pension Benefits at Fiscal 2009 Year End for descriptions of the Pension Plan and the SERBP and information regarding benefits payable to the named executive officers under the Pension Retirement Plan and the SERBP.

Change in Control Agreements. To ensure that we offer competitive compensation to our executive officers, and to attract and retain top executive talent, we offer severance benefits under change in control agreements as part of our executive compensation packages. The purpose of these agreements is to ensure that we will have the continued attention and dedication of our senior executives during a potential change of control. The Committee believes these agreements are in the best interest of shareholders by providing certainty as to what executives would receive in a change of control, enabling them to remain focused on the business during a period of uncertainty. In October 2008, the Committee approved an amended change in control agreement with Ms. Lundgren. In April 2008, the Committee approved change in control severance agreements for the other named executive officers. The specific terms of the change in control agreements and the potential benefits payable under the

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agreements are discussed under Compensation of Executive Officers Potential Payments Upon Termination or Change in Control below. At the times the agreements currently in effect were approved the Committee received advice from PM&P, and the Company received advice from Towers Watson, that the terms were competitive and consistent with market practices.

Indemnity Agreements. We have entered into indemnity agreements with each named executive officer pursuant to which we agree to indemnify such officer in connection with claims or proceedings involving the officer (by reason of serving as a director or officer of the Company or its subsidiaries), as provided in the agreement.

Other Benefits. Executive officers receive a monthly automobile allowance and use of a Company-provided credit card for fuel purchases. Both amounts are taxable to the executive as compensation income. Certain executive officers (including each named executive officer) also participate in a supplemental executive medical benefits plan which provides full coverage of certain medical and dental expenses (including deductibles and co-payments) not covered by our basic medical and dental plans.

Employment Agreements

We entered into an employment agreement with Ms. Lundgren in connection with her initial employment. In October 2008, we entered into an amended and restated employment agreement with Ms. Lundgren, which became effective on December 1, 2008 in connection with her becoming President and CEO, and which superseded the prior agreement.

Ms. Lundgren's employment agreement governs the terms and conditions of her employment as CEO through December 1, 2011, provided that commencing on December 1, 2009, and on each December 31 thereafter, the employment agreement automatically extends for an additional one-year period unless we or Ms. Lundgren elects not to extend the term. Ms. Lundgren's employment agreement provides for (i) an annual base salary of \$800,000, subject to annual review and increase, but not decrease, by the Committee (see the discussion under *Base Salary*), (ii) a one-time signing bonus of \$900,000 to defray costs associated with Ms. Lundgren arranging housing in Portland and associated expenses, subject to repayment for termination by Ms. Lundgren without good reason, provided that any such repayment is subject to reduction for each of the initial 36 months during which she remains employed by us, and (iii) an annual cash bonus as described under *Annual Performance Bonus Program* for Ms. Lundgren.

In the event that Ms. Lundgren's employment is terminated by us without cause, including our decision not to extend the term of the employment agreement, or by Ms. Lundgren for good reason and not under circumstances that would give rise to severance payments to Ms. Lundgren under her change in control agreement, Ms. Lundgren would be entitled to receive severance and other benefits as described under *Potential Payments Upon Termination or Change in Control*. These benefits were negotiated as part of her original employment agreement in 2005 and were continued under her amended employment agreement.

Officer Stock Ownership Policy

To promote the long term alignment of the interests of our officers and its shareholders, we adopted the Officer Stock Ownership Policy in July 2008. The policy required each of our officers to accumulate ownership of Class A common stock by the later of October 31, 2010 or the fifth anniversary of the officer's initial employment with a value equal to the following multiples of base salary: CEO: 5x; Executive Vice Presidents: 3x; Senior Vice Presidents: 2x; and Vice Presidents: 1x. To reduce the impact of stock price fluctuations on the officers' ongoing obligation to achieve and maintain compliance with this policy, shares purchased in the open market are valued at cost, shares acquired under RSUs or LTIP performance share awards are valued at the market price on vesting, and shares acquired under stock options are valued at the market price at the time of exercise of the option, and these values remain constant. Until compliance with the policy is achieved, officers were required to retain at least 50% of the shares (net of shares withheld to cover taxes or sold to cover the option exercise price and taxes) received under RSUs, stock options and performance share

awards. Ms. Lundgren and Messrs. Hamaker, Josephson and Klauer were required to achieve compliance with the policy by October 31, 2010, and Mr. Peach was required to achieve compliance by March 2012, because he joined the Company at a later date.

As a result of the impact of the global financial crisis on the U.S. stock market and the price of the Company's Class A common stock, virtually all of our officers, including all of the NEOs except Mr. Hamaker, would not have achieved compliance with the policy by the specified date. Because of these circumstances, in October 2010 we revised the policy to eliminate the compliance dates while continuing to provide that until officers achieve compliance they must retain a minimum of 50% of the shares (net of shares withheld to cover taxes or sold to cover the option exercise price and taxes) received under RSUs, stock options and performance share awards. The policy was also revised to require officers who have achieved compliance to thereafter maintain at least the minimum ownership level and retain 50% of the net shares which vest each year for at least three years.

Tax Deductibility of Executive Compensation

Section 162(m) of the Code generally limits to \$1,000,000 per person the amount that we may deduct for compensation paid in any year to any of the named executive officers (other than the CFO, whose pay is excluded pursuant to Internal Revenue Service Notice 2007-49). The policy of the Committee is to structure executive compensation to maximize the deductibility of compensation where feasible consistent with our overall compensation objectives. The Committee has structured some of our compensation programs to qualify as performance-based compensation not subject to the \$1,000,000 cap on deductibility. Other compensation programs may not qualify as performance-based compensation under Section 162(m) because they involve individual or non-objective performance measures or the Committee retains discretion in applying the performance criteria. Our LTIP performance share awards are intended to qualify as performance-based compensation not subject to the \$1,000,000 cap on deductibility. Under IRS regulations, the \$1,000,000 cap on deductibility will not apply to compensation received through the exercise of a nonqualified stock option that meets certain requirements, and it was our policy when granting options to meet the requirements of Section 162(m) so that the option exercise compensation is deductible by us. To address deductibility of bonus compensation under Section 162(m), the Board adopted, and in 2010 the shareholders re-approved and amended, the Executive Annual Bonus Plan pursuant to which bonus compensation may qualify as performance-based compensation not subject to the \$1,000,000 cap on deductibility. The annual incentive compensation bonus for fiscal 2010 paid to Ms. Lundgren, the AICP bonuses paid to the other named executive officers, and the salaries and compensation on vesting of RSUs did not qualify as performance-based compensation under Section 162(m), with the result that a portion of the compensation paid to Ms. Lundgren and Mr. Hamaker for fiscal 2010 will not be deductible by us. Section 162(m) did not limit deductibility of compensation paid to any other named executive officer for fiscal 2010.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has:

Reviewed and discussed the above section titled Compensation Discussion and Analysis with management; and

Based on the review and discussion above, recommended to the Board that the Compensation Discussion and Analysis section be included in this proxy statement.

COMPENSATION COMMITTEE

Judith A. Johansen, Chair

William A. Furman

Wayland R. Hicks

Ralph R. Shaw

COMPENSATION OF EXECUTIVE OFFICERS
Summary Compensation Table

The following table sets forth certain information concerning compensation of the named executive officers during the fiscal years ended August 31, 2008, 2009 and 2010.

Name and Principal Position	Year	Salary (\$)(7)	Bonus (\$)(1)(2)(7)	Stock Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)(1)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(5)	All Other Compensation (\$)(6)	Total (\$)
Marlene L. Lundgren President and Chief Executive Officer	2010	830,769	300,000	3,842,136	1,638,000	90,820	35,118	6,736,843
	2009	775,769	225,000	1,550,702	1,200,000	31,335	41,811	3,824,617
	2008	688,793	639,000	2,072,980	4,361,000	2,748	53,482	7,818,003
Richard D. Peach Senior Vice President and Chief Financial Officer	2010	519,846	146,951	479,792	381,124		39,531	1,567,244
	2009	460,000	234,500	274,545			39,868	1,008,913
	2008	391,769	80,862	268,130	458,218		44,469	1,243,448
Donald W. Hamaker Senior Vice President and President, Metals Recycling Business	2010	595,446		834,965	589,492	2,664	46,900	2,069,467
	2009	590,000	420,800	368,190	63,918	2,249	54,758	1,499,915
	2008	563,846	202,985	629,236	1,214,164	3,664	71,497	2,685,392
Richard C. Josephson Senior Vice President, General Counsel and Secretary	2010	488,468	75,102	320,593	245,455	1,311	46,107	1,177,036
	2009	484,000	211,300	219,696	15,198	1,262	55,149	986,605
Thomas D. Klauer Senior Vice President and President, Auto Parts Business	2010	436,446		378,506	447,356		39,325	1,301,633

- (1) The total bonuses earned by each named executive officer under the Company's AICP or annual bonus program under applicable employment agreements generally are equal to the sum of the amounts reported in the Bonus and Non-Equity Incentive Plan Compensation columns. See Compensation Discussion and Analysis Annual Incentive Programs.
- (2) Represents discretionary bonuses paid to the named executive officers, including amounts based on subjectively evaluated management objectives and individual performance measures. See Compensation Discussion and Analysis Annual Incentive Programs. Also includes \$300,000 for Ms. Lundgren in fiscal 2010 representing the portion of the \$900,000 sign on bonus received under her amended employment agreement that vested in 2010.
- (3) Represents the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. These amounts reflect the grant date fair value and may not correspond to the actual value that will be recognized by the named executive officers. Stock awards consist of restricted stock units (RSUs) and LTIP performance shares, in

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each case valued using the closing market price of the Company's Class A common stock on the NASDAQ Global Select Market on the grant date. For LTIP performance shares, the grant date fair value is calculated based on the target number of shares which, as of the grant date, was the estimated number of shares to be issued. If the maximum number of shares issuable under LTIP performance share awards had been used in this calculation in lieu of the target number of shares, the amounts in the table for fiscal 2010 would have been \$4,937,023 for Ms. Lundgren, \$689,623 for Mr. Peach, \$1,104,095 for Mr. Hamaker, \$486,197 for Mr. Josephson and \$532,052 for Mr. Klauer.

- (4) Non-Equity Incentive Plan Compensation in fiscal 2010 consists of amounts paid under the AICP or annual bonus program under applicable employment agreements based on the achievement of objective Company or business unit performance criteria. See Compensation Discussion and Analysis Annual Incentive Programs.

(5) Represents changes in the actuarial present value of accumulated benefits under the Pension Retirement Plan and the SERBP.

(6) Includes for fiscal 2010 Company contributions of \$9,800 to the account of each named executive officer under the 401(k) Plan (consisting solely of matching contributions, as annual contributions and transition contributions relating to the frozen Pension Plan were suspended for fiscal 2010). Includes for fiscal 2010 premiums paid for medical plans in the following amounts: Ms. Lundgren, \$8,711; Mr. Peach, \$14,366; Mr. Hamaker, \$23,072; Mr. Josephson, \$20,653; and Mr. Klauer, \$12,291. Includes for fiscal 2010 premiums paid for life, disability and other insurance in the following amounts: Ms. Lundgren, \$6,404; Mr. Peach, \$4,398; Mr. Hamaker, \$4,428; Mr. Josephson, \$5,454; and Mr. Klauer, \$4,034. Includes for fiscal 2010 automobile allowance and fuel purchase fringe benefits in the following amounts: Ms. Lundgren, \$10,203; Mr. Peach, \$10,967; Mr. Hamaker, \$9,600; Mr. Josephson, \$10,200; and Mr. Klauer, \$13,200.

(7) The proportion of salary and bonus (which does not include the Non-Equity Incentive Plan Compensation portion of the bonus) as a percentage of total compensation in fiscal 2010 was 17% for Ms. Lundgren, 43% for Mr. Peach, 29% for Mr. Hamaker, 48% for Mr. Josephson, and 34% for Mr. Klauer.

Grants of Plan-Based Awards in Fiscal 2010

	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares or Units (#)(3)	Grant Date Fair Value of Stock Awards (\$)(4)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
L. en	4/27/2010	4/27/2010							25,000	1,397,250
	7/27/2010	7/27/2010							28,439	1,349,999
	11/20/2009	11/20/2009				11,623	23,246	46,492		1,094,887
			900,000	4,500,000						
I D.	7/27/2010	7/27/2010							5,687	269,962
	11/20/2009	11/20/2009				2,228	4,455	8,910		209,831
			142,210	284,421	568,841					
W. er	10/27/2009	10/27/2009							6,667	315,859
	7/27/2010	7/27/2010							5,266	249,977
	11/20/2009	11/20/2009				2,857	5,714	11,428		269,129
			238,178	476,357	952,714					
I C. son	7/27/2010	7/27/2010							3,265	154,990
	11/20/2009	11/20/2009				1,758	3,516	7,032		165,604
			91,588	183,176	366,351					
s D.	7/27/2010	7/27/2010							4,739	224,960
	11/20/2009	11/20/2009				1,630	3,260	6,520		153,546
			109,112	218,223	436,446					

(1) All amounts reported in these columns represent the portion of the potential bonuses payable for performance in fiscal 2010 under the Company's AICP or annual bonus program under applicable employment agreements. Only the portion of the bonus based on performance against financial or other objective measures is

considered an incentive plan award reportable in this table. The Committee annually approves target bonus levels as a percentage of either base salary as of the end of the fiscal year (for Ms. Lundgren) or base salary and other compensation actually paid during the fiscal year (for other officers). The total target bonus percentages for the named executive officers were as follows: Ms. Lundgren, 100%; Mr. Peach, 72.95%; Mr. Hamaker, 80%; Mr. Josephson, 50%; and Mr. Klauer, 50%. The percentage of total target bonus based on performance against financial or other objective measures, and therefore reflected in the above table, was 100% for Ms. Lundgren, Mr. Hamaker and Mr. Klauer and 75% for Mr. Peach and Mr. Josephson. For Messrs. Peach, Hamaker, Josephson and Klauer, the Committee retained discretion to pay bonuses below the stated threshold and above the stated maximum amounts. See Compensation Discussion and Analysis Annual Incentive Programs. Actual bonus amounts paid for fiscal 2010 are included in the Summary Compensation Table.

- (2) Amounts reported in these columns represent LTIP performance shares granted in fiscal 2010, and are based on performance during fiscal years 2010-2012. See Compensation Discussion and Analysis Long Term Incentive Program.
- (3) Represents RSUs granted under the Company's SIP. RSUs generally vest ratably over five years, subject to continued employment. The RSUs granted to Ms. Lundgren on April 27, 2010 will vest fully on the second anniversary of the grant date, subject to continued employment. Vesting may be accelerated in certain circumstances, as described under Potential Payments Upon Termination or Change in Control. Shares granted to Mr. Hamaker on October 27, 2009 vested immediately upon grant.
- (4) Represents the aggregate grant date fair value of RSUs and LTIP performance share awards computed in accordance with accounting for share-based compensation. The grant date fair value of the RSUs is equal to the value of the underlying restricted shares based on the closing market price of the Company's Class A common stock on the grant date. The grant date fair value of the LTIP performance share awards is based on the target number of shares issuable under the award multiplied by the closing market price of the Company's Class A common stock on the grant date.

Outstanding Equity Awards at Fiscal 2010 Year End

The following table sets forth certain information concerning outstanding equity awards for each named executive officer as of August 31, 2010.

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options - (#)(1)	Number of Securities Underlying Exercised Options - (#)(1)	Option Exercise Price - (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested - (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested - (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested - (#)	
Tamara L. Lundgren	10,000		30.19	10/19/2015				
	10,276		34.46	11/29/2015				
	4,884		30.71	1/11/2016				
					5,260 (4)	232,702		
					6,318 (5)	279,508		
					7,302 (6)	323,040		
					1,194 (6)	52,823		
					18,597 (7)	822,731		
					25,000 (8)	1,106,000		
					28,439 (9)	1,258,141		
					15,795 (10)	698,771		
							27,422 (11)	1,213,149
					13,793 (12)	610,186	30,995 (13)	1,371,204
Richard D. Peach					584 (5)	25,836		
					1,200 (6)	53,088		
					3,564 (7)	157,671		
					5,687 (9)	251,593		
					1,460 (10)	64,590		
							3,998 (11)	176,872
					2,643 (12)	116,940	5,940 (13)	262,786
Donald W. Hamaker	2,936		34.46	11/29/2015				
					1,572 (4)	69,545		
					2,142 (5)	94,762		
					1,971 (6)	87,197		
					4,572 (7)	202,265		
					5,266 (9)	232,968		
					5,356 (10)	236,949		
							6,568 (11)	290,568
					3,609 (12)	159,677	7,619 (13)	337,050
Richard C. Josephson	10,127		30.71	1/11/2016				
					907 (4)	40,126		

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1,168 (5)	51,672		
1,029 (6)	45,523		
2,813 (7)	124,447		
3,265 (9)	144,444		
2,921 (10)	129,225		
		3,426 (11)	151,566
2,086 (12)	92,292	4,688 (13)	207,397

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Name	Option Awards				Stock Awards			Equity Incentive Plan Awards:
	Number of Securities Underlying Unexercised Options - Exercisable (#)(1)	Number of Securities Underlying Exercised Options - Not Exercisable (#)(1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)
Thomas D. Klauer	2,936	-	34.46	11/29/2015				
	4,837	1,209 (3)	34.73	7/25/2016				
					778 (5)	34,419		
					1,029 (6)	45,523		
					2,608 (7)	115,378		
					4,739 (9)	209,653		
					1,947 (10)	86,135		
							3,426 (11)	151,566
					2,059 (12)	91,100	4,347 (13)	192,297

(1) Options to purchase Class A common stock generally become exercisable for 20% of the shares on June 1 following the grant date and on June 1 of each of the next four years thereafter, becoming fully exercisable on the fifth June 1 following the grant date, subject to continued employment and accelerated vesting under certain conditions. RSUs generally become vested on the same schedule.

(2) Market values of all shares are based on the closing price of the Class A common stock on the last trading day of fiscal 2010.

(3) This option will be fully vested on June 1, 2011.

(4) This RSU will be fully vested on June 1, 2011.

(5) This RSU vests as to 50% of the shares on June 1 each year in 2011 and 2012.

(6) This RSU vests as to 33.3% of the shares on June 1 each year in 2011, 2012 and 2013.

(7) This RSU vests as to 25% of the shares on June 1 each year in 2011, 2012, 2013 and 2014.

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- (8) This RSU vests as to 100% of the shares on April 27, 2012.
- (9) This RSU vests as to 20% of the shares on June 1 each year in 2011, 2012, 2013, 2014 and 2015.
- (10) Reflects LTIP shares that were subject to performance over the performance period of fiscal 2008-2010. The number of shares issuable was based on performance during this period, and vesting of these shares was also subject to continued employment until October 31, 2010.
- (11) Reflects LTIP performance share awards that were granted in fiscal 2009 and will vest subject to and based on performance over the performance period of fiscal 2009-2011. Share amounts are based on the number of shares that would be issued at the maximum level of performance.
- (12) One-third of the target shares subject to LTIP performance share awards granted in fiscal 2010 were subject to performance during fiscal 2010, with another one-third of the target shares subject to performance in each of fiscal 2011 and fiscal 2012. The amount in the table for each named executive officer is the number of shares that are issuable under these awards based on performance during fiscal 2010, with vesting of these shares subject to continued employment until October 31, 2012.
- (13) Reflects the portion of the LTIP performance share awards that were granted in fiscal 2010 that will vest subject to and based on performance during fiscal 2011 and fiscal 2012. Share amounts are based on the number of shares that would be issued at the maximum level of performance.

Compensation Plan Information

The following table provides information as of August 31, 2010 regarding equity compensation plans approved and not approved by the Company's shareholders.

Plan category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights(2)	Weighted average exercise price of outstanding options, warrants and rights(3)	Number of securities remaining available for future issuance (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders(1)	1,166,669	\$ 28.51	6,773,134
Equity compensation plans not approved by shareholders			
Total	1,166,669	\$ 28.51	6,773,134

(1) Consists entirely of shares of Class A common stock authorized for issuance under the Company's SIP.

(2) Consists of 338,474 shares subject to outstanding options, 311,484 shares subject to outstanding RSUs, 118,019 shares subject to outstanding DSUs or credited to stock accounts under the Deferred Compensation Plan for Non-Employee Directors, and 398,692 shares representing the maximum number of shares that could be issued under outstanding LTIP performance share awards.

(3) Represents the weighted average exercise price for options included in column (a).

Option Exercises and Stock Vested in Fiscal 2010

The following table sets forth certain information concerning stock option exercises and vesting of stock for each named executive officer during the fiscal year ended August 31, 2010.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Tamara L. Lundgren			38,963	1,731,818
Richard D. Peach			1,583	73,135

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Donald W. Hamaker	6,244	134,029	18,002	819,132
Richard C. Josephson			6,512	289,085
Thomas D. Klauer			4,034	178,524

Pension Benefits at Fiscal 2010 Year End

The following table sets forth certain information concerning accrued pension benefits for each named executive officer as of August 31, 2010.

Name	Age	Plan Name	Number of Years of Service	Payments During Last Fiscal Year	
				Accrued Benefit (\$)(1)	Actual Benefit (\$)
Tamara L. Lundgren	53	Pension Retirement Plan	5	27,128	
		Suppl. Exec. Retirement Bonus Plan	5	118,550	
Richard D. Peach	47	Pension Retirement Plan			
Donald W. Hamaker	58	Pension Retirement Plan	5	39,514	
Richard C. Josephson	62	Pension Retirement Plan	5	21,982	
Thomas D. Klauer	56	Pension Retirement Plan			

(1) The Pension Retirement Plan Present Value of Accumulated Benefit in the above table represents the actuarial present value as of August 31, 2010 of each named executive officer's frozen pension benefit. Benefit accruals under that plan ceased when the plan was frozen on June 30, 2006, but years of service are still relevant for purposes of satisfying the five-year vesting requirement. The SERBP Present Value of Accumulated Benefit in the table above represents the actuarial present value as of August 31, 2010 of Ms. Lundgren's pension benefit calculated based on years of credited service and five highest consecutive calendar years of compensation as of that date. Actuarial present values were calculated using a discount rate of 4.87% with respect to the Pension Retirement Plan and 4.59% with respect to the SERBP, and the mortality table set forth in IRS Revenue Ruling 2007-67 for both plans, the same assumptions used in the pension benefit calculations reflected in the Company's audited balance sheet for the year ended August 31, 2010. See Compensation Discussion and Analysis Elements of Compensation Executive Benefits Retirement Plans.

Defined Benefit Retirement Plans

Pension Retirement Plan. The Company's Pension Plan is a defined benefit plan qualified under Section 401(a) of the Code. Persons who were non-union employees of the Company prior to May 15, 2006 are eligible to participate in the Pension Plan. Benefit accruals ceased on June 30, 2006. Generally, pension benefits become fully vested after five years of service and are paid in monthly installments beginning when the employee retires at age 65. Benefits accrued each year after August 31, 1986 and prior to June 30, 2006 in an amount equal to 2% of qualifying compensation earned in the applicable year. Qualifying compensation for executive officers included base salary subject to a legal limit for the year. Retirement benefits are payable at any time after termination of employment, subject to actuarial reduction for early start of payment before age 65. A participant may choose payment from various actuarial equivalent life annuity options or a lump sum. Death benefits are payable to a beneficiary in a lump sum; a surviving spouse may elect payment as a life annuity.

Supplemental Executive Retirement Bonus Plan. The SERBP was adopted to provide a competitive level of retirement income for key executive officers selected by the Board. The SERBP establishes an annual target benefit for each participant based on continuous years of service. The target benefit is an annual amount paid for the life of the employee, which is the lesser of (i) the product of 2.6% and the average of the participant's five consecutive calendar years of highest compensation (Final Average Compensation) multiplied by years of continuous service, but in no event more than 65% of Final Average Compensation, or (ii) the product of \$260,017 (subject to annual adjustment) multiplied by a fraction, the numerator of which is the employee's continuous years of service and the denominator of which is the greater of the number of continuous years of service or 25. Compensation includes all cash compensation from an employer that participates in the SERBP, including salary and adjusted bonus, without taking into account voluntary reductions. Adjusted bonus means the lesser of (i) the bonus amount paid or (ii) 25% of salary during the period for which the bonus was earned. The target benefit is reduced by 100% of primary social security benefits and the Company-paid portion of all benefits payable under the Company's qualified retirement plans to determine the actual benefit payable under the SERBP. The actual benefit will be paid as a straight life annuity or in other actuarially equivalent forms chosen by the participant. Benefits are payable under the plan only to participants who terminate employment with five years of continuous service. Ms. Lundgren is the only named executive officer who participates in the SERBP.

Potential Payments Upon Termination or Change in Control.

Potential Payments Upon a Change in Control

The Company has entered into a change in control agreement with Ms. Lundgren which provides certain benefits if her employment is terminated by the Company without cause or by her for good reason during a six-month period preceding a change in control of the Company or within 24 months after a change in control of the Company. In this agreement, change in control is generally defined to include:

the acquisition by any person of 20 percent or more of the Company's outstanding Class A common stock,

the nomination (and subsequent election) of a majority of the Company's directors by persons other than the incumbent directors, or

the consummation of a sale of all or substantially all of the Company's assets or an acquisition of the Company through a merger or share exchange.

Cause generally includes willful and continued failure to substantially perform assigned duties or willfully engaging in illegal conduct injurious to the Company, and good reason generally includes a change in position or responsibilities that does not represent a promotion, a decrease in compensation or a base office relocation.

The Company has also entered into change in control agreements with the other named executive officers which provide certain benefits if the officer's employment is terminated by the Company without cause or by the officer for good reason within 18 months after a change in control of the Company. These agreements contain definitions of change in control, cause and good reason which are substantially identical to those contained in the change in control agreement for Ms. Lundgren.

The Company granted LTIP performance shares to the named executive officers in fiscal 2008, 2009 and 2010 pursuant to which shares of Class A common stock will be issued based on the Company's performance during the applicable three-year performance periods relating to the awards. The award agreements relating to the LTIP performance shares provide for an accelerated payout of the performance shares upon a Company sale, which generally means a sale of the Company by means of a merger, share exchange or sale of substantially all of the assets of the Company. In addition, award agreements relating to all outstanding RSUs provide for accelerated vesting on a change in control of the Company (which has the same meaning as under the change in control agreements). An accelerated payout of LTIP performance shares and accelerated vesting of RSUs would occur even if the named executive officer's employment was not terminated in connection with the Company sale or change in control.

The following table sets forth the estimated change in control benefits that would have been payable to each named executive officer if a change in control (including a Company sale) had occurred on August 31, 2010 and, except as noted, each officer's employment had been terminated on that date either by the Company without cause or by the officer with good reason.

Name

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	Cash Severance Benefit (\$)(1)	Insurance Continuation Benefit (\$)(2)	Stock Option Acceleration and Extension (\$)(3)	Restricted Stock Unit Acceleration (\$)(4)	LTIP Performance Share Acceleration (\$)(5)	Tax Gross-up Payment (\$)(6)	Total (\$)
Tamara L. Lundgren	7,668,000	43,371		4,074,946	3,135,903	3,957,736	18,879,956
Richard D. Peach	1,461,952	32,667		488,188	503,845		2,486,652
Donald W. Hamaker	2,093,311	46,527	42,866	686,738	861,266		3,730,708
Richard C. Josephson	1,366,213	40,375	130,436	406,212	481,883		2,425,119
Thomas D. Klauer	1,265,666	26,203	149,527	404,973	435,220		2,281,589

- (1) **Cash Severance Benefit.** The change in control agreements provide for cash severance equal to a multiple (three for Ms. Lundgren, and one and one-half for Messrs. Peach, Hamaker, Josephson and Klauer) times the sum of (a) the officer's base salary plus (b) the greater of (1) the average of the officer's last three annual bonuses, except that for Ms. Lundgren the amount taken into account for any such bonus shall not exceed three times the target bonus for such year, or (2) the most recently established target bonus. The change in control agreements also provide for a payment of all or a portion of the annual bonus for the year in which termination occurs. The table above does not include a bonus payment for fiscal 2010 because bonus payments for fiscal 2010 are included in the Summary Compensation Table and no additional amount would have been paid in fiscal 2010 if the officer had terminated employment as of August 31, 2010.
- (2) **Insurance Continuation.** If cash severance benefits are triggered, the change in control agreements also provide for continuation of Company paid life, accident and medical insurance benefits for up to 36 months following termination of employment for Ms. Lundgren and up to 18 months for Messrs. Peach, Hamaker, Josephson and Klauer, except to the extent similar benefits are provided by a subsequent employer. The amounts in the table above represent 36 or 18 months, as applicable, of life, accident and medical insurance benefit payments at the rates paid by the Company for each of these officers as of August 31, 2010.
- (3) **Stock Option Acceleration and Extension.** All outstanding unexercisable options for all named executive officers will immediately become exercisable on a change in control of the Company, whether or not the officer's employment is terminated in connection with the change in control. If cash severance benefits are triggered, all options held by Messrs. Hamaker, Josephson and Klauer will remain outstanding for their full term. Information regarding outstanding options held by the named executive officers is set forth in the Outstanding Equity Awards table. The amounts in the table above represent the sum of (a) the spread between \$44.24 (the closing market price of the Company's Class A common stock on August 31, 2010, the last trading day of fiscal 2010) and the exercise price for each outstanding unexercisable option held by the applicable officer on August 31, 2010, and (b) the increase in value of outstanding options resulting from the extension of the post-termination exercise period from 90 days to the full remaining term, with the option values for 90-day and full remaining terms calculated using the Black-Scholes option pricing model with assumptions consistent with those used for valuing our options under accounting for share-based compensation.
- (4) **RSU Acceleration.** All RSUs for all named executive officers will immediately vest on a change in control of the Company, whether or not the officer's employment is terminated in connection with the change in control. Information regarding unvested RSUs held by the named executive officers is set forth in the Outstanding Equity Awards table. The amounts in the table above represent the number of shares subject to unvested RSUs multiplied by a stock price of \$44.24 per share, which was the closing price of the Company's Class A common stock on August 31, 2010 the last trading day of fiscal 2010.

(5)

LTIP Performance Share Acceleration. Under the terms of the LTIP performance share award agreements, upon a Company sale a named executive officer would receive a payout in an amount equal to the greater of (a) 100% of the target share amount or (b) the payout calculated as if the performance period had ended on the last day of the Company's most recently completed fiscal quarter prior to the date of the Company sale, taking into account provisions in the award agreements for calculating performance for a shorter performance period and a partial year. The accelerated payout would occur whether or not the officer's employment was terminated in connection with the Company sale. The amounts in the table above represent the value of outstanding LTIP performance share awards that would vest and be paid out pursuant to the terms of the award agreements on a Company sale based on a stock price of \$44.24 per share, which was the closing price of the Company's Class A common stock on August 31, 2010, the last trading day of fiscal 2010.

(6) **Tax Gross-up Payment.** If any payments to a named executive officer in connection with a change in control are subject to the 20% excise tax on excess parachute payments as defined in Section 280G of the Code, the Company is required under the change in control agreements to make a tax gross-up payment to the officer sufficient so that officer will receive benefits as if no excise tax were payable. However, for the

named executive officers other than Ms. Lundgren there is a cut back provision that provides that if the parachute value is less than 110% of Safe Harbor amount (as such terms are defined in the change of control agreement), no additional payment is required and the amounts payable to the named executive officer will be reduced to 2.99 times such employee's base amount.

Potential Payments Upon Involuntary Termination of Employment without Cause

The following table sets forth the estimated benefits that would have been payable to the named executive officers under currently effective agreements if each officer's employment had been terminated on August 31, 2010, either by the Company without cause or, with respect to certain benefits, by the officer for good reason in circumstances not involving a change in control.

Name	Cash	Insurance	Restricted	LTIP	Total
	Benefit			Performance	
	Severance	Continuation	Stock Unit	Share	
	(\$)(1)	(\$)(2)	(\$)(3)	Acceleration	(\$)(4)
Tamara L. Lundgren	5,400,000	28,914	4,074,946	1,368,571	10,872,431
Richard D. Peach				179,059	179,059
Donald W. Hamaker				395,742	395,742
Richard C. Josephson				219,217	219,217
Thomas D. Klauer				174,835	174,835

(1) **Cash Severance Benefit.** Ms. Lundgren has entered into an employment agreement providing for, among other things, cash severance benefits if her employment is terminated by the Company without cause or by her for good reason and not in connection with a change in control. Cause and good reason generally have the same meaning as under the change in control agreements described above. The cash severance payment for Ms. Lundgren is equal to three times the sum of base salary plus target bonus as in effect at the time plus a pro rata portion of the incentive bonus that she would have received if she had remained employed for the fiscal year in which the termination occurs (based on the portion of the year worked). The table above does not include a pro rata portion of the target bonus for fiscal 2010 because bonus payments for fiscal 2010 are included in the Summary Compensation Table and no pro rata amounts would have been paid if Ms. Lundgren had terminated employment as of August 31, 2010. These amounts are payable within 30 days after termination. Under the AICP, if a named executive officer (other than Ms. Lundgren) were involuntarily terminated by the Company without cause (as determined by the Committee), the named executive officer would receive, at the time that bonuses under the program were determined and paid for other participants, a bonus based on the officer's earnings for the portion of the year the participant was employed. For this purpose the officer would be deemed to have satisfied the officer's individual goals. The table above does not include a bonus payment for fiscal 2010 because bonus payments for fiscal 2010 are included in the Summary Compensation Table and no additional amount would have been paid if the officer had terminated employment as of August 31, 2010.

(2)

Insurance Continuation. Ms. Lundgren's employment agreement provides for continuation for up to 24 months of Company paid life, accident and health insurance benefits for Ms. Lundgren and Ms. Lundgren's spouse and dependents, and the amount in the table represents 24 months of such insurance benefit payments at the rates paid by us for Ms. Lundgren as of August 31, 2010.

(3) **RSU Acceleration.** If cash severance benefits are triggered, the employment agreement for Ms. Lundgren also provides that all RSUs will immediately vest. Information regarding unvested restricted stock units held by Ms. Lundgren is set forth in the Outstanding Equity Awards table. The amounts in the table above represent the number of shares subject to unvested RSUs multiplied by a stock price of \$44.24 per share, which was the closing price of the Company's Class A common stock on August 31, 2010, the last trading day of fiscal 2010.

(4) **LTIP Performance Shares Acceleration.** Under the terms of the LTIP performance share awards granted in fiscal 2008, 2009 and 2010, if a named executive officer's employment is terminated by the Company without cause after the end of the twelfth month of the applicable performance period and prior to the vesting date, the named executive officer would be entitled to receive a prorated award to be paid following completion of the performance period, taking into account the number of performance shares that would otherwise have been issued based on the actual performance during the entire performance period and the portion of the performance period the officer had worked. The officer is required to provide a release of claims in connection with such payout. For this purpose, cause generally means (a) the conviction of the officer of a felony involving theft or moral turpitude or relating to the business of the Company, (b) the officer's continued failure to perform assigned duties, (c) fraud or dishonesty by the officer in connection with employment with the Company, (d) any incident materially compromising the officer's reputation or ability to represent the Company with the public, (e) any willful misconduct that substantially impairs the Company's business or reputation, or (f) any other willful misconduct by the officer that is clearly inconsistent with the officer's position or responsibilities. The amounts in the table above for grants made in fiscal 2008 are based on payouts for actual performance during the fiscal 2008-2010 performance period and assume that the payout level for the performance periods applicable to the grants in fiscal 2009 and 2010 is 100% (actual amounts may be more or less), and the value of outstanding performance shares is based on a stock price of \$44.24 per share, which was the closing price of the Company's Class A common stock on August 31, 2010, the last trading day of fiscal 2010.

Potential Payments Upon Retirement, Disability or Death

The following table sets forth the estimated benefits that would have been payable to the named executive officers if each officer's employment had been terminated on August 31, 2010 by reason of retirement, disability or death, excluding amounts payable under the Company's 401(k) Plan, Pension Plan and SERBP.

Name	Stock Option	Restricted	LTIP	Total
	Acceleration and Extension	Stock Unit Acceleration	Performance-Share Acceleration	
	(\$)(1)	(\$)(2)	(\$)(3)	(\$)
Tamara L. Lundgren	82,154	4,074,946	1,621,153	5,778,253
Richard D. Peach		488,188	227,465	715,653
Donald W. Hamaker	11,157	686,738	466,982	1,164,877
Richard C. Josephson	30,077	406,212	257,420	693,709
Thomas D. Klauer	45,992	404,973	215,479	666,444

(1) **Stock Option Acceleration and Extension.** The terms of outstanding options provide that on retirement (defined as normal retirement after reaching age 65, early retirement after reaching age 55 and completing 10 years of service or early retirement after completing 30 years of service), disability or death, all unvested options shall become fully exercisable and the standard 90-day period for exercising options following termination of employment will be extended to 12 months, but not beyond each option's original 10-year term. Information regarding outstanding options held by the named executive officers is set forth in the Outstanding Equity Awards table. The amounts in the table above represent the sum of (a) the spread between \$44.24 (the closing market price of the Company's Class A common stock on August 31, 2010, the last trading day of fiscal 2010) and

the exercise price for each outstanding unexercisable option held by the applicable officer on August 31, 2010, and (b) the increase in value of outstanding options resulting from the extension of the post-termination exercise period from 90 days to 12 months, with the option values for 90-day and 12-month remaining terms calculated using the Black-Scholes option pricing model with assumptions consistent with those used for valuing our options under accounting for share-based compensation.

- (2) **RSU Acceleration.** The terms of the RSU awards provide for accelerated vesting on retirement (as defined under Stock Option Acceleration above with respect to option agreements), disability or death.

Information regarding unvested RSUs held by the named executive officers is set forth in the Outstanding Equity Awards table above. The amounts in the table above represent the number of shares subject to unvested RSUs multiplied by a stock price of \$44.24 per share, which was the closing price of the Company's Class A common stock on August 31, 2010, the last trading day of fiscal 2010.

- (3) **LTIP Performance Shares Acceleration.** Under the terms of the LTIP performance share awards, if a named executive officer's employment is terminated due to death or disability prior to the vesting date, the officer (or his or her estate) would receive a payout in an amount equal to the payout calculated as if the performance period had ended on the last day of the Company's most recently completed fiscal quarter prior to the date of employment termination, taking into account provisions in the award agreement for calculating performance for a shorter performance period and a partial year, and prorated for the portion of the performance period the officer had worked. If a named executive officer retires (as defined under "Stock Option Acceleration" above with respect to option agreements) prior to the vesting date, the named executive officer would be entitled to receive a prorated award to be paid following completion of the performance period, taking into account the number of performance shares that would otherwise have been issued based on the actual performance through the entire performance period and the portion of the performance period the officer had worked. The officer is required to provide a release of claims in connection with such payout. Amounts in the table are based on the payout formula applicable in the event of death or disability, and the value of outstanding performance share awards that would vest and be paid out pursuant to these terms is based on a stock price of \$44.24 per share, which was the closing price of the Company's Class A common stock on August 31, 2010, the last trading day of fiscal 2010.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee selected PricewaterhouseCoopers LLP (PwC) as our independent auditors to audit our financial statements and our internal control over financial reporting for the fiscal years ending August 31, 2008, 2009 and 2010. Aggregate fees of PwC for audit services related to the most recent two fiscal years, and other professional services for which they billed us during the most recent two fiscal years, were:

	2010	2009
Audit Fees(1)	\$ 1,567,640	\$ 1,598,293
Audit Related Fees(2)	141,045	
Tax Fees(3)	30,000	47,400
All Other Fees	7,563	1,500
Total	\$ 1,746,248	\$ 1,647,193

(1) Comprised of the audit of the Company's annual financial statements, reviews of the Company's quarterly financial statements and the required audit of the Company's internal control over financial reporting, as well as consents related to and reviews of other documents filed with the Securities and Exchange Commission.

(2) Comprised of acquisition due diligence and consultations regarding internal controls and financial accounting and reporting.

(3) Comprised of services for tax compliance, tax return preparation, tax advice and tax planning.

In fiscal 2010 and 2009, 100% of the audit fees, audit-related fees, tax fees and all other fees were approved by the Audit Committee.

A representative of PwC is expected to be present at the annual meeting and will have the opportunity to make a statement if he desires to do so and will be available to respond to appropriate questions.

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our independent accountants must be approved in advance by the Audit Committee to assure that such services do not impair the accountants' independence from the Company. Accordingly, the Audit Committee has adopted an Audit and Non-Audit Services Pre-Approval Policy (the "Policy") which sets forth the procedures and the conditions pursuant to which services to be performed by the independent accountants are to be pre-approved. Pursuant to the Policy, certain services described in detail in the Policy may be pre-approved on an annual basis together with pre-approved maximum fee levels for such services. The services eligible for annual pre-approval consist of services that would be included under the categories of Audit Fees, Audit-Related Fees and Tax Fees in the above table as well as services for accounting consultations. If not pre-approved on an annual basis, proposed services must otherwise be separately approved prior to being performed by the independent accountants. In addition, any services that receive annual pre-approval but exceed the pre-approved maximum fee level also will require separate approval by the Audit Committee prior to being performed. The Audit Committee may delegate authority to pre-approve audit and non-audit services to any member of the Audit Committee, but

may not delegate such authority to management.

AUDIT COMMITTEE REPORT

The Audit Committee has:

Reviewed and discussed the audited financial statements with management.

Discussed with the independent auditors the matters required to be discussed by SAS 61, as amended.

Received the written disclosures and the letter from the Company's independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and has discussed with the independent auditors the auditors' independence.

Based on the review and discussions above, recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the SEC.

Overseen the work of the Company's Chief Compliance Officer and the Company's anti-corruption program, including implementation of the recommendations contained in the first and second reports of the independent compliance consultant retained by the Company in connection with the settlement of the investigations by the DOJ and SEC into the Company's past practice of making improper payments to the purchasing managers of customers in Asia in connection with export sales of recycled ferrous metals.

AUDIT COMMITTEE

William D. Larsson, Chair

Robert S. Ball

Judith A. Johansen

Ralph R. Shaw

SHAREHOLDER PROPOSALS FOR 2012 ANNUAL MEETING

The Company's Bylaws require shareholders to give the Company advance notice of any proposal or director nomination to be submitted at any meeting of shareholders and prescribe the information to be contained in any such notice. For any shareholder proposal or nomination to be considered at the 2012 Annual Meeting of Shareholders, the shareholder's notice must be received at the Company's principal executive office no earlier than the close of business on September 21, 2011 and no later than the close of business on October 21, 2011 and otherwise comply with the requirements of the Company's Bylaws. In addition, any proposal by a shareholder of the Company to be considered for inclusion in proxy materials for the Company's 2012 Annual Meeting of Shareholders must be received in proper form by the Company at its principal executive office no later than August 10, 2011.

DISCRETIONARY AUTHORITY

Although the Notice of Annual Meeting of Shareholders provides for transaction of any other business that properly comes before the meeting, the Board has no knowledge of any matters to be presented at the meeting other than the matters described in this Proxy Statement. The enclosed proxy, however, gives discretionary authority to the proxy holders to vote in accordance with their judgment if any other matters are presented.

GENERAL

The cost of preparing, printing and mailing this Proxy Statement and of the solicitation of proxies by us will be borne by us. Solicitation will be made by mail and, in addition, may be made by our directors, officers and employees personally or by telephone, email, facsimile or telegram. We will request brokers, custodians, nominees and other like parties to forward copies of proxy materials to beneficial owners of stock and will reimburse such parties for their reasonable and customary charges or expenses in this connection.

We will provide to any person whose proxy is solicited by this proxy statement, without charge, upon written request to its Corporate Secretary, a copy of our Annual Report on Form 10-K for the fiscal year ended August 31, 2010 or of our proxy statement.

IT IS IMPORTANT THAT PROXIES BE PROVIDED PROMPTLY. THEREFORE, SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING IN PERSON ARE URGED TO SUBMIT A PROXY THROUGH THE INTERNET OR BY TELEPHONE OR TO EXECUTE AND RETURN THE ENCLOSED PROXY IN THE REPLY ENVELOPE PROVIDED IF THIS PROXY WAS RECEIVED BY MAIL.

By Order of the Board of Directors,

Richard C. Josephson

Secretary

December 8, 2010

Shareowner ServicesSM

P.O. Box 64945

St. Paul, MN 55164-0945

COMPANY #

Vote by Internet, Telephone or Mail

24 Hours a Day, 7 Days a Week

Your phone or Internet vote authorizes the named

proxies to vote your shares in the same manner as if you

marked, signed and returned your proxy card.

INTERNET www.eproxy.com/schn

Use the Internet to vote your proxy until 12:00 p.m. (CT) on January 18, 2011.

PHONE 1-800-560-1965

Use a touch-tone telephone to vote your proxy until 12:00 p.m. (CT) on January 18, 2011.

MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope provided.

If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.

TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS BELOW,

SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD.

The Board of Directors Recommends a Vote FOR Item 1.

1. Election of directors:	Wayland R.		Vote
	01 Hicks	•• Vote FOR	WITHHELD
	Judith A.		from all
	02 Johansen	all nominees	nominees
	Tamara L.	(except as	
	03 Lundgren	marked)	

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**(Instructions: To withhold authority to vote for any indicated nominee,
write the number(s) of the nominee(s) in the box provided to the right.)**

2. The proxies may vote in their discretion as to other matters which may come before the meeting.

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS
DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR
EACH PROPOSAL.**

Address Change? Mark Box " " Indicate
changes below:

Date

Signature(s) in Box

Please sign exactly as your name(s)
appears on Proxy. If held in joint
tenancy, all persons should sign.
Trustees, administrators, etc., should
include title and authority.
Corporations should provide full
name of corporation and title of
authorized officer signing the Proxy.

SCHNITZER STEEL INDUSTRIES, INC.

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, January 19, 2011

8:00 a.m.

Multnomah Athletic Club

1849 SW Salmon Street

Portland, Oregon 97205

**Schnitzer Steel Industries, Inc.
P.O. Box 10047
Portland, Oregon 97296-0047**

proxy

This proxy is solicited by the Board of Directors for use at the Annual Meeting on January 19, 2011.

The shares of stock of Schnitzer Steel Industries, Inc. that you hold will be voted as you specify on the reverse side.

If no choice is specified, the proxy will be voted FOR all nominees in Item 1.

By signing the proxy, you revoke all prior proxies and appoint Tamara L. Lundgren and Richard D. Peach, and each of them with full power of substitution, to vote your shares on the matters shown on the reverse side and any other matters which may come before the Annual Meeting and all adjournments.

See reverse for voting instructions.