

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

FORM 10-K

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

For the fiscal year ended December 31, 1996

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-1222

DUCOMMUN INCORPORATED

-----  
(Exact name of registrant as specified in its charter)

Delaware

95-0693330

-----  
State or other jurisdiction of  
incorporation or organization

-----  
(I.R.S. Employer  
Identification No.)

23301 South Wilmington Avenue, Carson, California

90745

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code: (310) 513-7200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, \$.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

-----  
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405  
of Regulation S-K (Section 229.405 of this chapter) is not contained herein,  
and will not be contained, to the best of registrant's knowledge, in definitive  
proxy or information statements incorporated by reference in Part III of this  
Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately \$118 million as of January 31, 1997.

The number of shares of common stock outstanding on January 31, 1997 was 7,301,428.

#### DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

(a) Annual Report to Shareholders (the "1996 Annual Report") for the year ended December 31, 1996, incorporated partially in Part I and Part II hereof (see Exhibit 13), and

(b) Proxy Statement for the 1997 Annual Meeting of Shareholders (the "1997 Proxy Statement"), incorporated partially in Part III hereof.

#### FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Certain statements in the Form 10-K and documents incorporated by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Any such forward-looking statements involve risks and uncertainties. The Company's future financial results could differ materially from those anticipated due to the Company's dependence on conditions in the airline industry, the level of new commercial aircraft orders, the production rate for the Space Shuttle program, the level of defense spending, competitive pricing pressures, technology and product development risks and uncertainties, and other factors beyond the Company's control.

## ITEM 1. BUSINESS

During 1996, Ducommun Incorporated ("Ducommun"), through its subsidiaries (collectively, the "Company"), manufactured components and assemblies principally for domestic and foreign commercial and military aircraft and space programs. Domestic commercial aircraft programs include the Boeing 737, 747, 757, 767 and 777 and the McDonnell Douglas MD-11, MD-80/90 and MD-95. Foreign commercial aircraft programs include the Airbus Industrie A330 and A340, de Havilland Dash 8, and the Canadair Regional Jet. Major military aircraft programs include the McDonnell Douglas C-17, F-15 and F-18, Lockheed Martin F-16 and C-130, various Sikorsky, Bell and Boeing helicopter programs, and advanced development programs. The Company is a subcontractor to Lockheed Martin on the Space Shuttle external tank and a supplier of components for the Space Shuttle Orbiter, as well as for Space Station Freedom. The Company manufactures components for Atlas/Centaur, Delta and Titan expendable launch vehicles and various telecommunications satellites. Through its 3dbm, Inc. ("3dbm") subsidiary, the Company also sells products for the wireless telecommunications industry.

In December 1994, the Company acquired all of the capital stock of Brice Manufacturing Company, Inc. ("Brice") and acquired substantially all of the assets and assumed certain liabilities of Dynatech Microwave Technology, Inc. ("DMT"). In January 1995, the Company acquired all of the capital stock of 3dbm. In June 1996, the Company acquired substantially all of the assets and assumed certain liabilities of MechTronics of Arizona, Inc. ("MechTronics").

Aerochem, Inc.

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of close tolerance chemical milling services for the aerospace and aircraft industries. Chemical milling removes material in specific patterns to reduce weight in areas where full material thickness is not required. This sophisticated etching process enables Aerochem to produce lightweight, high-strength designs that would be impractical to produce by conventional means. Jet engine components, wing leading edges and fuselage skins are examples of products that require chemical milling.

Aerochem offers production-scale chemical milling on aluminum, titanium, steel, nickel-base and super alloys. Aerochem also specializes in very large and complex parts up to 50 feet long. Management believes that Aerochem is the largest independent supplier of chemical milling services in the United States. Many of the parts chemically milled by Aerochem are formed and machined by AHF-Ducommun Incorporated.

AHF-Ducommun Incorporated

AHF-Ducommun Incorporated ("AHF"), another Ducommun subsidiary, supplies aircraft and aerospace prime contractors with engineering, manufacturing and testing of

complex components using stretch forming and thermal forming processes and computer-controlled machining. Stretch forming is a process for manufacturing large, complex structural shapes primarily from aluminum sheet metal extrusions. AHF has some of the largest and most sophisticated stretch forming presses in the United States. Thermal forming is a metal working process conducted at high temperature for manufacturing close tolerance titanium components. AHF designs and manufactures the tooling required for the production of parts in both forming processes. Certain components manufactured by AHF are machined with precision milling equipment designed and constructed by AHF. AHF also employs computer-aided design/manufacturing systems with three 5-axis gantry profile milling machines and a 5-axis numerically-controlled router to provide computer-controlled machining and inspection of complex parts up to 82 feet long.

AHF has an integrated operation offering a broad range of capabilities. From the design specifications of a customer, AHF is able to engineer, manufacture, test and deliver the desired finished components. This process depends on the skillful execution of several complex subtasks, including the design and construction of special equipment. Management believes that the ability of AHF to provide a full range of integrated capabilities represents a competitive advantage.

Brice Manufacturing Company, Inc.

In December 1994, Ducommun acquired the capital stock of Brice Manufacturing Company, Inc. ("Brice"). Brice is an after-market supplier of aircraft seating products to many of the world's largest commercial airlines. Products supplied by Brice include plastic and metal seat parts, overhauled and refurbished seats, components for installation of in-flight entertainment equipment, and other cabin interior components for commercial aircraft. Management believes that Brice is the largest company in the United States supplying airline seating and other cabin interior components exclusively for the after-market.

Jay-El Products, Inc.

Ducommun's Jay-El Products, Inc. ("Jay-El Products") subsidiary develops, designs and manufactures illuminated switches, switch assemblies and keyboard panels used in many military aircraft, helicopter, commercial aircraft and spacecraft programs, as well as ground support equipment and naval vessels. Jay-El Products manufactures switches and panels where high reliability is a prerequisite. Keyboard panels are lighted, feature push button switches, and are available with sunlight readable displays. Some of the keyboard panels and illuminated switches manufactured by Jay-El Products for military applications are night vision goggle-compatible.

As a result of the acquisition of DMT in December 1994, Jay-El Products develops, designs and manufactures microwave switches, filters and other components used principally on commercial and military aircraft and telecommunications satellites. DMT also has developed several new products that apply its existing microwave technology to nonaerospace markets, including the wireless telecommunications industry.

MechTronics of Arizona Corp.

In June 1996, the Company acquired substantially all of the assets and assumed certain liabilities of MechTronics of Arizona, Inc., through a newly formed subsidiary named MechTronics of Arizona Corp. ("MechTronics"). MechTronics is a leading manufacturer of mechanical and electromechanical enclosure products for the defense electronics, commercial aviation and communications markets. MechTronics has a fully integrated manufacturing capability, including engineering, fabrication, machining, assembly, electronic integration and related processes. MechTronics' products include sophisticated radar enclosures, aircraft avionics racks and shipboard communications and control enclosures.

3dbm, Inc.

In January 1995, Ducommun acquired the capital stock of 3dbm. 3dbm develops, designs and manufactures high-power expanders, repeaters, bi-directional amplifiers, microcells and other wireless telecommunications hardware used in cellular telephone networks. 3dbm also designs and manufactures on a limited basis microwave components and subsystems for both military and commercial customers.

#### Defense and Space Programs

A major portion of sales is derived from United States government defense programs and space programs. Approximately 38 percent of 1996 sales were related to defense programs and approximately 10 percent of 1996 sales were related to space programs. These programs could be adversely affected by reductions in defense spending and other government budgetary pressures which would result in reductions, delays or stretch-outs of existing and future programs. In addition, many of the Company's contracts covering defense and space programs are subject to termination at the convenience of the customer (as well as for default). In the event of termination for convenience, the customer generally is required to pay the costs incurred by the Company and certain other fees through the date of termination.

Any substantial delay or suspension of production for the Space Shuttle program would have a significant impact on the results of operations for the Company.

#### Commercial Programs

Approximately 52 percent of 1996 sales were related to commercial aircraft programs, and nonaerospace commercial applications. The Company's commercial sales depend substantially on aircraft manufacturer's production rates, which in turn depend upon deliveries of new aircraft. Deliveries of new aircraft by aircraft manufacturers are dependent on the financial capacity of the airlines and leasing companies to purchase the aircraft. Sales of commercial aircraft could be affected as a result of changes in new aircraft orders, or the cancellation or deferral by airlines of purchases of ordered aircraft.

## Major Customers

The Company had substantial sales to Lockheed Martin, Boeing, McDonnell Douglas and Northrop Grumman. During 1996, sales to Lockheed Martin were \$13,037,000, or 11.0% of total sales; sales to Boeing were \$11,876,000, or 10.0% of total sales; sales to McDonnell Douglas were \$10,031,000, or 8.5% of total sales; and sales to Northrop Grumman were \$7,843,000, or 6.6% of total sales. Sales to Lockheed Martin are primarily for the Space Shuttle program. Sales to Boeing, McDonnell Douglas and Northrop Grumman are diversified over a number of different commercial and military programs.

## Competition

The Company competes with various companies, some of which are substantially larger and have greater financial, technical and personnel resources. The Company's ability to compete depends on the quality of goods and services, competitive pricing and the ability to solve specific customer problems.

## Backlog

At December 31, 1996, backlog believed to be firm was approximately \$134,500,000, including \$24,291,000 for space-related business, compared to \$92,600,000 at December 31, 1995. Approximately \$74,000,000 of total backlog is expected to be delivered during 1997.

## Environmental Matters

Aerochem uses various acid and alkaline solutions in the chemical milling process, resulting in potential environmental hazards. Despite existing waste recovery systems and continuing capital expenditures for waste reduction and management, at least for the immediate future, Aerochem will remain dependent on the availability and cost of remote hazardous waste disposal sites or other alternative methods of disposal.

The Aerochem facility located in El Mirage, California has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination. Based upon currently available information, the Company has established a provision for the cost of such investigation and corrective action.

Ducommun's other subsidiaries are also subject to environmental laws and regulations. However, the quantities of hazardous materials handled, hazardous wastes generated and air emissions released by these subsidiaries are relatively small.

The Company anticipates that capital expenditures will continue to be required for the foreseeable future to upgrade and maintain its environmental compliance efforts. The Company does not expect to spend a material amount on capital expenditures for environmental compliance during 1997.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation, claims and inquiries, including matters relating to environmental laws. In addition, the Company makes various commitments and incurs contingent liabilities. While it is not feasible to predict the outcome of these matters, the Company does not presently expect that any sum it may be required to pay in connection with these matters would have a material adverse effect on its consolidated financial position or results of operations.

#### Employees

At December 31, 1996, the Company employed 1,170 persons.

#### Business Segment Information

The Company operates in only one business segment.

#### Information About Foreign and Domestic Operations and Export Sales

In 1996, 1995 and 1994, foreign sales to manufacturers worldwide were \$21,155,000, \$23,497,000 and \$11,515,000, respectively.

The amounts of revenue, profitability and identifiable assets attributable to foreign operations are not material when compared with the revenue, profitability and identifiable assets attributed to United States domestic operations during 1996, 1995 and 1994. Canada is the only country in which the Company had sales of 4% or more of total sales, with sales of \$4,906,000, \$4,518,000 and \$5,944,000 in 1996, 1995 and 1994, respectively.

#### ITEM 2. PROPERTIES

The Company occupies approximately 14 facilities with a total office and manufacturing area of over 812,000 square feet, including both owned and leased properties. At December 31, 1996, facilities which were in excess of 60,000 square feet each were occupied as follows:

Location	Company	Square Feet	Expiration of Lease
El Mirage, California	Aerochem	74,300	Owned
Orange, California	Aerochem	76,200	Owned
Carson, California	AHF-Ducommun	65,000	1999
Carson, California	AHF-Ducommun	108,000	Owned
Carson, California	Jay-El Products	117,000	1997
Phoenix, Arizona	MechTronics	90,900	2006

The Company's facilities are, for the most part, fully utilized, although excess capacity exists from time to time based on product mix and demand. Management believes that these properties are in good condition and suitable for their present use.

Although the Company maintains standard property casualty insurance covering its properties, the Company does not carry any earthquake insurance because of the cost of such insurance. Most of the Company's properties are located in Southern California, an area subject to frequent and sometimes severe earthquake activity.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information under the caption "Quarterly Common Stock Price Information" on page 13 of the 1996 Annual Report is incorporated herein by reference. No dividends were paid during 1995 or 1996 (see Exhibit 13).

ITEM 6. SELECTED FINANCIAL DATA

The information under the caption "Selected Financial Data" appearing on page 13 of the 1996 Annual Report is incorporated herein by reference (see Exhibit 13).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing on pages 14 through 16 of the 1996 Annual Report is incorporated herein by reference (see Exhibit 13).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data under the captions "Consolidated Statements of Income," "Consolidated Balance Sheets," "Consolidated Statements of Cash Flows," "Consolidated Statements of Changes in Shareholders' Equity," and "Notes to Consolidated Financial Statements," together with the report thereon of Price Waterhouse LLP dated February 13, 1997, appearing on pages 17 through 28 of the 1996 Annual Report are incorporated herein by reference (see Exhibit 13).



ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors of the Registrant

The information under the caption "Election of Directors" in the 1997 Proxy Statement is incorporated herein by reference.

Executive Officers of the Registrant

The following table sets forth the names and ages of all executive officers of the Company (including subsidiary presidents), all positions and offices held with the Company, their terms of office and brief accounts of business experience during the past five years:

Name (Age)	Positions and Offices Held With Company (Year Elected)	Other Business Experience (Past Five Years)
Norman A. Barkeley (67)	Chairman of the Board (1989)	Chief Executive Officer and President (1988)
Joseph C. Berenato (50)	President (1996) and Chief Executive Officer (1997)	Executive Vice President (1995), Chief Operating Officer (1995), and Chief Financial Officer (1991) of the Company
James S. Heiser (40)	Vice President (1990), Chief Financial Officer (1996), General Counsel (1988), Secretary (1987), and Treasurer (1995)	--
Kenneth R. Pearson (61)	Vice President-Human Resources (1988)	--
Samuel D. Williams (48)	Vice President (1991), Controller (1988), and Assistant Treasurer (1990)	--

Name (Age)	Positions and Offices Held With Company (Year Elected)	Other Business Experience (Past Five Years)
Robert A. Borlet (56)	President of Jay-El Products, Inc. (1988)	--
Michael J. DeMuro (52)	President of MechTronics of Arizona Corp. (1996)	President of MechTronics of Arizona, Inc. prior to acquisition by Ducommun
Paul L. Graham (52)	President of 3dbm, Inc. (1995)	President of Dynatech Microwave Technology, Inc. (1992-1994); previously, general and senior management at TRW, Titan SESCO, Vector General, Hughes and Raytheon
Bruce J. Greenbaum (41)	President of Brice Manufacturing Company, Inc. (1994)	President and/or General Manager of Brice during five years prior to acquisition by Ducommun
Robert B. Hahn (53)	President of Aerochem, Inc. (1987)	--
Robert L. Hansen (43)	President, AHF-Ducommun Incorporated (1989)	--

ITEM 11. EXECUTIVE COMPENSATION

The information under the caption "Compensation of Executive Officers" in the 1997 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 1997 Proxy Statement is incorporated herein by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the caption "Election of Directors" contained in the paragraph immediately following the table in the 1997 Proxy Statement is incorporated herein by reference.

## PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

## (a) 1. Financial Statements

The following consolidated financial statements of Ducommun Incorporated and subsidiaries, included in the 1996 Annual Report, are incorporated by reference in Item 8 of this report. Page numbers refer to the 1996 Annual Report:

	Page
	----
Consolidated Statements of Income - Years ended December 31, 1996, 1995 and 1994	17
Consolidated Balance Sheets - December 31, 1996 and 1995	18
Consolidated Statements of Cash Flows - Years ended December 31, 1996, 1995 and 1994	19
Consolidated Statements of Changes in Shareholders' Equity - Years Ended December 31, 1996, 1995 and 1994	20
Notes to Consolidated Financial Statements	21-27
Report of Independent Accountants	28

## 2. Financial Statement Schedule

The following schedule for the years ended December 31, 1996, 1995 and 1994 is filed herewith:

Schedule VIII - Valuation and Qualifying Accounts and Reserves

All other schedules have been omitted because they are not applicable, not required, or the information has been otherwise supplied in the financial statements or notes thereto.

## (b) Reports on Form 8-K

During the last quarter of 1996, no reports on Form 8-K were filed.

## (c) Exhibits

3.1 Restated Certificate of Incorporation filed with the Delaware Secretary of State on May 29, 1990. Incorporated by reference to Exhibit 3.1 to Form 10-K for the year ended December 31, 1990.

3.2 Bylaws as amended and restated on October 19, 1996.

4.1 Fourth Amended and Restated Loan Agreement dated May 16, 1996 between Ducommun and Bank of America NT&SA ("Bank"). Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 29, 1996.

4.2 First Amendment to Fourth Amended and Restated Loan Agreement dated as of June 27, 1996 between Ducommun and Bank. Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended June 29, 1996.

4.3 Second Amendment to Fourth Amended and Restated Loan Agreement dated as of December 18, 1996 between Ducommun and Bank.

4.4 Conversion Agreement dated July 22, 1992 between Ducommun and the holders of the 9% Convertible Subordinated Notes due 1998. Incorporated by reference to Exhibit 1 to Form 8-K dated July 29, 1992.

4.5 Loan and Security Agreement dated December 1, 1992 between AHF-Ducommun Incorporated ("AHF"), a subsidiary of Ducommun, and CIT Group/Equipment Financing, Inc., as amended. The Company will furnish a copy of such agreement to the Securities and Exchange Commission upon request.

4.6 Standing Loan Agreement dated December 17, 1993 between AHF and Bank. The Company will furnish a copy of such agreement to the Securities and Exchange Commission upon request.

4.7 Security Agreements and Promissory Notes dated March 7, 1996 and December 30, 1966 between AHF and Aerochem, Inc., a subsidiary of Ducommun, and General Electric Capital Corp. The Company will furnish a copy of such agreements to the Securities and Exchange Commission upon request.

\* 10.1 1981 Stock Incentive Plan as amended and restated March 21, 1990. Incorporated by reference to Exhibit 10.2 to Form 10-K for the year ended December 31, 1989.

- \* 10.2 1990 Stock Option Plan. Incorporated by reference to Exhibit 10.4 to Form 10-K for the year ended December 31, 1990.
  - \* 10.3 1994 Stock Incentive Plan. Incorporated by reference to Exhibit 10.4 to Form 10-K for the year ended December 31, 1994.
  - \* 10.4 Form of Nonqualified Stock Option Agreement under the 1994 Stock Incentive Plan, the 1990 Stock Option Plan and the 1981 Stock Incentive Plan. Incorporated by reference to Exhibit 10.5 to Form 10-K for the year ended December 31, 1990.
  - \* 10.5 Form of Incentive Stock Option Agreement under the 1994 Stock Incentive Plan.
  - \* 10.6 Form of Key Executive Severance Agreement entered with nine current executive officers of Ducommun or its subsidiaries. Incorporated by reference to Exhibit 10.7 to Form 10-K for the year ended December 31, 1989.
  - \* 10.7 Form of Indemnity Agreement entered with all directors and officers of Ducommun. Incorporated by reference to Exhibit 10.8 to Form 10-K for the year ended December 31, 1990.
  - \* 10.8 Description of 1997 Executive Officer Bonus Arrangement.
  - \* 10.9 Directors' Deferred Compensation and Retirement Plan, as amended October 29, 1993. Incorporated by reference to Exhibit 10.9 to Form 10-K for the year ended December 31, 1993.
  - \* 10.10 Ducommun Incorporated Executive Retirement Plan dated May 5, 1993. Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended July 3, 1993.
  - \* 10.11 Ducommun Incorporated Executive Compensation Deferral Plan dated May 5, 1993. Incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended July 3, 1993.
  - \* 10.12 Ducommun Incorporated Executive Compensation Deferral Plan No. 2 dated October 15, 1994. Incorporated by reference to Exhibit 10.12 to Form 10-K for the year ended December 31, 1994.
- 11 Computation of Income (Loss) Per Common and Common Equivalent Share
- 13 1996 Annual Report to Shareholders (not deemed to be filed except as previously incorporated by reference).

21	Subsidiaries of Registrant
23	Consent of Price Waterhouse LLP
27	Financial Data Schedule

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\* Indicates an executive compensation plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DUCOMMUN INCORPORATED

Date: February 24, 1997

By: /s/ Joseph C. Berenato

-----  
Joseph C. Berenato  
President and Chief Executive Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been duly signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 24, 1997

By: /s/ James S. Heiser

-----  
James S. Heiser  
Vice President, Chief Financial Officer,  
General Counsel, Secretary and Treasurer  
(Principal Financial Officer)

Date: February 24, 1997

By: /s/ Samuel D. Williams

-----  
Samuel D. Williams  
Vice President, Controller and  
Assistant Treasurer  
(Principal Accounting Officer)

## DIRECTORS

By: /s/ Norman A. Barkeley ----- Norman A. Barkeley	Date February 24, 1997 -----
By: /s/ Joseph C. Berenato ----- Joseph C. Berenato	Date February 24, 1997 -----
By: /s/ H. Frederick Christie ----- H. Frederick Christie	Date February 24, 1997 -----
By: /s/ Robert C. Ducommun ----- Robert C. Ducommun	Date February 24, 1997 -----
By: /s/ Kevin S. Moore ----- Kevin S. Moore	Date February 24, 1997 -----
By: /s/ Thomas P. Mullaney ----- Thomas P. Mullaney	Date February 24, 1997 -----
By: /s/ Richard J. Pearson ----- Richard J. Pearson	Date February 24, 1997 -----
By: /s/ Arthur W. Schmutz ----- Arthur W. Schmutz	Date February 24, 1997 -----



Report of Independent Accountants on  
Financial Statement Schedule

To the Board of Directors  
of Ducommun Incorporated

Our audits of the consolidated financial statements referred to in our report dated February 13, 1997 appearing on page 28 of the 1996 Annual Report to Shareholders of Ducommun Incorporated (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Price Waterhouse LLP

Los Angeles, California  
February 13, 1997

DUCOMMUN INCORPORATED  
AND SUBSIDIARIES  
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

SCHEDULE VIII

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Additions Charged to Other Accounts	Deductions	Balance at End of Period
FOR THE YEAR ENDED DECEMBER 31, 1996					
Allowance for Doubtful Accounts	\$ 366,000	\$ 28,000	\$ -	\$ 188,000(c)	\$ 206,000
Deferred Tax Assets Valuation Allowance	\$2,433,000	\$ -	\$ -	\$ 665,000(f) \$1,768,000(g)	\$ -
FOR THE YEAR ENDED DECEMBER 31, 1995					
Allowance for Doubtful Accounts	\$ 182,000	\$ 216,000	\$ 13,000(a)	\$ 45,000(c)	\$ 366,000
Deferred Tax Assets Valuation Allowance	\$5,150,000	\$ -	\$ -	\$2,717,000(e)	\$2,433,000
FOR THE YEAR ENDED DECEMBER 31, 1994					
Allowance for Doubtful Accounts	\$ 314,000	\$ -	\$ 11,000(a)	\$ 143,000(c)	\$ 182,000
Deferred Tax Assets Valuation Allowance	\$9,962,000(b)	\$ -	\$ -	\$4,812,000(d)	\$5,150,000

(a) Collections on previously written off accounts.

(b) Per adoption of Statement of Financial Accounting Standards No. 109.

(c) Write-offs on uncollectible accounts.

(d) Change in valuation allowance due to reevaluation of realizability of future income tax benefit occasioned by the acquisitions of Brice and DMT.

(e) Change in valuation allowance due to reevaluation of realizability of future income tax benefit occasioned by the acquisition of 3dbm.

(f) Change in valuation allowance due to reevaluation of realizability of future income tax benefit occasioned by the acquisition of MechTronics.

(g) Change in valuation allowance due to reevaluation of realizability of future income tax benefit.

As Amended October 19, 1996

BYLAWS  
OF  
DUCOMMUN INCORPORATED

## ARTICLE I

## Offices

Section 1. Registered Office. The Registered Office of Ducommun Incorporated (hereinafter called the Corporation) in the State of Delaware shall be at 32 Lookerman Square, Suite L-100, in the City of Dover 19901, County of Kent, and the name of the Registered Agent in charge thereof shall be Prentice-Hall Corporation System, Inc.

Section 2. Principal Office. The principal office for the transaction of business of the Corporation shall be 23301 South Wilmington Avenue, in the City of Carson, County of Los Angeles, State of California. The Board of Directors has full power and authority to change said principal office from one location to another, whether within or outside said City, County or State, by amendment of this Section 2.

Section 3. Other Offices. The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board of Directors may from time to time determine as the business of the Corporation may require.

## ARTICLE II

## Stockholders

Section 1. Annual Meetings. The Annual Meeting of Stockholders shall be held at 9:00 o'clock a.m. Pacific Time on the first Wednesday of May each year, if not a legal holiday, in which case the annual meeting shall be held on the next business day following, or on such other date as shall be designated by the Board of Directors, for the purpose of electing Directors and for the transaction of such other business as may be brought before the meeting. If such annual meeting is not held, or the Directors are not elected thereat, Directors may be elected at a special meeting held for that purpose, and it shall be the duty of the Chairman of the Board of Directors, the President, any Executive Vice President, any Senior Vice President, any Vice President or the Secretary, upon the demand of any stockholder entitled to vote, to call such special meeting.

Section 2. Special Meetings. Special meetings of the stockholders for any purpose or purposes may be called at any time by the Board of Directors or by a majority of the members of the Board of Directors.

Section 3. Notice of Meetings. Except as otherwise required by law, notice of meetings of stockholders, annual or special, shall be given to stockholders entitled to vote thereat

by the Secretary or an Assistant Secretary or other person charged with that duty not less than ten (10) nor more than sixty (60) days before the date of any such meeting. Such notice may be printed, typewritten, or in handwriting, and may be given to any stockholder either personally or by sending a copy of the notice through the mail, or by telegram, charges prepaid, to his address appearing on the books of the Corporation or supplied by him to the Corporation for the purpose of notice. Except as otherwise expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. Every notice of a meeting of the stockholders shall state the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called.

Section 4. Place of Meetings. All meetings of the stockholders shall be held at the principal office of the Corporation in the State of California or at such other place within or without the State of Delaware as the Board of Directors may from time to time designate.

Section 5. Quorum. A quorum at any meeting of the stockholders shall consist of stockholders holding a majority of the voting power of the shares of this Corporation outstanding and entitled to vote thereat, represented either in person or by proxy, except as otherwise specifically provided by law or in the Certificate of Incorporation. In the absence of a quorum, any meeting of stockholders may be adjourned from time to time by the vote of a majority of the voting stock, the holders of which are either present in person or represented by proxy thereat. The stockholders present at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 6. Adjournments. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of the original meeting, but when a meeting is adjourned for less than thirty (30) days it is not necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which the adjournment is taken. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 7. Organization. The Chairman of the Board of Directors, or, in his absence, the President, or in the absence of the Chairman of the Board of Directors and the President, the Executive Vice President, a Senior Vice President or a Vice President shall call meetings of stockholders to order, and shall act as Chairman of such meetings. In the absence of the Chairman of the Board of Directors, the President, the Executive Vice President, any Senior Vice President and the Vice Presidents, the stockholders shall appoint a Chairman for such meeting. The Secretary of the Corporation shall act as Secretary at all meetings of the stockholders, but in the absence of the Secretary at any meeting of the stockholders, the presiding officer may appoint any person to act as Secretary of the meeting.

#### Section 8. Voting

(a) Each stockholder shall, at each meeting of the stockholders, be entitled to vote in person or by proxy each share or fractional share of the stock of the Corporation having voting rights on the matter in question and which shall have been held by him and registered in his name on the books of the Corporation:

(i) on the date fixed pursuant to ARTICLE II, Section 11 of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting, or

(ii) if no such record date shall have been so fixed, then (a) at the close of business on the day next preceding the day on which notice of the meeting shall be given, or (b) if notice of the meeting shall be waived, at the close of business on the day next preceding the day on which the meeting shall be held.

(b) Shares of its own stock belonging to the Corporation shall not be entitled to vote. Persons holding in a fiduciary capacity stock of the Corporation shall be entitled to vote such stock so held. A person whose stock is pledged shall be entitled to vote such stock, unless in the transfer by the pledger on the books of the Corporation he shall have expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon. Stock having voting power standing of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or with respect to which two or more persons have the same fiduciary relationship, shall be voted in accordance with the provisions of the General Corporation Law of the State of Delaware.

(c) Any such voting rights may be exercised by the stockholder entitled thereto in person or by his proxy appointed by an instrument in writing, subscribed by such stockholder or by his attorney thereunto authorized and delivered to the Secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date unless said proxy shall provide for a longer period. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the Secretary of the meeting prior to the voting of the proxy. At any meeting of the stockholders all matters, except as otherwise provided in the Certificate of Incorporation, these Bylaws or bylaw, shall be decided by the vote of majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat and thereon, a quorum being present. The vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the Chairman of the meeting. On a vote by ballot each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and it shall state the number of shares voted.

Section 9. Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint inspectors of election to act at such meeting or any adjournment thereof. If inspectors of election be not so appointed, the Chairman of any such meeting may make such appointment at the meeting. The number of inspectors shall be either one or three.

Section 10. Consent of Absentees. The transactions of any meeting of stockholders, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the stockholders entitled to vote, not present in person or by proxy, signs a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 11. Record Date and Closing Stock Books. The Board of Directors may fix a record date for the determination of the stockholders entitled to notice of and to vote at any meeting of stockholders, or for the determination of the stockholders entitled to receive any dividend or distribution or any allotment of rights, or to exercise rights in respect to any change, conversion or exchange of shares. The record date so fixed shall not be more than sixty (60) nor less than ten (10) days before the date of any such meeting, nor more than sixty (60) days prior to any other action. When a record date is so fixed, only stockholders who are such of record on that date are entitled to notice of and to vote at the meeting or to receive the dividend, distribution, or allotment of rights, or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date. The Board of Directors may close the books of the Corporation against transfers of shares during the whole or any part of a period not more than sixty (60) days prior to the date of a stockholders' meeting, the date when the right to any dividend, distribution, or allotment of rights vests, or the effective date of any change, conversion or exchange of shares. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 12. Conduct of Meetings. The Chairman of the Board of Directors shall have complete authority to establish rules of conduct governing all meetings of stockholders. These rules may include, but shall not be limited to, rules related to attendance, questions from the audience and similar matters. Notwithstanding the above, the nomination at any meeting of stockholders of any person to serve as a Director shall not be valid unless (i) the nomination of such person has been approved by resolution of the Board of Directors of the Corporation, or (ii) notice of the nomination of such person has been delivered to the Secretary of the Corporation not less than 120 days prior to the date of the meeting of stockholders.

## ARTICLE III

## Board of Directors

Section 1(a). Powers. The corporate powers, business and property of this Corporation shall be exercised, conducted and controlled by a Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board may exercise all such powers and do all such lawful acts and things as are not by statute or by these Bylaws directed or required to be exercised or done by the stockholders. Directors need not be stockholders.

Section 1(b). Minimum and Maximum Number. The authorized number of Directors of this Corporation shall be not less than six (6) nor more than eight (8) until changed by an amendment of this Bylaw; the exact number of Directors shall be fixed, within the limits specified in this Section 1(b), by a Bylaw or amendment thereof to be numbered as Section 1(c).

Section 1(c). Exact Number of Directors. The exact number of Directors of this Corporation is eight (8) until changed within the limits specified in Section 1(b) or this ARTICLE III by a bylaw duly adopted amending this Section 1(c).

Section 2. Vacancies. In case of a vacancy in the Directors through death, resignation, disqualification, or other cause, the remaining Directors, though less than a quorum, by affirmative vote of a majority thereof, or the sole remaining Director, may elect a successor or successors to hold office for the unexpired portion of the term of the Director whose place shall be vacant, and until the election of his successor.

Section 3. Place of Meeting. The Directors may hold their meetings and have an office and keep the books of the Corporation in such place or places within or without the State of Delaware as the Board may from time to time determine.

Section 4(a). Regular Meetings. By resolution and notice thereof to all the Directors at the time in office, the Board of Directors may provide that regular meetings of said Board shall be held at stated intervals and at a place to be fixed in such resolution. In case such regular meetings are provided for, it shall not be necessary to give notice of any such meetings, or of the business to be transacted. A meeting of the Board of Directors may be held without notice immediately after the Annual Meeting of Stockholders.

Section 4(b). Special Meetings. Special meetings of the Board of Directors may be called by the Chairman or the Board of Directors, the President, any two Vice Presidents, any two Directors, or by the sole remaining Director. Written notice of the time and place of special meetings shall be delivered personally to each Director or sent to each Director by mail or other form of written communication, charges prepaid, addressed at his business address or his residence address, as either may be shown upon the records of the Corporation, or if not so shown, or not readily ascertainable, at the principal office of the Corporation. In case such notice is delivered personally it shall be delivered at least twenty-four hours prior to the time of the holding of the meeting. In case such notice is sent by TWX, Telex, or Telegram, it shall be transmitted or delivered to the telegraph company nearest to the principal office of the Corporation at least

twenty-four hours prior to the time of the holding of the meeting. In case such notice is mailed, it shall be deposited in the United States mail at least sixty hours prior to the time of the holding of the meeting. Except where otherwise required by law or by these Bylaws, notice of the purpose of a special meeting need not be given. Notice of any meeting of the Board of Directors shall not be required to be given to any Director who shall have waived such notice and such notice shall be deemed to have been waived by any Director who is present at such meeting.

Section 5. Quorum. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number be required by law or by the Certificate of Incorporation.

Section 6. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action and such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the Directors.

Section 7. Compensation of Directors. Unless otherwise provided by the Certificate of Incorporation, the Board of Directors shall have authority to fix the compensation of Directors. Directors may be paid a fixed sum for attendance at each meeting of the Board of Directors and may be paid a stated compensation for serving as Directors. Directors may also be paid their expenses, if any, for attending each meeting of the Board of Directors. No payments to Directors shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 8. Presiding Officers. At all meetings of the Board of Directors, the Chairman of the Board of Directors, or, in his absence, the President of the Corporation, or in the absence of the Chairman of the Board of Directors and the President, a Chairman chosen by the Directors present shall preside.

Section 9. Election of Officers. At the first meeting of the Board of Directors each year (at which a quorum shall be present) held next after the Annual Meeting of Stockholders, the Board of Directors shall proceed to the election of the Officers of the Corporation.

Section 10. Committees of the Board of Directors. The Board of Directors may by resolution appoint an Executive Committee and other committees. Such Executive Committee and other committees shall be composed of two or more members of this Board of Directors and shall have such powers as may be expressly delegated to them by resolution of the Board of Directors, except that no such committee shall have the power to amend the Certificate of Incorporation, to adopt an agreement of merger or consolidation, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, to recommend to the stockholders the dissolution of the Corporation or a revocation of a dissolution, or to adopt, amend or repeal Bylaws. The Executive Committee, if there shall be one, shall have the right and authority to declare dividends. The Board of Directors shall have the authority to fix the compensation of members of the committees for attending committee meetings.



Section 11. Advisory Directors. The Board of Directors may elect one or more Advisory Directors who shall have such powers and perform such duties as the Directors shall assign to them. Advisory Directors shall, upon election, serve until the next Annual Meeting of Stockholders. Advisory Directors shall receive notice of all meetings of the Board of Directors in the same manner and at the same time as the Directors. They shall attend such meetings in an advisory capacity, but shall not cast a vote or be counted to determine a quorum. Any Advisory Director may be removed, either with or without cause, by a majority of the Directors. The Advisory Directors shall not receive any stated compensation for their services as Advisory Directors, but by resolution of the Board of Directors a fixed fee and expenses of attendance may be allowed for attendance at each meeting. Nothing herein shall be construed to preclude any Advisory Director from serving the Corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

## ARTICLE IV

## Officers

Section 1. Officers. The Officers of the Corporation shall be a President, a Secretary and a Treasurer, who shall be elected by the Directors at their first meeting after the Annual Meeting of Stockholders, and who shall hold office until their successors are elected and qualify. The Board of Directors may also elect at its discretion a Chairman of the Board, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other Officers as the business of the Corporation may require. The Chairman of the Board, if there shall be such an officer, and the President must be members of the Board of Directors. So far as is permitted by law any two or more offices may be held by the same person.

Section 2(a). Chairman of the Board. The Chairman of the Board of Directors, if there shall be such an officer, shall preside at meetings of the stockholders and of the Board of Directors, and shall perform such other duties, in major policy areas or otherwise, consistent with his office, as may be assigned to him by the Board of Directors.

Section 2(b) Vice Chairman of the Board. The Vice Chairman of the Board of Directors, if there shall be such an officer, shall, during any period when so requested by the Chairman of the Board of Directors or during the absence of the Chairman of the Board of Directors or his inability to act, have the powers and perform the duties of the Chairman. The vice Chairman shall perform such other duties consistent with his office as from time to time may be assigned to him by the Board of Directors.

Section 3. President. The President shall be the chief executive officer of the Corporation. Subject to the control of the Board of Directors, he shall have general executive powers concerning, and active management and supervision over, the property, business and affairs of the Corporation and its several officers. He shall have the powers and shall perform the duties usually incident to the office of President and, during any period when so requested by the Chairman of the Board of Directors, or during the absence of the Chairman and the Vice Chairman of the Board of Directors or the inability of both to act, shall also have the powers and perform the duties of the Chairman of the Board of Directors. The President shall perform such other duties consistent with his office as from time to time may be assigned to him by the Board of Directors.

Section 4(a). Executive Vice President. The Executive Vice President(s), if there shall be such an officer, shall, subject to such powers as shall be assigned to him from time to time by the Board of Directors or by the President, have such managerial responsibility and authority and shall exercise such supervisory powers as shall be assigned to him from time to time by the Board of Directors or by the President. He shall exercise the functions of the President during the absence or disability of the President.

Section 4(b). Senior Vice President. The Senior Vice President(s) shall exercise general supervision over and have executive control of such departments of the Corporation's business and shall have such powers and discharge such duties as may be assigned to him from time to time by

the Board of Directors. The Senior Vice President, as designated by the Board of Directors, shall exercise the functions of the President during the absence or disability of the President and the Executive Vice President.

Section 4(c). Vice Presidents. The Vice Presidents shall exercise general supervision over and have executive control of such departments of the Corporation's business and shall have such powers and discharge such duties as may be assigned to each of them from time to time by the Board of Directors. The Vice Presidents in order of their rank, or if not ranked, as designated by the Board of Directors, shall exercise the functions of the President during the absence or disability of the President, the Executive Vice President and the Senior Vice President.

Section 5. Secretary. The Secretary shall issue due notice to stockholders and Directors in accordance with these Bylaws and as required by law, shall record all the proceedings of the meetings of the stockholders and Directors in a book to be kept for that purpose, shall have charge of the corporate seal, shall keep or cause to be kept a share register of stockholders of the Corporation, and shall make such reports and perform such other duties as are incident to his office, or assigned to him by the Board of Directors.

Section 6. Assistant Secretary. The Assistant Secretaries shall, in the absence or disability of the Secretary, perform the duties and exercise the power of the Secretary.

Section 7. Treasurer. The Treasurer shall have the custody of all monies and securities of the Corporation and shall keep regular books of account. He shall disburse the funds of the Corporation in payment of the just demands against the Corporation, or as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors from time to time, as may be required of him, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 8. Assistant Treasurer. The Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer.

Section 9. General Counsel. The General Counsel shall provide legal advice to the Corporation, render legal opinions as necessary in connection with the business of the Corporation, exercise general supervision over the legal affairs of the Corporation and perform such other duties as assigned to him by the Board of Directors.

Section 10. Duties. Except as otherwise provided in this Section, the said Officers shall have all the usual powers and shall perform all the usual duties incident to their respective offices and shall, in addition, perform such other duties as shall be assigned to them from time to time by the Board of Directors.

Section 11. Delegation of Duties. In the absence or disability of any Officer of the Corporation, the Board of Directors may, subject to the provisions of this Section, delegate his powers and duties to any other Executive Officer, or to any Director, during such absence or disability, and the person so delegated shall, for the time being, be the Officer whose powers and duties he so assumes.

Section 12. Vacancies. A vacancy in any office existing at any time may be filled by the Directors at any regular or special meeting.

Section 13. Other Officers. The Board of Directors may appoint such other Officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 14. Salaries. The salaries of all Officers of the Corporation shall be approved by the Board of Directors.

Section 15. Bonds. The Board of Directors may require any and all Officers, respectively, to give a bond for the faithful performance of their respective duties in such sum as said Board of Directors may determine, such bond to be executed by a reliable surety company, but the expense of obtaining the same shall be borne by the Corporation.

Section 16. Representation of Shares of Other Corporations. The President or any Vice President and the Secretary or any Assistant Secretary of this Corporation are authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said Officers to vote or represent on behalf of this Corporation any and all shares held by this Corporation in any other corporation or corporations may be exercised either by such Officers in person or by any person authorized so to do by proxy or power of attorney duly executed by said Officers.

Section 17. Removal of Officers. Any Officer may be removed at any time by the affirmative vote of a majority of the Board of Directors.

## ARTICLE V

## Certificates of Stock

Section 1. Form and Execution of Certificate. The certificates of shares of stock of the Corporation shall be in such form as shall be approved by the Board of Directors. All certificates shall be signed by the President or a Vice President, and by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer; provided, however, that if any such certificate is countersigned by a transfer agent other than the Corporation or its employee, or by a registrar other than the Corporation or its employee, the signatures of such President or Vice President and of such Secretary or Assistant Secretary or Treasurer or Assistant Treasurer may be facsimiles.

Section 2. Certificates to be Entered. All certificates shall be consecutively numbered and the names in which they are issued, the number of shares and the date of issue shall be entered in the Corporation's books.

Section 3. Transfer of Shares. Shares shall be transferred only on the books of the Corporation by the holder thereof, in person or by his attorney, upon the surrender and cancellation of certificates for a like number of shares.

Section 4. Regulations. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates of stock, and may appoint a transfer agent or transfer agents and a registrar or registrars of transfers, and may require all stock certificates to bear the signature of any such transfer agent and registrar of transfers.

## ARTICLE VI

## Seal

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation in words and figures showing that it was incorporated in the State of Delaware in the year 1970.

## ARTICLE VII

## Indemnification

Section 1. Indemnification of Directors and Officers. The Corporation shall, to the fullest extent permitted by law, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil,

criminal, administrative or investigative (including without limitation any action by or in the right of the Corporation) by reason of the fact that he is or was a Director or Officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful. The right of indemnity provided herein shall not be exclusive, and the Corporation may provide indemnification to any person, by agreement or otherwise, on such terms and conditions as the Board of Directors may approve. Any agreement for indemnification of any Director, Officer, employee or other person may provide indemnification rights which are broader or otherwise different from those set forth herein.

Section 2. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this ARTICLE.

#### ARTICLE VIII

##### Fiscal Year

The fiscal year of the Corporation shall commence on January 1, and end on December 31 of each year.

#### ARTICLE IX

##### Amendments

These Bylaws may be adopted, amended or repealed by the vote of stockholders as set forth in the Certificate of Incorporation. Subject to the right of stockholders to adopt, amend or repeal Bylaws, Bylaws may be adopted, amended or repealed by the Board of Directors.

SECOND AMENDMENT  
TO  
FOURTH AMENDED AND RESTATED LOAN AGREEMENT

This SECOND AMENDMENT TO FOURTH AMENDED AND RESTATED LOAN AGREEMENT ("Second Amendment"), dated as of December 18, 1996, is made by Ducommun Incorporated, a Delaware corporation (the "Borrower"), and Bank of America National Trust and Savings Association (the "Bank"), with reference to the following facts:

RECITALS

A. This Second Amendment amends that certain Fourth Amended and Restated Loan Agreement dated as of May 16, 1996, by and between Borrower and Bank, which was previously amended by a First Amendment dated as of June 27, 1996 (the "Loan Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth for such terms in the Loan Agreement.

B. Borrower has requested and Bank, subject to certain matters set forth herein, has agreed, to amend the Loan Agreement (i) to confirm Bank's agreement to release Bank's security interest in any and all Collateral that secures the Obligations, (ii) to change certain interest and loan fee provisions, and (iii) to delete certain restrictions on Borrower's Capital Expenditures. Borrower and Bank desire to amend the Loan Agreement as set forth herein to reflect such agreements.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants and benefits contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Borrower and Bank hereby agree as follows:

1. RELEASE OF COLLATERAL AND RELATED AMENDMENTS TO LOAN AGREEMENT

1.1 Release of Security Interest. Bank hereby releases any security interest evidenced by or created under any Collateral Document to the extent that such security interest secures an Obligation under any Loan Document. Bank agrees that it shall promptly (and in no event later than 45 days after the date Bank signs this Second Amendment) execute and deliver to Borrower such UCC Termination Statements and other documents as are reasonably requested by Borrower to evidence such release. The foregoing release does not affect any security interest in favor of Bank that secures obligations owing to Bank that are not evidenced by the Loan Documents, including that certain real estate secured loan by Bank to AHF Ducommun.

1.2 Related Amendments. To reflect the foregoing release of the Bank's security interest in the Collateral, the Loan Agreement is amended as follows:

a. Section 1.1 of the Loan Agreement is amended to delete the definition of the terms "Collateral" and "Collateral Documents" in their entirety.

b. Section 1.1 of the Loan Agreement is further amended to delete the words "the Collateral Documents" in the third line of the definition of the term "Loan Documents."

c. Sections 4.9, 5.10, 5.15, 9.1(i) and 10.11(a) of the Loan Agreement are deleted in their entirety and left intentionally blank.

d. Section 5.11 of the Loan Agreement is amended to delete the words "and of each of the Collateral Documents" in the third line thereof.

e. Section 5.13 of the Loan Agreement is amended and restated in its entirety to read as follows:

"5.13 Notice of Location Change. Promptly notify Bank, in writing, of the occurrence of any change in the location of, or the addition of, any branch office, any field office, any warehouse or any other place of business of Borrower or any Subsidiary; provided, however, that no such notification shall be required if the change, together with any other change since the Restated Closing Date, would not in the aggregate involve Property with a book value or fair market value, whichever is higher, in excess of \$200,000."

f. Subsection (n) of Section 6.6 of the Loan Agreement is amended to add the word "Additional" to the beginning thereof.

g. Subsection (e) of Section 9.1 of the Loan Agreement is amended to delete the words "or has taken or is taking such other actions as might materially adversely affect the Collateral," in the 25th through 27th lines thereof.

h. The last sentence of Section 10.9 of the Loan Agreement is amended and restated in its entirety to read as follows:

"Any obligation or liability of Borrower to any Indemnitee under this Section 10.9 shall survive the expiration or termination of this Agreement and the



repayment of all Loans and the payment and performance of all other Obligations owed to Bank."

i. Subsection (a) of Section 10.10 of the Loan Agreement is amended to delete the words "shall not be secured by the Collateral Documents, and" in the 37th and 38th lines thereof.

j. Subsection (c) of Section 10.11 of the Loan Agreement is amended to delete the words "any Collateral held by Bank" in the 13th line thereof.

k. Section 10.13 is amended to delete clause (e) thereof. Section 10.13 of the Loan Agreement is further amended to insert the word "and" immediately before clause (d) thereof and to delete the word "and" immediately following clause (d) thereof.

l. Section 10.16 of the Loan Agreement is amended in its entirety to read as follows:

"10.16 Governing Law. Except to the extent otherwise provided therein, each Loan Document shall be governed by, and construed and enforced in accordance with, the local Laws of California."

2. ADDITIONAL AMENDMENTS TO LOAN AGREEMENT.

2.1 The Loan Agreement is further amended as follows:

a. The definition of the term "IBOR Rate Spread" is amended in its entirety to read as follows:

"IBOR Rate Spread" means, with respect to any Revolving Loan, 1.50% for the period from the Restated Closing Date through August 31, 1996, and at all times thereafter, the IBOR Rate Spread shall be equal to the percentage set forth below opposite Borrower's Leverage Ratio as of the last day of the fiscal quarter most recently ended for the related Spread Period:

Percentage -----	Leverage Ratio -----
1.00%	Less than 1.05 to 1:00
1.25%	Equal to or greater than 1.05 to 1:00 but less than 1.20 to 1.00
1.50%	Equal to or greater than 1.20 to 1.00 but less than 1.51 to 1.00

1.75%                    Equal to or greater than 1.51 to 1.00  
                                  but less than or equal to 1.61 to 1.00

b. The definition of the term "Reference Rate Spread" is amended in its entirety to read as follows:

"Reference Rate Spread" means, with respect to any Revolving Loan, minus .25%."

c. Section 3.2(b) of the Loan Agreement is deleted in its entirety and left intentionally blank.

d. Subsection (a) of Section 3.3 of the Loan Agreement is amended in its entirety to read as follows:

"(a) In the period from the Restated Closing Date through September 30, 1996, Borrower shall pay to Bank a commitment fee equal to .25% per annum times the average daily difference between the Line A Commitment and the Total Line A Outstandings. At all times after September 30, 1996 through the Revolver Termination Date, the Borrower shall pay to Bank a commitment fee equal to the "specified percentage" (as defined below) per annum times the average daily difference between the Line A Commitment and the Total Line A Outstandings. As used in the preceding sentence, "specified percentage" shall be equal to (i) .125% as long as the Total Line A Outstandings are less than or equal to \$10,000,000 as of the last day of the fiscal quarter for which the commitment fee is due, and (ii) .20% as long as the Total Line A Outstandings are greater than \$10,000,000 as of the last day of the fiscal quarter for which the commitment fee is due. Such commitment fee shall be payable quarterly in arrears within 5 Banking Days after the end of each calendar quarter, commencing with the quarter ending June 30, 1996. Bank shall use its best efforts to notify Borrower of the amount of the commitment fee so payable prior to each fee payment date, but failure of Bank to do so shall not excuse payment of such fee when payable.

e. Section 6.14 of the Loan Agreement is deleted in its entirety and left intentionally blank.

### 3. REPRESENTATIONS AND WARRANTIES.

Borrower makes the following representations and warranties to Bank as of the date hereof, which representations and warranties shall survive the execution, termination or expiration of this Second Amendment and shall continue in full force and effect until the full

and final satisfaction and discharge of all Obligations of Borrower to Bank under the Loan Agreement and the other Loan Documents:

3.1 Reaffirmation of Prior Representations and Warranties. Borrower hereby reaffirms and restates as of the date hereof all of the representations and warranties made by Borrower in the Loan Agreement and the other Loan Documents, except to the extent such representations and warranties specifically relate to an earlier date.

3.2 No Default. No Default or Event of Default, breach or failure of condition has occurred and is continuing under any of the Loan Documents.

3.3 Due Execution. The execution, delivery and performance of this Second Amendment and any instruments, documents or agreements executed in connection herewith (collectively, the "Second Amendment Documents") are within the powers of Borrower and its Subsidiaries that are a party thereto, have been duly authorized by all necessary action, and do not contravene any law or the certificate of incorporation or bylaws of Borrower or any such Subsidiary, result in a breach of, or constitute a default under, any contractual restriction, indenture, trust agreement or other instrument or agreement binding upon Borrower or any such Subsidiary.

3.4 No Further Consent. The execution, delivery and performance of this Second Amendment and each of the other Second Amendment Documents do not require any consent or approval not previously obtained of any stockholder, beneficiary or creditor of Borrower or any of its Subsidiaries.

3.5 Binding Agreement. This Second Amendment and each of the other Second Amendment Documents constitute the legal, valid and binding obligation of Borrower or its Subsidiaries as are party thereto and are enforceable against Borrower and any such Subsidiary in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws or equitable principles relating to or limiting creditors' rights generally.

#### 4. CONDITIONS PRECEDENT.

The effectiveness of this Second Amendment is subject to the satisfaction of each of the following conditions precedent:

4.1 Documentation. Borrower shall have delivered or caused to be delivered to Bank, at Borrower's sole cost and expense, the following, each of which shall be in form and substance satisfactory to Bank:

a. two counterpart executed originals of this Second Amendment;

b. an original executed Consent and Reaffirmation of Guarantors; and

c. evidence that the execution, delivery and performance by the Borrower (and any guarantor) of this Second Amendment and any instrument or agreement required under this Second Amendment have been duly authorized.

4.2 No Defaults. All of Borrower's representations and warranties contained herein shall be true and correct on and as of the date of execution hereof and no Default or Event of Default shall have occurred and be continuing under any of the Loan Documents, as modified hereby.

4.3 No Adverse Change. There shall have occurred no material adverse change in the condition of the Borrower or its Subsidiaries (financial or otherwise).

5. MISCELLANEOUS.

5.1 Costs and Expenses. Borrower agrees to pay all costs, expenses, attorneys' fees, search fees, filing and recordation fees and all other charges and expenses incurred by the Bank in connection with (1) the negotiation, preparation, delivery and execution of this Second Amendment and the Second Amendment Documents, including without limitation, the Bank's (i) attorneys' fees and costs (including allocated costs of in-house counsel) and (ii) out-of-pocket filing fees and recording charges, and (2) carrying out the terms of this Second Amendment and the Second Amendment Documents, whether incurred before or after the effective date hereof (including those associated with the release of Bank's security interest in the Collateral).

5.2 Effect of Amendment. Except as provided in this Second Amendment, all of the terms and conditions of the Loan Agreement shall remain in full force and effect.

5.3 Counterparts. This Second Amendment may be executed in counterparts and any party may execute any counterpart, each of which shall be deemed to be an original and all of which, taken together, shall be deemed to be one and the same document. The execution hereby by any party shall not become effective until this Second Amendment is executed by all parties hereto.

5.4 Prior Agreements. This Second Amendment contains the entire agreement between Bank and Borrower with respect to the subject matters hereof, and all

prior negotiations, understandings and agreements with respect thereto are superseded by this Second Amendment.

This Second Amendment is executed as of the date stated at the beginning of this Second Amendment.

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION

By \_\_\_\_\_

\_\_\_\_\_  
[Printed Name and Title]

DUCOMMUN INCORPORATED

By \_\_\_\_\_

\_\_\_\_\_  
[Printed Name and Title]

## DUCOMMUN INCORPORATED

## STOCK OPTION AGREEMENT

This stock option agreement ("Option") is made as of \_\_\_\_\_ (the "Effective Date"), between DUCOMMUN INCORPORATED, a Delaware corporation (the "Corporation"), and \_\_\_\_\_ ("Option Holder").

## R E C I T A L S

This Option is being granted pursuant to the 1994 Stock Incentive Plan (the "Plan"). This Option is intended to qualify as an incentive stock option ("Incentive Stock Option") as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). This Option expires on \_\_\_\_\_ (the "Expiration Date").

## A G R E E M E N T S

1. Grant. The Corporation hereby grants to the Option Holder the right and option to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate of \_\_\_\_\_ shares of the Common Stock at the purchase price of \$\_\_\_\_\_ per share, being 100% of the fair market value of the Common Stock on the date the option is granted, exercisable from time to time in accordance with the provisions of this Agreement until the close of business on the Expiration Date.

2. Definitions. Unless the context clearly indicates otherwise, and subject to the terms and conditions of the Plan as the same may be amended from time to time, the following terms, when used in this stock option agreement, shall have the meanings set forth in this Section 2.

"Common Stock" shall mean the Common Stock, \$.01 par value, of the Corporation or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 7 of this stock option agreement.

"Subsidiary" shall have the meaning ascribed to that term under Section 424(f) of the Code, and which is designated by the Committee for participation in the Plan by the key employees thereof.

"Committee" shall mean the Compensation Committee of the Board of Directors of the Corporation, or if there is no such committee acting, the Board of Directors of the Corporation.

3. Conditions to Exercise. The Option Holder may not purchase any shares by exercise of this option unless the Option Holder shall have remained in the employ of the Corporation and/or a Subsidiary until at least \_\_\_\_\_. On and after \_\_\_\_\_, the Option Holder may purchase, by exercise of this option, an aggregate of not more than one-fourth of the total number of shares subject to this option. On and after \_\_\_\_\_, the Option Holder may purchase, by exercise of this option, an additional one-fourth of such total number of shares. On and after \_\_\_\_\_, the Option Holder may purchase, by exercise of this option, an additional one-fourth of such total number of shares. On and after \_\_\_\_\_, until this option expires, the Option Holder may purchase, by exercise of this option, all or any part of the shares subject to this option. Provided, however, that until this option expires, the Option Holder may purchase, by exercise of this option, all or any part of the shares subject to this option at any time after a "Change in Control" of the Corporation has occurred. For purposes of this stock option agreement, a "Change in Control" of the Corporation shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); provided that, without limitation, such a change in control shall be deemed conclusively to have occurred if (i) a tender offer shall be made and consummated for the ownership of 25% or more of the outstanding voting securities of the Corporation, (ii) the shareholders of the corporation approve that the Corporation be merged or consolidated with another corporation and as a result of such merger or consolidation less than 75% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Corporation, other than affiliates (within the meaning of the Exchange Act) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation, (iii) the shareholders of the Corporation approve that the Corporation sell, lease, exchange or transfer substantially all of its assets to another corporation, entity or person which is not a wholly-owned subsidiary, (iv) a person, as defined in Sections 13(d) and 14(d) (as in effect on the date hereof) of the Exchange Act, shall acquire 25% (or in the case of The Clark Estates, Inc., 30%) or more of the outstanding voting securities of the Corporation (whether directly, indirectly, beneficially or of record), (v) the shareholders of the Corporation approve a plan or proposal for the liquidation or dissolution of the Corporation, or (vi) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Corporation's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period. For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3 (as in effect on the date hereof) under the Exchange Act. A sale or other change in control of any Subsidiary of the Corporation by which the Option Holder is employed shall not be deemed a Change in Control of the Corporation for purposes of this Agreement.

4. Exercise by the Option Holder. This Option may be exercised solely by the Option Holder, except as provided in Section 5 below in the event of the Option Holder's death.

5. Termination. This Option shall terminate if and when the Option Holder shall cease to be an employee of the Corporation or a Subsidiary, except as follows:

(a) Death or Permanent Disability. If the Option Holder dies or becomes permanently disabled (within the meaning of Section 22(e)(3) of the Code) while employed by the Corporation or a Subsidiary, or while this Option was exercisable by him in accordance with paragraph (b) below after his retirement or the termination of his employment other than for cause, this Option may be exercised (for not more than the number of shares as to which the Option Holder might have exercised this Option at the time of such death or permanent disability) at any time (i) prior to the Expiration Date, in the event the Expiration Date is not more than one year from the date of death, or (ii) within such one year, in the event that the Expiration Date is more than one year from such date of death;

(b) Retirement or Other Termination. If the Option Holder retires or if his employment with the Corporation or a Subsidiary is terminated for any reason other than by death or permanent disability, this Option may be exercised (for not more than the number of shares as to which the Option Holder might have exercised this Option on the date of his retirement or the date on which his employment was terminated) at any time (i) prior to the Expiration Date in the event the Expiration Date is not more than three months from the date of such retirement or termination, or (ii) within such three-month period, in the event that the Expiration Date is more than three months from the date of such retirement or termination of employment; provided, however, that if the Option Holder is dismissed for cause, of which the Committee shall be the sole judge, this Option shall terminate forthwith.

The Committee may determine that, for the purpose of the Plan, the Option Holder while on a leave of absence will be considered as still in the employ of the Corporation or a Subsidiary, provided that if any such leave of absence exceeds 90 days and the Option Holder's right to reemployment is not guaranteed either by statute or express written contract, such Option Holder shall cease to be an employee of the Corporation or a Subsidiary on the 91st day of such leave, and provided that this Option shall be exercisable during a leave of absence only as to the number of shares as to which it was exercisable at the commencement of such leave of absence.

6. Method of Exercise. A person electing to exercise this Option shall deliver to the Secretary of the Corporation prior to the Expiration Date a written notice of such election and of the number of shares such person has elected to purchase and shall at the time of exercise tender the full purchase price of the shares such person has elected to purchase.



## 7. Adjustments

(a) If the outstanding shares of Common Stock of the Corporation are increased, decreased, or converted into or exchanged for a different number or kind of shares or securities of the Corporation through recapitalization (other than the conversion of convertible securities according to their terms), reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made, or if the Corporation shall spin-off or otherwise distribute assets with respect to the out-standing shares of Common Stock of the Corporation, an appropriate and proportionate adjustment may be made in the discretion of the Committee, in (i) the number and kind of shares subject to this Option, and (ii) the exercise price for each share under this Option, without any change in the aggregate purchase price or value applicable to the unexercised portion hereof.

(b) In the event of the dissolution or liquidation of the Corporation, or upon any merger, consolidation or reorganization of the Corporation with any other corporations or entities as a result of which the Corporation is not the surviving corporation, or upon the sale of all or substantially all of the assets of the Corporation or the acquisition of more than 80% of the stock of the Corporation by another corporation or entity, there shall be substituted for each of the shares of Common Stock then subject to the Plan the number and kind of shares of stock, securities or other assets which would have been issuable or payable in respect of or in exchange for such Common Stock then subject to the Plan, as if the Option Holder had been the owner of such shares as of the transaction date. Any securities so substituted shall be subject to similar successive adjustments.

(c) Notwithstanding anything to the contrary herein, no adjustment shall be made under subsections (a) or (b) of this Section 7 without the prior written consent of the Option Holder to the extent such adjustment would result in this Option being treated as other than an Incentive Stock Option.

8. No Right to Continued Employment. Nothing in the Plan, in this Option or in any other instrument executed pursuant thereto shall confer upon the Option Holder any right to continue in the employ of the Corporation or any Subsidiary of the Corporation or shall interfere in any way with the right of the Corporation or any such Subsidiary to at any time terminate the employment of the Option Holder with or without cause.

9. Legal Requirements. No shares issuable upon the exercise of this Option shall be issued or delivered unless and until, in the opinion of counsel for the Corporation, all applicable requirements of federal and state law and of the Securities and Exchange Commission pertaining to the issuance and sale of such shares and any applicable listing requirements of any national securities exchange on which shares of the same class are then listed, shall have been fully complied with. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances satisfactory to counsel to the Corporation in respect of such

matters as the Corporation or any Subsidiary of the Corporation may deem desirable to assure compliance with all applicable legal requirements.

10. No Rights as a Shareholder. Neither the Option Holder nor any beneficiary or other person claiming under or through the Option Holder shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to this Agreement except as to such shares of Common Stock, if any, as shall have been issued or transferred to such person.

11. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this Option and the transactions contemplated hereby, and the Corporation or any such Subsidiary may require the Option Holder or other person exercising this Option to pay to the Corporation or such Subsidiary in cash any amount or amounts which may be required to be paid as withheld taxes in connection with any exercise of this Option or any other transaction contemplated hereby as a condition to the exercise of this Option and issuance of shares of the Common Stock.

12. No Assignments. Neither this Option nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, other than by will or by operation of laws of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this Option or any other right or privilege granted hereby contrary to the provisions hereof, this Option and all of such rights and privileges shall immediately become null and void.

13. Other Programs. Nothing contained in this Option shall affect the right of the Option Holder to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance, profit-sharing or other employee benefit plan or program of the Corporation or of any Subsidiary of the Corporation.

14. The Plan. The Option hereby granted is subject to, and the Corporation and Option Holder agree to be bound by all of the terms and conditions of the Plan as the same may be amended from time to time in accordance with the terms thereof, but no such amendment may adversely affect the Option Holder's rights under this Option. Option Holder acknowledges receipt of a complete copy of the Plan.

15. Consideration. The consideration for the rights and benefits conferred on Option Holder by this Option are the services rendered by the Option Holder after and not before the grant of this Option.

16. Applicable Law. This Option has been granted as of the effective date set forth above at Los Angeles, California, and the interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California.

By: \_\_\_\_\_  
CEO and President

By: \_\_\_\_\_  
Secretary

\_\_\_\_\_  
Option Holder

By his or her signature, the spouse of the Option Holder hereby agrees to be bound by all the terms and conditions of this written stock option agreement.

\_\_\_\_\_  
Spouse of Option Holder

## DUCOMMUN INCORPORATED

DESCRIPTION OF  
1997 EXECUTIVE OFFICER BONUS ARRANGEMENT

The Ducommun Incorporated 1997 Executive Officer Bonus Arrangement (the "Arrangement") is designed to reward achievement of annual operating plan objectives in order to build profitability and provide competitive compensation levels. The Arrangement contains a formula-based incentive plan driven by sales, net income, cash flow and return on asset performance in excess of established thresholds. The participants in the Arrangement are the five Ducommun corporate officers and the six subsidiary presidents.

The Arrangement provides for bonus awards ranging from 0 to 100% of annual base salary depending on position. The targeted bonus award under the Arrangement is half of the maximum bonus eligibility for each individual. Bonus awards are based on a combination of total corporate performance and on individual performance of executive officers. The subsidiary presidents are also measured based upon the financial performance of their operating units. All awards are subject to the approval of the Compensation Committee of the Board of Directors.

DUCOMMUN INCORPORATED  
 Computation of Earnings Per Common and Common Equivalent Share  
 (In thousands, except per share amounts)

	For the Year Ended		
	Dec. 31, 1996	Dec. 31, 1995	Dec. 31, 1994
Income From Operations for Computation of Primary Earnings Per Share	\$10,285	\$ 5,046	\$ 2,204
Interest, Net of Income Taxes, Relating to 7-3/4% Convertible Subordinated Debentures	222	1,354	(A)
Income From Continuing Operations for Computation of Fully Diluted Earnings Per Share	10,507	6,400	2,204
Net Income for Computation of Primary Earnings Per Share	\$10,285	\$ 5,046	\$ 2,204
Net Income for Computation of Fully Diluted Earnings Per Share	\$10,507	\$ 6,400	\$ 2,204
 Applicable Shares			
Weighted Average Common Shares Outstanding for Computation of Primary Earnings Per Share	6,594	4,500	4,463
Weighted Average Common Equivalent Shares Arising From:			
7-3/4% convertible subordinated debentures	712	2,431	(B)
Stock options:			
Primary	514	342	112
Fully Diluted	609	427	(B)
Weighted Average Common and Common Equivalent Shares Outstanding for Computation of Fully Diluted Earnings Per Share	7,915	7,358	4,575
 Earnings Per Share			
Primary	\$1.45	\$1.04	\$0.48
Fully Diluted	1.33	0.87	0.48

A. Excludes interest, net of income taxes, relating to 7-3/4% convertible subordinated debentures because their common stock equivalents shares are antidilutive.

B. Excludes common stock equivalents relating to 7-3/4% convertible subordinated debentures and common stock options which are antidilutive for 1994.

DUCOMMUN INCORPORATED  
ANNUAL REPORT

The following portions of Ducommun Incorporated and Subsidiaries 1996 Annual Report are incorporated by reference in Items 5, 6, 7, and 8 of this report.

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YEAR ENDED DECEMBER 31,	1996(A)	1995(A)	1994(A)	1993	1992
(in thousands, except per share amounts)					
Net Sales	\$ 118,357	\$ 91,217	\$ 61,738	\$ 64,541	\$ 67,445
Gross Profit as a Percentage of Sales	32.6%	33.0%	28.8%	26.8%	26.0%
Income:					
Income from Continuing Operations					
Before Taxes, Extraordinary Item and					
Cumulative Effect of Accounting Change	\$ 14,325	\$ 6,941	\$ 3,177	\$ 3,427	\$ 2,611
Income Tax Expense	(4,040)	(1,895)	(973)	(1,199)	(187)
Extraordinary Item, Net of Income Taxes	--	--	--	--	636
Cumulative Effect of Accounting Change	--	--	--	8,000	--
Net Income	\$ 10,285	\$ 5,046	\$ 2,204	\$ 10,228	\$ 3,060
Earnings Per Share:					
Income Before Extraordinary Item and					
Cumulative Effect of Accounting Change	\$ 1.33	\$ .87	\$ .48	\$ .48	\$ .66
Extraordinary Item, Net of Income Taxes	--	--	--	--	.09
Cumulative Effect of Accounting Change	--	--	--	1.09	--
Fully Diluted Earnings Per Share	\$ 1.33	\$ .87	\$ .48	\$ 1.57	\$ .75
Working Capital	\$ 17,286	\$ 11,247	\$ 6,710	\$ 11,744	\$ 9,873
Total Assets	95,814	80,974	79,852	55,290	49,694
Convertible Subordinated Debentures	--	24,263	28,000	28,000	28,000
Long-Term Debt Including Current Portion	10,290	12,845	21,913	4,529	6,600
Total Shareholders' Equity	59,188	24,588	15,783	13,585	3,347
Cash Dividends Per Share	--	--	--	--	--

(A) - See Note 2 to the consolidated financial statements for discussion of acquisitions.

#### QUARTERLY COMMON STOCK PRICE INFORMATION

	1996		1995		1994	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
First Quarter	\$14.13	\$9.50	\$6.25	\$4.69	\$4.25	\$2.75
Second Quarter	14.88	12.88	7.75	5.75	5.38	3.88
Third Quarter	18.38	12.38	10.25	7.19	4.75	4.13
Fourth Quarter	24.38	16.63	10.50	8.88	5.00	4.19

The common stock of the Company (DCO) is listed on the New York Stock Exchange. On December 31, 1996, the Company had approximately 749 holders of record of common stock.

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

ACQUISITIONS In June 1996, the Company acquired substantially all of the assets of MechTronics of Arizona, Inc. ("MechTronics") for \$8,000,000 in cash and a \$750,000 note. MechTronics is a leading manufacturer of mechanical and electromechanical enclosure products for the defense electronics, commercial aviation and communications markets. In January 1995, the Company acquired the capital stock of 3dbm, Inc. ("3dbm") for \$4,780,000 in cash and \$400,000 in notes. 3dbm supplies high-power expanders, microcells and other wireless telecommunications hardware used in cellular telephone networks, and microwave components and subsystems to both military and commercial customers. In December 1994, the Company acquired the capital stock of Brice Manufacturing Company, Inc. ("Brice") for \$763,000 in cash and \$10,365,000 in notes and other contractual liabilities. Brice is an after-market supplier of aircraft seating products to many of the world's largest commercial airlines. In December 1994, the Company's subsidiary, Jay-El Products, Inc. ("Jay-El Products"), acquired substantially all of the assets of Dynatech Microwave Technology, Inc. ("DMT"), for \$7,500,000 in cash. DMT manufactures switches and other microwave components used on commercial and military aircraft, and in wireless telecommunications equipment.

The acquisitions were funded from internally generated cash, notes payable to sellers and borrowings under the Company's credit agreement with its bank (see Financial Condition for additional information). These acquisitions strengthened the Company's position in the aerospace industry, added complementary lines of business and improved utilization of existing manufacturing facilities and overhead structure.

RESULTS OF OPERATIONS 1996 Compared to 1995 - Net sales increased 30% to \$118,357,000 in 1996. The increase resulted from a broad-based increase in sales in most of the Company's product lines due to improved industry conditions and new contract awards, as well as sales from the MechTronics acquisition completed in June 1996. The Company's mix of business was approximately 52% commercial, 38% military and 10% space in 1996. Foreign sales decreased to 18% of total sales in 1996 from 26% in 1995. Canada is the only foreign country in which the Company had sales of 4% or more of total sales, with sales of \$4,906,000 in 1996 and \$4,518,000 in 1995.

The Company had substantial sales to Lockheed Martin, Boeing, McDonnell Douglas and Northrop Grumman. During 1996 and 1995, sales to Lockheed Martin were \$13,037,000 and \$8,163,000, respectively; sales to Boeing were \$11,876,000 and \$5,215,000, respectively; sales to McDonnell Douglas were \$10,031,000 and \$9,516,000, respectively; and sales to Northrop Grumman were \$7,843,000 and \$9,623,000, respectively. At December 31, 1996, trade receivables from Lockheed Martin, Boeing, McDonnell Douglas and Northrop Grumman were \$1,541,000, \$1,436,000, \$989,000 and \$647,000, respectively. The sales and receivables relating to Lockheed Martin were primarily for the Space Shuttle program. The sales and receivables relating to Boeing, McDonnell Douglas and Northrop Grumman are diversified over a number of different commercial and military programs.

The Company's commercial business is represented on virtually all of today's major commercial aircraft. During 1996, commercial sales increased primarily as a result of increased commercial aircraft build rates, new contract awards and increased airline seat refurbishment projects, as well as sales from the MechTronics acquisition.

Military components manufactured by the Company are employed in many of the country's front-line fighters, bombers, helicopters and support aircraft, as well as many land and sea-based vehicles. During 1996, military sales increased primarily as a result of new contract awards, as well as sales from the MechTronics acquisition. The Company's defense business is widely diversified among military manufacturers and programs and, with the exception of the C-17 program which accounted for approximately \$5,978,000 in sales in 1996, the cancellation of any individual program is not expected to have a significant impact on the Company's operations.

In the space sector, the Company produces components for the expendable fuel tanks which help boost the Space Shuttle vehicle into orbit. Components are also produced for a variety of unmanned launch vehicles. Sales related to space programs were approximately \$11,544,000, or 10% of total sales in 1996. Any substantial delay or suspension of production for the Space Shuttle program would have a significant impact on the results of operations for the Company.



At December 31, 1996, backlog believed to be firm was approximately \$134,500,000, including \$24,291,000 for space-related business, compared to \$92,600,000 at December 31, 1995. Backlog growth has been concentrated principally in the Boeing 777 and 737-700/800 and the McDonnell Douglas C-17. Approximately \$74,000,000 of the total backlog is expected to be delivered during 1997.

Gross profit, as a percentage of sales, decreased to 32.6% in 1996 from 33.0% in 1995. This decrease was primarily the result of higher production costs at MechTronics, which was acquired in June 1996.

Selling, general and administrative expenses as a percentage of sales decreased to 19.6% compared to 21.5% of sales in 1995. The decrease in these expenses as a percentage of sales was primarily the result of higher sales volume partially offset by an increase in related period costs.

Interest expense decreased approximately 68% to \$1,153,000 in 1996 primarily due to the conversion of \$24,263,000 of convertible subordinated debentures that were outstanding at December 31, 1995.

Income tax expense increased to \$4,040,000 in 1996 compared to \$1,895,000 for 1995. The increase in income tax expense was primarily due to the increase in income before taxes. From a cash flow perspective, however, the Company continued to use its federal net operating loss carryforwards to offset taxable income. Cash expended to pay income taxes was \$1,759,000 in 1996, compared to \$555,000 in 1995. In 1997, for financial reporting purposes, the Company anticipates that its financial statements will reflect an effective tax rate of approximately 40%, versus 28% in 1996. From a cash flow perspective, however, in 1997, the Company expects to be able to continue to use its federal net operating loss carryforwards to offset taxable income. At December 31, 1996, the Company had federal tax NOLs totaling approximately \$16,000,000.

Net income for 1996 was \$10,285,000, or \$1.33 per share, compared to \$5,046,000, or \$0.87 per share, in 1995.

1995 Compared to 1994 -- Net sales increased 48% to \$91,217,000 in 1995. The increase was due primarily to sales from businesses acquired in December 1994 and January 1995, and increased offload work for aircraft structural components from prime contractors and major subcontractors. The Company's mix of business was approximately 55% commercial, 36% military and 9% space in 1995. Foreign sales increased to 26% of total sales in 1995 from 19% in 1994. The increase in foreign sales was primarily the result of higher sales to foreign customers from the acquired businesses. Canada is the only foreign country in which the Company had sales of 5% or more of total sales in 1995 and 1994.

The Company had substantial sales to Lockheed Martin, Northrop Grumman, McDonnell Douglas and Boeing. During 1995 and 1994, sales to Lockheed Martin were \$8,163,000 and \$9,454,000, respectively; sales to Northrop Grumman were \$9,623,000 and \$7,696,000, respectively; sales to McDonnell Douglas were \$9,516,000 and \$7,540,000, respectively; and sales to Boeing were \$5,215,000 and \$5,685,000, respectively. At December 31, 1995, trade receivables from Lockheed Martin, Northrop Grumman, McDonnell Douglas and Boeing were \$1,562,000, \$1,210,000, \$768,000 and \$629,000, respectively. The sales and receivables relating to Lockheed Martin are primarily for the Space Shuttle program. The sales and receivables relating to Northrop Grumman, McDonnell Douglas and Boeing are diversified over a number of different commercial and military programs.

The Company's commercial business is represented on virtually all major commercial aircraft. During 1995, the Company experienced an increase in commercial sales primarily as a result of increased offload work for aircraft structural components from prime contractors and major subcontractors, and sales from acquisitions made in 1994 and 1995.

Military components manufactured by the Company are employed in many of the country's front-line fighters, bombers, helicopters and support aircraft, as well as many land and sea-based vehicles. The Company's defense business is widely diversified among military manufacturers and programs. The C-17 program accounted for approximately \$4,904,000 in sales in 1995.

In the space sector, the Company produces components for the expendable fuel tanks which help boost the Space Shuttle vehicle into orbit. Components are also produced for a variety of unmanned launch vehicles. Sales related to space programs in 1995 decreased 20% to \$8,457,000, due to the timing of the introduction of new super lightweight expendable fuel tanks.

At December 31, 1995, backlog believed to be firm was approximately \$92,600,000, including \$26,000,000 for space-related business, compared to \$84,800,000 at December 31, 1994.

Gross profit, as a percentage of sales, increased to 33.0% in 1995 from 28.8% in 1994. This increase was primarily the result of changes in sales mix, economies of scale resulting from sales increases and improvements in production efficiencies. The increase was partially offset by production inefficiencies resulting from the relocation of the DMT business in the first quarter of 1995, higher production costs at 3dbm, changes in customer production schedules and the start of new production programs.

Selling, general and administrative expenses increased to \$19,572,000, or 21.5% of sales in 1995, compared to 19.7% of sales for 1994. The increase in these expenses as a percentage of sales was primarily the result of goodwill amortization and period costs related to acquisitions and \$507,000 of debt conversion expense related to the conversion of \$6,252,000 of convertible subordinated debentures.

Interest expense increased 44.7% to \$3,570,000 in 1995 primarily due to higher debt levels caused by acquisition financing.

The Company had income tax expense of \$1,895,000 and \$973,000 in 1995 and 1994, respectively, for financial reporting purposes. The increase in income tax expense was primarily due to the increase in income before taxes. This increase was partially offset by the decrease in the valuation allowance due to the Company's reevaluation of the realizability of tax benefits from future operations. From a cash flow perspective, however, the Company continued to use its federal net operating loss carryforwards to offset taxable income. Cash expended to pay income taxes was \$555,000 in 1995, compared to \$123,000 in 1994.

Net income for 1995 was \$5,046,000, or \$0.87 per share, compared to \$2,204,000, or \$0.48 per share, in 1994.

**FINANCIAL CONDITION Liquidity and Capital Resources** -- Cash flow from operating activities for 1996 was \$18,047,000, of which \$6,691,000 was used to purchase property and equipment, and \$8,000,000 was used in the acquisition of MechTronics in June 1996. At December 31, 1996 the Company had bank borrowings of \$4,000,000. During 1996, the Company repaid \$2,555,000 of principal on its outstanding bank borrowings, promissory notes, term and commercial real estate loans.

The Company continues to depend on operating cash flow and the availability of its bank line of credit to provide short-term liquidity. Cash from operations and bank borrowing capacity are expected to provide sufficient liquidity to meet the Company's obligations during 1997.

Aggregate maturities of long-term debt during the next five years are as follows: 1997, \$1,117,000; 1998, \$4,850,000; 1999, \$634,000; 2000, \$414,000; 2001, \$446,000.

The Company spent \$6,691,000 on capital expenditures during 1996 and expects to spend approximately \$11,000,000 for capital expenditures in 1997. The Company plans to make substantial capital expenditures for numerically-controlled routers and laserscriber related equipment to support long-term aerospace structure contracts for both commercial and military aircraft. These expenditures are expected to place the Company in a favorable competitive position among aerospace subcontractors, and to allow the Company to take advantage of the offload requirements from its customers.

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of chemical milling services for the aerospace industry. Aerochem has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its El Mirage, California facility. Based upon currently available information, the Company has established a provision for the cost of such investigation and corrective action.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation, claims and inquiries, including matters relating to environmental laws. In addition, the Company makes various commitments and incurs contingent liabilities. While it is not feasible to predict the outcome of these matters, the Company does not presently expect that any sum it may be required to pay in connection with these matters would have a material adverse effect on its consolidated financial position or results of operations.

Any forward looking statements made in this Annual Report involve risks and uncertainties. The Company's future financial results could differ materially from those anticipated due to the Company's dependence on conditions in the airline industry, the level of new commercial aircraft orders, the production rate for the Space Shuttle program, the level of defense spending, competitive pricing pressures, technology and product development risks and uncertainties, and other factors beyond the Company's control.

## CONSOLIDATED STATEMENTS OF INCOME

## Ducommun Incorporated

YEAR ENDED DECEMBER 31,	1996	1995	1994
-----			
(in thousands, except per share amounts)			
Net Sales	\$ 118,357	\$ 91,217	\$ 61,738
Operating Costs and Expenses:			
Cost of goods sold	79,732	61,134	43,953
Selling, general and administrative expenses	23,147	19,572	12,141
	-----		
Total Operating Costs and Expenses	102,879	80,706	56,094
	-----		
Operating Income	15,478	10,511	5,644
Interest Expense	(1,153)	(3,570)	(2,467)
	-----		
Income Before Taxes	14,325	6,941	3,177
Income Taxes Expense (Note 11)	(4,040)	(1,895)	(973)
	-----		
Net Income	\$ 10,285	\$ 5,046	\$ 2,204
	=====		
Earnings Per Share:			
Primary	\$ 1.45	\$ 1.04	\$ .48
Fully Diluted	1.33	.87	.48

See accompanying notes to consolidated financial statements.

DECEMBER 31,	1996	1995
-----		
(amounts in thousands, except per share amounts)		
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 571	\$ 371
Accounts receivable (less allowance for doubtful accounts of \$206 and \$366)	14,722	13,828
Inventories (Note 3)	22,595	13,362
Deferred income taxes (Note 11)	4,597	5,090
Other current assets	1,850	1,151
	-----	-----
Total Current Assets	44,335	33,802
Property and Equipment, Net (Note 4)	27,051	23,011
Deferred Income Taxes (Note 11)	5,594	6,451
Excess of Cost Over Net Assets Acquired (Net of Accumulated Amortization of \$3,548 and \$2,323)	18,326	16,697
Other Assets	508	1,013
	-----	-----
	\$ 95,814	\$ 80,974
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt (Note 6)	\$ 1,117	\$ 3,910
Accounts payable	8,343	4,917
Accrued liabilities (Note 5)	17,589	13,728
	-----	-----
Total Current Liabilities	27,049	22,555
Long-Term Debt (Note 6)	9,173	8,935
Convertible Subordinated Debentures (Note 6)	--	24,263
Other Long-Term Liabilities	404	633
	-----	-----
Total Liabilities	36,626	56,386
	-----	-----
Commitments and Contingencies (Notes 2, 10 and 12)		
Shareholders' Equity (Note 7):		
Common stock -- \$.01 par value; authorized 12,500,000 shares; issued and outstanding 7,301,428 shares in 1996 and 4,852,281 in 1995	73	49
Additional paid-in capital	59,280	34,989
Accumulated deficit	(165)	(10,450)
	-----	-----
Total Shareholders' Equity	59,188	24,588
	-----	-----
	\$ 95,814	\$ 80,974
	=====	=====

See accompanying notes to consolidated financial statements.

YEAR ENDED DECEMBER 31,	1996	1995	1994
-----			
(in thousands)			
Cash Flows from Operating Activities:			
Net Income	\$ 10,285	\$ 5,046	\$ 2,204
Adjustments to Reconcile Net Income to Net Cash Provided			
by Operating Activities:			
Depreciation and amortization	4,473	4,382	3,117
Deferred income tax provision	2,014	934	712
Other	(186)	44	51
Changes in Assets and Liabilities, Net of Effects			
from Acquisitions:			
Accounts receivable	1,826	(3,413)	1,475
Inventories	(4,105)	(1,651)	1,280
Other assets	(636)	(581)	760
Accounts payable	2,310	(166)	(701)
Accrued and other liabilities	2,066	3,491	1,517
	-----	-----	-----
Net Cash Provided by Operating Activities	18,047	8,086	10,415
	-----	-----	-----
Cash Flows from Investing Activities:			
Purchase of Property and Equipment	(6,691)	(2,501)	(1,219)
Acquisition of Businesses	(8,000)	(4,427)	(8,263)
Other	--	34	3
	-----	-----	-----
Net Cash Used in Investing Activities	(14,691)	(6,894)	(9,479)
	-----	-----	-----
Cash Flows from Financing Activities:			
Net (Repayment) Borrowings of Long-Term Debt	(2,555)	(9,068)	7,019
Cash Premium for Conversion of Convertible Subordinated Debentures	(609)	(258)	--
Other	8	22	(6)
	-----	-----	-----
Net Cash (Used in) Provided by Financing Activities	(3,156)	(9,304)	7,013
	-----	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	200	(8,112)	7,949
Cash and Cash Equivalents at Beginning of Year	371	8,483	534
	-----	-----	-----
Cash and Cash Equivalents at End of Year	\$ 571	\$ 371	\$ 8,483
	=====	=====	=====
Supplemental Disclosures of Cash Flow Information:			
Interest Expense Paid	\$ 1,553	\$ 3,719	\$ 2,508
Income Taxes Paid	\$ 1,759	\$ 555	\$ 123

## Supplementary Information for Non-Cash Financing Activities:

During 1996, the Company issued 2,417,205 new shares of common stock upon conversion of \$24,263,000 of its outstanding 7.75% convertible subordinated debentures. During 1995, the Company issued 374,446 new shares of common stock upon conversion of \$3,737,000 of its outstanding 7.75% convertible subordinated debentures.

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Ducommun Incorporated

	SHARES OUTSTANDING	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
(in thousands)					
Balance at January 1, 1994	4,462,608	\$ 45	\$ 31,240	\$ (17,700)	\$ 13,585
Stock options exercised	5,000	--	9	--	9
Stock repurchased	(3,454)	--	(15)	--	(15)
Net Income	--	--	--	2,204	2,204
Balance at December 31, 1994	4,464,154	45	31,234	(15,496)	15,783
Stock options exercised	20,125	--	68	--	68
Stock repurchased	(6,444)	--	(46)	--	(46)
Common stock issued upon conversion of outstanding 7.75% convertible subordinated debentures	374,446	4	3,733	--	3,737
Net Income	--	--	--	5,046	5,046
Balance at December 31, 1995	4,852,281	49	34,989	(10,450)	24,588
Stock options exercised	43,200	--	156	--	156
Stock repurchased	(11,258)	--	(147)	--	(147)
Common stock issued upon conversion of outstanding 7.75% convertible subordinated debentures	2,417,205	24	24,100	--	24,124
Income tax benefit related to the exercise of non-qualified stock options	--	--	182	--	182
Net Income	--	--	--	10,285	10,285
Balance at December 31, 1996	7,301,428	\$ 73	\$ 59,280	\$ (165)	\$ 59,188

See accompanying notes to consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Consolidation -- The consolidated financial statements include the accounts of the Company and its subsidiaries, after eliminating significant intercompany balances and transactions.

Cash Equivalents -- Cash equivalents consist of highly liquid instruments purchased with maturities of three months or less.

Revenue Recognition -- Revenue, including sales under fixed price contracts, is recognized upon shipment of products or when title passes based on the terms of the sale. The effects of revisions in contract value or estimated costs of completion are recognized over the remaining terms of the agreement. Provisions for estimated losses on contracts are recorded in the period identified.

Inventory Valuation -- Inventories are stated at the lower of cost or market. Cost is determined based upon the first-in, first-out method. Costs on fixed price contracts in progress included in inventory represent accumulated recoverable costs less the portion of such costs allocated to delivered units and applicable progress payments received.

Property and Depreciation -- Property and equipment, including assets recorded under capital leases, are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives ranging from 2 to 40 years and, in the case of leasehold improvements, over the shorter of the lives of the improvements or the lease term.

Income Taxes -- Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns.

Excess of Costs Over Net Assets Acquired -- The cost of acquired businesses in excess of the fair market value of their underlying net assets is amortized on the straight line basis over periods ranging from 15 to 40 years. The Company assesses the recoverability of cost in excess of net assets of acquired businesses by determining whether the amortization of this intangible asset over its remaining life can be recovered through future operating cash flows.

Environmental Liabilities -- Environmental liabilities are recorded when environmental assessments and/or remedial efforts are probable, and costs can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company's commitment to a formal plan of action.

Earnings Per Share -- Earnings per common share is based on the weighted average number of common and common equivalent shares outstanding in each year. Common equivalent shares represent the number of shares which would be issued assuming the exercise of dilutive stock options, reduced by the number of shares which would be purchased with the proceeds from the exercise of such options. For 1996 and 1995, shares associated with convertible securities have been included in the weighted average number of shares outstanding. For 1994, shares associated with convertible securities have not been included in the weighted average number of shares outstanding since their inclusion would have an antidilutive effect.

Stock-Based Compensation -- Compensation cost attributable to stock option and similar plans is recognized based on the difference, if any, between the closing market price of the stock on the date of grant over the exercise price of the option. The Company has not issued any stock options with an exercise price less than the closing market price of the stock on the date of grant.

Use of Estimates -- Certain amounts and disclosures included in the consolidated financial statements required management to make estimates which could differ from actual results.

## NOTE 2. ACQUISITIONS

In June 1996, the Company acquired substantially all of the assets of MechTronics of Arizona, Inc. ("MechTronics") for \$8,000,000 in cash and a \$750,000 note. The Company may be required to make additional payments through 1999, based on the future financial performance of MechTronics. MechTronics is a leading manufacturer of mechanical and electromechanical enclosure products for the defense electronics, commercial aviation and communications markets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In January 1995, the Company acquired the capital stock of 3dbm, Inc. ("3dbm") for \$4,780,000 in cash and \$400,000 in notes. The Company may be required to make additional payments through 1997, based on the future financial performance of 3dbm. 3dbm supplies high power expanders, microcells and other wireless telecommunications hardware used in cellular telephone networks, and microwave components and subsystems to both military and commercial customers.

In December 1994, the Company acquired the capital stock of Brice Manufacturing Company, Inc. ("Brice") for \$763,000 in cash and \$10,365,000 in notes and other contractual liabilities. The Company may be required to make additional payments through 1999, based on the financial performance of Brice. Brice is an after-market supplier of aircraft seating products to many of the world's largest commercial airlines.

In December 1994, the Company's subsidiary, Jay-El Products, Inc. ("Jay-El Products"), acquired substantially all of the assets of Dynatech Microwave Technology, Inc. ("DMT"), for \$7,500,000 in cash. DMT manufactures switches and other microwave components used on commercial and military aircraft and in wireless telecommunications equipment.

The following table presents unaudited pro forma consolidated operating results for the Company for the years ended December 31, 1996 and December 31, 1995, as if the MechTronics acquisition had occurred as of the beginning of the periods presented, and the unaudited pro forma consolidated operating results for the Company for the year ended December 31, 1994, as if the Brice and DMT acquisitions had occurred as of the beginning of the period. Pro forma results for 1995 and 1994, assuming the acquisition of 3dbm at the beginning of the respective periods, would not have been materially different from the Company's historical results for the periods presented.

	1996	1995	1994
-----			
(in thousands)			
Net sales	\$125,762	\$107,424	\$ 80,582
Net income	10,166	5,294	3,132
Earnings per share	1.31	.90	.62

The unaudited pro forma consolidated operating results of the Company are not necessarily indicative of the operating results that would have been achieved had the acquisitions been consummated at the beginning of the periods presented, and should not be construed as representative of future operating results.

The acquisitions of MechTronics, 3dbm, Brice and DMT described above were accounted for under the purchase method of accounting and, accordingly, the operating results for MechTronics, 3dbm, Brice and DMT have been included in the Consolidated Statements of Income since the dates of the respective acquisitions. The cost of the acquisitions was allocated on the basis of the estimated fair value of assets acquired and liabilities assumed. These acquisitions accounted for approximately \$17,718,000 and \$14,864,000 of the Excess of Cost Over Net Assets Acquired at December 31, 1996 and December 31, 1995, respectively. Such excess (which will increase for any future contingent payments) is being amortized on a straight line basis over fifteen years.

## NOTE 3. INVENTORIES

Inventories consist of the following:

DECEMBER 31,	1996	1995
-----		
(in thousands)		
Raw materials and supplies	\$ 7,173	\$ 3,377
Work in process	14,841	9,353
Finished goods	631	647
	-----	-----
	22,645	13,377
Less progress payments	50	15
	-----	-----
Total	\$22,595	\$13,362
	=====	=====

Work in process inventories include amounts under long-term fixed price contracts aggregating \$7,537,000 and \$5,631,000 at December 31, 1996 and 1995, respectively.



## Note 4. Property and Equipment

Property and equipment consist of the following:

DECEMBER 31,	1996	1995
-----		
(in thousands)		
Land	\$ 4,235	\$ 4,869
Buildings and improvements	12,607	11,196
Machinery and equipment	34,613	32,186
Furniture and equipment	4,309	3,913
Construction in progress	2,626	1,047
	-----	-----
	58,390	53,211
Less accumulated depreciation and amortization	31,339	30,200
	-----	-----
Total	\$27,051	\$23,011
	=====	=====

Depreciation expense was \$3,410,000, \$3,252,000 and \$2,961,000 for the years ended December 31, 1996, 1995 and 1994, respectively.

## Note 5. Accrued Liabilities

Accrued liabilities consist of the following:

DECEMBER 31,	1996	1995
-----		
(in thousands)		
Accrued compensation	\$ 7,803	\$ 5,225
Accrued interest	151	569
Customer deposits	2,542	1,323
Provision for environmental costs	1,870	1,742
Accrued state franchise and sales tax	648	339
Other	4,575	4,530
	-----	-----
Total	\$17,589	\$13,728
	=====	=====

## NOTE 6. LONG-TERM DEBT AND CONVERTIBLE SUBORDINATED DEBENTURES

Long-term debt and convertible subordinated debentures are summarized as follows:

DECEMBER 31,	1996	1995
-----		
(in thousands)		
Bank credit agreement	\$ 4,000	\$ 8,100
Term and real estate loans	5,294	3,559
Promissory notes related to acquisitions	996	1,186
	-----	-----
Total debt	10,290	12,845
Less current portion	1,117	3,910
	-----	-----
Total long-term debt	\$ 9,173	\$ 8,935
	=====	=====
7.75% Convertible subordinated debentures due 2011	\$ --	\$24,263
	=====	=====

In 1996, the Company converted \$24,263,000 principal amount of its 7.75% convertible subordinated debentures. The Company paid cash of \$609,000 for the conversions.

In December 1996, the Company and its bank amended the Company's credit agreement. The amended credit agreement provides for a \$21,000,000 unsecured revolving credit line with an expiration date of July 1, 1998. Interest is payable monthly on the outstanding borrowings based on the bank's prime rate (8.25% at December 31, 1996) minus 0.25%. A Eurodollar pricing option is also available to the Company for terms of up to six months at the Eurodollar rate plus a spread based on the leverage ratio of the Company calculated at the end of each fiscal quarter (1.00% at December 31, 1996). At December 31, 1996, the Company has \$16,658,000 of unused lines of credit, after deducting \$4,000,000 of loans outstanding and \$342,000 for an outstanding standby letter of credit which supports the estimated post-closure maintenance cost for a former surface impoundment. The credit agreement includes fixed charge coverage and maximum leverage ratios, and limitations on future dividend payments and outside indebtedness.

The weighted average interest rate on borrowings outstanding was 7.50% and 7.98% at December 31, 1996 and 1995, respectively.

The carrying amount of long-term debt approximates fair value based on the terms of the related debt, recent transactions and estimates using interest rates currently available to the Company for debt with similar terms and remaining maturities.

Aggregate maturities of long-term debt during the next five years are as follows: 1997, \$1,117,000; 1998, \$4,850,000; 1999, \$634,000; 2000, \$414,000; 2001, \$446,000.

#### NOTE 7. SHAREHOLDERS' EQUITY

At December 31, 1996 and 1995, no preferred shares were issued or outstanding.

#### NOTE 8. STOCK OPTIONS

The Company has three stock option or incentive plans. Stock awards may be made to officers and key employees under the stock plans on terms determined by the Compensation Committee of the Board of Directors. Stock options have been and may be granted to officers and key employees under the stock plans at prices not less than 100% of the market value on the date of grant, and expire not more than ten years from the date of grant. The option price and number of shares are subject to adjustment under certain dilutive circumstances. At December 31, 1996, options for 596,404 shares of common stock were exercisable.

The Company has adopted Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). In accordance with the provisions of FAS 123, the Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans and does not recognize compensation expense for its stock-based compensation plans based on the fair market value method prescribed by FAS 123. If the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under these plans consistent with the methodology prescribed by FAS 123, the Company's net income and earnings per share would be reduced to the pro forma amounts indicated below:

DECEMBER 31,	1996	1995
-----		
(in thousands, except per share amounts)		
Net income:		
As reported	\$ 10,285	\$ 5,046
Pro forma	10,101	5,036
Earnings per common share:		
As reported:		
Primary	\$ 1.45	\$ 1.04
Fully diluted	1.33	.87
Pro forma:		
Primary	1.42	1.04
Fully diluted	1.30	.87

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for 1996 and 1995, respectively: dividend yields of zero percent; expected monthly volatility of 31.75 and 30.83 percent; risk-free interest rates of 6.33 and 6.36 percent; and expected life of four years for both periods. The weighted average fair value of options granted during 1996 and 1995 for which the exercise price equals the market price on the grant date was \$4.85 and \$2.74, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of employee stock options.

At December 31, 1996, 57,001 common shares were available for future grants and 852,325 common shares were reserved for the exercise of options. Option activity during the three years ended December 31, 1996 was as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE OF OPTIONS OUTSTANDING
-----		
Outstanding at January 1, 1994	703,300	\$ 3.667
Granted	35,000	4.875
Exercised	(5,000)	1.875
Forfeited	(21,225)	3.754
	-----	
Outstanding at December 31, 1994	712,075	\$ 3.712
Granted	49,200	7.904
Exercised	(20,125)	3.373
Forfeited	(23,625)	4.174
	-----	
Outstanding at December 31, 1995	717,525	\$ 3.995
Granted	181,000	14.094
Exercised	(43,200)	3.635
Forfeited	(3,000)	8.875
	-----	
Outstanding at December 31, 1996	852,325	\$ 6.140
	=====	

The following table summarizes information concerning currently outstanding and exercisable stock options:

NUMBER OF	WEIGHTED AVERAGE	WEIGHTED	WEIGHTED
-----------	------------------	----------	----------

RANGE OF EXERCISE PRICES	OUTSTANDING OPTIONS	REMAINING CONTRACTUAL LIFE	AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	AVERAGE EXERCISE PRICE
\$ 1.875 -- \$ 4.99	625,325	3.6313	\$ 3.713	592,306	\$ 3.694
\$ 5.000 -- \$ 9.99	36,000	3.4320	7.201	9,000	7.201
\$ 10.000 -- \$19.75	191,000	4.3721	13.886	2,500	10.125
	-----			-----	
Total	852,325	3.7889		603,806	3.773
	=====			=====	

## NOTE 9. EMPLOYEE BENEFIT PLANS

The Company has an unfunded supplemental retirement plan that was suspended in 1986, but which continues to cover certain former executives. The accumulated benefit obligations under the plan at December 31, 1996 and December 31, 1995 were \$688,000 and \$721,000, respectively, which are included in accrued liabilities.

The Company also provides certain health care benefits for retired employees. Employees become eligible for these benefits if they meet minimum age and service requirements, are eligible for retirement benefits and agree to contribute a portion of the cost. As of December 31, 1996, there were 153 current and retired employees eligible for such benefits. Eligibility for additional employees to become covered by retiree health benefits was terminated in 1988.

The Company accrues post-retirement health care benefits over the period in which active employees become eligible for such benefits. The components of periodic expenses for these post-retirement benefits are as follows:

YEAR ENDED DECEMBER 31,	1996	1995
-----		
(in thousands)		
Service cost	\$ 1	\$ 1
Interest cost	49	64
Amortization of net transition obligation	84	84
Net amortization and deferral	9	21
	-----	
Net periodic post-retirement benefit costs	\$143	\$170
	=====	

The actuarial liabilities for these post-retirement benefits are as follows:

DECEMBER 31,	1996	1995
-----		
(in thousands)		
Accumulated post-retirement benefit obligation:		
Retirees	\$ 488	\$ 666
Fully eligible active plan participants	131	129
Other active plan participants	18	10
	-----	
Total	637	805
Unrecognized net transition obligation	(740)	(824)
Unrecognized prior service cost	--	(28)
Unrecognized net gain	322	220
	-----	
Accrued post-retirement benefit cost	\$ 219	\$ 173
	=====	

The accumulated post-retirement benefit obligations at December 31, 1996 and 1995 were determined using an assumed discount rate of 7.50% and 7.25%, respectively. For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1997; the rate was assumed to decrease gradually to 5.5% in the year 2006 and remain at that level thereafter over the projected payout period of the benefits.

A 1% increase in the assumed annual health care cost trend rate would increase the present value of the accumulated post-retirement benefit obligation at December 31, 1996 by \$1,700, and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for the year then ended by \$100.

The Company provides a retirement benefit to the Company's Chairman and former Chief Executive Officer. The components of periodic expenses for this post-retirement benefit are as follows:

YEAR ENDED DECEMBER 31,	1996	1995
-----		
(in thousands)		
Service cost	\$173	\$155
Interest cost	48	34
Amortization of prior service cost	25	25
	-----	

Net periodic cost

\$246      \$214  
=====

The actuarial liabilities for this post-retirement benefit are as follows:

DECEMBER 31,	1996	1995
-----		
(in thousands)		
Accumulated benefit obligation:		
Vested active plan participant	\$ 848	\$ 605
Unrecognized prior service cost	--	(25)
Unrecognized net gain (loss)	(26)	(4)
	-----	-----
Accrued cost	\$ 822	\$ 576
	=====	=====

The accrued cost under this plan is included in accrued liabilities.

#### NOTE 10. LEASES

The Company leases certain facilities and equipment for periods ranging from 1 to 10 years. The leases generally are renewable and provide for the payment of property taxes, insurance and other costs relative to the property. Rental expense in 1996, 1995 and 1994, was \$3,890,000, \$3,550,000, and \$2,910,000, respectively. Future minimum rental payments under operating leases having initial or remaining noncancelable terms in excess of one year and related income from a noncancelable sublease at December 31, 1996 are as follows:

	LEASE COMMITMENTS	SUBLEASE COMMITMENTS	NET COMMITMENTS
(in thousands)			
1997	\$ 3,424	\$ 80	\$ 3,344
1998	2,110	--	2,110
1999	1,641	--	1,641
2000	1,023	--	1,023
2001	661	--	661
Thereafter	2,400	--	2,400
Total	\$11,259	\$ 80	\$11,179

## NOTE 11. INCOME TAXES

The provision for income tax expense consists of the following:

YEAR ENDED DECEMBER 31,	1996	1995	1994
(in thousands)			
Current tax expense:			
Federal	\$ 735	\$ 210	\$ 10
State	1,291	751	251
	2,026	961	261
Deferred tax expense:			
Federal	2,230	845	1,079
State	(216)	89	(367)
	2,014	934	712
Income Tax Expense	\$ 4,040	\$ 1,895	\$ 973

Deferred tax assets (liabilities) are comprised of the following:

DECEMBER 31,	1996	1995
(in thousands)		
Federal NOLs	\$ 5,470	\$ 11,538
Credit carryforwards	1,587	1,197
Employment-related reserves	2,196	1,691
Environmental reserves	610	511
Inventory reserves	1,353	748
Other	1,434	952
	12,650	16,637
Depreciation	(2,459)	(2,663)
Net deferred tax assets before valuation allowance	10,191	13,974
Deferred tax assets valuation allowance	--	(2,433)
Net deferred tax asset	\$ 10,191	\$ 11,541

The decrease in the valuation allowance is primarily due to the Company's reevaluation of the realizability of income tax benefits from future operations including acquisitions consummated in 1996 and 1995. As a result, the carrying value of the net deferred tax asset was increased by \$2,433,000, of which \$665,000 was allocated to reduce goodwill arising from the acquisition of MechTronics and \$1,768,000 was recognized as a current period tax benefit. In 1995, the carrying value of the net deferred tax asset was increased by \$2,717,000, of which \$1,155,000 was allocated to reduce goodwill arising from the acquisition of 3dbm and \$1,562,000 was recognized as a current period tax benefit.

The principal reasons for the variation from the customary relationship between income taxes and income before income taxes are as follows:

YEAR ENDED DECEMBER 31,	1996	1995	1994
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes (net of federal benefit)	5.6	6.2	6.2
Goodwill amortization	2.1	4.5	1.1
Benefit of net operating loss carryforwards and carrybacks	(12.3)	(24.4)	(12.0)
Alternative minimum tax	--	3.0	3.7
Debt conversion	1.4	2.9	--
Other	(3.6)	.1	(3.4)
Effective Income Tax Rate	28.2%	27.3%	30.6%

At December 31, 1996, the Company had federal tax NOLs totaling approximately \$16 million which expire in the years 2003 and 2004. At December 31, 1996, the Company had federal tax credits totaling approximately \$1,511,000 of which approximately \$483,000 expire in the years 1997 through 2003. At December 31, 1996, the Company had state tax credits totaling approximately \$76,000 of which approximately \$57,000 expire in the years 2003 and 2004.

#### NOTE 12. CONTINGENCIES

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of chemical milling services for the aerospace industry. Aerochem has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its El Mirage, California facility. Based upon currently available information, the Company has established a provision for the cost of such investigation and corrective action.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation, claims and inquiries, including matters relating to environmental laws. In addition, the Company makes various commitments and incurs contingent liabilities. While it is not feasible to predict the outcome of these matters, the Company does not presently expect that any sum it may be required to pay in connection with these matters would have a material adverse effect on its consolidated financial position or results of operations.

#### NOTE 13. MAJOR CUSTOMERS AND CONCENTRATIONS OF CREDIT RISK

The Company provides proprietary products and services to most of the prime aerospace and aircraft manufacturers. As a result, the Company's sales and trade receivables are concentrated principally in the aerospace industry.

The Company had substantial sales to Lockheed Martin, Boeing, McDonnell Douglas and Northrop Grumman. During 1996, 1995 and 1994, sales to Lockheed Martin were \$13,037,000, \$8,163,000 and \$9,454,000, respectively; sales to Boeing were \$11,876,000, \$5,215,000 and \$5,685,000, respectively; sales to McDonnell Douglas were \$10,031,000, \$9,516,000 and \$7,540,000, respectively; and sales to Northrop Grumman were \$7,843,000, \$9,623,000 and \$7,696,000, respectively. At December 31, 1996, trade receivables from Lockheed Martin, Boeing, McDonnell Douglas and Northrop Grumman were \$1,541,000, \$1,436,000, \$989,000 and \$647,000, respectively. The sales and receivables relating to Lockheed Martin are primarily for the Space Shuttle program. The sales and receivables relating to Boeing, McDonnell Douglas, and Northrop Grumman are diversified over a number of different commercial and military programs.

In 1996, 1995 and 1994, foreign sales to manufacturers worldwide were \$21,155,000, \$23,497,000 and \$11,515,000, respectively. Canada is the only country in which the Company had sales of 4% or more of total sales, with sales of \$4,906,000, \$4,518,000 and \$5,944,000 in 1996, 1995 and 1994, respectively.



## NOTE 14. QUARTERLY FINANCIAL DATA (UNAUDITED)

Three months ended	1996			
	Dec 31	Sep 28	Jun 29	Mar 30
(in thousands, except per share amounts)				
Sales and Earnings:				
Net Sales	\$ 35,918	\$ 29,778	\$ 28,869	\$ 23,792
Gross Profit	11,469	9,533	9,419	8,204
Income Before Taxes	5,627	3,815	3,341	1,542
Income Tax Expense	(1,605)	(1,068)	(935)	(432)
Net Income	\$ 4,022	\$ 2,747	\$ 2,406	\$ 1,110
Earnings Per Share:				
Primary	\$ .51	\$ .35	\$ .35	\$ .19
Fully Diluted	\$ .51	\$ .35	\$ .31	\$ .18

Three months ended	1995			
	Dec 31	Sep 30	Jul 1	Apr 1
(in thousands, except per share amounts)				
Sales and Earnings:				
Net Sales	\$ 23,314	\$ 24,080	\$ 23,201	\$ 20,622
Gross Profit	8,434	8,142	7,332	6,175
Income Before Taxes	2,502	2,237	1,347	855
Income Tax Expense	(694)	(584)	(377)	(240)
Net Income	\$ 1,808	\$ 1,653	\$ 970	\$ 615
Earnings Per Share:				
Primary	\$ .36	\$ .34	\$ .20	\$ .13
Fully Diluted	\$ .29	\$ .27	\$ .18	\$ .13

To the Board of Directors and Shareholders of Ducommun Incorporated:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of Ducommun Incorporated and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Los Angeles, California  
February 13, 1997

## SUBSIDIARIES OF REGISTRANT

As of December 31, 1996, the active subsidiaries of Ducommun were:

Aerochem, Inc., a California corporation  
AHF-Ducommun Incorporated, a California corporation  
Brice Manufacturing Company, Inc., a California corporation  
Jay-El Products, Inc., a California corporation  
MechTronics of Arizona Corp., an Arizona corporation  
3dbm, Inc., a California corporation

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-36415, 33-9383, 2-83732, 2-77309 and 2-64222) of Ducommun Incorporated of our report dated February 13, 1997 appearing on page 28 of the Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 17 of this Form 10-K.

Price Waterhouse LLP

Los Angeles, California  
February 20, 1997

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YEAR

DEC-31-1996		
JAN-01-1996		
DEC-31-1996		571
	0	
	14,928	
	206	
	22,595	
	44,335	
		58,390
	31,339	
	95,814	
27,049		
		9,577
0		
		0
		73
	59,115	
95,914		
		118,357
	118,357	
		79,732
	79,732	
	23,147	
	0	
	1,153	
	14,325	
	4,040	
10,285		
	0	
	0	
		0
	10,285	
	1.45	
	1.33	