Ducommun

Annual Report

TO SHAREHOLDERS 2013

"We entered 2014 keenly aware of the challenges ahead and where we must concentrate our efforts to achieve our growth objectives, improve our performance and increase shareholder value."

Contents

THE DUCOMMUN WAY

Honesty • Professionalism • Respect • Trust • Teamwork

Ducommun is guided on its journey to growth by the Ducommun Way, our internal operating methodology for executing successfully, solving problems effectively and finding better ways of serving our customers through a combined focus on operational excellence, organizational development and profitable growth. The Ducommun Way is defining our path for providing the innovative solutions and services our customers require while finding new and untapped ways of growing.

Our Vision

To be our customers' #1 provider of innovative electronics and structures solutions.

Company Profile

Founded in 1849, Ducommun Incorporated provides engineering and manufacturing services to the aerospace, defense, and other industries through a wide spectrum of electronic and structural applications. The Company is an established supplier of critical components and assemblies for commercial aircraft and military and space vehicles as well as for the energy market, medical field, and industrial automation. It operates through two primary business units — Ducommun AeroStructures (DAS) and Ducommun LaBarge Technologies (DLT).

Fellow Shareholders,

Fiscal 2013 was a challenging year for Ducommun, but one that saw many important successes as well. Our challenges were led by a continued decline in sales for the non-aerospace and defense (non-A&D) segment of our Ducommun LaBarge Technologies business. Sales fell 23 percent year over year, partially offset by growth in our military electronics business and Ducommun AeroStructures products for large commercial aircraft.

In addition to the decline in overall sales, we took a charge on product development programs related to the Embraer Legacy 450/500 and the Boeing 777 aircrafts, resulting in fourth-quarter charges of $14.1 million that impacted our earnings per share for the year. Having developed a strategic growth plan for the non-A&D business and implementing a rigorous phase-gate monitoring system on our product development process, we believe we have these challenges behind us.

We did have some very positive results in 2013. Generating strong cash flow from operations, we were able to reduce our total debt by $33.0 million. Revenue from our large commercial aircraft programs grew substantially, military electronics sales increased, and the backlogs in non-A&D markets began to stabilize. In addition, our overall backlog at year-end remained solid at $620.0 million.

We entered 2014 keenly aware of the challenges ahead and where we must concentrate our efforts to achieve our growth objectives, improve our performance and increase shareholder value.

FINANCIAL HIGHLIGHTS

Ducommun's net sales for 2013 were $736.7 million, down 1 percent from $747.0 million in 2012. The decline was primarily due to a 23 percent decrease in the Company's non-A&D end use markets, partially offset by growth in defense technologies and commercial aerospace products. We posted net income of $9.3 million, or $0.86 per diluted share, compared with $16.4 million, or $1.55 per diluted share, in 2012. Earnings for 2013 included the negative impact of the $14.1 million charge mentioned above. Both 2013 and 2012 also included certain tax benefits which are explained in detail in our Annual Report on Form 10-K.

Ducommun's operating income for 2013 was $37.6 million, or 5 percent of revenue, compared with $54.8 million, or 7 percent of revenue, in 2012. The Company's operating margin decreased due to various factors, including: lower net sales; the aforementioned $14.1 million in program-related charges; and other charges totaling, in aggregate, $1.6 million. Adjusted EBITDA for 2013 was $75.5 million, or 10 percent of revenue, compared with $84.9 million, or 11 percent of revenue, for 2012.

We generated nearly $46.0 million of cash from operations during 2013, enabling us to make voluntary principal prepayments of $30.0 million on our term loan and pay off a $3.0 million promissory note — reducing total debt by $33.0 million during the year. We will continue to focus on de-leveraging the balance sheet going forward. Please see the management's discussion and analysis section, consolidated financial statements and accompanying notes in the Annual Report on Form 10-K included in this report for a detailed review of our financial performance.

A REVIEW OF OUR MARKETS IN 2013

Aerospace and defense once again carried the day for Ducommun in 2013. Within this broad category, our military and space markets generated record revenue of $397.7 million for the year despite prolonged federal budget complications and the onset of sequestration. These markets represented approximately 54 percent of Ducommun's total revenue in 2013, compared with 51 percent in 2012.

"We have established a strong drive in our business to develop new sources of growth and improve operating efficiencies . . ."

We had a strong year across many defense platforms, including a nice rise in radar rack shipments for military aircraft and higher revenue from electronics used in missile defense systems. These increases more than offset a decline in sales of military avionics and electronic controls products.

However, revenue from structural and electronic products used in the BLACK HAWK helicopter — which remains one of Ducommun's largest defense programs — declined from their peak levels in 2012. We expect BLACK HAWK revenue to be flat-to-down slightly in 2014, based on the current backlog and scheduled deliveries. Our Apache helicopter backlog remains steady, but we anticipate sales on that program to fall somewhat as well, reflecting the wind-down of the war effort and slower orders for spares.

With a federal budget in place, we expect our overall defense visibility to improve this year, both in terms of programs and platforms. Early signs indicate areas of strength as well as challenges. The C-17 program, which we've supported for decades, will come to an end in early 2015 and, thus, Ducommun's final shipments likely will occur in the third and fourth quarters of 2014. The C-17 program revenues were relatively flat year-over-year with $29.2 million in 2013 and 30.0 million in 2012, and we expect shipments to be somewhat lower on this program in 2014. However, we have well-developed growth strategies in the commercial aircraft and aircraft engine markets that are designed to capture long-term business to replace our involvement on the C-17 program.

We continue to actively seek out new opportunities for growth across the defense arena both at home and internationally. In addition, it is worth noting that the platforms we serve remain some of the most important in the world, and they will be called upon even during times of peace and reduced military spending.

Our non-A&D markets, which include the natural resources, industrial and medical sectors, saw revenue decline 23 percent in 2013 from 2012 levels. However, we began to see encouraging signs of stability in this area during the 2013 fourth quarter, with revenue rising sequentially from the third quarter to the highest level all year.

Backlog in our non-A&D markets remains stable, and I believe the worst is behind us in this part of our business. We are encouraged by a pickup of orders within certain of our non-A&D markets, particularly those energy related, although we need to see additional evidence of traction before declaring that historical levels of top-line growth have returned. We anticipate slow but steady improvement moving forward, and we are focused on winning new business and attracting new customers to our value-added technology solutions. With the repositioning of our products and sales approach across a broad array of electronic controls and assemblies, we believe there are many growth opportunities that can also help our margin profile over time.

OPPORTUNITIES FOR GROWTH IN THE COMMERCIAL AEROSPACE MARKET

Turning to our commercial aerospace segment, Ducommun's revenue within this market rose to a record $213.3 million in 2013, representing 29 percent of total revenue versus 27 percent last year. Our commercial aerospace business, particularly in the large fixed-wing aircraft sector, continues to be a highlight of the Company.

Our shipments to Boeing for the 737, 777, and 787 platforms increased to record levels in 2013, and we also expanded our involvement with Airbus to include the A320 series, A350, A380, and A330/340 platforms. In addition, regional and business jet sales rose slightly in 2013. The only significant area of decline for us was within the helicopter market where, as with military helicopters, we saw shipments fall in 2013 as certain modification programs wound down.

Our commercial aerospace backlog remains strong and, looking forward, we anticipate further expansion across this portion of our business. Given that Boeing continues to increase its build rates, we expect sales with this key OEM to rise again this year, and we believe the regional and business jet market should be flat-to-up slightly as well. In addition, we continue to seek out new areas to expand our presence across the commercial aerospace market, particularly with Airbus, where we see many opportunities for growth on the A320 series, A350, A380, and A330/340 aircraft.

We believe that Ducommun is very well positioned on most of the major growth platforms serving the global aviation industry, and we remain optimistic about the future given that experts have forecast sustainable growth rates of 4 to 5 percent over the next 10 years. Our pipeline is robust and quoting activity high, as we look to sell the full suite of Ducommun products on more complex, value-added assemblies and modules.

FAREWELL TO A DIRECTOR

During 2013, we said farewell to Ralph Crosby Jr. who served as a member of our board of directors with honor and distinction from 2000 to 2013. Ralph's command of the many issues facing our Company during his tenure made him a leader in the boardroom and a strong advocate for our shareholders. He surely will be missed by all of us. I would like to personally thank him for his service to our board and his many contributions to Ducommun over the years, but most importantly for his outstanding leadership.

OUTLOOK

Last year we introduced you to our strategic vision to become our customers' #1 provider of innovative electronics and structures solutions, and to the tenets of the Ducommun Way, which Joel Benkie will discuss in more detail beginning on page 6. We use our vision as a guide to improving our Company day after day. Yes, we had some challenges in 2013, but we also built a base from which we will grow Ducommun. We have a better, more capable company today as a result of our team's efforts to live the Ducommun Way.

We're proud of the diverse array of products and technologies that Ducommun now offers its customers, and we know where we need to concentrate our efforts going forward to improve the Company's outlook, drive growth and enhance shareholder value:

- First, we are focused on further expansion within the commercial airplane market, given its numerous opportunities for platform penetration. There is also plenty of room to grow in the engine market, as well as within commercial and military electronics.
- Second, we are dedicated to growing our non-A&D business as expeditiously as possible. We believe that we have a growth strategy that will create many opportunities to expand our position and win new customers.
- Third, we will take the necessary steps to improve margins and drive cash flow generation with the goal of de-leveraging the Company and, thus, further strengthen our balance sheet.

We have established a strong drive in our business to develop new sources of growth and improve operating efficiencies while implementing innovative solutions to improve Ducommun's competitiveness and increase value to our customers. We have closed the book on 2013 and are looking forward to a more successful 2014 as we believe the Company is now stronger, leaner, and more ready than ever to excel in today's changing environment.

In closing, I want to thank our valued shareholders, board members, employees, customers and suppliers for their continued support as Ducommun works to expand shareholder value by becoming our customers' #1 provider of innovative electronics and structures solutions.

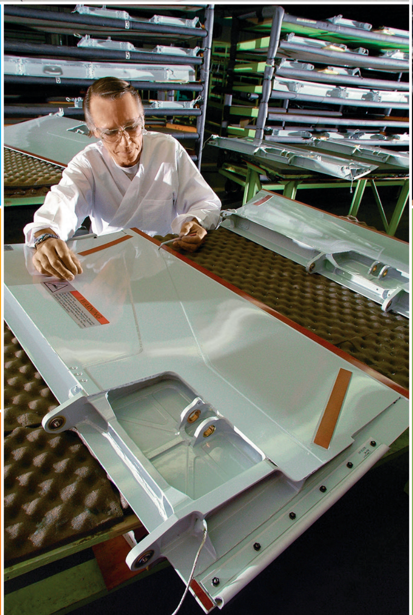
Best regards,

Anthony J. Reardon

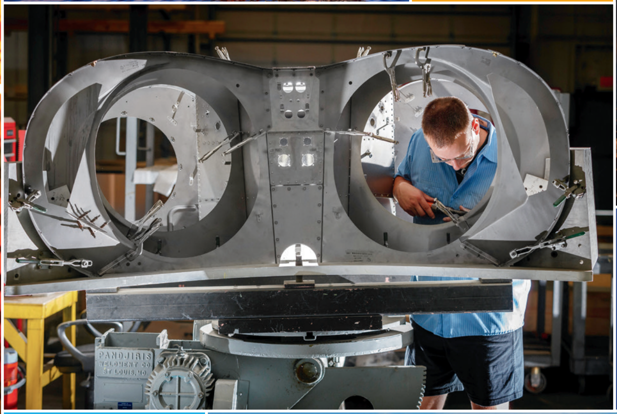
Anthony J. Reardon
Chairman and Chief Executive Officer

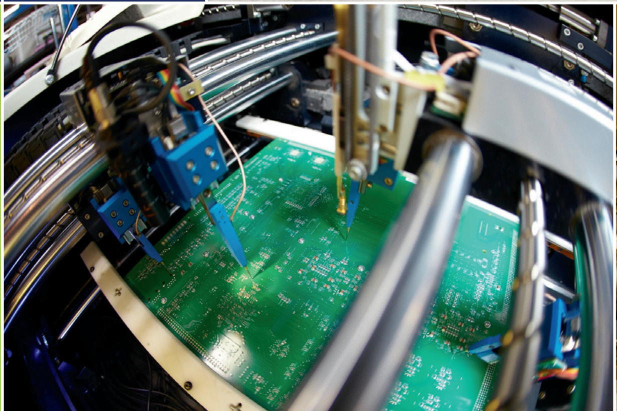
Positioned for Growth

Our impressive portfolio of broad, complementary capabilities is our platform for growth within the diverse markets we serve. Ducommun's customers are leaders and innovators in their industries, and we are



leveraging our broad-based capabilities in electronics, engineering and structures to create innovative, high value-added solutions for their complex manufacturing and engineering problems.





Fellow Shareholders,

Ducommun's path to growth begins with a clear and focused vision to be our customers' #1 provider of innovative electronics and structures solutions. This vision is the starting gate of our journey to achieve sustained financial performance and unmatched customer satisfaction.

Over the last few years, Ducommun has strategically developed an impressive portfolio of broad, complementary capabilities. Together, these capabilities generate a new synergy, allowing us to provide customers with more innovative, higher value-added solutions. This is an important differentiator for Ducommun, particularly today when our customers want to have fewer, but more sophisticated and capable supplier-partners. With today's challenging business environment and cloudy visibility on defense spending, it is more important than ever that Ducommun assertively set itself apart to capitalize on the growth opportunities within our grasp.

LEVERAGING OUR STRENGTHS

Ducommun's customers are leaders and innovators in their industries, and we are leveraging our broad-based capabilities in electronics, engineering and structures to create innovative solutions for their complex manufacturing and engineering problems. We are adapting our business development approach to establish Ducommun as a unified company where customers have access to our full spectrum of capabilities through common, companywide processes that create value for the customer and facilitate ease of doing business with Ducommun.

We are guided on this journey by the Ducommun Way, our internal operating methodology for executing successfully, solving problems effectively and finding better ways of serving our customers through a combined focus on operational excellence, organizational development and profitable growth.

Operational Excellence

Ducommun's intensified commitment to operational excellence is literally transforming the Company. During 2013, we created a new senior leadership position — vice president of operational excellence — to drive this critical discipline that touches every aspect of our organization. Our Office of Operational Excellence is capitalizing on the natural synergy between lean initiatives, product integrity and supply chain management. This collaboration also expands to other key areas of the Company, such as engineering and program management, where internal experts are sharing their expertise to develop innovative solutions and drive continuous improvement throughout Ducommun.

The result has been the implementation of standard operating methodologies and improved goal alignment from top to bottom throughout the organization. In addition to providing greater operational clarity for Ducommun, these disciplines are creating more value for customers and supporting their growing demand for cost-effective, innovative solutions.

Organizational Development

Like all companies, Ducommun is increasingly challenged by the demands of a constantly changing and more

THE DUCOMMUN WAY

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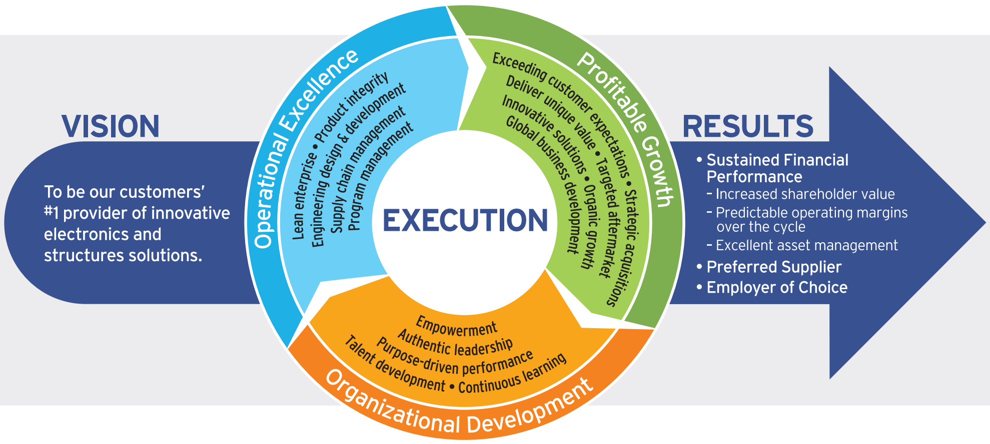


technologically dependent world. During 2013, we undertook an assessment of our organization to determine whether our current organizational structure properly serves our vision and the needs of our customers. As we transition our business development approach to better leverage Ducommun's capabilities, we are also adapting our organizational structure to be sure our operations and support functions are in sync.

At the same time, we are committed to developing our people to become a more nimble and able workforce that can take on change and unexpected challenges with ease. We want our people to be authentic, purpose-driven leaders who feel empowered to bring forth their best ideas, spot problems quickly and prevent defects from getting to the customer.

Profitable Growth

To achieve sustained, profitable growth, Ducommun will continue to find new ways to set itself apart from the competition. Our customers are seeking increasingly more capable and adaptable supplier-partners who can provide integrated, higher-level products and systems to meet their needs. Our ability to bring our broad technical and manufacturing expertise to the customer's table is being well-received and helping us win more sophisticated work that will provide a foundation for sustained financial performance.

We are experiencing positive customer response to this approach as evidenced by several contract wins with new and existing customers. For example, during 2013, Ducommun expanded its relationship with Parker Aerospace by winning a multiyear contract to produce complex printed circuit board assemblies for use in the fuel management system of the Airbus A350 aircraft. The win was our first major Airbus contract with Parker and reflects their confidence in Ducommun as a trusted and capable manufacturing supplier.

Several other customers also signaled their confidence in Ducommun as an outstanding supplier-partner by bestowing prestigious supplier excellence awards during 2013. These include Bombardier, Sikorsky Aircraft Corp. and Deere & Company, the parent company of customer John Deere Electronic Solutions.

The Ducommun Way is defining our path for providing the innovative solutions and services our customers require while finding new and untapped ways of growing.

TARGETS FOR GROWTH

We expect our new business development approach will gain additional traction in 2014 and beyond as more customers embrace Ducommun as a unified company with a broad spectrum of capabilities. Our near-term targets for growth include customers and markets where our portfolio of complementary capabilities and services are in demand.

Commercial Aerospace

Ducommun has a long legacy serving the growing commercial aerospace industry, primarily providing structural components. We have already secured a place on most of the major growth platforms in the large, fixed-wing sector. Our expanded offerings, including our suite of electronics manufacturing capabilities, are opening the door to increasing Ducommun's content on the key programs in this sector, most notably the Boeing 737, 777 and 787, and Airbus' A320 series, A350, A380, and A330/340 aircraft. We believe the recent Parker Aerospace contract mentioned above and current robust quoting activity for more complex, value-added assemblies and systems support our expectations.

Jet Engines

Ducommun has extensive experience producing both structural and electronic components for engines used in both commercial and military jet aircraft. We believe the growth expected on key commercial aviation programs will drive additional demand in the engine market. Ducommun's established relationships with many industry leaders in conjunction with efforts to further expand our customer base in this market will translate to growth opportunities for our Company.

Defense

We continue to actively seek out new opportunities for growth across the defense arena, both at home and internationally. With a federal budget now in place, we expect our overall visibility in defense programs and platforms to improve this year. The platforms Ducommun serves remain some of the most important in the world.

Energy and Industrial

Although new business from markets outside of the aerospace and defense arena has been somewhat lackluster of late for Ducommun, we believe the long-term outlook is brightening. During 2013, we experienced a pickup in order activity from certain non-aerospace and defense customers, and the evidence suggests that broader demand for our capabilities exists, particularly in the energy and industrial markets. Although very large, these markets include several niche sectors where our high-mix/low-volume approach and capabilities are valued and offer good growth opportunities for us.

THE PATH AHEAD

Ducommun is on a focused journey of growth and continuous improvement. Using the Ducommun Way as our roadmap, we are growing into a larger, more capable company with greater resources and expanding opportunities. We are creating a unified organization with unmatched satisfaction for our customers, greater development opportunities for our employees and increased value for our shareholders.

Best regards,

Joel Benkie

Joel H. Benkie
President and Chief Operating Officer

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, 2013

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 Number 1-8174

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 Wilmington Avenue, Carson, California	**90745-6209**
(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 per share	**New York Stock Exchange**

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

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§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. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price of which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter ended June 29, 2013 was approximately $215 million.

The number of shares of common stock outstanding on January 31, 2014 was 10,837,654.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

(a) Proxy Statement for the 2014 Annual Meeting of Shareholders (the "2014 Proxy Statement"), incorporated partially in Part III hereof.

DUCOMMUN INCORPORATED

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

This Annual Report on Form 10-K ("Form 10-K") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be preceded by, followed by or include the words "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions. These statements are based on the beliefs and assumptions of our management. Generally, forward-looking statements include information concerning our possible or assumed future actions, events or results of operations. Forward-looking statements specifically include, without limitation, the information in this Form 10-K regarding: future sales, earnings, cash flow, uses of cash and other measures of financial performance, projections or expectations for future operations, our plans with respect to completed acquisitions, future acquisitions and dispositions and expected business opportunities that may be available to us.

Although we believe that the expectations reflected in the forward-looking statements are based on reasonable assumptions, these forward-looking statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. We cannot guarantee future results, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. All written and oral forward-looking statements made in connection with this Form 10-K that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by "Risk Factors" and other cautionary statements included herein. We are under no duty to update any of the forward-looking statements after the date of this Form 10-K to conform such statements to actual results or to changes in our expectations.

The information in this Form 10-K is not a complete description of our business. There can be no assurance that other factors will not affect the accuracy of these forward-looking statements or that our actual results will not differ materially from the results anticipated in such forward-looking statements. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include, but are not limited to, those factors or conditions described under "Risk Factors" and the following:

- our ability to manage and otherwise comply with our covenants with respect to our outstanding indebtedness;
- our ability to service our indebtedness;
- the cyclicality of our end-use markets and the level of new commercial and military aircraft orders;
- industry and customer concentration;
- production rates for various commercial and military aircraft programs;
- the level of U.S. Government defense spending, including the impact of sequestration;
- compliance with applicable regulatory requirements and changes in regulatory requirements, including regulatory requirements applicable to government contracts and sub-contracts;
- further consolidation of customers and suppliers in our markets;
- product performance and delivery;
- start-up costs, manufacturing inefficiencies and possible overruns on contracts;
- increased design, product development, manufacturing, supply chain and other risks and uncertainties associated with our growth strategy to become a Tier 2 supplier of higher-level assemblies;
- our ability to manage the risks associated with international operations and sales;
- possible goodwill and other asset impairments;
- economic and geopolitical developments and conditions;
- unfavorable developments in the global credit markets;
- our ability to operate within highly competitive markets;
- technology changes and evolving industry and regulatory standards;
- the risk of environmental liabilities; and
- litigation with respect to us.

We caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this Form 10-K. We do not undertake any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-K or to reflect actual outcomes.

PART I
ITEM 1. BUSINESS

GENERAL

Ducommun Incorporated ("Ducommun", "the Company", "we", "us" or "our") is a leading global provider of engineering and manufacturing services for high-performance products and high-cost-of failure applications used primarily in the aerospace, defense, industrial, natural resources, medical and other industries. Ducommun differentiates itself as a full-service solution-based provider, offering a wide range of value-added products and services in our primary businesses of electronics, structures and integrated solutions. We operate through two primary business units: Ducommun LaBarge Technologies and Ducommun AeroStructures. We are the successor to a business that was founded in California in 1849 and reincorporated in Delaware in 1970.

ACQUISITIONS

Acquisitions have been an important element of our growth strategy. We have supplemented our organic growth by identifying, acquiring and integrating acquisition opportunities that result in broader, more sophisticated product and service offerings while diversifying and expanding our customer base and markets.

In June 2011, we acquired all of the outstanding stock of LaBarge Inc., (the "LaBarge Acquisition"), a provider of electronics manufacturing services to aerospace, defense and other diverse markets for $325.3 million (net of cash acquired and acquisition costs), funded by internally generated cash, senior unsecured notes and a senior secured term loan totaling $390.0 million. For further information, see "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 2. Acquisitions."

As a result of the LaBarge Acquisition, we believe we are well positioned to benefit from customers increasingly outsourcing their integrated electronic content on their platforms and consolidating their supplier base to companies with expanded capabilities.

PRODUCTS AND SERVICES

Business Segment Information

We operate through two primary strategic businesses, Ducommun LaBarge Technologies ("DLT") and Ducommun Aerostructures ("DAS"), each of which is a reportable operating segment. The results of operations among our operating segments vary due to differences in competitors, customers, extent of proprietary deliverables and performance. DLT designs, engineers and manufactures high-reliability products used in worldwide technology-driven markets including aerospace, defense, natural resources, industrial and medical and other end-use markets. DLT's product offerings range from prototype development to complex assemblies as discussed in more detail below. DAS designs, engineers and manufactures large, complex contoured aerospace structural components and assemblies and supplies composite and metal bonded structures and assemblies. DAS's products are used on commercial aircraft, military fixed-wing aircraft and military and commercial rotary-wing aircraft.

Ducommun LaBarge Technologies (DLT)

DLT has three major product offerings in electronics manufacturing for diverse, high-reliability applications: complex cable assemblies and interconnect systems, printed circuit board assemblies, and higher-level electronic, electromechanical and mechanical assemblies. Components and assemblies are provided principally for domestic and foreign commercial and military fixed-wing aircraft, military and commercial helicopters and space programs. In addition, we provide selected non-aerospace high-reliability applications for the industrial automation, natural resources (mine automation and drilling), and medical device end-use markets. We build custom, high-performance electronics and electromechanical systems. Our products include sophisticated radar enclosures, aircraft avionics racks and shipboard communications and control enclosures, printed circuit board assemblies, cable assemblies, wire harnesses, and interconnect systems and other high-level complex assemblies. DLT utilizes a highly-integrated production process, including manufacturing, engineering, fabrication, machining, assembly, electronic integration, and related processes. Engineering, technical and program management services, including design, development, and integration and testing of circuit card assemblies and cable assemblies, are provided to a wide range of customers.

In response to customer needs and utilizing our in-depth engineering expertise, DLT is also a leading supplier of engineered products including, illuminated pushbutton switches and panels for aviation and test systems, microwave and millimeter switches and filters for radio frequency systems and test instrumentation, and motors and resolvers for motion control.

DLT also provides engineering expertise for aerospace system design, development, integration, and test. We leverage the knowledge base, capabilities, talent, and technologies of this focused capability into direct support of our customers. Our expertise includes engineering capabilities in systems engineering, aerodynamics, propulsion, guidance-navigation-and control ("GNC"), lethality/warheads, simulations, avionics, structures, software, inertial measurement units, seeker/sensors, and signal/ data processing.

Ducommun AeroStructures (DAS)

DAS has three major product offerings to support a global customer base: commercial aircraft, military fixed-wing aircraft, and military and commercial helicopters. Our applications include structural components, structural assemblies and bonded (metal and composite) components. In the structural components products, DAS designs, engineers, and manufactures large complex contoured aluminum, titanium and Inconel® aerostructure components for the aerospace industry. Structural assemblies products include winglets and fuselage structural panels for aircraft. Metal and composite bonded structures and assemblies products include aircraft wing spoilers, large fuselage skins, helicopter rotor blades and components, flight control surfaces and engine components. To support these products, DAS maintains advanced machine milling, stretch-forming, hot-forming, metal bonding, composite layup, and chemical milling capabilities and has an extensive engineering capability to support both design and manufacturing.

AEROSPACE AND DEFENSE END-USE MARKETS OVERVIEW

Our largest end-use markets are the aerospace and defense markets and our sales to these markets represent approximately 83% of Company revenue in 2013. These markets are serviced by suppliers which are stratified, from the lowest value provided to the highest, into four tiers; Tier 3, Tier 2, Tier 1 and original equipment manufacturers ("OEMs"). The OEMs provide the highest value and are also known as prime contractors or primes. We derive a significant portion of our revenue from subcontracts with OEMs. As the prime contractor for various programs and platforms, the OEMs sell to their customers, who may include, depending upon the application, the U.S. Federal Government, foreign, state and local governments, global commercial airline carriers, regional jet carriers and various other customers. The OEMs also sell to global leasing companies that lease commercial aircraft. A significant portion of our revenue is earned from subcontracts with the primes. Tier 3 suppliers principally provide components or detailed parts. Tier 2 suppliers provide more complex, value-added parts and may also assume more design risk, manufacturing risk, supply chain risk and project management risk than Tier 3 suppliers. Tier 1 suppliers manufacture aircraft sections and purchase assemblies. We compete primarily with Tier 2 and Tier 3 suppliers. Our business growth strategy is to differentiate ourselves from competitors by providing more complex assemblies to our customers as a Tier 2 supplier.

Commercial Aerospace End-Use Market

The commercial aerospace end-use market is highly cyclical and is impacted by the level of global air passenger traffic in general, which in turn is influenced by global economic conditions, fleet fuel and maintenance costs and geopolitical developments. Sales into the commercial aerospace end-use market represented 29% of our 2013 revenue.

Growth in gross domestic product is a contributor to global air passenger traffic expansion. Emerging economies in Asia, the Middle East and Latin America, where gross domestic product per capita expands at a faster rate than the developed markets, are contributing to the growth rate for new commercial aircraft. The demand for air travel is also expected to be influenced by a cyclical rebound and improvement in the economies of the more mature markets of Europe and North America.

Fuel performance is an increasingly important component of commercial airlines' profitability and is driving demand for newer, more fuel efficient engine designs. Market acceptance is growing for these types of more fuel efficient aircraft from The Boeing Company ("Boeing") and Airbus Group, formerly known as the European Aeronautic, Defense & Space Company ("EADS"), through their wholly owned subsidiary Airbus ("Airbus"). Replacement of aging fleets due to increasing costs of maintenance or obsolescence and availability of newer, more efficient aircraft also influences commercial aircraft build rates to a lesser degree.

The availability of internal or external funding impacts commercial aircraft build rates. Failure of our customers to obtain financing may result in cancellation or deferral of orders.

Industry projections estimate growth rates in air traffic in the mid-single digits and strength in commercial aerospace over the next few years. Boeing's projections in their 2013 Annual Report on Form 10-K filed with the SEC estimate a growth rate of 5% per year for passenger and cargo traffic, based on a projected average annual worldwide real economic growth rate of 3%, over the next twenty years in the commercial aircraft market. We believe we are well positioned given our product capabilities to participate in the steady projected growth rate for commercial air traffic and build rates for large commercial aircraft for the airframe manufacturing industry.

Defense End-Use Market

Our defense end-use market includes products used in military and space, including technologies and structures applications. The defense end-use market is highly cyclical and is impacted by the level of government defense spending. Government defense spending is impacted by national defense policies and priorities, political climates, fiscal budgetary constraints, U.S. Federal budget deficits, projected economic growth and the level of global military or security threats, or other conflicts. Sales into the military and space end-use market represented approximately 54% of our revenue during 2013.

In August 2011, the Budget Control Act of 2011, later amended by the American Taxpayer Relief Act of 2012 (the "Act") reduced the U.S. defense budget by approximately $490 billion through 2021. The Act further reduced the U.S. defense budget by an additional $500 billion through 2021, under a provision of the Act called sequestration, if the Joint Select Committee did not enact $1.2 trillion in budget reductions and, on March 1, 2013, sequestration was implemented for the U.S. Government's fiscal year 2013. The Office of Management and Budget (the "OMB") issued a report to Congress on March 1, 2013 which calculated that sequestration would result in an approximately 8% reduction in fiscal year 2013 non-exempt defense discretionary funding and an approximately 5% reduction in non-exempt nondefense discretionary funding. On August 20, 2013, the OMB issued a Sequestration Update Report for fiscal year 2014 identifying enforcement of The Act's discretionary spending caps. Under these caps, the U.S. Department of Defense (the "U.S. DoD") will be subject to approximately $52 billion in reductions from the totals contained in the President's fiscal year 2014 budget proposal. The final fiscal year 2014 U.S. DoD base budget (excluding funding for operations in Afghanistan) appropriation enacted into law in January 2014 is approximately $497 billion, which is similar to the level of funding for the U.S. DoD in fiscal year 2013 after sequestration and fiscal year 2015 is expected to be funded at a similar level. Under the current terms of the Act, future funding reductions would result in a total of approximately $300 billion in reduced U.S. DoD funding over the fiscal year 2016 - fiscal year 2021 period. Unless Congress and the Administration agree to further amend or revoke the Act, the U.S. DoD will be required to operate under the Act's sequestration levels for the foreseeable future. The lack of agreement between Congress and the Administration to end sequestration and the OMB reports indicate that there are likely to be reductions to our military and space end-use market revenue.

Although the implications of sequestration are lower overall levels of defense spending, the outlook for missile defense spending will remain stable for the next five years. Further, despite some program cancellations, new funds have been requested by the U.S. DoD to improve missile defense capabilities and accelerate the deployment of additional interceptors toward the Asian theater. We believe Raytheon Company ("Raytheon"), our second largest customer, may be one of the major providers of these systems. We believe we are well positioned to participate in additional spending for missile defense.

Although we are not yet able to determine how sequestration will impact our specific programs and contracts, we expect the reduced fiscal year 2014 U.S. DoD budgeted spending will result in lower or delayed awards on some of our programs. Reductions, cancellations or delays impacting existing contracts or programs could have a material effect on our financial results. We derive a significant portion of our business from customers whose principal sales are to the U.S. Government and from direct sales by us to the U.S. Government. For additional information related to our sales from customers whose principal sales are to the U.S. Government and our direct sales to the U.S. Government, see Part II, Item 1A, "Risk Factors" of this Form 10-K.

NON-AEROSPACE AND DEFENSE END-USE MARKETS OVERVIEW

Our non-aerospace and defense end-use markets, (natural resources, industrial and medical and other) are diverse and are impacted by the customers' needs for increasing electronic content and a desire to outsource. Factors expected to impact these markets include capital and industrial goods spending, the number of oil-rigs operating and the level of natural gas exploration in North America and general economic conditions. Our products are used in industrial test systems, energy exploration systems, semiconductor fabrication units, glass electronic manufacturing systems, mine automation and control systems, patient monitoring devices, respiratory care devices, biodecontamination equipment and other technology-driven products. Sales into the non-aerospace and dense end-use markets were approximately 17% of our revenue during 2013.

We believe that in 2013, our business in these markets have stabilized and we are well positioned for when the markets recover.

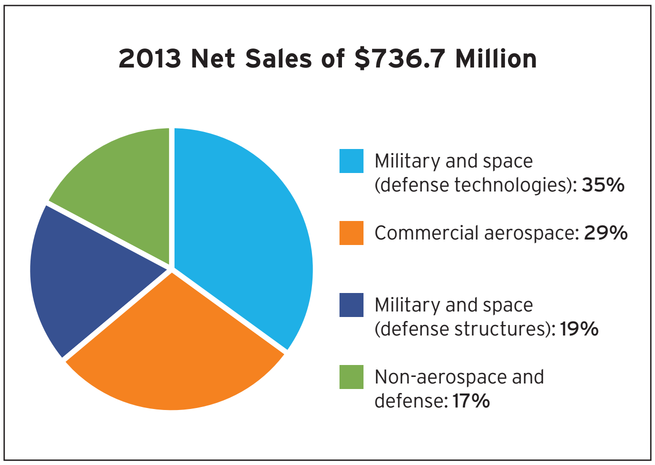
SALES AND MARKETING

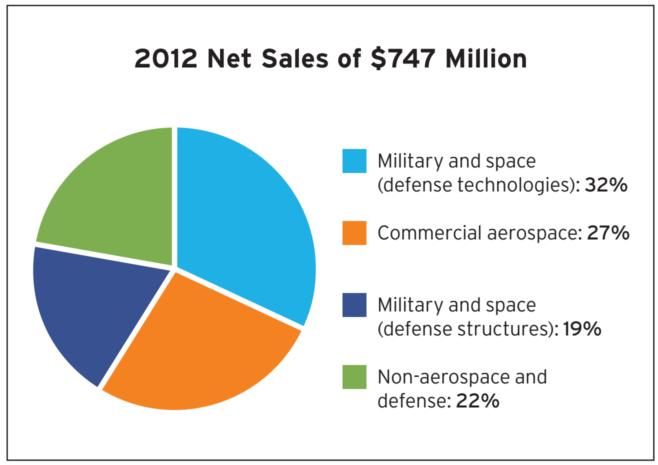
Our commercial sales depend substantially on airframe manufacturers' production rates of new aircraft. Deliveries of new aircraft by airframe manufacturers are dependent on the financial capacity of its customers, primarily airlines and leasing companies, to purchase the aircraft. Sales of commercial 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. Our sales for commercial aircraft programs also could be affected by changes in our customers' inventory levels and changes in our customers' aircraft production build rates. In recent years, both major large aircraft manufacturers, Boeing and Airbus, have announced higher build rates from increases in production of existing programs, including more fully-developed models, and by the introduction of new platforms.

Military components manufactured by us are employed in many of the country's front-line fighters, bombers, helicopters and support aircraft, as well as land and sea-based applications. Engineering, technical and program management services are provided principally for United States defense, space and homeland security programs. Our defense business is diversified among a number of military manufacturers and programs. In the space sector, we continue to support various unmanned launch vehicle and satellite programs.

Our sales into the industrial, natural resources and medical and other commercial markets are customer focused in the various markets and driven primarily by capital spending and manufacturing outsourcing demands.

We continue to broaden and diversify our customer base in the end-use markets we serve by providing innovative product and service solutions drawing on our core competencies, experience and technical expertise. Net sales related to military and space (defense technologies and defense structures), commercial aerospace, and non-aerospace and defense end-use markets in 2013 and 2012 were as follows:





Many of our contracts are fixed price contracts 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 we have incurred and certain other fees through the date of termination. Larger, long-term government subcontracts may have provisions for milestone payments, progress payments or cash advances for purchase of inventory.

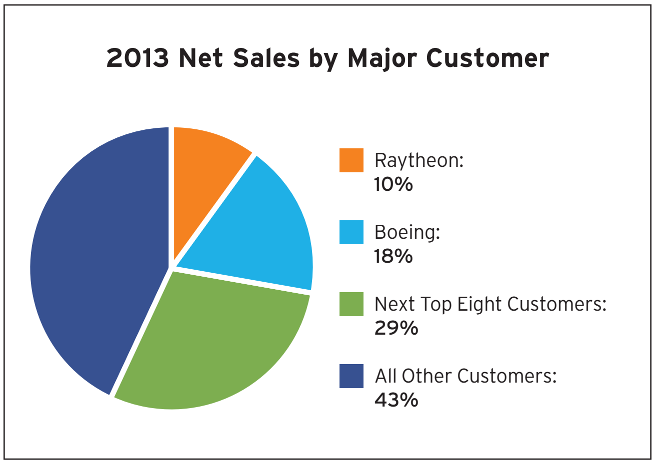
We seek to develop strong, long-term relationships with our customers, which provide the basis for future sales. These close relationships allow us to better understand each customer's business needs and identify ways to provide greater value to the customer.

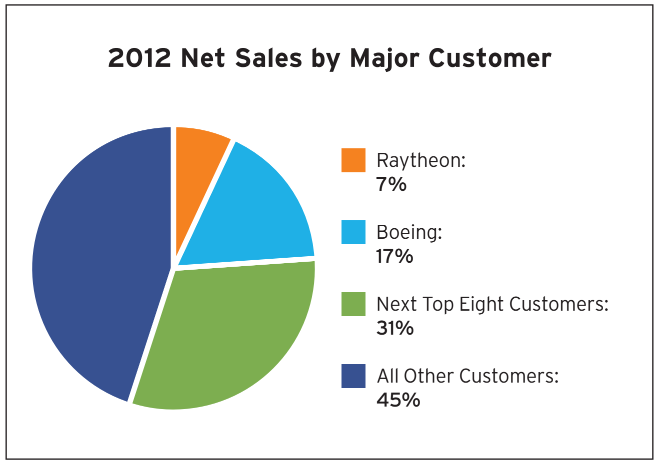
SEASONALITY

The timing of our revenue is governed by the purchasing patterns of our customers, and, as a result, we may not generate revenue equally during the year. However, no material portion of our business is considered to be seasonal.

MAJOR CUSTOMERS

We currently generate the majority of our revenue from the aerospace and defense industries. As a result, we have significant sales to certain customers. Boeing and Raytheon each were approximately ten percent or greater of our 2013 revenue. Sales to our top ten customers, including Boeing and Raytheon, were approximately 57% of our 2013 revenue. Net sales by major customer for 2013 and 2012 were as follows:





Net sales to our customers, except the U.S. Government, are diversified over a number of different military and space, commercial aerospace, natural resources, industrial, medical and other products. For additional information on sales to major customers, see "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 15. Major Customers and Concentrations of Credit Risk."

RESEARCH AND DEVELOPMENT

We perform concurrent engineering with our customers and product development activities under Company-funded programs and under contracts with others. Concurrent engineering and product development activities are performed for commercial, military and space applications. We also perform high-technology systems engineering and analysis, principally under customer-funded contracts, with a focus on sensors system simulation, engineering and integration.

RAW MATERIALS AND COMPONENTS

Raw materials and components used in the manufacture of our products include aluminum, titanium, steel and carbon fibers, as well as a wide variety of electronic interconnect and circuit card assemblies and components. These raw materials are generally available from a number of vendors and are generally in adequate supply. However, from time to time, we have experienced increases in lead times for and deterioration in availability of, aluminum, titanium and certain other materials. Moreover, certain components, supplies and raw materials for our operations are purchased from single sources. In such instances, we strive to develop alternative sources and design modifications to minimize the potential for business interruptions.

COMPETITION

The markets we serve are highly competitive, and our products and services are affected by varying degrees of competition. We compete worldwide with domestic and international companies in most markets. These companies may have competitive advantages as a result of greater financial resources, economies of scale and bundled products and services that we don't offer. Additional information related to competition is discussed in "Item 1A. Risk Factors." Our ability to compete depends principally upon the breadth of our technical capabilities, the quality of our goods and services, competitive pricing, product performance, design and engineering capabilities, new product innovation and the ability to solve specific customer problems.

PATENTS AND LICENSES

We have several patents, but we do not believe that our operations are dependent upon any single patent or group of patents. In general, we rely on technical superiority, continual product improvement, exclusive product features, superior lead time, on-time delivery performance, quality, and customer relationships to maintain our competitive advantage.

BACKLOG

Backlog is subject to delivery delays or program cancellations, which are beyond our control. Backlog is affected by timing differences in the placement of customer orders and tends to be concentrated in several programs to a greater extent than our net sales. As a result, trends in our overall level of backlog may not be indicative of trends in our future sales. Backlog was $620.0 million at December 31, 2013, compared to $656.6 million at December 31, 2012. The decrease in backlog was primarily in the defense technologies end-use markets. Approximately $496.0 million of total backlog is expected to be delivered during 2014.

ENVIRONMENTAL MATTERS

Our business, operations and facilities are subject to numerous stringent federal, state and local environmental laws and regulations issued by government agencies, including the Environmental Protection Agency ("EPA"). Among other matters, these regulatory authorities impose requirements that regulate the emission, discharge, generation, management, transport and disposal of hazardous materials, pollutants and contaminants. These regulations govern public and private response actions to hazardous or regulated substances that threaten to release, or have been released to the environment, and they require us to obtain and maintain licenses and permits in connection with our operations. We may also be required to investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations. Additionally, this extensive regulatory framework imposes significant compliance burdens and risks on us. We anticipate that capital expenditures will continue to be required for the foreseeable future to upgrade and maintain our environmental compliance efforts, however, we do not expect such expenditures to be material in 2014 and the foreseeable future.

DAS has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its facilities located in El Mirage and Monrovia, California. Based on currently available information, we have accrued approximately $1.5 million for our estimated liabilities related to these sites. For further information, see "Part II, Item 8. Ducommun and Subsidiaries—Notes to Consolidated Financial Statements—Note 14. Contingencies." In addition, certain risks related to environmental matters are included in "Item 1A. Risk Factors."

EMPLOYEES

As of December 31, 2013, we employed approximately 3,264 people, of which approximately 456 are subject to collective bargaining agreements expiring on July 1, 2015 and January 1, 2016. We believe our relations with our employees are good. Additional information regarding certain risks related to our employees is included in "Item 1A. Risk Factors."

AVAILABLE INFORMATION

General information about Ducommun can be obtained from our website address at www.ducommun.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, if any, are available free of charge on our website as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (the "SEC"). Information included in our website is not incorporated by reference in this Annual Report on Form 10-K. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including Ducommun.

ITEM 1A. RISK FACTORS

Our business, financial condition, results of operations and cash flows may be affected by known and unknown risks, uncertainties and other factors. We have summarized below the significant, known material risks to our business. Additional risk factors not currently known to us or that we currently believe are immaterial may also impair our business, financial condition, results of operations and cash flows. Any of these risks, uncertainties and other factors could cause our future financial results to differ materially from recent financial results or from currently anticipated future financial results. The risk factors below should be considered together with the information included elsewhere in this Form 10-K as well as other required filings by us to the SEC.

RISKS RELATED TO OUR CAPITAL STRUCTURE

Our indebtedness could limit our financing options, adversely affect our financial condition, and prevent us from fulfilling our debt obligations.

At December 31, 2013, we had $332.7 million of outstanding long-term debt, consisting primarily of $200.0 million of senior unsecured notes (the "Notes") and $132.6 million under our senior secured term loan (the "Term Loan"). As as a result, we currently have a relatively higher level of indebtedness than industry participants. The debt was the direct result of our LaBarge Acquisition.

In 2012, we began steps to reduce our debt by making $25.0 million of voluntary principal prepayments on the Term Loan. In 2013, we paid an additional $30.0 million of voluntary principal prepayments on our Term Loan. We expect to make approximately $25.0 million to $30.0 million of additional voluntary principal prepayments in 2014. We believe that these prepayments will help facilitate future refinancing in 2015. Our ability to complete a debt refinancing in 2015 may be limited, as discussed below in this risk factor. We may have to undertake alternative financing plans, such as selling assets; reducing or delaying scheduled expansions and/or capital investments; or seeking various forms of capital. Our ability to complete alternative financing plans may be affected by circumstances and economic events outside of our control. We cannot be assured that we would be able to refinance our debt or enter into alternative financing plans in adequate amounts on commercially reasonable terms, terms acceptable to us or at all, or that such plans guarantee that we would be able to meet our debt obligations.

Our high level of debt could:

- limit our ability to obtain additional financing to fund future working capital, capital expenditures, investments or acquisitions or other general corporate requirements;
- require a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, investments or acquisitions or other general corporate purposes;
- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- place us at a disadvantage compared to other, less leveraged competitors;
- expose us to the risk of increased borrowing costs and higher interest rates as borrowings under our Credit Facilities bear interest at variable rates, which could further adversely impact our cash flows;
- limit our flexibility to plan for and react to changes in our business and the industry in which we compete;
- restrict us from making strategic acquisitions or causing us to make non-strategic divestitures;
- expose us to risk of rating agency downgrades and unfavorable changes in the global credit markets;
- make it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and maintain financial ratios as discussed below; and
- prevent us from raising the funds necessary to repurchase all Notes tendered to us upon the occurrence of certain changes of control, which failure to repurchase would constitute an event of default under the indenture governing the Notes.

The occurrence of any one of these events could have an adverse effect on our business, financial condition, results of operations and ability to satisfy our obligations in respect of our outstanding debt.

We require a considerable amount of cash to service our indebtedness.

Our ability to make payments on and to refinance our debt and to fund planned capital expenditures and working capital needs, will depend upon our ability to generate significant cash in the future. Our ability to generate cash is subject to economic, financial, competitive, legislative, regulatory and other factors that may be beyond our control.

The $200.0 million Notes bear interest of 9.75% per annum, payable semi-annually. At December 31, 2013, the outstanding balance on the Term Loan was $132.6 million with an interest rate of 4.75%, consisting of a London Interbank Offered Rate ("LIBOR") interest rate floor of 1.00%, plus a margin of 3.75%, with interest paid quarterly. In 2013, we successfully repriced our Term Loan by 0.75%, resulting in the current lower rate. Should interest rates increase above the interest rate floor of 1.00%, our debt service cost will increase. Any inability to generate sufficient cash flow could have a material adverse effect on our financial condition or results of operations.

While we expect to meet all of our financial obligations, we cannot assure you that our business will generate sufficient cash flow from operations in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. In conjunction with the issuance of the Term Loan in 2011, we obtained a $60.0 million Revolving Credit Facility ("Revolving Credit Facility"), (collectively the "Credit Facilities"). We cannot be assured that future borrowings will be available under the Revolving Credit Facility, in an amount sufficient to enable us to pay our debt or fund our other liquidity needs, if at all.

We require a considerable amount of cash to fund our anticipated voluntary principal prepayments on our Term Loan.

Our ability to continue to reduce our Term Loan by approximately $25.0 million to $30.0 million in 2014 through voluntary principal prepayments will be a contributing factor to our ability to refinance our debt in 2015. Our ability to make such prepayments will depend upon our ability to generate significant cash in the future. We cannot be assured that our business will generate sufficient cash flow from operations to fund any such prepayments.

The covenants in the credit agreement to our Credit Facilities and the indenture governing the Notes impose restrictions that may limit our operating and financial flexibility and may limit our ability to make payments on the Notes.

In the event that a certain minimum amount is borrowed and outstanding under our Revolving Credit Facility, for so long as any such amount is outstanding, we will be required to comply with a leverage covenant, as defined in the credit agreement. Furthermore, our consolidated earnings before interest, taxes and depreciation and amortization ("EBITDA"), as defined by the credit agreement to our Credit Facilities, as of the end of any fiscal quarter on a trailing four-quarter basis, is not permitted to be less than $50.0 million. The leverage covenant decreases over the term of the Revolving Credit Facility, which will require us to generate either increasing cash flows or increasing EBITDA in the future. In October 2013, we completed an amendment to the credit agreement to our Credit Facilities which partially mitigated the impact of the leverage covenant by increasing the leverage ratio by 0.75 for all future periods. We believe the voluntary prepayments on the Term Loan will help reduce our leverage, as defined in the credit agreement.

At December 31, 2013, no amounts were outstanding under the Revolving Credit Facility which would have required us to comply with the leverage covenant. However, we would have been in compliance with such leverage covenant. At December 31, 2013, we were in compliance with the EBITDA covenant. There is no assurance that we will continue to be in compliance with the leverage covenant or the EBITDA covenant in future periods.

Our credit agreement to the Credit Facilities and the indenture governing the Notes contain a number of significant restrictions and covenants that limit our ability, among other things, to incur additional indebtedness, to create liens, to make certain payments, investments and capital expenditures, to pay dividends, to engage in transactions with affiliates, to sell certain assets or enter into mergers.

These covenants could materially and adversely affect our ability to finance our future operations or capital needs. Furthermore, they may restrict our ability to expand, pursue our business strategies and otherwise conduct our business. Our ability to comply with these covenants may be affected by circumstances and events beyond our control, such as prevailing economic conditions and changes in regulations, and we cannot assure that we will be able to comply with such covenants. These restrictions also limit our ability to obtain future financings to withstand a future downturn in our business or the economy in general. In addition, complying with these covenants may also cause us to take actions that are not favorable to holders of the Notes and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

A breach of any covenant in credit agreement to the Credit Facilities or the agreements and indentures governing any other indebtedness that we may have outstanding from time to time, including the indenture governing the Notes, would result in a default under that agreement or indenture after any applicable grace periods. A default, if not waived, could result in acceleration of the debt outstanding under the agreement and in a default with respect to, and an acceleration of, the debt outstanding under other debt agreements. If that occurs, we may not be able to make all of the required payments or borrow sufficient funds to refinance such debt. A default could permit our lenders to foreclose on any of our assets securing such debt. Even if new financing were available at that time, it may not be on terms or amounts that are acceptable to us or terms as favorable as our current agreements. If our debt is in default for any reason, our business, results of operations and financial condition could be materially and adversely affected.

We may not be able to make the change of control offer required by the indenture governing the Notes.

We may be unable to purchase the Notes upon a change of control, as defined in the indenture governing the Notes. Upon a change of control, we will be required to offer to purchase all of the Notes then outstanding for cash at 101% of the principal amount plus accrued and unpaid interest, if any, on the date of purchase on the Notes. If a change of control were to occur, we may not have sufficient funds to pay the change of control purchase price and we may be required to secure third-party financing to do so. However, we may not be able to obtain such financing on commercially reasonable terms, on terms acceptable to us or at all.

A change of control under the indenture governing the Notes may also result in an event of default under our Credit Facilities which may cause the acceleration of indebtedness outstanding thereunder, in which case, proceeds of collateral pledged to secure borrowings thereunder would be used to repay such borrowings before we repay the Notes. In addition, our future indebtedness may also contain restrictions on our ability to repurchase the Notes upon certain events, including transactions that could constitute a change of control under the indenture governing the Notes. Our failure to repurchase the Notes upon a change of control would constitute an event of default under the indenture governing the Notes and would have a material adverse effect on our financial condition.

The typical trading volume of our common stock may affect an investor’s ability to sell significant stock holdings in the future without negatively impacting stock price.

The level of trading activity may vary daily and typically represents only a small percentage of outstanding shares. As a result, a stockholder who sells a significant amount of shares in a short period of time could negatively affect our share price.

Our amount of debt may require us to raise additional capital to fund operations.

We may sell additional shares of common stock or other equity securities to raise capital in the future, which could dilute the value of an investor’s holdings.

RISKS RELATED TO OUR BUSINESS

Our end-use markets are cyclical.

We sell our products into both aerospace and non-aerospace end-use markets, (natural resources, industrial and medical and other), which are cyclical and have experienced periodic declines. Our sales are, therefore, unpredictable and tend to fluctuate based on a number of factors, including global economic conditions, geopolitical developments and conditions, and other developments affecting our end-use markets and the customers served. Consequently, results of operations in any period should not be considered indicative of the operating results that may be experienced in any future period.

We depend upon a selected base of industries and customers, which subjects us to unique risks which may adversely affect us.

We currently generate a majority of our revenue from customers in the aerospace and defense industry. Our business depends, in part, on the level of new military and commercial aircraft orders. As a result, we have significant sales to certain customers. Sales to Boeing comprise the majority of our commercial aerospace end-use market. A significant portion of our net sales in our military and space end-use markets are made under subcontracts with OEMs, under their prime contracts with the U. S. Government. We had significant sales to Raytheon in 2013 in our defense technologies end-use market.

Our customers may experience delays in the launch of new products, labor strikes, diminished liquidity or credit unavailability, weak demand for their products, or other difficulties in their business. In addition, sequestration is causing additional uncertainty in the placement of orders.

Our sales to our top ten customers, which represented 57% of our total 2013 sales, were diversified over a number of different military and space, commercial aerospace, natural resources, industrial, medical and other products. Any significant change in production rates by these customers would have a material effect on our results of operations and cash flows. There is no guarantee that our current significant customers will continue to buy products from us at current levels, and that we will retain any or all of our existing customers, or that we will be able to form new relationships with customers upon the loss of one or more of our existing customers. This risk may be further complicated by pricing pressures, intense competition prevalent in our industry and other factors. A significant reduction in sales to any of our major customers, the loss of a major customer, or a default on a major customer on accounts receivable could have a material adverse impact on our financial results.

In addition, we generally make sales under purchase orders and contracts that are subject to cancellation, modification or rescheduling. Changes in the economic environment and the financial condition of the industries we serve could result in customer cancellation of contractual orders or requests for rescheduling. Some of our contracts have specific provisions relating to schedule and performance, and failure to deliver in accordance with such provisions could result in cancellations, modifications, rescheduling and/or penalties, in some cases at the customers' convenience and without prior notice. While we have normally recovered our direct and indirect costs, such cancellations, modifications, or rescheduling that cannot be replaced in a timely fashion, could have a material adverse effect on our financial results.

A significant portion of our business depends upon U.S. Government defense spending.

We derive a significant portion of our business from customers whose principal sales are to the U.S. Government and from direct sales by us to the U.S. Government. Accordingly, the success of our business depends upon government spending generally or for specific departments or agencies in particular. Such spending, among other factors, is subject to the uncertainties of governmental appropriations and national defense policies and priorities, constraints of the budgetary process, timing and potential changes in these policies and priorities, and the adoption of new laws or regulations or changes to existing laws or regulations.

These and other factors could cause the government and government agencies, or prime contractors that use us as a subcontractor, to reduce their purchases under existing contracts, to exercise their rights to terminate contracts at-will or to abstain from exercising options to renew contracts, any of which could have a material adverse effect on our business, financial condition and results of operations.

Further, certain U.S. Government programs in which we participate may extend for several years; however, these programs are typically funded annually. Changes in the government's strategy and priorities may affect our existing programs and future opportunities. Our government contracts and related orders with the U.S. Government are subject to cancellation, or delay, if appropriations for subsequent performance periods are not made. The termination of funding for existing or new U.S. Government programs, or delays in payment, could have a material adverse effect on our financial results. Although we are not yet able to determine how sequestration will impact specific programs and contracts at Ducommun, we expect the reduced fiscal year 2014 U.S. Department of Defense budgeted spending will result in lower or delayed awards on some of our programs. Reductions, cancellations or delays impacting existing contracts or programs could have a material effect on our financial results.

We are subject to extensive regulation and audit by the Defense Contract Audit Agency.

The accuracy and appropriateness of certain costs and expenses used to substantiate our direct and indirect costs for the U.S. Government contracts are subject to extensive regulation and audit by the Defense Contract Audit Agency, an arm of the Department of Defense. Such audits and reviews could result in adjustments to our contract costs and profitability. However, we cannot assure the outcome of any future audits and adjustments may be required to reduce net sales or profits upon completion and final negotiation of audits. If any audit or review were to uncover inaccurate costs or improper activities, we could be subject to penalties and sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from conducting future business with the U.S. Government. Any such outcome could have a material adverse effect on our financial results.

Contracts with some of our customers, including Federal government contracts, contain provisions which give our customers a variety of rights that are unfavorable to us and the OEMs to whom we provide products and services, including the ability to terminate a contract at any time for convenience.

Contracts with some of our customers, including Federal government contracts, contain provisions and are subject to laws and regulations that provide rights and remedies not typically found in commercial contracts. These provisions may allow our customers to:

- terminate existing contracts, in whole or in part, for convenience, as well as for default, or if funds for contract performance for any subsequent year become unavailable;
- suspend or debar us from doing business with the federal government or with a governmental agency;

- prohibit future procurement awards with a particular agency as a result of a finding of an organizational conflict of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors;
- claim rights in products and systems produced by us; and
- control or prohibit the export of the products and related services we offer.

If the U.S. Government terminates a contract for convenience, the counterparty with whom we have contracted on a subcontract may terminate its contract with us. As a result of any such termination, whether on a direct government contract or subcontract, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the U.S. Government terminates a direct contract with us for default, we may not even recover those amounts and instead may be liable for excess costs incurred by the U.S. Government in procuring undelivered items and services from another source. Contracts with foreign governments generally contain similar provisions relating to termination at the convenience of the customer.

In addition, the U.S. Government is typically required to open all programs to competitive bidding and, therefore, may not automatically renew any of its prime contracts. If one or more of our government prime or subcontracts is terminated or cancelled, our failure to replace sales generated from such contracts would result in lower sales and have an adverse effect on our business, results of operations and financial condition.

Further consolidation in the aerospace industry could adversely affect our business and financial results.

The aerospace and defense industry is experiencing significant consolidation, including our customers, competitors and suppliers. Consolidation among our customers may result in delays in the award of new contracts and losses of existing business. Consolidation among our competitors may result in larger competitors with greater resources and market share, which could adversely affect our ability to compete successfully. Consolidation among our suppliers may result in fewer sources of supply and increased cost to us.

We rely on our suppliers to meet the quality or delivery expectations of our customers.

Our ability to deliver our products and services on schedule is dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, internal and supplier produced parts and structures, conversion of raw materials into parts and assemblies, and performance of suppliers and others.

We rely on numerous third-party suppliers for raw materials and a large proportion of the components used in our production process. Certain of these raw materials and components are available only from single sources or a limited number of suppliers, or similarly, customers' specifications may require us to obtain raw materials and/or components from a single source or certain suppliers. Many of our suppliers are small companies with limited financial resources and manufacturing capabilities. We do not currently have the ability to manufacture these components ourselves. These and other factors, including the loss of a critical supplier or raw materials and/or component shortages, could cause disruptions or cost inefficiencies in our operations compared to our competitors that have greater direct purchasing power, which could have a material adverse effect on our financial results.

We use estimates when bidding on fixed-price contracts. Changes in our estimates could adversely affect our financial results.

We enter into contracts providing for a firm, fixed-price for the sale of some of our products regardless of the production costs incurred by us. In many cases, we make multi-year firm, fixed-price commitments to our customers, without assurance that our anticipated production costs will be achieved. Contract bidding and accounting require judgment relative to assessing risks, estimating contract net sales and costs, including estimating cost increases over time and efficiencies to be gained, and making assumptions for supplier sourcing and quality, manufacturing scheduling and technical issues over the life of the contract. Such assumptions can be particularly difficult to estimate for contracts with new customers. Our failure to accurately estimate these costs can result in reduced profits or incurred losses. Because of the significance of the judgments and estimates involved, it is possible that materially different amounts could be obtained if different assumptions were used or if the underlying circumstances were to change. Therefore, any changes in our underlying assumptions, circumstances or estimates could have a material adverse effect on our financial results. In the fourth quarter of 2013, we recorded a charge in the DAS segment for the estimated cost to complete of $5.2 million, consisting of $3.9 million for the Embraer Legacy 450/500 aircraft contracts, and $1.3 million for the Boeing 777 wing tip contract. The charges result from difficulties in achieving previously anticipated cost reductions, including delays in transferring work to our lower-cost Guaymas, Mexico facility. The charge for the Embraer Legacy 450/500 contracts also reflects estimated cost overruns for customer driven changes on both the development and production phases of the contracts, for which we have asserted claims with Embraer. See "Part II, Item 7—Management's

Discussion and Analysis—Critical Accounting Policies—Revenue Recognition and Provision for Estimated Losses on Contracts for further information."

As we move up the value chain to become a Tier 2 supplier, enhanced design, product development, manufacturing, supply chain project management and other skills will be required.

We may encounter difficulties as we execute our growth strategy to move up the value chain to become a Tier 2 supplier of more complex, value-added assemblies. Difficulties we may encounter include, but are not limited to, the need for enhanced and expanded product design skills, enhanced ability to control and influence our suppliers, enhanced quality control systems and infrastructure, enhanced large-scale project management skills, and expanded industry certifications. Assuming incremental project design responsibilities would require us to assume additional risk in developing cost estimates and could expose us to increased risk of losses. There can be no assurance that we will be successful in obtaining the enhanced skills required to be a Tier 2 supplier or that our customers will outsource such functions to us.

Risks associated with operating and conducting our business outside the United States could adversely impact us.

We have facilities in Thailand and Mexico and also derive a portion of our net sales from direct foreign sales. Further, our customers may derive portions of their sales to non-U.S. customers. As a result, we are subject to the risks of conducting and operating our business internationally, including:

- political instability;
- economic and geopolitical developments and conditions;
- compliance with a variety of international laws, as well as U.S. laws affecting the activities of U.S. companies conducting business abroad, including, but not limited to, the Foreign Corrupt Practices Act;
- imposition of taxes, export controls, tariffs, embargoes and other trade restrictions; and
- difficulties repatriating funds or restrictions on cash transfers.

While the impact of these factors is difficult to predict, any one or more of these factors could have a material adverse effect on our financial results.

Goodwill and/or other assets could be impaired in the future, which could result in substantial charges.

Goodwill is tested for impairment on an annual basis as of December 31 or more frequently if events or circumstances occur which could indicate potential impairment. We also test intangible assets with indefinite life periods for potential impairment annually and on an interim basis if there are indicators of potential impairment. We evaluate amortizable intangible assets, fixed assets, and production cost of contracts for impairment if there are indicators of a possible impairment. In assessing the recoverability of goodwill, management is required to make certain critical estimates and assumptions. These estimates and assumptions include projected sales levels, including addition of new customers, programs or platforms and increased content on existing programs or platforms, improvements in manufacturing efficiency, and reductions in operating costs. Due to many variables inherent in the estimation of a business's fair value and the relative size of our recorded goodwill, differences in estimates and assumptions may have a material effect on the results of our impairment analysis. If any of these or other estimates and assumptions are not realized in the future, or if market multiples decline, we may be required to record an additional impairment charge for goodwill. Impairment charges may be incurred against other intangible assets or long-term assets if asset utilization declines, customer demand declines or other circumstances indicate that the asset carrying value may not be recoverable. In the fourth quarter of 2013 we recorded a pre-tax asset impairment charge of $7.0 million to production cost of contracts for the Embraer Legacy 450/500 and Boeing 777 wing tip contracts. Ducommon's production cost of contracts as of December 31, 2013 was $11.6 million or 1.5% of total assets. For the years ended December 31, 2013 and 2012, we did not record a goodwill impairment charge. For the year ended December 31, 2011, we recorded a pre-tax non-cash goodwill impairment charge of $54.3 million. Ducommun's goodwill and other intangible assets as of December 31, 2013 were $327.4 million, or 42.8% of total assets. See "Part II, Item 7—Management's Discussion and Analysis—Critical Accounting Policies—Goodwill and Production Cost of Contracts" for further information.

OTHER RISKS

Our operations are subject to numerous extensive, complex, costly and evolving laws, regulations and restrictions, and failure to comply with these laws, regulations and restrictions could subject us to penalties and sanctions that could harm our business.

Prime contracts with various agencies of the U.S. Government, and subcontracts with other prime contractors, are subject to numerous laws and regulations which affect how we do business with our customers and may impose added costs on our business. As a result, our contracts and operations are subject to numerous, extensive, complex, costly and evolving laws, regulation and restrictions, principally by the U.S. Government or their agencies. These laws, regulation and restrictions govern items including, but not limited to, the formation, administration and performance of U.S. Government contracts, disclosure of cost and pricing data, civil penalties for violations or false claims to the U.S. Government for payment, define reimbursable costs, establish ethical standards for the procurement process and control the import and export of defense articles and services.

Noncompliance could expose us to liability for penalties, including termination of our U.S. Government contracts and subcontracts, disqualification from bidding on future U.S. Government contracts and subcontracts, suspension or debarment from U.S. Government contracting and various other fines and penalties**.** Noncompliance found by any one agency could result in fines, penalties, debarment or suspension from receiving additional contracts with all U.S. Government agencies. Given our dependence on U.S. Government business, suspension or debarment could have a material adverse effect on our financial results.

In addition, the U.S. Government may revise its procurement practices or adopt new contract rules and regulations, at any time, including increased usage of fixed-price contracts and procurement reform. Such changes could impair our ability to obtain new contracts or subcontracts or renew contracts or subcontracts under which we currently perform when those contracts are put up for recompetition. Any new contracting methods could be costly or administratively difficult for us to implement and could adversely affect our future net sales.

In addition, our international operations subject us to numerous U.S. and foreign laws and regulations, including, without limitation, regulations relating to import-export control, technology transfer restrictions, repatriation of earnings, exchange controls, the Foreign Corrupt Practices Act and the anti-boycott provisions of the U.S. Export Administration Act. Changes in regulations or political environments may affect our ability to conduct business in foreign markets including investment, procurement and repatriation of earnings. Failure by us or our sales representatives or consultants to comply with these laws and regulations could result in certain liabilities and could possibly result in suspension or debarment from government contracts or suspension of our export privileges, which could have a material adverse effect on our financial results.

Customer pricing pressures could reduce the demand and/or price for our products and services.

The aerospace and non-aerospace end-use markets we serve are highly competitive and price sensitive. In both of these markets, we compete worldwide with a number of domestic and international companies that have substantially greater manufacturing, purchasing, marketing and financial resources than we do. Many of our customers have the in-house capability to fulfill their manufacturing requirements. Our larger competitors may be able to vie more effectively for very large-scale contracts than we can by providing different or greater capabilities or benefits such as technical qualifications, past performance on large-scale contracts, geographic presence, price and availability of key professional personnel. If we are unable to successfully compete for new business, our net sales growth and operating margins may decline.

Several of our major customers have completed extensive cost containment efforts and we expect continued pricing pressures in 2014 and beyond. Competitive pricing pressures may have an adverse effect on our financial condition and operating results. Further, there can be no assurance that competition from existing or potential competitors in other segments of our business will not have a material adverse effect on our financial results. If we do not continue to compete effectively and win contracts, our future business, financial condition, results of operations and our ability to meet our financial obligations may be materially compromised.

Our products and processes are subject to risks of obsolescence as a result of changes in technology and evolving industry and regulatory standards.

The future success of our business depends in large part upon our and our customers' ability to maintain and enhance technological capabilities, develop and market manufacturing services that meet changing customer needs and successfully anticipate or respond to technological advances in manufacturing processes on a cost-effective and timely basis, while meeting evolving industry and regulatory standards. To address these risks, we invest in product design and development, and undertake capital expenditures. There can be no guarantee that our product design and development efforts will be successful, or that funds required to be invested in product design and development or incurred as capital expenditures will not increase materially in the future.

Environmental liabilities could adversely affect our financial results.

We are subject to various U.S. and foreign environmental laws and regulations, including those relating to the use, storage, transport, discharge and disposal of hazardous chemicals and materials used and emissions generated during our manufacturing process. We do not carry insurance for these potential environmental liabilities. Any failure by us to comply with present or future regulations could subject us to future liabilities or the suspension of production, which could have a material adverse effect on our financial results. Moreover, some environmental laws relating to contaminated sites can impose joint and several liability retroactively regardless of fault or the legality of the activities giving rise to the contamination. Compliance with existing or future environmental laws and regulations may require extensive capital expenditures, increase our cost or impact our production capabilities. Even if such expenditures are made, there can be no assurance that we will be able to comply. We have been directed to investigate and take corrective action for groundwater contamination at certain sites. Our ultimate liability for such matters will depend upon a number of factors. See "Part II, Item 8. Ducommun Incorporated and Subsidiaries —Notes to Consolidated Financial Statements—Note 14. Contingencies" for further information.

Cyber security attacks, internal system or service failures may adversely impact our business and operations.

Any system or service disruptions, including those caused by projects to improve our information technology systems, if not anticipated and appropriately mitigated, could disrupt our business and impair our ability to effectively provide products and related services to our customers and could have a material adverse effect on our business. We could also be subject to systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, intruders or hackers, computer viruses, natural disasters, power shortages or terrorist attacks. Cyber security threats are evolving and include, but are not limited to, malicious software, unauthorized attempts to gain access to sensitive, confidential or otherwise protected information related to Ducommun or our products, customers or suppliers, or other acts that could lead to disruptions in our business. Any such failures could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs, subject us to claims and damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption which would adversely affect our business, results of operations and financial condition.

We may not have the ability to renew facilities leases on terms favorable to us and relocation of operations presents risks due to business interruption.

Certain of our manufacturing facilities and offices are leased and have lease terms that expire between 2014 and 2020. The majority of these leases provide renewal options at the fair market rental rate at the time of renewal, which, if renewed, could be significantly higher than our current rental rates. We may be unable to offset these cost increases by charging more for our products and services. Furthermore, continued economic conditions may continue to negatively impact and create greater pressure in the commercial real estate market, causing higher incidences of landlord default and/or lender foreclosure of properties, including properties occupied by us. While we maintain certain non-disturbance rights in most cases, it is not certain that such rights will in all cases be upheld and our continued right of occupancy in such instances is potentially jeopardized. An occurrence of any of these events could have a material adverse effect on our financial results.

Additionally, if we choose to move any of our operations, those operations will be subject to additional relocation costs and associated risks of business interruption.

The occurrence of litigation in which we could be named as a defendant is unpredictable.

From time to time, we and our subsidiaries are involved in various legal and other proceedings that are incidental to the conduct of our business. While we believe no current proceedings, if adversely determined, could have a material adverse effect on our financial results, no assurances can be given. Any such claims may divert financial and management resources that would otherwise be used to benefit our operations and could have a material adverse effect on our financial results.

Product liability claims in excess of insurance could adversely affect our financial results and financial condition.

We face potential liability for personal injury or death as a result of the failure of products designed or manufactured by us. Although we currently maintain product liability insurance (including aircraft product liability insurance), any material product liability not covered by insurance could have a material adverse effect on our financial condition, results of operations and cash flows.

Damage or destruction of our facilities caused by storms, earthquake or other causes could adversely affect our financial results and financial condition.

We have operations located in regions of the U.S. that may be exposed to damaging storms, earthquakes and other natural disasters. Although we maintain standard property casualty insurance covering our properties and may be able to recover costs associated with certain natural disasters through insurance, we do not carry any earthquake insurance because of the cost of such insurance. Many of our properties are located in Southern California, an area subject to earthquake activity. Our California facilities generated approximately $256.0 million in net sales during 2013. Even if covered by insurance, any significant damage or destruction of our facilities due to storms, earthquakes or other natural disasters could result in our inability to meet customer delivery schedules and may result in the loss of customers and significant additional costs to us. Thus, any significant damage or destruction of our properties could have a material adverse effect on our business, financial condition or results of operations.

We are dependent upon our ability to attract and retain key personnel.

Our success depends in part upon our ability to attract and retain key engineering, technical and managerial personnel, at both the executive and plant level. We face competition for management, engineering and technical personnel from other companies and organizations. The loss of members of our senior management group, or key engineering and technical personnel, could negatively impact our ability to grow and remain competitive in the future and could have a material adverse effect on our financial results.

Labor disruptions by our employees could adversely affect our business.

As of December 31, 2013, we employed approximately 3,264 people. Two of our operating units are parties to collective bargaining agreements, covering 236 full time hourly employees and 220 employees, and will expire July 1, 2015 and January 1, 2016, respectively. Although we have not experienced any material labor-related work stoppage and consider our relations with our employees to be good, labor stoppages may occur in the future. If the unionized workers were to engage in a strike or other work stoppage, if we are unable to negotiate acceptable collective bargaining agreements with the unions or if other employees were to become unionized, we could experience a significant disruption of our operations, higher ongoing labor costs and possible loss of customer contracts, which could have an adverse effect on our business and results of operations.

Enacted and proposed changes in securities laws and regulations have increased our costs and may continue to increase our costs in the future.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), enacted in July 2010, expands federal regulation of corporate governance matters. While some provisions of the Dodd-Frank Act are effective upon enactment, others will be implemented upon the SEC’s adoption of related rules and regulations. The scope and timing of the adoption of such rules and regulations is uncertain and accordingly, the cost of compliance with the Dodd-Frank Act is also uncertain.

The Dodd-Frank Act contains provisions to improve transparency and accountability concerning the supply of certain minerals originating from the Democratic Republic of Congo and adjoining countries that are believed to be benefitting armed groups (“Conflict Minerals”). The provision does not prevent companies from using conflict minerals; however the SEC mandates due diligence, disclosure and reporting requirements for companies which manufacture products that include components containing such conflict minerals. These due diligence, disclosure and reporting requirements apply to our activities in calendar year 2013 and our first annual filing is due by May 31, 2014. These regulations could result in our customers' request to not use Conflict Minerals in our products they purchase from us. The number of suppliers who provide conflict-free minerals may be limited and thus, decrease the availability and increase the prices of components free of such Conflict Minerals used in our products. In addition, the compliance process will be both time-consuming and costly. Since our supply chain is complex, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through our due diligence procedures, which may harm our reputation with our customers and other stakeholders. In addition, we may be unable to satisfy customers who require that all components included in our products be conflict-free, which could place us at a competitive disadvantage.

Our efforts to comply with the Dodd-Frank Act and other evolving laws, regulations and standards are likely to result in increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities. Further, compliance with new and existing laws, rules, regulations and standards may make it more difficult and expensive for us to maintain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We occupy approximately 33 owned or leased facilities, totaling over 2.2 million square feet of manufacturing area and office space. At December 31, 2013, facilities which were in excess of 50,000 square feet each were occupied as follows:

Location	Segment	Square Feet	Expiration of Lease
Carson, California	Ducommun AeroStructures	286,000	Owned
Monrovia, California	Ducommun AeroStructures	274,000	Owned
Pittsburgh, Pennsylvania	Ducommun LaBarge Technologies	165,382	2017
Parsons, Kansas	Ducommun AeroStructures	120,000	Owned
Carson, California	Ducommun LaBarge Technologies	117,000	2016
Phoenix, Arizona	Ducommun LaBarge Technologies	100,000	2017
Joplin, Missouri	Ducommun LaBarge Technologies	92,000	2016
Appleton, Wisconsin	Ducommun LaBarge Technologies	76,728	Owned
Orange, California	Ducommun AeroStructures	76,000	Owned
El Mirage, California	Ducommun AeroStructures	74,000	Owned
Huntsville, Arkansas	Ducommun LaBarge Technologies	69,000	2020
Iuka, Mississippi	Ducommun LaBarge Technologies	66,000	2014
Carson, California	Ducommun AeroStructures	65,000	2014
Coxsackie, New York	Ducommun AeroStructures	65,000	2015
Joplin, Missouri	Ducommun LaBarge Technologies	55,000	Owned
Tulsa, Oklahoma	Ducommun LaBarge Technologies	55,000	Owned
Huntsville, Alabama	Ducommun LaBarge Technologies	52,000	2015
Berryville, Arkansas	Ducommun LaBarge Technologies	52,000	Owned

Management believes these properties are adequate to meet our current requirements, are in good condition and are suitable for their present use.

ITEM 3. LEGAL PROCEEDINGS

For a description of our legal proceedings, see "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 14. Contingencies."

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the symbol DCO. On December 31, 2013, we had 234 holders of record of common stock. We have not paid any dividends since the first quarter of 2011 and we do not expect to pay dividends for the foreseeable future. See "Item 7. Management's Discussion and Analysis—Liquidity and Capital Resources—Available Liquidity" for further discussion on dividend restrictions under our Credit Facility. The following table sets forth the high and low prices per share for our common stock as reported on the New York Stock Exchange for the fiscal periods indicated:

	Years Ended December 31,			
	2013		2012	
	High	Low	High	Low
First Quarter	$ 22.60	$ 14.32	$ 15.89	$ 11.86
Second Quarter	26.71	17.79	12.44	7.71
Third Quarter	29.37	20.40	15.40	9.63
Fourth Quarter	30.98	24.17	17.09	12.86

See "Part III, Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" for information relating to shares to be issued under equity compensation plans.

Issuer Purchases of Equity Securities

In 2011, we terminated our stock repurchase program.

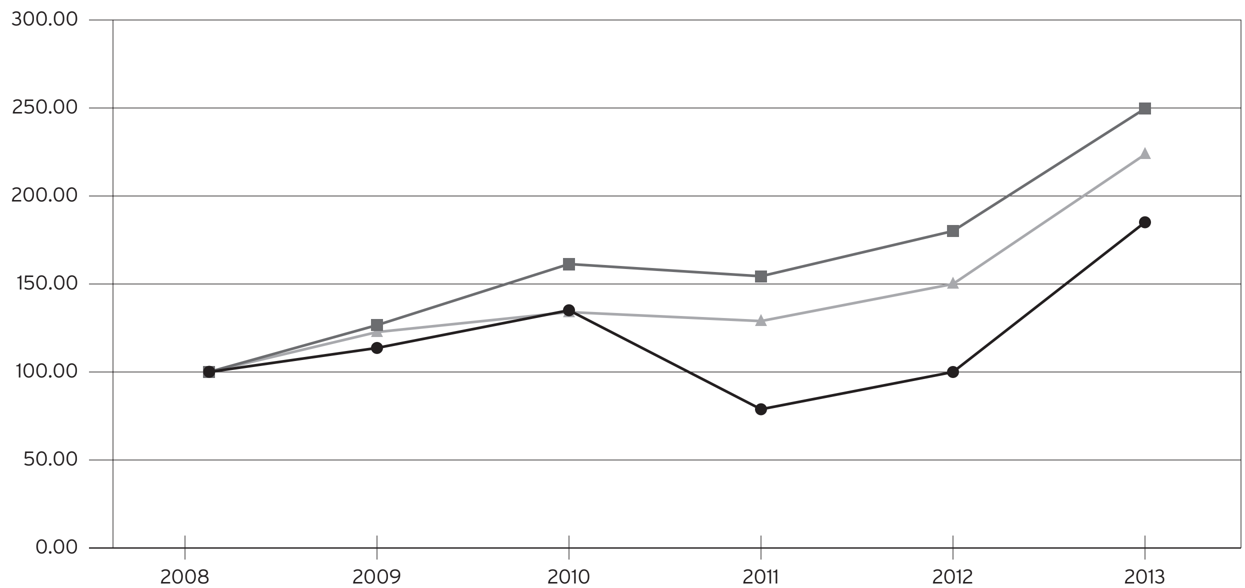
Performance Graph

The following graph compares the yearly percentage change in our cumulative total shareholder return with the cumulative total return of the Russell 2000 Index and the Spade Defense Index for the periods indicated, assuming the reinvestment of any dividends. The graph is not necessarily indicative of future price performance:

Comparison of 5 Year Cumulative Total Return

Assumes Initial Investment of $100

December 2013



	2008	2009	2010	2011	2012	2013
● Ducommun Inc.	100.00	114.05	134.99	79.31	100.58	185.43
■ Russell 2000 Index	100.00	127.17	161.33	154.60	179.88	249.71
▲ Spade Defense Index	100.00	121.71	133.42	129.42	150.90	223.74

ITEM 6. SELECTED FINANCIAL DATA

	(In thousands, except per share amounts) Years Ended December 31,				
	2013(a)	2012	2011(b)(c)	2010	2009(b)
Net Sales	$ 736,650	$ 747,037	$ 580,914	$ 408,406	$ 430,748
Gross Profit as a Percentage of Net Sales	16.6%	18.9%	18.2%	19.6%	18.3%
Income (Loss) Before Taxes	7,650	22,015	(52,325)	24,663	13,760
Income Tax (Benefit) Expense	(1,693)	5,578	(4,742)	4,855	3,577
Net Income (Loss)	$ 9,343	$ 16,437	$ (47,583)	$ 19,808	$ 10,183
Per Common Share					
Basic earnings (loss) per share	$ 0.87	$ 1.55	$ (4.52)	$ 1.89	$ 0.97
Diluted earnings (loss) per share	$ 0.86	$ 1.55	$ (4.52)	1.87	0.97
Dividends per share [(d)]	—	—	0.07	0.30	0.30
Working Capital	$ 227,175	$ 223,782	$ 224,333	$ 90,106	$ 85,825
Total Assets	764,199	780,089	808,087	345,452	353,909
Long-Term Debt, Including Current Portion	332,702	365,744	392,240	3,280	28,252
Total Shareholders' Equity	239,694	222,675	204,284	254,185	233,886

(a) The results for 2013 include $14.1 million in charges related to the Embraer Legacy 450/500 and Boeing 777 wing tip contracts and was comprised of $7.0 million of asset impairment charges for production cost of contracts; $5.2 million of forward loss reserves and $1.9 million of inventory write-offs.

(b) The results for 2011 and 2009 include goodwill impairment charges of $54.3 million and $12.9 million, respectively, resulting from our annual impairment testing. The results for 2011 also included $2.4 million of inventory step-up adjustments in cost of sales and $16.1 million of merger-related transaction expenses.

(c) In June 2011, we acquired LaBarge Inc., which is now a part of our DLT operating segment. The acquisition was accounted for as a business combination.

(d) We suspended payments of dividends after the first quarter of 2011.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Ducommun Incorporated ("Ducommun", "the Company", "we", "us" or "our") is a leading global provider of engineering and manufacturing services for high-performance products and high-cost-of failure applications used primarily in the aerospace, defense, industrial, natural resources, medical and other industries. Ducommun differentiates itself as a full-service solution-based provider, offering a wide range of value-added products and services in our primary businesses of electronics, structures and integrated solutions. We operate through two primary business units: Ducommun LaBarge Technologies ("DLT") and Ducommun AeroStructures ("DAS").

During 2013, we made significant progress in our plan to de-lever the balance sheet, reduce interest expense and further our ability to refinance our debt in 2015. While 2013 saw growth in our commercial aerospace and defense electronics revenue, it was more than offset by the continued weakness in the non-aerospace and defense revenue. Revenue and backlog for our commercial aerospace business remains strong, reflecting increased build rates.

Highlights for the year ended December 31, 2013 were as follows:

- Cash generated from operating activities was $46.0 million;
- We made voluntary principal prepayments of $30.0 million on the term loan and also paid off a $3 million promissory note, reducing total debt by $33 million.
- Firm backlog at the end of 2013 was $620.0 million.

For the year ended December 31, 2013, EBITDA was $68.5 million and Adjusted EBITDA was $75.5 million. See Non-GAAP Financial Measures below for certain information regarding EBITDA and Adjusted EBITDA, including reconciliations of EBITDA and Adjusted EBITDA to net income.

Non-GAAP Financial Measures

When viewed with our financial results prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and accompanying reconciliations, we believe EBITDA and Adjusted EBITDA provide additional useful information to clarify and enhance the understanding of the factors and trends affecting our past performance and future prospects. We define these measures, explain how they are calculated and provide reconciliations of these measures to the most comparable GAAP measure in the tables below. EBITDA, Adjusted EBITDA and the related financial ratios, as presented in this Form 10-K, are supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. They are not a measurement of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP, or as an alternative to net cash provided by operating activities as measures of our liquidity. The presentation of these measures should not be interpreted to mean that our future results will be unaffected by unusual or nonrecurring items.

We use EBITDA and Adjusted EBITDA non-GAAP operating performance measures internally as complementary financial measures to evaluate the performance and trends of our businesses. We present EBITDA, Adjusted EBITDA and the related financial ratios, as applicable, because we believe that measures such as these provide useful information with respect to our ability to meet our future debt service, capital expenditures, working capital requirements and overall operating performance.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

- They do not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;
- They do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- They are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;

- They do not reflect the impact on earnings of charges resulting from matters unrelated to our ongoing operations; and
- Other companies in our industry may calculate EBITDA and Adjusted EBITDA differently from us, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA, Adjusted EBITDA and the related financial ratios should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementally. See our consolidated financial statements contained in this Form 10-K report.

However, in spite of the above limitations, we believe that EBITDA and Adjusted EBITDA are useful to an investor in evaluating our results of operations because these measures:

- Are widely used by investors to measure a company's operating performance without regard to items excluded from the calculation of such terms, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired, among other factors;
- Help investors to evaluate and compare the results of our operations from period to period by removing the effect of our capital structure from our operating performance; and
- Are used by our management team for various other purposes in presentations to our Board of Directors as a basis for strategic planning and forecasting.

The following financial items have been added back to our net income when calculating EBITDA and Adjusted EBITDA:

- Amortization expense may be useful to investors because it represents the estimated attrition of our acquired customer base and the diminishing value of product rights;
- Depreciation may be useful to investors because it generally represents the wear and tear on our property and equipment used in our operations;
- Asset impairments (including Goodwill) may be useful to our investors because it generally represents a decline in value in our assets used in our operations;
- Merger–related expenses may be useful to investors for determining current cash flow;
- Interest expense may be useful to investors for determining current cash flow; and
- Income tax expense may be useful to investors because it represents the taxes which may be payable for the period and the change in deferred taxes during the period, and may reduce cash flow available for use in our business.

Reconciliations of net income (loss) to EBITDA and Adjusted EBITDA and the presentation of Adjusted EBITDA as a percentage of net sales were as follows:

	(In thousands) Years Ended December 31,		
	2013	2012	2011
Net income (loss)	$ 9,343	$ 16,437	$ (47,583)
Depreciation and amortization (1)	30,926	29,413	21,458
Interest expense (2)	29,918	32,798	18,198
Income tax expense (benefit)	(1,693)	5,578	(4,742)
EBITDA	$ 68,494	$ 84,226	$ (12,669)
Asset impairment (3)	6,975	—	—
Merger-related expenses (4)	—	702	16,137
Goodwill impairment (5)	—	—	54,273
	6,975	702	70,410
Adjusted EBITDA	$ 75,469	$ 84,928	$ 57,741
% of net sales	10.2%	11.4%	9.9%

(1) 2011 includes the partial-year amortization of intangibles and depreciation expense related to the LaBarge Acquisition.
(2) 2011 includes the partial-year interest expense on outstanding debt balances and amortization of deferred financing costs related to the LaBarge Acquisition.
(3) 2013 includes asset impairment charges for the Embraer Legacy 450/500 contracts and Boeing 777 wing tip contract.
(4) 2012 and 2011 include merger-related transaction costs and change-in-control provision for certain LaBarge key executives and employees arising in connection with the LaBarge Acquisition.
(5) 2011 includes goodwill impairment charges related to the LaBarge Acquisition.

Adjusted EBITDA decreased in 2013 compared to 2012 primarily due to decreased net sales, mainly in non-aerospace and defense end-use markets, fourth quarter charges of $14.1 million for the Embraer Legacy 450/500 and Boeing 777 wing tip contracts, and higher inventory reserve charges.

Adjusted EBITDA increased in 2012 over 2011 primarily due to higher net income including the full-year effect of increased revenues and operating expenses, including higher depreciation and amortization expenses, and higher interest expense related to the LaBarge Acquisition.

RESULTS OF OPERATIONS

2013 Compared to 2012

The following table sets forth net sales, selected financial data, the effective tax rate and diluted earnings per share:

	(in thousands, except per share data) Years Ended December 31,			
	2013	% of Net Sales	2012	% of Net Sales
Net Sales	$ 736,650	100.0%	$ 747,037	100.0%
Cost of Goods				
Cost of Goods Sold	602,024	81.7%	605,585	81.1%
Forward Loss Reserves	5,234	0.7%	—	—%
Asset Impairments	6,975	1.0%	—	—%
Total Cost of Goods	614,233	83.4%	605,585	81.1%
Gross Profit	122,417	16.6%	141,452	18.9%
Selling, General and Administrative Expenses	84,849	11.5%	86,639	11.6%
Interest Expense	29,918	4.1%	32,798	4.4%
Income Before Taxes	7,650	1.0%	22,015	2.9%
Income Tax (Benefit) Expense	(1,693)	nm	5,578	nm
Net Income	$ 9,343	1.3%	$ 16,437	2.2%
Effective Tax (Benefit) Rate	(22.1)%	nm	25.3%	nm
Diluted Earnings Per Share	$ 0.86	nm	$ 1.55	nm

nm = not meaningful

Net Sales by End-Use Market and Operating Segment

Net sales by end-use market and operating segment during 2013 and 2012, respectively, were as follows:

	(In thousands) Years Ended December 31,			% of Net Sales	
	Change	2013	2012	2013	2012
Consolidated Ducommun					
Military and space					
Defense technologies	$ 19,580	$ 260,566	$ 240,986	35%	32%
Defense structures	(2,340)	137,095	139,435	19%	19%
Commercial aerospace	9,427	213,254	203,827	29%	27%
Natural resources	(19,348)	39,124	58,472	5%	8%
Industrial	(15,759)	46,636	62,395	6%	8%
Medical and other	(1,947)	39,975	41,922	6%	6%
Total	$ (10,387)	$ 736,650	$ 747,037	100%	100%
DAS					
Military and space (defense structures)	$ (2,340)	$ 137,095	$ 139,435	43%	45%
Commercial aerospace	7,590	178,137	170,547	57%	55%
Total	$ 5,250	$ 315,232	$ 309,982	100%	100%
DLT					
Military and space (defense technologies)	$ 19,580	$ 260,566	$ 240,986	62%	55%
Commercial aerospace	1,837	35,117	33,280	8%	8%
Natural resources	(19,348)	39,124	58,472	9%	13%
Industrial	(15,759)	46,636	62,395	11%	14%
Medical and other	(1,947)	39,975	41,922	10%	10%
Total	$ (15,637)	$ 421,418	$ 437,055	100%	100%

Net sales for 2013 reflected the growth in the aerospace and defense end-use markets, which were more than offset by lower sales in the non-aerospace and defense end-use markets.

Net Sales to Major Customers

A significant portion of our sales are to our top ten customers. Sales to Boeing were approximately 18% and sales to Raytheon were approximately 10% of total sales for 2013. Sales decreased $10.4 million, or 1.4%, to $736.7 million for the fiscal year ended December 31, 2013 from $747.0 million for the fiscal year ended December 31, 2012. The lower sales were the result of lower sales in the non-aerospace and defense markets, which was partially offset by higher sales in commercial aerospace and defense technologies.

Cost of Sales and Gross Profit

Gross profit decreased in 2013 primarily due to lower net sales and fourth quarter charges of $14.1 million in the DAS operating segment. The fourth quarter charges were comprised of asset impairment charges on production costs of contracts of $5.7 million on the Embraer Legacy 450/500 contracts and $1.3 million on the Boeing 777 wing tip contract; forward loss reserves of $3.9 million on the Embraer Legacy 450/500 contracts and $1.3 million on the Boeing 777 wing tip contract; and inventory reserves of $1.9 million on the Embraer Legacy 450/500 contracts.

In addition, during our third quarter of 2013, we recorded a $1.1 million inventory reserve charge as we determined that approximately $1.1 million of inventory relating to prior periods had not been valued correctly at our DLT operating segment. We corrected these errors in the third quarter of 2013 and recorded a $1.1 million charge for inventory reserves for the DLT operating segment. The total of all these charges reduced total year 2013 gross margins by approximately two percent. Gross profit margins as a percentage of net sales decreased in 2013 primarily due to unfavorable product mix, the impact of lower net sales in the non-aerospace and defense end-use markets and the charges discussed above.

Selling, General and Administrative Expenses ("SG&A")

SG&A expenses decreased in 2013 primarily due to lower accrued compensation and benefits costs and partially offset by a charge of $0.6 million of expenses due to a workers' compensation insurance payroll audit and $0.5 million of expenses related to the debt repricing, as discussed in Interest Expense below, and increased professional fees. SG&A expenses in 2012 included a charge of $0.4 million for engineering research and development costs that were capitalized in error in inventory in prior periods.

Interest Expense

Interest expense decreased in 2013 primarily due to lower outstanding debt balances during the year as a result of our voluntary prepayments and a lower interest rate on the Term Loan beginning in April 2013 as a result of our debt repricing. For further information, see "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 7. Long-Term Debt—Senior Secured Term Loan and Senior Secured Revolving Credit Facility ("Credit Facilities") and Senior Notes."

Income Tax Expense

We recorded an income tax benefit of $1.7 million (an effective tax benefit rate of 22.1%) in 2013, compared to an income tax expense of $5.6 million (an effective tax rate of 25.3%) in 2012.

The effective tax benefit rate for 2013 included $2.0 million of 2012 federal research and development tax credit benefits recognized in the first quarter of 2013 as a result of the American Taxpayer Relief Act of 2012, passed in January 2013. This Act includes an extension of the federal research and development tax credit for the amounts paid or incurred after December 31, 2011 and before January 1, 2014. We recognized total federal research and development tax credit benefits of $4.5 million in 2013. The effective tax rate for 2012 included no federal research and development tax credit benefits. The effective tax rate for both 2013 and 2012 benefited from expiring statutes of limitation and other favorable tax adjustments. The 2012 tax rate was impacted by a charge for a valuation allowance for state research and development tax credits of $2.2 million, partially offset by a $1.6 million tax benefit as a result of the LaBarge Acquisition, which allowed us to file state consolidated tax returns in 2012. The $2.2 million valuation allowance was the result of new state legislation passed in the fourth quarter of 2012. The new legislation reduces the amount of our income apportioned to California, thus reducing our ability to realize the benefits of the state research and development tax credits previously recorded. Currently, the federal research and development tax credit benefits have not been extended into 2014. We cannot predict whether such an extension will be granted.

Net Income and Earnings per Diluted Share

Net income and earnings per diluted share for 2013 were $9.3 million, or $0.86 per diluted share, compared to $16.4 million, or $1.55 per diluted share, for 2012. Net income for 2013 decreased primarily due to lower gross margin as a result of charges of $14.1 million on the Embraer Legacy 450/500 and Boeing 777 wing tip contracts, a $1.1 million inventory reserve charge related to the DLT segment in the third quarter and from lower gross margins in the non-aerospace and defense end-use markets, partially offset by lower SG&A expenses, and lower interest and income tax expenses. Diluted earnings per share for 2013 included a federal research and development tax credit benefit of $4.5 million while 2012 included no such benefit. Diluted earnings per share for 2012 included a $2.2 million valuation allowance, partially offset by a $1.6 million state tax benefit related to the LaBarge Acquisition. Diluted earnings per share for both 2013 and 2012 included tax benefits from expiring statutes and other favorable tax adjustments.

Business Segment Performance

We report our financial performance based upon the two reportable operating segments: DAS and DLT. The results of operations differ between our reportable operating segments due to differences in competitors, customers, extent of proprietary deliverables and performance. The following table summarizes our business segment performance for 2013 and 2012:

	%	(In thousands) Years Ended December 31,		% of Net Sales	% of Net Sales
	Change	2013	2012	2013	2012
Net Sales					
DAS	1.7 %	$ 315,232	$ 309,982	42.8 %	41.5 %
DLT	(3.6)%	421,418	437,055	57.2 %	58.5 %
Total Net Sales	(1.4)%	$ 736,650	$ 747,037	100.0 %	100.0 %
Segment Operating Income					
DAS (4)		$ 18,122	$ 28,792	5.7 %	9.3 %
DLT(2)		36,181	40,698	8.6 %	9.3 %
		54,303	69,490		
Corporate General and Administrative Expenses (1)(2)(3)		(16,735)	(14,677)	(2.3)%	(2.0)%
Total Operating Income		$ 37,568	$ 54,813	5.1 %	7.3 %
EBITDA					
DAS					
Operating Income (4)		$ 18,122	$ 28,792		
Depreciation and Amortization		12,406	10,313		
		30,528	39,105	9.7 %	12.6 %
DLT					
Operating Income (2)		36,181	40,698		
Depreciation and Amortization		18,346	18,934		
		54,527	59,632	12.9 %	13.6 %
Corporate General and Administrative Expenses (1)(2)(3)					
Operating Loss		(16,735)	(14,677)		
Depreciation and Amortization		174	166		
		(16,561)	(14,511)		
EBITDA		$ 68,494	$ 84,226	9.3 %	11.3 %
Adjusted EBITDA					
Asset impairments (4)		$ 6,975	$ —		
Merger-related expenses (2)		—	702		
Adjusted EBITDA		$ 75,469	$ 84,928	10.2 %	11.4 %
Capital Expenditures					
DAS		$ 8,287	$ 7,950		
DLT		5,000	7,809		
Corporate Administration		116	54		
Total Capital Expenditures		$ 13,403	$ 15,813		

(1) Includes costs not allocated to either the DLT or DAS operating segments.
(2) The 2012 period includes merger-related transaction costs of $0.3 million in Corporate General and Administrative Expenses and $0.4 million in DLT resulting from a change in control provision for certain key executives and employees arising in connection with the LaBarge Acquisition.
(3) The 2013 and 2012 periods include $1.2 million and $0.6 million, respectively, of workers' compensation insurance expenses included in gross profit and not allocated to the operating segments.

(4) The 2013 period includes $14.1 million in charges related to fourth quarter asset impairment charges of $5.7 million on the Embraer Legacy 450/500 contracts and $1.3 million on the Boeing 777 wing tip contract which are added back to adjusted EBITDA; forward loss reserves of $3.9 million on the Embraer Legacy 450/500 contracts and $1.3 million on the Boeing 777 wing tip contract; and inventory write-offs of $1.9 million on the Embraer Legacy 450/500 contracts.

Ducommun AeroStructures

DAS's net sales in 2013 increased 1.7% reflecting a 4.5% increase in commercial aerospace revenue, partially offset by a 1.7% decrease in military and space (defense structures) revenue.

The DAS segment operating income and EBITDA decreased in 2013, primarily due to the fourth quarter charges of $14.1 million related to the Embraer Legacy 450/500 contracts and Boeing 777 wing tip contracts which was partially off set by increased sales volume and lower accrued compensation and benefit costs.

Ducommun LaBarge Technologies

DLT's net sales in 2013 decreased 3.6% reflecting a 22.8% decrease in non-aerospace and defense revenue, partially offset by a 8.1% increase in defense technologies and 5.5% increase in commercial aerospace revenue.

DLT's segment operating income and EBITDA decreased in 2013 primarily due to lower operating margins from reduced sales and a $1.1 million charge for inventory reserves which was partially offset by lower accrued compensation and benefit costs.

Corporate General and Administrative ("CG&A")

The CG&A expenses increased in 2013 primarily due to $0.6 million related to a workers' compensation insurance payroll audit and $0.5 million related to our debt repricing transaction and increased professional fees, partially offset by lower accrued compensation and benefits costs.

Backlog

Backlog is subject to delivery delays or program cancellations, which are beyond our control. Backlog is affected by timing differences in the placement of customer orders and tends to be concentrated in several programs to a greater extent than our net sales. Backlog in non-aerospace and defense markets tends to be of a shorter duration and is generally fulfilled within a 3-month period. As a result of these factors, trends in our overall level of backlog may not be indicative of trends in our future net sales.

Backlog was $620.0 million at December 31, 2013, compared to $656.6 million at December 31, 2012, as shown in more detail below. The decrease in backlog was primarily in the defense technologies end-use markets. Approximately $496.0 million of total backlog is expected to be delivered during 2014. The following table summarizes our backlog for 2013 and 2012:

		(In thousands) December 31,	
	Change	2013	2012
Consolidated Ducommun			
Military and space			
Defense technologies	$ (35,966)	$ 217,453	$ 253,419
Defense structures	1,260	117,733	116,473
Commercial aerospace	1,652	231,203	229,551
Natural resources	(1,491)	22,805	24,296
Industrial	(3,371)	13,616	16,987
Medical and other	1,308	17,183	15,875
Total	$ (36,608)	$ 619,993	$ 656,601
DAS			
Military and space (defense structures)	$ 1,260	$ 117,733	$ 116,473
Commercial aerospace	1,905	205,530	203,625
Total	$ 3,165	$ 323,263	$ 320,098
DLT			
Military and space (defense technologies)	$ (35,966)	$ 217,453	$ 253,419
Commercial aerospace	(253)	25,673	25,926
Natural resources	(1,491)	22,805	24,296
Industrial	(3,371)	13,616	16,987
Medical and other	1,308	17,183	15,875
Total	$ (39,773)	$ 296,730	$ 336,503

2012 Compared to 2011

The results of operations for 2012 compared to 2011 reflect the full-year impact of increased revenues and operating expenses, including depreciation and amortization expenses, and higher interest expense from the June 2011 LaBarge Acquisition and a non-cash pre-tax goodwill impairment charge of $54.3 million in 2011. The following table sets forth net sales, selected financial data, the effective tax rate (benefit) and diluted earnings (loss) per share:

	(in thousands, except per share data) Years Ended December 31,			
	2012	% of Net Sales 2012	2011	% of Net Sales 2011
Net Sales	$ 747,037	100.0%	$ 580,914	100.0 %
Cost of Sales	605,585	81.1%	474,978	81.8 %
Gross Profit	141,452	18.9%	105,936	18.2 %
Selling, General and Administrative Expenses	86,639	11.6%	85,790	14.8 %
Goodwill Impairment	—	—	54,273	9.3 %
Interest Expense	32,798	4.4%	18,198	3.1 %
Income (Loss) Before Taxes	22,015	2.9%	(52,325)	(9.0)%
Income Tax Expense (Benefit)	5,578	nm	(4,742)	nm
Net Income (Loss)	$ 16,437	2.2%	$ (47,583)	(8.2)%
Effective Tax Rate (Benefit)	25.3%	nm	(9.1)%	nm
Diluted Earnings (Loss) Per Share	$ 1.55	nm	$ (4.52)	nm

nm = not meaningful

Net Sales by End-Use Market and Operating Segment

Net sales by end-use market and operating segment during 2012 and 2011, respectively, were as follows:

	(In thousands) Years Ended December 31,			% of Net Sales	
	Change	2012	2011	2012	2011
Consolidated Ducommun					
Military and space					
Defense technologies	$ 74,427	$ 240,986	$ 166,559	32.2%	28.7%
Defense structures	6,512	139,435	132,923	18.7%	22.9%
Commercial aerospace	17,761	203,827	186,066	27.3%	32.0%
Natural resources	23,150	58,472	35,322	7.8%	6.1%
Industrial	25,644	62,395	36,751	8.4%	6.3%
Medical and other	18,629	41,922	23,293	5.6%	4.0%
Total	$ 166,123	$ 747,037	$ 580,914	100.0%	100.0%
DAS					
Military and space (defense structures)	$ 6,512	$ 139,435	$ 132,923	45.0%	45.4%
Commercial aerospace	10,711	170,547	159,836	55.0%	54.6%
Total	$ 17,223	$ 309,982	$ 292,759	100.0%	100.0%
DLT					
Military and space (defense technologies)	$ 74,427	$ 240,986	$ 166,559	55.1%	57.8%
Commercial aerospace	7,050	33,280	26,230	7.6%	9.1%
Natural resources	23,150	58,472	35,322	13.4%	12.3%
Industrial	25,644	62,395	36,751	14.3%	12.8%
Medical and other	18,629	41,922	23,293	9.6%	8.1%
Total	$ 148,900	$ 437,055	$ 288,155	100.0%	100.0%

Net sales for 2012 increased $166.1 million, or 28.6%, to $747.0 million, compared to $580.9 million in 2011. The higher revenue was primarily the result of the full-year impact of the June 2011 LaBarge Acquisition. The net sales attributable to LaBarge in 2012 and 2011 were $324.2 million and $175.4 million, respectively. Net sales in the non-aerospace and defense end-use markets remain weak.

Net Sales to Major Customers

A substantial portion of our sales are to our top ten customers. Sales to Boeing were 17% percent of our net sales for 2012. See "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 15. Major Customers and Concentrations of Credit Risk" for further information.

Cost of Sales and Gross Profit

Gross profit margins vary considerably by contract. Gross profit dollars increased primarily due to the full-year impact of the additional gross profit generated from the LaBarge Acquisition. Gross profit margins increased due to a higher proportion of net sales of higher margin product, partially offset by lower margins from engineering services. Gross profit percentages were also lower in 2011 due to inventory step-up write-off related to the LaBarge Acquisition. Gross profit margins for 2012 were favorably impacted by an adjustment to correct operating expenses of approximately $0.4 million, or 0.06% points, relating to the reversal of certain accrued liabilities that were accrued during the periods from 2005 to 2012, that had, in fact, been paid or were not otherwise owed to suppliers. We assessed the materiality of this reversal and concluded it was immaterial to currently reported annual amounts and previously reported annual and interim amounts and did not restate the prior annual or interim periods.

Selling, General and Administrative Expenses

The SG&A expenses were essentially flat year over year due to the full-year impact of SG&A expenses from the acquired LaBarge organization of $36.4 million (including $7.8 million for amortization of intangibles, compared to $4.0 million in 2011), mostly offset by $16.2 million of merger-related transaction costs incurred in 2011 for the LaBarge Acquisition and integration cost synergies realized in 2012.

Goodwill Impairment

A pre-tax non-cash goodwill impairment charge of $54.3 million was recorded in the fourth quarter of 2011, driven by a decline in our market value as of December 31, 2011, following the LaBarge Acquisition, which has since recovered, and a softening defense market. For further information, see "Critical Accounting Policies—Goodwill" and "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 5. Goodwill and Other Intangible Assets."

Interest Expense

Interest expense increased in 2012 due to the full-year impact of debt incurred in June 2011 related to financing the LaBarge Acquisition. For further information, see "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 7. Long-Term Debt—Senior Secured Term Loan and Senior Secured Revolving Credit Facility ("Credit Facilities") and Senior Notes."

Income Tax Expense

Income tax expense increased in 2012 compared to 2011 primarily as a result of higher pre-tax income. The effective tax rate was 25.3% in 2012, compared to an income tax benefit of 9.1% in 2011. The 2012 tax rate was impacted by a charge for a valuation allowance for state research and development tax credits of $2.2 million, partially offset by a $1.6 million tax benefit as a result of the LaBarge Acquisition, which allowed us to file state consolidated tax returns in 2012. The $2.2 million valuation allowance was the result of new state legislation passed in the fourth quarter of 2012. The new legislation reduces the amount of Company income apportioned to California, thus reducing our ability to realize the benefits of the state research and development tax credits previously recorded. In addition, our effective tax rate for 2012 reflected no current year federal research and development tax benefits; whereas, the effective tax rate for 2011 included federal research and development tax benefits.

Net Income (Loss) and Earnings (Loss) per Diluted Share

Net income and earnings per diluted share for 2012 was $16.4 million, or $1.55 per diluted share, compared to the 2011 net loss of $47.6 million, or ($4.52) per diluted share. The increase in net income was mainly due to higher net sales and operating margin in 2012 and merger-related expenses and a goodwill impairment charge incurred in 2011, partially offset by higher interest expense and higher income taxes in 2012. The results for 2011 included an after-tax goodwill impairment charge and merger-related expenses (including cost of sales relating to the write-up of LaBarge inventory) of $3.15 and $2.77 per diluted share, respectively. Excluding the impairment charge and the merger-related expenses, net income for 2011 would have been $14.9 million, or $1.40 per diluted share.

Business Segment Performance

We report our financial performance based upon the two reportable operating segments; DAS and DLT. The results of operations differ between our reportable operating segments due to differences in competitors, customers, extent of proprietary deliverables and performance. The following table summarizes our business segment performance for 2012 and 2011:

	% Change	(In thousands) Years Ended December 31, 2012	2011	% of Net Sales 2012	% of Net Sales 2011
Net Sales					
DAS	5.9%	$ 309,982	$ 292,759	41.5 %	50.4 %
DLT	51.7%	437,055	288,155	58.5 %	49.6 %
Total Net Sales	28.6%	$ 747,037	$ 580,914	100.0 %	100.0 %
Segment Operating Income (Loss)					
DAS		$ 28,792	$ 25,798	9.3 %	8.8 %
DLT(2)(4)		40,698	(33,390)	9.3 %	(11.6)%
		69,490	(7,592)		
Corporate General and Administrative Expenses (1)(3)(5)		(14,677)	(26,535)	(2.0)%	(4.6)%
Total Operating Income (Loss)		$ 54,813	$ (34,127)	7.3 %	(5.9)%
EBITDA(1)					
DAS					
Operating Income		$ 28,792	$ 25,798		
Depreciation and Amortization		10,313	9,953		
		39,105	35,751	12.6 %	12.2 %
DLT					
Operating Income (2)(4)		40,698	(33,390)		
Depreciation and Amortization		18,934	11,445		
		59,632	(21,945)	13.6 %	(7.6)%
Corporate General and Administrative Expenses (1)(3)(5)					
Operating Loss		(14,677)	(26,535)		
Depreciation and Amortization		166	60		
		(14,511)	(26,475)		
EBITDA		$ 84,226	$ (12,669)		
Adjusted EBITDA					
Merger-related expenses (3)(4)		$ 702	$ 16,137		
Goodwill Impairment		—	54,273		
		702	70,410		
Adjusted EBITDA		$ 84,928	$ 57,741	11.4 %	9.9 %
Capital Expenditures					
DAS		$ 7,950	$ 8,798		
DLT		7,809	5,454		
Corporate Administration		54	284		
Total Capital Expenditures		$ 15,813	$ 14,536		

(1) Includes costs not allocated to either the DLT or DAS operating segments.
(2) Includes approximately $54.3 million of goodwill impairment expense in the twelve months ended December 31, 2011.
(3) Includes approximately $0.3 million of merger-related transaction expenses in 2012 and $12.4 million in 2011 related to the LaBarge Acquisition.
(4) Includes approximately $0.4 million in 2012 and $3.7 million in 2011 resulting from a change-in-control provision for certain LaBarge key executives and employees arising in connection with the LaBarge Acquisition.

(5) The 2012 and 2011 periods include $0.6 million and $0.5 million, respectively, of workers' compensation insurance expenses included in gross profit and not allocated to the operating segments.

Ducommun AeroStructures

DAS's increase in sales in 2012 was due to higher net sales of large commercial aircraft and military helicopter products, partially offset by lower net sales of regional aircraft and military fixed-wing products.

The DAS segment operating income and EBITDA increased in 2012 primarily due to a higher proportion of net sales of higher margin products.

Ducommun LaBarge Technologies

DLT's net sales in 2012 were up $148.9 million over 2011. The increased net sales were primarily due to the full-year effect of incremental sales of $148.8 million from the June 2011 LaBarge Acquisition. Net sales into the non-aerospace and defense end-use markets remain weak.

The DLT segment operating income and EBITDA rose primarily due to $72.6 million of increased operating income from full-year effect of the LaBarge Acquisition. The results for 2011 included a non-cash pre-tax charge of $54.3 million for the impairment of goodwill.

LIQUIDITY AND CAPITAL RESOURCES

Available Liquidity

Total debt, the weighted-average interest rate, cash and cash equivalents and available credit facilities were as follows:

	(In millions) December 31,			
	2013		2012	
Total debt, including long-term portion	$	332.7	$	365.7
Weighted-average interest rate on debt		7.76%		7.82%
Term Loan interest rate		4.75%		5.50%
Cash and cash equivalents	$	48.8	$	46.5
Unused Revolving Credit Facility	$	58.4	$	58.4

In 2013, we made significant progress on our plan to de-lever the balance sheet and paid $30.0 million of voluntary principal prepayments on our Term Loan, bringing the total of such prepayments to $55.0 million to date. We reduced our Term Loan to $132.6 million at December 31, 2013. We expect to voluntarily prepay $25.0 million to $30.0 million on the Term Loan in 2014, funded by cash generated from operations.

In March 2013, we executed an amendment to our Credit Facilities which completed a repricing of our Term Loan and Revolving Credit Facility. The repricing reduced the interest rate spread on the Term Loan and Revolving Credit Facility by 50 basis points and the interest rate floor by 25 basis points under the LIBOR rate or the Alternate Base Rate. The LIBOR rate has a floor of 1.00% plus 3.75%. The Alternate Base Rate has a floor of 2.00% plus 2.75%. The Alternate Base Rate is the greater of the (a) Prime rate and (b) Federal Funds rate plus 0.5%. Our Term Loan matures on June 30, 2017, and our $60.0 million Revolving Credit Facility matures on June 28, 2016.

The Revolving Credit Facility and Term Loan covenants require EBITDA of more than $50.0 million and a maximum leverage ratio under certain circumstances, as well as annual limitations on capital expenditures and limitations on future disposition of property, investments, acquisitions, repurchase of stock, dividends, and outside indebtedness. At December 31, 2013, we were in compliance with all covenants. Capital expenditures for 2013 were $12.4 million, well below the maximum allowed under the Credit Facility of $28.0 million for the year. At December 31, 2013, there were no amounts outstanding that would have triggered the leverage covenant. The leverage covenant becomes more restrictive in future periods and will require us to continue to reduce our debt or increase EBITDA.

In October 2013, we executed an amendment to our Credit Facilities which increases the maximum leverage ratio, as defined, by 0.75 basis points in all future periods. We believe the voluntary prepayments on the Term Loan will help reduce our leverage, as defined in the credit agreement.

The Notes bear interest of 9.75% per annum, payable semi-annually on January 15 and July 15 of each year. The Notes become callable on July 15, 2015 at a premium of 4.875% and mature on July 15, 2018, at which time the entire principal amount will be due.

We expect to spend a total of approximately $16.0 million for capital expenditures in 2014 financed by cash generated from operations, slightly more than 2013, principally to support new contract awards at DAS and DLT. As part of our strategic plan to become a Tier 2 supplier, additional up-front investment in tooling will be required for newer programs which have higher engineering content and higher levels of complexity in assemblies.

We believe the ongoing aerospace and defense subcontractor consolidation makes acquisitions an increasingly important component of our future growth. We will continue to make prudent acquisitions and capital expenditures for manufacturing equipment and facilities to support long-term contracts for commercial and military aircraft and defense programs. In addition, we will continue to invest to grow our non-aerospace and defense end-use markets.

We continue to depend on operating cash flow and the availability of our Revolving Credit Facility to provide short-term liquidity. Cash generated from operations and bank borrowing capacity is expected to provide sufficient liquidity to meet our obligations during the next twelve months.

Cash Flow Summary

2013 Compared to 2012

Net cash provided by operating activities in 2013 compared to 2012 reflects lower net income, partially off-set by better working capital management, primarily in inventory and accounts receivable. The improvements in working capital management were off-set by payments in accrued compensation from 2012 and timing differences related to other current assets. Net cash used in investing activities of $12.3 million and $15.8 million in 2013 and 2012, respectively, included capital expenditures, principally to support new contract awards at DAS and DLT. Net cash used in financing activities during 2013 and 2012 included $30.0 million and $25.0 million, respectively, of voluntary principal prepayments on our Term Loan, partially offset by cash from stock option exercises in 2013. In addition, 2013 included a final payment of $3.0 million on a promissory note related to a prior year acquisition.

2012 Compared to 2011

Net cash provided by operating activities in 2012 compared to 2011 reflects higher net income, better working capital management, primarily in inventory, and improved operating efficiency. Net cash used in operating activities for 2011 was impacted by lower net income, an increase in accounts receivables, primarily related to the timing of billings to customers and extension of payments by the customers, an increase in inventory, primarily related to work-in-process for production jobs scheduled to ship in 2012 and afterward, payments of accounts payable, and payments in 2011 for expenses recorded in accrued liabilities in 2010. Net cash used in operating activities for 2011 was also negatively impacted by $25.6 million of merger-related expenses related to the LaBarge Acquisition.

Net cash used in investing activities in 2011 of $339.8 million included $325.3 million for the LaBarge Acquisition. Capital expenditures to support new contract awards at DLT and DAS were comparable in 2012 and 2011.

Net cash provided by financing activities in 2011 of $374.0 million included approximately $390.0 million of borrowings, primarily to finance the LaBarge Acquisition, $1.3 million of repayment of the Term Loan, and $14.0 million of debt issue cost paid, also related to the LaBarge Acquisition. See "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 2. Acquisitions" for further information related to the LaBarge Acquisition.

Contractual Obligations

A summary of our contractual obligations at December 31, 2013 was as follows (in thousands):

		Payments Due by Period			
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt	$ 332,702	$ 25	$ 52	$ 332,625	$ —
Future interest on notes payable and long-term debt	119,864	25,887	51,792	42,185	—
Operating leases	17,457	5,954	8,746	2,271	486
Pension liability	16,801	1,454	3,107	3,276	8,964
Total(1)	$ 486,824	$ 33,320	$ 63,697	$ 380,357	$ 9,450

(1) As of December 31, 2013, we recorded approximately $2.7 million in long-term liabilities related to uncertain tax positions. We are not able to reasonably estimate the timing of the long-term payments, or the amount by which our liability may increase or decrease over time, therefore, the liability or uncertain tax positions has not been included in the contractual obligations table.

We have estimated that the fair value of our indemnification obligations as insignificant based upon our history with such obligations and insurance coverage and have included no such obligation in the table above.

Our ultimate liability with respect to groundwater contamination at certain DAS facilities will depend upon a number of factors, including changes in existing laws and regulations, the design and cost of construction, operation and maintenance activities, and the allocation of liability among potentially responsible parties. The above table does not include obligations related to these matters. For additional information, see “Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 14. Contingencies.”

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of operating leases and indemnities.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those accounting policies that can have a significant impact on the presentation of our financial condition and results of operations and that require the use of subjective estimates based upon past experience and management’s judgment. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates. Below are those policies applied in preparing our financial statements that management believes are the most dependent on the application of estimates and assumptions. For additional accounting policies, see "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies.”

<u>Revenue Recognition</u>

Except as described below, we recognize revenue, including revenue from products sold under long-term contracts, when persuasive evidence of an arrangement exists, the price is fixed or determinable, collection is reasonably assured and delivery of products has occurred or services have been rendered.

We have a significant number of contracts for which net sales are accounted for under the percentage-of-completion method using the units of delivery as the measure of completion. The percentage-of-completion method requires the use of assumptions and estimates related to the contract value, the total cost at completion, and measurement of progress toward completion. These contracts are primarily fixed-price contracts that vary widely in terms of size, length of performance period and expected gross profit margins.

We also recognize revenue on the sale of services (including prototype products) based on the type of contract: time and materials, cost-plus reimbursement and firm-fixed price. Revenue is recognized (i) on time and materials contracts as time is spent at hourly rates, which are negotiated with customers, plus the cost of any allowable materials and out-of-pocket expenses, (ii) on cost-plus reimbursement contracts based on direct and indirect costs incurred plus a negotiated profit calculated as a percentage of cost, a fixed amount or a performance-based award fee, and (iii) on fixed-price contracts on the percentage-of-completion method measured by the percentage of costs incurred to estimated total costs. Revenue from services was less than 10% of net sales for the periods presented.

<u>Provision for Estimated Losses on Contracts</u>

We record provisions for total anticipated losses on contracts considering total estimated costs to complete the contract compared to total anticipated revenues in the period in which such losses are identified. The provisions for estimated losses on contracts require management to make certain estimates and assumptions, including those with respect to the future revenue under a contract and the future cost to complete the contract. Management’s estimate of the future cost to complete a contract may include assumptions as to improvements in manufacturing efficiency and reductions in operating and material costs. If any of these or other assumptions and estimates do not materialize in the future, we may be required to record additional provisions for estimated losses on contracts.

In the fourth quarter of 2013, we recorded a charge in the DAS segment for the estimated future cost to complete of $5.2 million, consisting of $3.9 million for the Embraer Legacy 450/500 aircraft contracts, and $1.3 million for the Boeing 777 wing tip contract. The charges result from difficulties in achieving previously anticipated cost reductions, including delays in transferring work to our lower-cost Guaymas, Mexico facility. The charge for the Embraer Legacy 450/500 contracts also reflects estimated cost overruns driven by customer changes for both the development and production phases of the contracts, for which we have asserted claims with Embraer. Recognition of additional losses in future periods continues to be a risk and will depend upon numerous factors, including our sales forecast, our ability to achieve forecasted cost reductions and our ability to resolve claims and assertions with our customers. The $5.2 million charge was recorded as part of cost of goods sold in the Company's results of operations. The charge increased accrued liabilities by $4.2 million and other long-term liabilities by $1.0 million on the Company's balance sheet.

Production Cost of Contracts

Production cost of contracts includes tooling and other special-purpose machinery necessary to build parts as specified in a contract, and non-recurring production costs such as design and engineering costs. Production costs of contracts are recorded to cost of goods sold using the units of delivery method. We review long-lived assets within production costs of contracts for impairment on an annual basis (in the fourth quarter for us) or when events or changes in circumstances indicate that the carrying value of our long-lived assets may not be recoverable. An impairment charge is recognized when the carrying value of an asset exceeds the projected undiscounted future cash flows expected from its use and disposal.

In the fourth quarter of 2013, we recorded an impairment charge in the DAS segment on production costs of contracts of $7.0 million, consisting of $5.7 million for the Embraer Legacy 450/500 aircraft contracts, and $1.3 million for the Boeing 777 wing tip contract. The impairment charge reflects a determination that the production cost of contracts for the Boeing 777 wing tip contract and the Embraer Legacy 450/500 contracts are not recoverable since these contracts are estimated to be unprofitable during their remaining terms. The impairment charge represents the entire remaining balance of production cost of contracts for these contracts. The $7.0 million charge was recorded as part of cost of goods sold in the Company's results of operations and a reduction in production cost of contracts on the Company's balance sheet.

Goodwill and Indefinite-Lived Intangible Asset

Our business acquisitions have resulted in the recognition of goodwill. Goodwill is not amortized but is subject to annual impairment tests (in the fourth quarter for us) and between annual tests, if events indicate it is more likely than not that the fair value of a reporting unit is less than its carrying value.

A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include deterioration in general economic conditions, negative developments in equity and credit markets, adverse changes in the markets in which we operate, increases in costs that have a negative effect on earnings and cash flows, or a trend of negative or declining cash flows over multiple periods, among others.

Goodwill is allocated at the reporting unit level, which is defined as an operating segment or one level below an operating segment. We have three internal reporting units; DAS, DLT and Miltec. Miltec is part of the DLT operating segment. The application of the goodwill impairment test requires significant judgment, including the identification of the reporting units, and the determination of both the carrying value and the fair value of the reporting units. The carrying value of each reporting unit is determined by assigning the assets and liabilities, including existing goodwill, to those reporting units. The determination of the fair value of each reporting unit requires significant judgment, including our estimation of future cash flows, which is dependent upon internal forecasts, estimation of the long-term rate of growth of our businesses, estimation of the useful lives of the assets which will generate the cash flows, determination of our weighted-average cost of capital and other factors. In determining the appropriate discount rate, we considered the weighted-average cost of capital for each reporting unit which, among other factors, considers the cost of common equity capital and the marginal cost of debt of market participants.

The estimates and assumptions used to calculate the fair value of a reporting unit may change from period to period based upon actual operating results, market conditions and our view of the future trends. The estimates and assumptions used to determine whether impairment exists and determine the amount of such impairment, if any, are subject to a high degree of uncertainty. The estimated fair value of a reporting unit would change materially if different assumptions and estimates were used.

We initially perform an assessment of qualitative factors to determine if it is necessary to perform the two-step goodwill impairment test. We test goodwill for impairment using the two-step method if, based on our assessment of the qualitative factors, we determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if we decide to bypass the qualitative assessment. When performing the two-step impairment test, we use a combination of an income approach, which estimates fair value of the reporting unit based upon future discounted cash flows, and a market approach, which estimates fair value using market multiples for transactions in a set of comparable companies. If the carrying value of the reporting unit exceeds its fair value, we then perform the second step of the impairment test to measure the amount of the impairment loss, if any. The second step requires fair valuation of all the reporting unit's assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. This residual fair value of goodwill is then compared to the carrying value to determine impairment. An impairment charge will be recognized only when the estimated fair value of a reporting unit, including goodwill, is less than its carrying value.

We conducted our annual goodwill impairment test on December 31, 2013 based on assessing the qualitative factors and concluded goodwill was not impaired. In the annual goodwill impairment test conducted on December 31, 2011, we recorded an impairment charge of $54.3 million for the DLT internal reporting unit, driven by a decline in our market value, which has since recovered, and a softening defense market. As December 31, 2013, the date of the most recent annual impairment test, the DAS, DLT and Miltec internal reporting units had $57.2 million, $96.3 million, and $8.4 million of recorded goodwill, respectively. As of December 31, 2013, the fair value of the DAS, DLT and Miltec internal reporting units exceeded their carrying values by approximately 12%, 11% and 15%, respectively.

We review our indefinite-lived intangible asset for impairment on an annual basis (in the fourth quarter for us) or when events or changes in circumstances indicate that more likely than not the fair value of our indefinite-lived intangible asset is less than its carrying value. We compare the fair value of the indefinite-lived intangible asset with its carrying value if the qualitative factors indicate it is more likely than not that the fair value of the asset is less than its carrying value or if we decide to bypass the qualitative assessment. Impairment indicators include, but are not limited to, cost factors, financial performance, adverse legal or regulatory developments, industry and market conditions and general economic conditions. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, we would recognize an impairment loss in the amount of such excess. We conducted our annual impairment test on December 31, 2013 based on assessing the qualitative factors and concluded the indefinite-lived intangible asset was not impaired.

Other Intangible Assets

We amortize purchased other intangible assets with finite lives over the estimated economic lives of the assets, ranging from three to eighteen years generally using the straight-line method. The value of other intangibles acquired through business combinations has been estimated using present value techniques which involve estimates of future cash flows. Actual results could vary, potentially resulting in impairment charges.

Accounting for Stock-Based Compensation

We use a Black-Scholes valuation model in determining the stock-based compensation expense for options, net of an estimated forfeiture rate, on a straight-line basis over the requisite service period of the award. We have one award population with an option vesting term of four years. We estimated the forfeiture rate based on our historic experience. The Black-Scholes valuation model requires assumptions and judgments regarding stock price volatility, risk-free interest rates, expected options terms, and options that are expected to be forfeited. Management’s estimates could differ from actual results.

For performance and restricted stock units, we calculate compensation expense, net of an estimated forfeiture rate, on a straight line basis over the requisite service/performance period of the awards. The performance stock units vest based on a three-year performance cycle. The restricted stock units, vest over various periods of time ranging from one to three years. We estimate the forfeiture rate based on our historic experience.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on a first-in, first-out basis. Market value for raw materials is based on replacement costs and is based on net realizable value for other inventory classifications. Inventoried costs include raw materials, outside processing, direct labor and allocated overhead, adjusted for any abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) incurred. Costs under long-term contracts are accumulated into, and removed from, inventory on the same basis as other contracts. We assess the inventory carrying value and reduce it, if necessary, to its net realizable value based on customer orders on hand, and internal demand forecasts using management’s best estimates given information currently available. Our customer demand can fluctuate significantly caused by factors beyond our control. We maintain an allowance for potentially excess and obsolete inventories and inventories that are carried at costs that are higher than their estimated net realizable values. If market conditions are less favorable than those projected by management, such as an unanticipated decline in demand and not meeting expectations, inventory write-downs may be required. In the fourth quarter of 2013, we recorded an inventory write-down of $1.9 million for the Embraer Legacy 450/500 aircraft contracts based on the estimated net realizable value under the existing contract terms. The charge reflects management's estimate of the cost to complete delivery of products as the program transitions from the development phase to the initial production phase.

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 our commitment to a formal plan of action. Further, we review and update our environmental accruals as circumstances change and/or additional information is obtained that reasonably could be expected to have a meaningful effect on the outcome of a matter or the estimated cost thereof.

Recent Accounting Pronouncements

See "Part II, Item 8. Ducommun Incorporated and Subsidiaries—Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—Recent Accounting Pronouncements" for further information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our main market risk exposure relates to changes in U.S. interest rates on our outstanding long-term debt. At December 31, 2013, we had borrowings of $132.6 million under our Term Loan which bears interest, at our option, at a rate equal to either an alternate base rate or an adjusted LIBOR rate for a one-, two-, three-, or six-month interest period chosen by us, plus an applicable margin percentage. This LIBOR rate has a floor of 1.00%, and a margin of 3.75%. A hypothetical 10% increase or decrease in the interest rate would have an immaterial impact on our financial condition and results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data together with the report thereon of PricewaterhouseCoopers LLP listed in the index at Item 15(a) 1 and 2 are included herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer have concluded, based on an evaluation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)), that such disclosure controls and procedures were effective as of the end of the period covered by this report.

Internal Control over Financial Reporting

Management's report on the Company's internal control over financial reporting as of December 31, 2013 is included under Item 15(a)(1) of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the three months ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors of the Registrant

The information under the caption “Election of Directors” in the 2014 Proxy Statement is incorporated herein by reference.

Executive Officers of the Registrant

The information under the caption “Executive Officers of the Registrant” in the 2014 Proxy Statement is incorporated herein by reference.

Audit Committee and Audit Committee Financial Expert

The information under the caption “Committees of the Board of Directors” relating to the Audit Committee of the Board of Directors in the 2014 Proxy Statement is incorporated herein by reference.

Compliance with Section 16(a) of the Exchange Act

The information under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2014 Proxy Statement is incorporated herein by reference.

Code of Ethics

The information under the caption “Code of Ethics” in the 2014 Proxy Statement is incorporated herein by reference.

Changes to Procedures to Recommend Nominees

There have been no material changes to the procedures by which security holders may recommend nominees to the Company’s Board of Directors since the date of the Company’s last proxy statement.

ITEM 11. EXECUTIVE COMPENSATION

The information under the captions “Compensation of Executive Officers,” “Compensation of Directors,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” in the 2014 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information under the caption “Security Ownership of Certain Beneficial Owners and Management” in the 2014 Proxy Statement is incorporated herein by reference.

Securities Authorized for Issuance under Equity Compensation Plan Plans

The following table provides information about our compensation plans under which equity securities are authorized for issuance:

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)(c)(2)
Equity Compensation Plans			
Approved by security holders [1]	949,109	$ 18.455	111,343
Not approved by security holders	—	—	—
Total	949,109		111,343

(1) The number of securities to be issued consists of 702,001 for stock options, 93,358 for restricted stock units and 153,750 for performance stock units at target. The weighted average exercise price applies only to the stock options.
(2) Awards are not restricted to any specified form or structure and may include, without limitation, sales or bonuses of stock, restricted stock, stock options, reload stock options, stock purchase warrants, other rights to acquire stock, securities convertible into or redeemable for stock, stock appreciation rights, limited stock appreciation rights, phantom stock, dividend equivalents, performance units or performance shares, and an award may consist of one such security or benefit, or two or more of them in tandem or in alternative.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information under the caption "Election of Directors" in the 2014 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information under the caption "Principal Accountant Fees and Services" contained in the 2014 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The following consolidated financial statements of Ducommun Incorporated and subsidiaries, are incorporated by reference in Item 8 of this report.

2. Financial Statement Schedule

The following schedule for the years ended December 31, 2013, 2012 and 2011 is filed herewith:

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.

3. Exhibits

Management's Report on Internal Control over Financial Reporting

Management of Ducommun Incorporated (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control-Integrated Framework(1992).* Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2013.

PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as stated in the report which appears immediately following this Management's Report on Internal Control over Financial Reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ducommun Incorporated:

In our opinion, the consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows present fairly, in all material respects, the financial position of Ducommun Incorporated and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 15(a)(1). Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 27, 2014

Ducommun Incorporated
Consolidated Statements of Operations
(In thousands, except per share amounts)

	Years Ended December 31, 2013	2012	2011
Net Sales	$ 736,650	$ 747,037	$ 580,914
Cost of Goods			
Cost of goods sold	602,024	605,585	474,978
Forward loss provision	5,234	—	—
Asset impairments	6,975	—	—
Total cost of goods	614,233	605,585	474,978
Gross Profit	122,417	141,452	105,936
Selling, General and Administrative Expenses	84,849	86,639	85,790
Goodwill Impairment	—	—	54,273
Operating Income (Loss)	37,568	54,813	(34,127)
Interest Expense	29,918	32,798	18,198
Income (Loss) Before Taxes	7,650	22,015	(52,325)
Income Tax (Benefit) Expense	(1,693)	5,578	(4,742)
Net Income (Loss)	$ 9,343	$ 16,437	$ (47,583)
Earnings (Loss) Per Share			
Basic earnings (loss) per share	$ 0.87	$ 1.55	$ (4.52)
Diluted earnings (loss) per share	$ 0.86	$ 1.55	$ (4.52)
Weighted-Average Number of Common Shares Outstanding			
Basic	10,695	10,580	10,536
Diluted	10,852	10,628	10,536

See accompanying notes to consolidated financial statements.

Ducommun Incorporated
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Years Ended December 31,		
	2013	2012	2011
Net Income (Loss)	$ 9,343	$ 16,437	$ (47,583)
Pension Adjustments			
Amortization of actuarial loss included in net income (loss), net of tax benefit of $408, $427 and $160 for 2013, 2012 and 2011, respectively	685	720	270
Actuarial gain (loss) arising during the period, net of tax expense (benefit) of $1,737, ($300) and $(2,663) for 2013, 2012 and 2011, respectively	2,921	(863)	(4,493)
Other Comprehensive Income (Loss)	3,606	(143)	(4,223)
Comprehensive Income (Loss)	$ 12,949	$ 16,294	$ (51,806)

See accompanying notes to consolidated financial statements.

Ducommun Incorporated
Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 48,814	$ 46,537
Accounts receivable (less allowance for doubtful accounts of $489 and $566)	91,909	97,300
Inventories	140,507	148,318
Production cost of contracts	11,599	17,960
Deferred income taxes	10,850	5,474
Other current assets	27,085	13,997
Total Current Assets	330,764	329,586
Property and Equipment, Net	96,090	98,383
Goodwill	161,940	161,940
Intangibles, Net	165,465	176,356
Other Assets	9,940	13,824
Total Assets	$ 764,199	$ 780,089
Liabilities and Shareholders' Equity		
Current Liabilities		
Current portion of long-term debt	$ 25	$ 3,042
Accounts payable	58,111	52,578
Accrued liabilities	45,453	50,184
Total Current Liabilities	103,589	105,804
Long-Term Debt, Less Current Portion	332,677	362,702
Deferred Income Taxes	68,489	65,355
Other Long-Term Liabilities	19,750	23,553
Total Liabilities	524,505	557,414
Commitments and Contingencies (Notes 11, 14)		
Shareholders' Equity		
Common stock - $0.01 par value; authorized 35,000,000 shares; issued 10,960,054 shares in 2013 and 10,738,065 shares in 2012	110	107
Treasury stock, at cost - held in treasury 143,300 shares in 2013 and 2012	(1,924)	(1,924)
Additional paid-in capital	70,542	66,475
Retained earnings	174,828	165,485
Accumulated other comprehensive loss	(3,862)	(7,468)
Total Shareholders' Equity	239,694	222,675
Total Liabilities and Shareholders' Equity	$ 764,199	$ 780,089

See accompanying notes to consolidated financial statements.

Ducommun Incorporated
Consolidated Statements of Changes in Shareholders' Equity
(In thousands, except share data)

	Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2010	**10,507,143**	**$ 106**	**$ (1,924)**	**$ 61,684**	**$ 197,421**	**$ (3,102)**	**$ 254,185**
Net loss	—	—	—	—	(47,583)	—	(47,583)
Other comprehensive loss, net of tax	—	—	—	—	—	(4,223)	(4,223)
Cash dividends	—	—	—	—	(790)	—	(790)
Stock options exercised	96,605	1	—	1,552	—	—	1,553
Stock repurchased related to the exercise of stock options	(63,185)	—	—	(1,497)	—	—	(1,497)
Stock-based compensation	—	—	—	2,363	—	—	2,363
Income tax benefit related to the exercise of nonqualified stock options	—	—	—	276	—	—	276
Balance at December 31, 2011	**10,540,563**	**$ 107**	**$ (1,924)**	**$ 64,378**	**$ 149,048**	**$ (7,325)**	**$ 204,284**
Net income	—	—	—	—	16,437	—	16,437
Other comprehensive loss, net of tax	—	—	—	—	—	(143)	(143)
Stock options exercised	69,498	—	—	—	—	—	—
Stock repurchased related to the exercise of stock options	(15,296)	—	—	(186)	—	—	(186)
Stock-based compensation	—	—	—	1,959	—	—	1,959
Income tax benefit related to the exercise of nonqualified stock options	—	—	—	324	—	—	324
Balance at December 31, 2012	**10,594,765**	**$ 107**	**$ (1,924)**	**$ 66,475**	**$ 165,485**	**$ (7,468)**	**$ 222,675**
Net income	—	—	—	—	9,343	—	9,343
Other comprehensive income, net of tax	—	—	—	—	—	3,606	3,606
Stock options exercised	487,163	5	—	8,770	—	—	8,775
Stock repurchased related to the exercise of stock options	(265,174)	(2)	—	(6,805)	—	—	(6,807)
Stock-based compensation	—	—	—	2,438	—	—	2,438
Tax shortfall for exercise of stock options and vesting of stock awards	—	—	—	(336)	—	—	(336)
Balance at December 31, 2013	**10,816,754**	**$ 110**	**$ (1,924)**	**$ 70,542**	**$ 174,828**	**$ (3,862)**	**$ 239,694**

See accompanying notes to consolidated financial statements.

Ducommun Incorporated
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31, 2013	2012	2011
Cash Flows from Operating Activities			
Net Income (Loss)	$ 9,343	$ 16,437	$ (47,583)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and amortization	30,926	29,413	21,458
Asset impairments	6,975	—	—
Impairment of goodwill	—	—	54,273
Stock-based compensation expense	2,438	1,959	2,363
Deferred income taxes	(2,242)	(142)	(6,652)
(Recovery of) provision for doubtful accounts	(77)	78	(3)
Other decrease (increase)	6,223	2,391	(22)
Changes in Assets and Liabilities:			
Accounts receivable decrease (increase)	5,468	(1,204)	(3,990)
Inventories decrease (increase)	7,811	6,185	(4,828)
Production cost of contracts increase	(5,101)	(1,324)	(3,451)
Other assets (increase) decrease	(11,192)	6,846	602
Accounts payable increase (decrease)	4,533	(8,097)	(12,323)
Accrued and other liabilities decrease	(9,143)	(5,008)	(2,846)
Net Cash Provided by (Used in) Operating Activities	**45,962**	**47,534**	**(3,002)**
Cash Flows from Investing Activities			
Purchases of property and equipment	(12,403)	(15,813)	(14,536)
Acquisitions of businesses, net of cash acquired	—	—	(325,715)
Proceeds from sales of assets	139	31	470
Net Cash Used in Investing Activities	**(12,264)**	**(15,782)**	**(339,781)**
Cash Flows from Financing Activities			
Repayment of term loan and other debt	(33,024)	(26,478)	(1,276)
Borrowings of senior notes and term loan	—	—	390,000
Cash dividends paid	—	—	(790)
Debt issue cost paid	(365)	—	(14,025)
Net cash effect of exercise related to stock options	1,968	(186)	55
Net Cash (Used in) Provided by Financing Activities	**(31,421)**	**(26,664)**	**373,964**
Net Increase in Cash and Cash Equivalents	2,277	5,088	31,181
Cash and Cash Equivalents at Beginning of Year	46,537	41,449	10,268
Cash and Cash Equivalents at End of Year	**$ 48,814**	**$ 46,537**	**$ 41,449**
Supplemental Disclosures of Cash Flow Information			
Interest paid	$ 27,614	$ 31,505	$ 5,950
Taxes paid	$ 7,835	$ 1,953	$ 4,512

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Ducommun Incorporated and its subsidiaries ("Ducommun", the "Company", "we", "us" or "our"), after eliminating intercompany balances and transactions. We have included the results of operations of acquired companies from the date of acquisition.

Our fiscal quarters end on the Saturday closest to the end of March, June and September for the first three fiscal quarters of each year, and ends on December 31 for our fourth fiscal quarter.

In the opinion of management, all adjustments, consisting of recurring accruals, have been made that are necessary to fairly state our consolidated financial position, results of operations, comprehensive income (loss) and cash flows in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

Certain amounts and disclosures included in the consolidated financial statements required management to make estimates and judgments that affect the amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

Description of Business

We are a leading global provider of engineering and manufacturing services for high-performance products and high-cost-of failure applications used primarily in the aerospace, defense industrial, natural resources, medical and other industries. Our subsidiaries are organized into two strategic businesses; Ducommun LaBarge Technologies and Ducommun AeroStructures, each of which is a reportable operating segment. Concurrent with the acquisition of LaBarge Inc. in June 2011, Ducommun LaBarge Technologies ("DLT") was formed by the combination of our former Ducommun Technologies segment ("DTI") and LaBarge Inc. (See Note 2). DLT designs, engineers and manufactures high-reliability products used in worldwide technology-driven markets including aerospace and defense, natural resources, industrial and medical and other end-use markets. DLT's product offerings range from prototype development to complex assemblies. Ducommun AeroStructures ("DAS") designs, engineers and manufactures large, complex contoured aerospace structural components and assemblies and supplies composite and metal bonded structures and assemblies. DAS's products are used on commercial aircraft, military fixed-wing aircraft and military and commercial rotary-wing aircraft. All reportable operating segments follow the same accounting principles.

Cash Equivalents

Cash equivalents consist of highly liquid instruments purchased with original maturities of three months or less. These assets are valued at cost, which approximates fair value, which we classify as Level 1. See Fair Value below.

Revenue Recognition

Except as described below, we recognize revenue, including revenue from products sold under long-term contracts, when persuasive evidence of an arrangement exists, the price is fixed or determinable, collection is reasonably assured and delivery of products has occurred or services have been rendered.

We have a significant number of contracts for which net sales are accounted for under the percentage-of-completion method using the units of delivery as the measure of completion. The percentage-of-completion method requires the use of assumptions and estimates related to the contract value, the total cost at completion, and measurement of progress toward completion. These contracts are primarily fixed-price contracts that vary widely in terms of size, length of performance period and expected gross profit margins.

We also recognize revenue on the sale of services (including prototype products) based on the type of contract: time and materials, cost-plus reimbursement and firm-fixed price. Revenue is recognized (i) on time and materials contracts as time is spent at hourly rates, which are negotiated with customers, plus the cost of any allowable materials and out-of-pocket expenses, (ii) on cost-plus reimbursement contracts based on direct and indirect costs incurred plus a negotiated profit calculated as a percentage of cost, a fixed amount or a performance-based award fee, and (iii) on fixed-price contracts on the percentage-of-completion method measured by the percentage of costs incurred to estimated total costs.

Provision for Estimated Losses on Contracts

We record provisions for the total anticipated losses on contracts considering total estimated costs to complete the contract compared to total anticipated revenues in the period in which such losses are identified. In the fourth quarter of 2013, we recorded a charge in the DAS segment for the estimated cost to complete of $5.2 million, consisting of $3.9 million for the Embraer Legacy 450/500 aircraft contracts, and $1.3 million for the Boeing 777 wing tip contract. The charges result from difficulties in achieving previously anticipated cost reductions, including delays in transferring work to our lower-cost Guaymas, Mexico facility. The charge for the Embraer Legacy 450/500 contracts also reflects estimated cost overruns for customer driven changes on both the development and production phases of the contracts, for which we have asserted claims with Embraer. Recognition of additional losses in future periods continues to be a risk and will depend upon numerous factors, including our sales forecast, our ability to achieve forecasted cost reductions and our ability to resolve claims and assertions with our customers. The $5.2 million charge was recorded as part of cost of goods sold in the Company's results of operations. The charge increased accrued liabilities by $4.2 million and other long-term liabilities by $1.0 million on our balance sheet.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses from the inability of customers to make required payments. The allowance for doubtful accounts is evaluated periodically based on the aging of accounts receivable, the financial condition of customers and their payment history, historical write-off experience and other assumptions, such as current assessment of economic conditions.

Inventory Valuation

Inventories are stated at the lower of cost or market, cost being determined on a first-in, first-out basis. Market value for raw materials is based on replacement costs, and is based on net realizable value for other inventory classifications. Inventoried costs include raw materials, outside processing, direct labor and allocated overhead, adjusted for any abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) incurred. Costs under long-term contracts are accumulated into, and removed from, inventory on the same basis as other contracts. We assess the inventory carrying value and reduce it, if necessary, to its net realizable value based on customer orders on hand, and internal demand forecasts using management's best estimates given information currently available. We maintain an allowance for potentially excess and obsolete inventories and inventories that are carried at costs that are higher than their estimated net realizable values. In the fourth quarter of 2013, we recorded a charge of $1.9 million in the DAS segment for the Embraer Legacy 450/500 aircraft contracts. The charge result from difficulties in achieving previously anticipated cost reductions, and estimated cost overruns driven by customer changes for both the development and production phases of the contracts.

Out of Period Adjustments

During the fourth quarter of 2013, we determined that approximately $5.0 million in deferred income tax assets on the 2012 consolidated balance sheet should have been reduced with an offsetting decrease of approximately $2.5 million in accrued liabilities and a decrease of approximately $2.5 million in deferred income tax liabilities. We assessed the materiality of these errors and concluded they were immaterial to currently reported annual amounts and previously reported annual and interim amounts. However, we have revised our consolidated financial statements for the prior annual and interim periods in this Form 10-K.

During the third quarter of 2013, we determined that approximately $1.1 million of inventory had not been valued correctly at our DLT operating segment for periods originating in 2010 through the second quarter of 2013. The errors were attributed to the following quarters; $0.3 million in Q2 2010, $0.5 million in Q2 2011, $0.1 million in Q4 2012, $0.1 million in Q1 2013 and $0.1 million in Q2 2013. We assessed the materiality of these errors and concluded they were immaterial to currently reported annual amounts and previously reported annual and interim amounts. We corrected the errors in the third quarter of 2013 and recorded a $1.1 million charge for inventory reserves for the DLT operating segment and did not restate our consolidated financial statements for the prior annual or interim periods.

During the fourth quarter of 2012, we determined that approximately $0.4 million of operating expenses originating in 2005 through 2012 had been accrued in error. We assessed the materiality of this accrual reversal and concluded it was immaterial to currently reported annual amounts and previously reported annual and interim amounts. We corrected the error in the fourth quarter and did not restate our consolidated financial statements for the prior annual or interim periods.

During the first quarter of 2012, we determined that approximately $0.4 million of engineering research and development costs had been capitalized in error in inventory in prior periods. We assessed the materiality of this error and concluded it was immaterial to currently reported annual amounts and previously reported annual and interim amounts. We corrected the error in the first quarter of 2012 and did not restate our consolidated financial statements for the prior annual or interim periods.

Production Cost of Contracts

Production cost of contracts includes non-recurring production costs, such as design and engineering costs, and tooling and other special-purpose machinery necessary to build parts as specified in a contract. Production costs of contracts are recorded to cost of goods sold using the units of delivery method. We review long-lived assets within production costs of contracts for impairment on an annual basis (in the fourth quarter for us) or when events or changes in circumstances indicate that the carrying value of our long-lived assets may not be recoverable. An impairment charge is recognized when the carrying value of an asset exceeds the projected undiscounted future cash flows expected from its use and disposal. In the fourth quarter of 2013, we recorded an impairment charge in the DAS segment on production costs of contracts of $7.0 million, consisting of $5.7 million for the Embraer Legacy 450/500 aircraft contracts, and $1.3 million for the Boeing 777 wing tip contract. The impairment charge reflects a determination that the production cost of contracts for the Boeing 777 wing tip contract and the Embraer Legacy 450/500 contracts are not recoverable since these contracts are estimated to be unprofitable during their remaining terms. The impairment charge represents the entire remaining balance of production cost of contracts for these contracts. The $7.0 million charge was recorded as part of cost of goods sold in the Company’s results of operations and a reduction in production cost of contracts on the Company’s balance sheet. As of December 31, 2013 and 2012, production costs of contracts were $11.6 million and $18.0 million, respectively.

Property and Equipment 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 of the related assets, or the lease term if shorter for leasehold improvements. Repairs and maintenance are charged to expense as incurred. We evaluate long-lived assets for recoverability considering undiscounted cash flows, when significant changes in conditions occur, and recognize impairment losses if any, based upon the fair value of the assets.

Fair Value

Assets and liabilities that are measured, recorded or disclosed at fair value on a recurring basis are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1, the highest level, refers to the values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant observable inputs. Level 3, the lowest level, includes fair values estimated using significant unobservable inputs.

Goodwill and Indefinite-Lived Intangible Asset

Goodwill is tested for impairment utilizing a two-step method. In the first step, we determine the fair value of the reporting unit using expected future discounted cash flows and market valuation approaches considering comparable Company revenue and Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) multiples. If the carrying value of the reporting unit exceeds its fair value, we then perform the second step of the impairment test to measure the amount of the impairment loss, if any. The second step requires fair valuation of all the reporting unit’s assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill. This residual fair value of goodwill is then compared to its carrying value to determine impairment. An impairment charge will be recognized only when the estimated fair value of a reporting unit, including goodwill, is less than its carrying value.

We review our indefinite-lived intangible asset for impairment on an annual basis or when events or changes in circumstances indicate that the carrying value of our intangible asset may not be recoverable. We may first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. Impairment indicators include, but are not limited to, cost factors, financial performance, adverse legal or regulatory developments, industry and market conditions and general economic conditions. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, we would recognize an impairment loss in the amount of such excess.

Income Taxes

Deferred tax assets and liabilities are recognized, using enacted tax rates, for the expected future tax consequences of temporary differences between the book and tax bases of recorded assets and liabilities, operating losses and tax credit carryforwards. Deferred tax assets are evaluated quarterly and are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax positions taken or expected to be taken in a tax return are recognized when it is more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Litigation and Commitments

In the normal course of business, we are defendants in certain litigation, claims and inquiries, including matters relating to environmental laws. In addition, we make various commitments and incur contingent liabilities. Management's estimates regarding contingent liabilities could differ from actual results.

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 our commitment to a formal plan of action. Further, we review and update our environmental accruals as circumstances change and/or additional information is obtained that reasonably could be expected to have a meaningful effect on the outcome of a matter or the estimated cost thereof.

Accounting for Stock-Based Compensation

We measure and recognize compensation expense for share-based payment transactions in the financial statements at their estimated fair value. The expense is measured at the grant date, based on the calculated fair value of the share-based award, and is recognized over the requisite service period (generally the vesting period of the equity award). The fair value of the awards are determined using the Black-Scholes valuation model, which requires assumptions and judgments regarding stock price volatility, risk-free interest rates, expected options terms, and options that are expected to be forfeited. Management's estimates could differ from actual results.

Other Intangible Assets

We amortize purchased other intangible assets with finite lives over the estimated economic lives of the assets, ranging from three to eighteen years generally using the straight-line method. The value of other intangibles acquired through business combinations has been estimated using present value techniques which involve estimates of future cash flows. We evaluate other intangible assets for recoverability considering undiscounted cash flows, when significant changes in conditions occur, and recognizes impairment losses, if any, based upon the estimated fair value of the assets.

Earnings Per Share

Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding in each period. Diluted earnings per share are computed by dividing income available to common shareholders plus income associated with dilutive securities by the weighted-average number of common shares outstanding, plus any potential dilutive shares that could be issued if exercised or converted into common stock in each period.

The net earnings (loss), weighted-average number of common shares outstanding used to compute earnings per share were as follows:

	(In thousands, except per share data) Years Ended December 31,		
	2013	2012	2011
Net earnings (loss) (a)	$ 9,343	$ 16,437	$ (47,583)
Weighted-average number of common shares outstanding			
Basic weighted-average common shares outstanding (b)	10,695	10,580	10,536
Dilutive potential common shares	157	48	—
Diluted weighted-average common shares outstanding (c)	10,852	10,628	10,536
Earnings (Loss) per share			
Basic (a/b)	$ 0.87	$ 1.55	$ (4.52)
Diluted (a/c)	$ 0.86	$ 1.55	$ (4.52)

Potentially dilutive stock options and stock units to purchase common stock, as shown below, were excluded from the computation of diluted earnings per share because their inclusion would have been anti-dilutive. However, these shares may be potentially dilutive common shares in the future.

	(In thousands) Years Ended December 31,		
	2013	2012	2011
Stock options and stock units	410	983	706

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, as reflected in the consolidated balance sheets under the equity section, was composed of cumulative pension and retirement liability adjustments, net of tax.

Recent Accounting Pronouncements

New Accounting Guidance Adopted in 2013

In December 2013, the Financial Accounting Standards Board (the "FASB") issued guidance to include the definition of a public business entity for future use in GAAP. The amendment does not affect existing requirements and does not have an actual effective date. We adopted this new guidance upon issuance but the adoption did not have any effect on our consolidated financial statements.

In February 2013, the FASB issued guidance to improve the reporting of reclassifications out of accumulated other comprehensive income/loss. The new guidance requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income/loss on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, cross-reference to other disclosures that provide additional detail is required. Early adoption is permitted. We adopted this new guidance effective January 1, 2013. This guidance affects disclosures only.

In January 2013, the FASB issued guidance clarifying the scope of disclosures about offsetting assets and liabilities and requires retrospective application for all periods presented. We adopted this new guidance effective January 1, 2013. The adoption of this new guidance did not have any effect on our condensed consolidated financial statements. In December 2011, the FASB issued guidance enhancing disclosure requirements about the nature of an entity's right to offset and related arrangements associated with its financial instruments and derivative instruments. The new guidance requires the disclosure of the gross amounts subject to rights of set-off, amounts offset in accordance with the accounting standards followed, and the related net exposure. The new guidance requires retrospective application for all comparable periods presented. We adopted this new guidance effective January 1, 2013. The adoption of this new guidance did not have any effect on our condensed consolidated financial statements.

New Accounting Guidance Not Yet Adopted

In July 2013, the FASB issued guidance that requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. This guidance will be effective for fiscal years beginning after December 15, 2013, which will be our fiscal year 2014, with early adoption permitted. We currently expect the adoption of this guidance will reduce deferred tax assets by approximately $2.1 million.

In February 2013, the FASB issued guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, except for obligations addressed within existing guidance in GAAP. The new guidance will be effective for us beginning January 1, 2014. Early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our condensed consolidated financial statements.

Note 2. Acquisitions

On June 28, 2011, we completed the acquisition of all the outstanding stock of LaBarge, Inc. ("LaBarge"), a publicly-owned company based in St. Louis, Missouri, that designs, engineers and manufactures high-reliability electronic products used in worldwide technology-driven markets including aerospace and defense, natural resources, industrial and medical and other end-use markets for $325.3 million (net of cash acquired and excluding acquisition costs) (the "LaBarge Acquisition"). The LaBarge Acquisition was funded by internally generated cash and $390.0 million of long-term debt. See Note 7, "Long-Term Debt," for additional information. For the twelve months ended December 31, 2011, our consolidated operating expenses included $16.1 million of expenses related to the LaBarge Acquisition and interest expense included the write-off of $0.8 million of unamortized financing costs, as a result of our debt refinancing related to the LaBarge Acquisition. The LaBarge Acquisition diversified our end-use markets, expanded our product offerings and provided other benefits.

The following table presents our unaudited pro forma consolidated operating results for 2011, as if the LaBarge Acquisition had occurred as of January 1, 2011:

	(In thousands) Year Ended December 31, 2011
Net sales	$ 744,366
Net loss	$ (39,737)
Basic loss per share	$ (3.77)
Diluted loss per share	$ (3.77)

The pro forma information is not necessarily indicative of the actual results that would have been achieved had the LaBarge Acquisition occurred on January 1, 2011, or the results that may be achieved in the future.

We acquired certain assets of Foam Matrix in the first quarter of 2011 for $0.4 million, which we accounted for as an asset purchase.

Note 3. Inventories

Inventories consisted of the following:

	(In thousands) December 31,	
	2013	2012
Raw materials and supplies	$ 75,985	$ 84,545
Work in process	62,115	67,132
Finished goods	11,580	13,031
	149,680	164,708
Less progress payments	9,173	16,390
Total	$ 140,507	$ 148,318

Note 4. Property and Equipment, Net

Property and equipment, net consisted of the following:

	(In thousands) December 31,		Range of Estimated
	2013	2012	Useful Lives
Land	$ 14,669	$ 14,643	
Buildings and improvements	44,971	45,816	5 - 40 Years
Machinery and equipment	128,344	121,033	2 - 20 Years
Furniture and equipment	26,088	26,181	2 - 10 Years
Construction in progress	9,085	7,142	
	223,157	214,815	
Less accumulated depreciation	127,067	116,432	
Total	$ 96,090	$ 98,383	

Depreciation expense was $15.6 million, $15.9 million and $12.1 million, for the years ended December 31, 2013, 2012 and 2011, respectively. Depreciation expense increased in 2012 compared to 2011 due to the LaBarge Acquisition.

Note 5. Goodwill and Other Intangible Assets

Goodwill and Indefinite-Lived Intangible Asset

The carrying amounts of goodwill, by operating segment, for the years ended December 31, 2013 and 2012 were as follows:

	(In thousands)		
	Ducommun AeroStructures	Ducommun LaBarge Technologies	Consolidated Ducommun
Gross goodwill	$ 57,243	$ 184,970	$ 242,213
Accumulated goodwill impairment	—	(80,273)	(80,273)
Balance at December 31, 2012	$ 57,243	$ 104,697	$ 161,940
Balance at December 31, 2013	$ 57,243	$ 104,697	$ 161,940

We performed our annual goodwill impairment test during the fourth quarter of 2013. During 2013 and 2012, we identified no goodwill impairment. In the fourth quarter of 2011, we recorded a goodwill impairment charge of $54.3 million for the DLT internal reporting unit, driven by a decline in our market value, which has since recovered, and a softening defense market. As of December 31, 2013, the date of the most recent annual impairment test, the DAS, DLT, and Miltec internal reporting units had $57.2 million, $96.3 million, and $8.4 million of recorded goodwill, respectively. As of December 31, 2013, the fair value of the DAS, DLT and Miltec internal reporting units exceeded their carrying values by approximately 12%, 11% and 15%, respectively.

We performed our annual indefinite-lived intangible asset impairment test during the fourth quarter of 2013. As a result, no impairment was identified as of December 31, 2013 nor have we previously identified any impairment related to this asset. The trade-name indefinite-lived intangible asset was $32.9 million as of December 31, 2013 and 2012.

Other Intangible Assets

Other intangible assets are related to acquisitions. Other intangible assets with finite lives are amortized on the straight-line method over periods ranging from three to eighteen years. The fair value of other intangible assets was determined by management and consisted of the following:

	(In thousands)						
		December 31, 2013			December 31, 2012		
	Wtd. Avg Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived assets							
Customer relationships	18	$ 164,500	$ 33,853	$ 130,647	$ 164,500	$ 23,460	$ 141,040
Trade names	10	3,400	2,720	680	3,400	2,380	1,020
Contract renewal	14	1,845	967	878	1,845	835	1,010
Technology	15	400	78	322	400	51	349
Total		$ 170,145	$ 37,618	$ 132,527	$ 170,145	$ 26,726	$ 143,419

The carrying amount of other intangible assets by operating segment as of December 31, 2013 and 2012 was as follows:

	(In thousands)					
	December 31, 2013			December 31, 2012		
	Gross	Accumulated Amortization	Net Carrying Value	Gross	Accumulated Amortization	Net Carrying Value
Other intangible assets						
Ducommun AeroStructures	$ 19,300	$ 11,330	$ 7,970	$ 19,300	$ 9,084	$ 10,216
Ducommun LaBarge Technologies	150,845	26,288	124,557	150,845	17,642	133,203
Total	$ 170,145	$ 37,618	$ 132,527	$ 170,145	$ 26,726	$ 143,419

Amortization expense of other intangible assets was $10.9 million, $11.5 million and $7.8 million for the years ended December 31, 2013, 2012 and 2011, respectively. Amortization expense of other intangibles increased in 2012 compared to 2011 due to the LaBarge Acquisition. Future amortization expense by operating segment is expected to be as follows:

	(In thousands)		
	Ducommun AeroStructures	Ducommun LaBarge Technologies	Consolidated Ducommun
2014	$ 1,717	$ 8,644	$ 10,361
2015	1,386	8,646	10,032
2016	1,123	8,304	9,427
2017	907	8,306	9,213
2018	737	8,305	9,042
Thereafter	2,100	82,352	84,452
	$ 7,970	$ 124,557	$ 132,527

Note 6. Accrued Liabilities

The components of accrued liabilities consisted of the following:

	(In thousands) December 31,	
	2013	2012
Accrued compensation	$ 19,929	$ 25,828
Accrued income tax and sales tax	1,451	1,280
Customer deposits	3,236	5,653
Interest payable	8,965	8,972
Provision for forward loss reserves	4,825	531
Other	7,047	7,920
Total	$ 45,453	$ 50,184

Note 7. Long-Term Debt

Long-term debt and the current period interest rates were as follows:

	(In thousands) December 31,	
	2013	2012
Senior unsecured notes (fixed 9.75%)	$ 200,000	$ 200,000
Senior secured term loan (floating 4.75%)	132,625	162,625
Promissory note (fixed 5.0%) and other debt (fixed 5.41%)	77	3,119
Total Debt	332,702	365,744
Less current portion	25	3,042
Total long-term debt	$ 332,677	$ 362,702
Weighted-average interest rate	7.76%	7.82%

Future long-term debt payments at December 31, 2013 were as follows:

		(In thousands)
2014	$	25
2015		26
2016		26
2017		132,625
2018		200,000
Total	$	332,702

In 2013, we made voluntary principal prepayments of $30.0 million on our senior secured term loan as discussed below. At December 31, 2013, we had $58.4 million of available borrowing capacity, as discussed below.

Senior Secured Term Loan and Senior Secured Revolving Credit Facility ("Credit Facilities")

We obtained our senior secured term loan ("Term Loan"), which matures on June 30, 2017, and entered into a $60.0 million senior secured revolving credit facility ("Revolving Credit Facility"), which matures on June 28, 2016, in connection with the LaBarge Acquisition. The Credit Facilities provides the option of choosing the London Interbank Offered Rate ("LIBOR" rate), or the Alternate Base Rate. The LIBOR rate may be for a one-, two-, three- or six-month period chosen by us. The payment of interest coincides with the LIBOR period we select.

On March 28, 2013, we executed an amendment to our Credit Facilities which completed a repricing of our Term Loan and Revolving Credit Facility. The repricing reduced the interest rate spread on the Term Loan and Revolving Credit Facility by 50 basis points and the interest rate floor by 25 basis points under the LIBOR rate or the Alternate Base Rate. The LIBOR rate has a floor of 1.00% plus 3.75%. The Alternate Base Rate has a floor of 2.00% plus 2.75%. The Alternate Base Rate is the greater of the (a) Prime rate and (b) Federal Funds rate plus 0.5%. In connection with this repricing, we recognized $0.5 million of financing and legal costs which were included in selling, general and administrative expenses in the first quarter of 2013.

The Term Loan required quarterly principal payments of $0.5 million beginning on September 30, 2011 and mandatory prepayment of certain amounts of excess cash flow on an annual basis beginning 2012. In 2012, we made voluntary principal prepayments of $25.0 million on our Term Loan and eliminated all required quarterly principal payments going forward.

The Credit Facilities are collaterized by substantially all of our assets and contain minimum Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and maximum leverage covenants under certain circumstances, as well as annual limitations on capital expenditures and limitation on future disposition of property, investments, acquisitions, repurchase of stock, dividends, and outside indebtedness. In the event that a certain minimum amount is borrowed and outstanding under the Revolving Credit Facility, for so long as any such amount is outstanding, we will be required to comply with a total leverage ratio. Furthermore, our consolidated EBITDA, as defined by these Credit Facilities, as of the end of any fiscal quarter on a trailing four-quarter basis is not permitted to be less than $50.0 million. At December 31, 2013, we were in compliance with all covenants. At December 31, 2013, there were no amounts outstanding that would have triggered the leverage covenant. However, we would have been in compliance with such leverage covenant.

On October 18, 2013, we executed an amendment to our Credit Facilities which increases the maximum leverage ratio, as defined, by 0.75 in all future periods.

At December 31, 2013, we had $58.4 million of unused borrowing capacity under the Revolving Credit Facility after deducting $1.6 million for standby letters of credit. Upon the satisfaction of certain conditions, including but not limited to, the agreement of lenders to provide such facilities or commitments, we also have the option to add one or more incremental term loan facilities or increase commitments under our Credit Facility by an aggregate amount of up to $75.0 million.

Senior Unsecured Notes

In connection with the LaBarge Acquisition, we issued $200.0 million of senior unsecured notes (the "Notes") with interest of 9.75% per annum, payable semi-annually on January 15 and July 15 of each year, beginning in 2012. The Notes become callable on July 15, 2015 and mature on July 15, 2018, at which time the entire principal amount is due.

Upon a change of control, as defined, we will be required to offer to purchase all of the Notes then outstanding for cash at 101% of the principal amount plus accrued and unpaid interest, if any, on the date of purchase on the Notes. A change of control under the indenture governing the Notes may also result in an event of default under our Credit Facilities which may cause the acceleration of indebtedness outstanding thereunder, in which case, proceeds of collateral pledged to secure borrowings thereunder would be used to repay such borrowings before we repay the Notes.

Promissory Note

On December 23, 2013, we paid our $3.0 million promissory note issued in connection with the 2008 acquisition of DAS-New York, according to terms.

Fair Value of Long-Term Debt

The carrying amount of long-term debt approximates fair value, except for the Notes for which the fair value was $223.0 million. Fair value was estimated using Level 2 inputs, based on the terms of the related debt, recent transactions and estimates using interest rates currently available to us for debt with similar terms and remaining maturities.

Note 8. Shareholders' Equity

We are authorized to issue five million shares of preferred stock. At December 31, 2013 and 2012, no preferred shares were issued or outstanding.

Note 9. Stock Options

We have two stock incentive plans. Stock awards may be made to directors, officers and key employees under the stock incentive plans on terms determined by the Compensation Committee of the Board of Directors or, with respect to directors, on terms determined by the Board of Directors. Stock options have been and may be granted to directors, 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.

We apply fair value accounting for stock-based compensation based on the grant-date fair value estimated using a Black-Scholes valuation model. We recognize compensation expense, net of an estimated forfeiture rate, on a straight-line basis over the requisite service period of the award. We have one award population with an option vesting term of four years. We estimate the forfeiture rate based on our historic experience, attempting to determine any discernible activity patterns. The expected life computation is based on historic exercise patterns and post-vesting termination behavior. The risk-free interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The expected volatility is derived from historical volatility of our common stock. We suspended payments of dividends after the first quarter of 2011.

The following table presents the weighted-average assumptions used to estimate the fair value of the share based payment awards granted in the periods presented:

	Years Ended December 31,		
	2013	2012	2011
Risk-free interest rate	1.44%	0.59%	1.47%
Expected volatility	53.89%	57.05%	42.28%
Expected life in months	66	66	66
Weighted-average fair value of grants	$ 10.95	$ 4.95	$ 8.84

Option activity during the three years ended December 31, 2013 was as follows:

	Years Ended December 31,					
	2013		2012		2011	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at January 1,	1,026,588	$ 18.69	978,688	$ 20.89	929,850	$ 20.65
Options granted	190,500	22.42	222,100	9.81	224,000	21.61
Options exercised	(437,937)	20.05	—	—	(79,937)	19.42
Options forfeited	(77,150)	22.35	(174,200)	19.70	(95,225)	21.55
Outstanding at December 31,	702,001	$ 18.46	1,026,588	$ 18.69	978,688	$ 20.89
Exerciseable at December 31,	245,750	$ 19.74	568,985	$ 21.46	530,262	$ 21.52
Available for grant at December 31,	111,343		78,350		230,950	

As of December 31, 2013, total unrecognized compensation cost (before tax benefits) related to stock options of $2.5 million is expected to be recognized over a weighted-average period of 2.8 years. The total options vested and expected to vest in the future are 702,001 shares with a weighted-average exercise price of $18.46 and a weighted-average remaining contractual term of 4.6 years. The aggregate intrinsic value for these options is approximately $8.0 million. Total options exercisable are 245,750 shares with a weighted-average exercise price of $19.74, a weighted-average remaining contractual term of 2.8 years and an aggregate intrinsic value of approximately $2.5 million.

Cash received from options exercised and stocks surrendered in the years ended December 31, 2013, 2012 and 2011 was $8.8 million, zero and $1.6 million, respectively. The tax benefit realized for the tax deductions from options exercised from the share-based payment awards was $1.4 million, $0.3 million and $0.3 million for the three years ended December 31, 2013, 2012 and 2011, respectively.

Changes in nonvested stock options for the year ended December 31, 2013 were as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2013	457,603	$ 6.49
Granted	190,500	10.95
Vested	(161,527)	6.69
Forfeited	(30,325)	7.11
Nonvested at December 31, 2013	456,251	$ 8.24

The aggregate intrinsic value of stock options represents the amount by which the market price of our common stock exceeds the exercise price of the stock option. The aggregate intrinsic value of stock options exercised for the years ended December 31, 2013, 2012 and 2011 was $3.7 million, $0.8 million and $0.7 million, respectively. Total fair value of options expensed was $2.4 million, $2.3 million and $2.4 million, before tax benefits, for the years ended December 31, 2013 , 2012 and 2011, respectively.

Note 10. Employee Benefit Plans

Supplemental Retirement Plans

We have three unfunded supplemental retirement plans. The first plan was suspended in 1986, but continues to cover certain former executives. The second plan was suspended in 1997, but continues to cover certain current and retired directors. The third plan covers certain current and retired employees and further employee contributions to this plan were suspended on August 5, 2011. The liability for the third plan and interest thereon is included in accrued employee compensation and long-term liabilities and was $0.4 million and $2.0 million, respectively, at December 31, 2013 and $0.3 million and $2.1 million, respectively, at December 31, 2012. The accumulated benefit obligations of the other two plans at December 31, 2013 and December 31, 2012 were both $1.1 million and are included in accrued liabilities.

Defined Contribution 401(K) Plans

We sponsor, for all our employees, two 401(k) defined contribution plans.The first plan covers all employees, other than employees at our Miltec subsidiary, and allows the employees to make annual voluntary contributions not to exceed the lesser of an amount equal to 25% of their compensation or limits established by the Internal Revenue Code. Under this plan, we generally provide a match equal to 50% of the employee’s contributions up to the first 6% of compensation, except for union employees who are not eligible to receive the match. The second plan covers only the employees at our Miltec subsidiary, and in 2013 the provisions of the Miltec plan were changed to be the same as our other plan. Prior to 2013, the Miltec plan allowed employees to make annual voluntary contributions not to exceed the lesser of an amount equal to 100% of their compensation or limits established by the Internal Revenue Code. Under this plan, Miltec generally (i) provided a match equal to 100% of the employee’s contributions up to the first 5% of compensation, (ii) contributions of 3% of an employee’s compensation annually, and (iii) contributions, at our discretion of 0% to 7% of an employee’s compensation annually. Our provision for matching and profit sharing contributions for the three years ended December 31, 2013, 2012 and 2011 was approximately $3.1 million, $3.8 million and $3.4 million, respectively.

Other Plans

We have a defined benefit pension plan covering certain hourly employees of a subsidiary (“Pension Plan”). Pension plan benefits are generally determined on the basis of the retiree’s age and length of service. Assets of this defined benefit pension plan are composed primarily of fixed income and equity securities. We also have a retirement plan covering certain current and retired employees (the "LaBarge Retirement Plan").

The components of net periodic pension cost for both plans are as follows:

	(In thousands) Years Ended December 31,		
	2013	2012	2011
Service cost	$ 843	$ 749	$ 523
Interest cost	1,160	1,167	1,043
Expected return on plan assets	(1,222)	(1,060)	(1,053)
Amortization of actuarial losses	1,093	1,147	430
Net periodic pension cost	$ 1,874	$ 2,003	$ 943

The components of the reclassifications of net actuarial losses from accumulated other comprehensive loss to net income for 2013 were as follows:

	(In thousands) Year Ended December 31, 2013
Amortization of actuarial loss - total before tax (1)	$ 1,093
Tax benefit	(408)
Net of tax	$ 685

(1) The amortization expense is included in the computation of periodic pension cost and is a decrease to net income upon reclassification from accumulated other comprehensive loss.

The estimated net actuarial loss for both plans that will be amortized from accumulated other comprehensive loss into net periodic cost during 2014 is $0.4 million.

The obligations and funded status of both plans are as follows:

	(In thousands) December 31, 2013	2012
Change in benefit obligation[1]		
Beginning benefit obligation (January 1)	$ 31,142	$ 28,605
Service cost	843	749
Interest cost	1,160	1,167
Actuarial (gain) loss	(3,372)	1,633
Benefits paid	(1,335)	(1,012)
Ending benefit obligation (December 31)	$ 28,438	$ 31,142
Change in plan assets		
Beginning fair value of plan assets (January 1)	$ 14,687	$ 11,945
Return on assets	2,509	1,513
Employer contribution	2,506	2,241
Benefits paid	(1,335)	(1,012)
Ending fair value of plan assets (December 31)	$ 18,367	$ 14,687
Funded status (under funded)	$ (10,071)	$ (16,455)
Amounts recognized in the consolidated balance sheet		
Current liabilities	$ 497	$ 672
Non-current liabilities	$ 9,574	$ 15,783
Unrecognized loss included in accumulated other comprehensive loss		
Beginning unrecognized loss, before tax (January 1)	$ 11,934	$ 11,902
Amortization	(1,093)	(1,147)
Liability (gain) loss	(3,372)	1,633
Asset (gain) loss	(1,286)	(454)
Ending unrecognized loss, before tax (December 31)	$ 6,183	$ 11,934
Tax impact	(2,321)	(4,466)
Unrecognized loss included in accumulated other comprehensive loss, net of tax	$ 3,862	$ 7,468
Prepaid benefit cost included in other assets	$ 1,135	$ 913
Accrued benefit cost included in other liabilities	$ 5,024	$ 5,433

(1) Projected benefit obligation equals the accumulated benefit obligation for the plans.

On December 31, 2013, our annual measurement date, the accumulated benefit obligation exceeded the fair value of the plans assets by $10.1 million. Such excess is referred to as an unfunded accumulated benefit obligation. We recorded unrecognized loss included in accumulated other comprehensive loss, net of tax at December 31, 2013 and 2012 of $3.9 million and $7.5 million, respectively, which decreased shareholders' equity and was included in other long-term liabilities. This charge to shareholders' equity represents a net loss not yet recognized as pension expense. This charge did not affect reported earnings, and would be decreased or be eliminated if either interest rates increase or market performance and plan returns improve or contributions cause the Pension Plan to return to fully funded status.

Our Pension Plan asset allocations at December 31, 2013 and 2012, by asset category, were as follows:

	December 31, 2013	2012
Equity securities	78%	74%
Cash and equivalents	4%	20%
Debt securities	18%	6%
Total[1]	100%	100%

(1) Our overall investment strategy is to achieve an asset allocation within the following ranges to achieve an appropriate rate of return relative to risk.

Cash	0-25%
Fixed income securities	0-50%
Equities	50-95%

Pension Plan assets consist primarily of listed stocks and bonds and do not include any of the Company's securities. The return on assets assumption reflects the average rate of return expected on funds invested or to be invested to provide for the benefits included in the projected benefit obligation. We select the return on asset assumption by considering our current and target asset allocation. We consider information from various external investment managers, forward-looking information regarding expected returns by asset class and our own judgment when determining the expected returns.

	(In thousands) Year Ended December 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash and other investments	$ 716	$ —	$ —	$ 716
Fixed income securities	3,328	—	—	3,328
Equities(1)	10,674	3,649	—	14,323
Total	$ 14,718	$ 3,649	$ —	$ 18,367

	(In thousands) Year Ended December 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and other investments	$ 2,905	$ —	$ —	$ 2,905
Fixed income securities	—	860	—	860
Equities(1)	8,441	2,481	—	10,922
Total	$ 11,346	$ 3,341	$ —	$ 14,687

(1) Represents mutual funds and commingled accounts which invest primarily in equities, but may also hold fixed income securities, cash and other investments.

The valuation techniques used to determine fair value are as follows. Commingled funds with publicly quoted prices and active trading are classified as Level 1 investments. For commingled funds that are not publicly traded and have ongoing subscription and redemption activity, the fair value of the investment is the net asset value ("NAV") per share, derived from the underlying securities' quoted prices in active markets. These funds are classified as Level 2 investments.

The assumptions used to determine the benefit obligations and expense for our two plans are presented in the tables below. The expected long-term return on assets, noted below, represents an estimate of long-term returns on investment portfolios consisting of a mixture of fixed income and equity securities. We consider long-term rates of return in which we expect our two plans to be invested. The estimated cash flows from the plans for all future years are determined based on the plans' population at the measurement date. Each year's cash flow is discounted back to the measurement date based on the yield for the year of bonds in the published CitiGroup Pension Discount Curve. The discount rate chosen is the single rate that provides the same present value as the individually discounted cash flows.

The weighted-average assumptions used to determine the net periodic benefit costs under the two plans were as follows:

	Years Ended December 31,		
	2013	2012	2011
Discount rate used to determine pension expense			
Pension Plan	4.00%	4.30%	5.50%
LaBarge Retirement Plan	3.10%	3.75%	4.75%

The weighted-average assumptions used to determine the benefit obligations under the two plans were as follows:

	December 31, 2013	2012	2011
Discount rate used to determine value of obligations			
Pension Plan	4.75%	4.00%	4.30%
LaBarge Retirement Plan	4.00%	3.10%	3.75%
Long-term rate of return - Pension Plan only	8.00%	8.50%	8.50%

The following benefit payments under both plans, which reflect expected future service, as appropriate, are expected to be paid:

	(In thousands) Pension Plan	LaBarge Retirement Plan
2014	$ 957	$ 497
2015	1,045	496
2016	1,072	493
2017	1,113	486
2018	1,201	476
Thereafter	6,854	2,110

Our funding policy is to contribute cash to our plans so that the minimum contribution requirements established by government funding and taxing authorities are met. We expect to make contributions of $2.0 million to the plans in 2014.

Note 11. Indemnifications

We have made guarantees and indemnities under which we may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions, including revenue transactions in the ordinary course of business. In connection with certain facility leases, we have indemnified our lessors for certain claims arising from the facility or the lease. We indemnify our directors and officers to the maximum extent permitted under the laws of the State of Delaware.

However, we have a directors and officers insurance policy that may reduce our exposure in certain circumstances and may enable us to recover a portion of future amounts that may be payable, if any. The duration of the guarantees and indemnities varies and, in many cases is indefinite but subject to statute of limitations. The majority of guarantees and indemnities do not provide any limitations of the maximum potential future payments we could be obligated to make. Historically, payments related to these guarantees and indemnities have been immaterial. We estimate the fair value of our indemnification obligations as insignificant based on this history and insurance coverage and have, therefore, not recorded any liability for these guarantees and indemnities in the accompanying consolidated balance sheets.

Note 12. Leases

We lease certain facilities and equipment for periods ranging from one to nine 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 2013, 2012 and 2011 was $7.9 million, $8.2 million and $7.3 million, respectively. Future minimum rental payments under operating leases having initial or remaining non-cancelable terms in excess of one year at December 31, 2013 were as follows:

	(In thousands)
2014	$ 5,954
2015	5,156
2016	3,590
2017	1,651
2018	620
Thereafter	486
Total	$ 17,457

Note 13. Income Taxes

Our pre-tax income attributable to foreign operations is not material. The provision for income tax (benefit) expense consisted of the following:

	(In thousands) Years Ended December 31,		
	2013	2012	2011
Current tax (benefit) expense			
Federal	$ (2,357)	$ 2,624	$ 2,133
State	432	(579)	(223)
	(1,925)	2,045	1,910
Deferred tax (benefit) expense			
Federal	576	4,420	(6,044)
State	(344)	(887)	(608)
	232	3,533	(6,652)
Income tax (benefit) expense	$ (1,693)	$ 5,578	$ (4,742)

Deferred tax (liabilities) assets were composed of the following:

	(In thousands) December 31,	
	2013	2012
Accrued expenses	$ 428	$ 221
Allowance for doubtful accounts	183	177
Contract overrun reserves	2,178	139
Deferred compensation	141	164
Employment-related reserves	2,982	2,657
Environmental reserves	778	762
Federal tax credit carryforwards	3,290	2,454
Inventory reserves	5,519	1,942
Pension obligation	2,297	4,445
Prepaid insurance	(666)	406
State net operating loss carryforwards	995	818
State tax credit carryforwards	3,887	3,253
Stock-based compensation	3,077	4,012
Workers' compensation	121	35
Other	1,355	1,208
	26,565	22,693
Depreciation	(6,182)	(5,424)
Goodwill	(8,819)	(5,764)
Intangibles	(62,777)	(66,015)
Unbilled receivables	(1,409)	(1,251)
Valuation allowance	(5,017)	(4,120)
Net deferred tax liabilities	$ (57,639)	$ (59,881)

We have federal tax credit carryforwards of $3.3 million, which begin to expire in 2032. We have recorded benefits for those carryforwards expected to be utilized on tax returns filed in the future.

We have state tax credit carryforwards of $5.9 million, which begin to expire in 2017, and state net operating losses of $24.4 million, which begin to expire in 2016. We have recorded benefits for those carryforwards expected to be utilized on tax returns filed in the future.

We have established a valuation allowance for items that are not expected to provide future tax benefits. We believe it is more likely than not that we will generate sufficient taxable income to realize the benefit of the remaining deferred tax assets.

The principal reasons for the variation between the expected and effective tax rates were as follows:

	Years Ended December 31,		
	2013	2012	2011
Statutory federal income tax rate	35.0%	35.0%	(35.0)%
State income taxes (net of federal benefit)	2.0	(2.8)	(2.2)
Acquisition costs	—	—	2.0
Benefit of qualified domestic production activities	(12.8)	(2.7)	(0.5)
Benefit of research and development tax credits	(59.5)	(4.3)	(2.6)
Goodwill impairment	—	—	28.8
Increase in valuation allowance	1.2	9.9	—
Non deductible book expenses	2.2	0.6	0.2
Recognition of deferred tax assets	11.0	—	—
Reduction of state effective tax rate	—	(7.0)	—
Reduction of tax reserves	—	(4.0)	—
Unremitted (losses) earnings of foreign subsidiary	(0.9)	0.8	0.3
Other	(0.3)	(0.2)	(0.1)
Effective income tax (benefit) rate	(22.1)%	25.3%	(9.1)%

The deduction for qualified domestic production activities is treated as a “special deduction” which has no effect on deferred tax assets and liabilities existing at the enactment date. Rather, the impact of this deduction is reported in our rate reconciliation.

We recorded an income tax benefit of $1.7 million (an effective tax benefit of 22.1%) in 2013, compared to an income tax expense of $5.6 million (an effective tax rate of 25.3%) in 2012.

The effective tax rate for 2013 included $2.0 million of 2012 federal research and development tax credit benefits recognized in the first quarter of 2013 as a result of the American Taxpayer Relief Act of 2012 (the “Act”), passed in January 2013. This Act includes an extension of the federal research and development tax credit for the amounts paid or incurred after December 31, 2011 and before January 1, 2014. We recognized total federal research and development tax credit benefits of $4.5 million in 2013. The effective tax rate for 2012 included no federal research and development tax credit benefits. The 2012 tax rate was impacted by a charge for a valuation allowance for state research and development tax credits of $2.2 million, partially offset by a $1.6 million tax benefit as a result of the LaBarge Acquisition, which allowed us to file state consolidated tax returns in 2012. The $2.2 million valuation allowance was the result of new state legislation passed in the fourth quarter of 2012. The new legislation reduces the amount of our income apportioned to California, thus reducing our ability to realize the benefits of the state research and development tax credits previously recorded. Currently, the federal research and development tax credit benefits have not been extended into 2014. We cannot predict whether such an extension will be granted.

We record the interest and penalty charge, if any, with respect to uncertain tax positions as a component of tax expense. During the three years ended December 31, 2013, 2012 and 2011, we recognized approximately zero, $(0.1) million and $0.1 million in interest expense (benefit) related to uncertain tax positions. We had approximately $0.1 million of interest and penalties accrued at both December 31, 2013 and 2012.

Our total amount of unrecognized tax benefits was approximately $2.6 million and $1.7 million at December 31, 2013 and 2012, respectively. Most of these amounts, if recognized, would affect the annual income tax rate. It is reasonably possible that the unrecognized tax benefits could be reduced by $0.2 million in the next twelve months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	(In thousands) Years Ended December 31, 2013	2012
Balance at January 1,	$ 1,656	$ 2,194
Additions based on tax positions related to the current year	668	214
Additions for tax positions for prior years	538	68
Reductions for tax positions for prior years	(265)	(820)
Balance at December 31,	$ 2,597	$ 1,656

Federal income tax returns after 2009, California franchise (income) tax returns after 2009 and other state income tax returns after 2009 are subject to examination.

Note 14. Contingencies

Ducommun is a defendant in a lawsuit entitled *United States of America ex rel Taylor Smith, Jeannine Prewitt and James Ailes v. The Boeing Company and Ducommun Inc.,* filed in the United States District Court for the District of Kansas (the "District Court"). The lawsuit is a qui tam action brought by three former The Boeing Company ("Boeing") employees ("Relators") against Boeing and Ducommun on behalf of the United States of America for violations of the United States False Claims Act. The lawsuit alleges that Ducommun sold unapproved parts to Boeing which were installed by Boeing in aircraft ultimately sold to the United States Government and that Boeing and Ducommun submitted or caused to be submitted false claims for payment relating to 21 aircraft sold by Boeing to the United States Government. The lawsuit seeks damages in an amount equal to three times the amount of damages the United States Government sustained because of the defendants' actions, plus a civil penalty of $10 thousand for each false claim made on or before September 28, 1999, and $11 thousand for each false claim made on or after September 28, 1999, together with attorneys' fees and costs. The Relators claim that the United States Government sustained damages of $1.6 billion (the contract purchase price of 21 aircraft) or, alternatively, $851 million (the alleged diminished value and increased maintenance cost of the 21 aircraft. After investigating the allegations, the United States Government has declined to intervene in the lawsuit. Ducommun and Boeing have filed motions for summary judgment to dismiss the lawsuit. The motions for summary judgment are pending before the District Court. Ducommun intends to defend itself vigorously against the lawsuit. Ducommun, at this time, is unable to estimate what, if any, liability it may have in connection with the lawsuit.

DAS has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its facilities located in El Mirage and Monrovia, California. Based on currently available information, Ducommun has established a reserve for its estimated liability for such investigation and corrective action of approximately $1.5 million at December 31, 2013, which is reflected in other long-term liabilities on its consolidated balance sheet.

DAS also faces liability as a potentially responsible party for hazardous waste disposed at landfills located in Casmalia and West Covina, California. DAS and other companies and government entities have entered into consent decrees with respect to these landfills with the United States Environmental Protection Agency and/or California environmental agencies under which certain investigation, remediation and maintenance activities are being performed. Based on currently available information, Ducommun preliminarily estimates that the range of its future liabilities in connection with the landfill located in West Covina, California is between approximately $0.4 million and $3.1 million. Ducommun has established a reserve for its estimated liability, in connection with the West Covina landfill of approximately $0.4 million at December 31, 2013, which is reflected in other long-term liabilities on its consolidated balance sheet. Ducommun's ultimate liability in connection with these matters will depend upon a number of factors, including changes in existing laws and regulations, the design and cost of construction, operation and maintenance activities, and the allocation of liability among potentially responsible parties.

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, Ducommun makes various commitments and incurs contingent liabilities. While it is not feasible to predict the outcome of these matters, Ducommun 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, results of operations or cash flows.

Note 15. Major Customers and Concentrations of Credit Risk

We provide proprietary products and services to the Department of Defense and various United States Government agencies, and most of the aerospace and aircraft manufacturers who receive contracts directly from the U.S. Government as an original equipment manufacturer ("prime manufacturers"). In addition, we also service technology-driven markets in the industrial, natural resources and medical and other end-use markets. As a result, we have significant net sales to certain customers. Sales to Boeing and Raytheon Company ("Raytheon") were approximately ten percent or greater of total net sales for 2013. Accounts receivable were diversified over a number of different commercial, military and space programs and were made by both operating segments. Net sales to our top ten customers, including Boeing and Raytheon, represented the following percentages of total net sales:

	Years Ended December 31,		
	2013	2012	2011
Boeing	18%	17%	19%
Raytheon	10%	7%	9%
Top ten customers	57%	54%	58%

Boeing and Raytheon represented the following percentages of total accounts receivable:

	December 31,	
	2013	2012
Boeing	12%	12%
Raytheon	8%	10%

In 2013, 2012 and 2011, sales to foreign customers worldwide, based upon the location of the customer, were $66.0 million, $52.1 million and $50.9 million, respectively. We have manufacturing facilities in Thailand and Mexico. The amounts of revenues, profitability and identifiable long-lived assets attributable to foreign sales activity were not material when compared with the revenue, profitability and identifiable assets attributed to United States domestic operations during 2013, 2012 and 2011. We had no sales to a foreign country greater than 3% of total sales in 2013, 2012 and 2011. We are not subject to any significant foreign currency risks since all sales are made in United States dollars.

Note 16. Business Segment Information

We supply products and services primarily to the aerospace and defense industries. Our subsidiaries are organized into two strategic businesses, DAS and DLT, each of which is a reportable operating segment.

Financial information by reportable operating segment was as follows:

	(In thousands) Years Ended December 31,		
	2013	2012	2011
Net Sales			
DAS	$ 315,232	$ 309,982	$ 292,759
DLT	421,418	437,055	288,155
Total Net Sales	$ 736,650	$ 747,037	$ 580,914
Segment Operating Income (Loss) (1)			
DAS (5)	$ 18,122	$ 28,792	$ 25,798
DLT (2)(3)	36,181	40,698	(33,390)
	54,303	69,490	(7,592)
Corporate General and Administrative Expenses (1)(2)(4)	(16,735)	(14,677)	(26,535)
Operating Income (Loss)	$ 37,568	$ 54,813	$ (34,127)
Depreciation and Amortization Expenses			
DAS	$ 12,406	$ 10,313	$ 9,953
DLT	18,346	18,934	11,445
Corporate Administration	174	166	60
Total Depreciation and Amortization Expenses	$ 30,926	$ 29,413	$ 21,458
Capital Expenditures			
DAS	$ 8,287	$ 7,950	$ 8,798
DLT	5,000	7,809	5,454
Corporate Administration	116	54	284
Total Capital Expenditures	$ 13,403	$ 15,813	$ 14,536

(1) Includes cost not allocated to either the DLT or DAS operating segments.
(2) The 2012 and 2011 periods include merger-related transaction costs of $0.3 million and $12.4 million, respectively, in Corporate General and Administrative Expenses related to the LaBarge Acquisition. In addition, the 2012 and 2011 periods include $0.4 million and $3.7 million, respectively, in DLT resulting from a change-in-control provision for certain key executives and employees arising in connection with the LaBarge Acquisition.
(3) Includes approximately $54.3 million of goodwill impairment expense in 2011.
(4) The 2013, 2012 and 2011 periods include $1.2 million, $0.6 million and $0.5 million, respectively, of workers' compensation insurance expenses included in gross profit and not allocated to the operating segments.
(5) The 2013 period includes $14.1 million in charges related to fourth quarter asset impairment charges of $5.7 million on the Embraer Legacy 450/500 contracts and $1.3 million on the Boeing 777 wing tip contract; forward loss reserves of $3.9 million on the Embraer Legacy 450/500 contracts and $1.3 million on the Boeing 777 wing tip contract; and inventory write-offs of $1.9 million on the Embraer Legacy 450/500 contracts.

Segment assets include assets directly identifiable with each segment. Corporate assets include assets not specifically identified with a business segment, including cash. The following table summarizes our segment assets for 2013 and 2012:

	(In thousands) December 31, 2013	2012
Total Assets		
DAS	$ 241,502	$ 248,326
DLT	444,224	465,217
Corporate Administration	78,473	66,546
Total Assets	$ 764,199	$ 780,089
Goodwill and Intangibles		
DAS	$ 65,213	$ 67,459
DLT	262,192	270,837
Total Goodwill and Intangibles	$ 327,405	$ 338,296

Note 17. Supplemental Quarterly Financial Data (Unaudited)

	(In thousands, except per share amounts) Three Months Ended 2013				Three Months Ended 2012			
	Dec 31	Sep 28	Jun 29	Mar 30	Dec 31	Oct 1	Jun 30	Mar 31
Net Sales	$ 187,975	$ 181,288	$ 191,472	$ 175,915	$ 193,892	$ 184,097	$ 184,705	$ 184,343
Gross Profit	19,944	32,304	37,316	32,853	35,450	35,580	35,951	34,471
(Loss) Income Before Taxes	(6,980)	4,550	7,601	2,479	6,618	5,999	5,778	3,620
Income Tax (Benefit) Expense	(2,476)	(86)	2,097	(1,228)	3,183	894	271	1,230
Net (Loss) Income	$ (4,504)	$ 4,636	$ 5,504	$ 3,707	$ 3,435	$ 5,105	$ 5,507	$ 2,390
Earnings (Loss) Per Share								
Basic (loss) earnings per share	$ (0.42)	$ 0.43	$ 0.52	$ 0.35	$ 0.32	$ 0.48	$ 0.52	$ 0.23
Diluted (loss) earnings per share	$ (0.42)	$ 0.42	$ 0.51	$ 0.35	$ 0.32	$ 0.48	$ 0.52	$ 0.23

In the fourth quarter of 2013, we recorded charges of $14.1 million in the DAS segment related to the Embraer Legacy 450/500 and Boeing 777 wing tip contracts. The charges were comprised of asset impairment charges of $5.7 million on the Embraer Legacy 450/500 contracts and $1.3 million on the Boeing 777 wing tip contract; forward loss reserves of 3.9 million on the Embraer Legacy 450/500 contracts and $1.3 million on the Boeing 777 wing tip contract; and inventory write-offs of $1.9 million on the Embraer Legacy 450/500 contracts.

In the first quarter of 2013, we recognized an income tax benefit of $2.0 million related to the extension of federal research and development tax credit benefits under the American Taxpayer Relief Act of 2012.

In the fourth quarter of 2012, we recorded an income tax valuation allowance of $2.2 million related to unused California state research and development income tax credits upon passage of new state legislation during the quarter.

In the second quarter of 2012, we recognized an income tax benefit of $1.6 million as a result of the LaBarge Acquisition, which allowed us to file state consolidated tax returns in 2012.

DUCOMMUN INCORPORATED

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(in thousands)

SCHEDULE II

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
2013					
Allowance for Doubtful Accounts	$ 566	$ 430	$ —	$ 507	$ 489
Valuation Allowance on Deferred Tax Assets	4,120	999	—	102	5,017
2012					
Allowance for Doubtful Accounts	$ 488	$ 115	$ —	$ 37	$ 566
Valuation Allowance on Deferred Tax Assets	2,008	2,182	—	70	4,120
2011					
Allowance for Doubtful Accounts[1]	$ 415	$ 126	$ 76	$ 129	$ 488
Valuation Allowance on Deferred Tax Assets	1,323	685	—	—	2,008

(1) The approximately $0.1 million charged to other accounts was related to acquisitions.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of April 3, 2011, among Ducommun Incorporated, DLBMS, Inc. and LaBarge, Inc. Incorporated by reference to Exhibit 2.1 to Form 8-K filed on April 5, 2011.
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	Certificate of Amendment of Certificate of Incorporation filed with the Delaware Secretary of State on May 27, 1998. Incorporated by reference to Exhibit 3.2 to Form 10-K for the year ended December 31, 1998.
3.3	Bylaws as amended and restated on March 19, 2013. Incorporated by reference to Exhibit 99.1 to Form 8-K dated March 22, 2013.
3.4	Amendment No. 2 to Bylaws dated August 1, 2013. Incorporated by reference to Exhibit 99.2 to Form 8-K dated August 5, 2013.
4.1	Indenture, dated June 28, 2011, between Ducommun Incorporated, certain of its subsidiaries and Wilmington Trust FSB, as trustee. Incorporated by reference to Exhibit 4.1 to Form 8-K filed on July 1, 2011.
4.2	Registration Rights Agreement, dated June 28, 2011, between Ducommun Incorporated, certain of its subsidiaries, UBS Securities LLC and Credit Suisse Securities (USA) LLC. Incorporated by reference to Exhibit 4.2 to Form 8-K filed on July 1, 2011.
10.1	Commitment Letter to Ducommun Incorporated, dated April 3, 2011 from UBS Loan Finance LLC and UBS Securities LLC, Credit Suisse Securities (USA) LLC and Credit Suisse AG. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 5, 2011.
10.2	Credit Agreement, dated as of June 28, 2011, among Ducommun Incorporated, certain of its subsidiaries, UBS Securities LLC and Credit Suisse Securities (USA) LLC as joint lead arrangers, UBS AG, Stamford Branch as issuing bank, administrative agent and collateral agent, and other lenders party thereto. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 1, 2011.
10.3	Amendment No. 1 to Credit Agreement, dated as of March 28, 2013, by and among Ducommun Incorporated, certain of its subsidiaries, UBS AG, Stamford Branch as administrative agent, collateral agent, swingline bank and issuing bank and other lenders party thereto. Incorporated by reference to Exhibit 10.1 to Form 8-K dated March 28, 2013.
10.4	Amendment No. 2 to Credit Agreement, dated as of October 18, 2013 by and among Ducommun Incorporated, certain of its subsidiaries, and UBS AG, Stamford Branch, as administrative agent, collateral agent, swingline bank and issuing bank, and other lenders party thereto. Incorporated by reference to Exhibit 10.1 to Form 8-K dated October 23, 2013.
* 10.5	2007 Stock Incentive Plan. Incorporated by reference to Appendix B of Definitive Proxy Statement on Schedule 14a, filed on March 29, 2010.
*10.6	2013 Stock Incentive Plan. Incorporated by reference to Appendix B of Definitive Proxy Statement on Schedule 14a, filed on March 25, 2013.
*10.7	Form of Nonqualified Stock Option Agreement, for grants to employees under the 2013 Stock Incentive Plan, the 2007 Stock Incentive Plant and the 2001 Stock Incentive Plan. Incorporated by reference to Exhibit 10.8 to Form 10-K for the year ended December 31, 2003.
*10.8	Form of Nonqualified Stock Option Agreement, for nonemployee directors under the 2007 Stock Incentive Plan. Incorporated by reference to Exhibit 10.7 to Form 10-K for the year ended December 31, 1999.
*10.9	Form of Performance Stock Unit Agreement for 2011. Incorporated by reference to Exhibit 10.9 to Form 10-K for year ended December 31, 2010.
*10.10	Form of Performance Stock Unit Agreement for 2012 and after. Incorporated by reference to Exhibit 99.1 to Form 8-K dated March 29, 2012.
*10.11	Form of Restricted Stock Unit Agreement. Incorporated by reference to Exhibit 99.1 to Form 8-K dated May 8, 2007.
*10.12	Form of Directors' Restricted Stock Unit Agreement. Incorporated by reference to Exhibit 99.1 to Form 8-K dated May 10, 2010.

Exhibit No.	Description
*10.13	Form of Key Executive Severance Agreement entered with five current executive officers of Ducommun. Incorporated by reference to Exhibit 99.1 to Form 8-K dated January 9, 2008. Incorporated by reference to Exhibit 99.1 to Form 8-K dated January 9, 2008. All of the Key Executive Severance Agreements are identical except for the name of the executive officer, the address for notice, and the of the Agreement:

Executive Officer	Date of Agreement
Joseph P. Bellino	November 5, 2009
Joel H. Benkie	December 13, 2013
James S. Heiser	December 31, 2007
Anthony J. Reardon	December 31, 2007
Rose F. Rogers	November 5, 2009

*10.14 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. All of the Indemnity Agreements are identical except for the name of the director or officer and the date of the Agreement:

Director/Officer	Date of Agreement
Kathryn M. Andrus	January 30, 2008
Richard A. Baldridge	March 19, 2013
Joseph C. Berenato	November 4, 1991
Joseph P. Bellino	September 15, 2008
Joel H. Benkie	February 12, 2013
Gregory S. Churchill	March 19, 2013
Robert C. Ducommun	December 31, 1985
Dean W. Flatt	November 5, 2009
Douglas L. Groves	February 12, 2013
Jay L. Haberland	February 2, 2009
James S. Heiser	May 6, 1987
Robert D. Paulson	March 25, 2003
Anthony J. Reardon	January 8, 2008
Rosalie F. Rogers	July 24, 2008

*10.15 Ducommun Incorporated 2014 Bonus Plan.

*10.16 Directors' Deferred Compensation and Retirement Plan, as amended and restated February 2, 2010. Incorporated by reference to Exhibit 10.15 to Form 10-K for the year ended December 31, 2009.

*10.17 Employment Letter Agreement dated September 5, 2008 between Ducommun Incorporated and Joseph P. Bellino. Incorporated by reference to Exhibit 99.1 to Form 8-K dated September 18, 2008.

*10.18 Employment Letter Agreement dated May 3, 2012 between Ducommun Incorporated and Joel H. Benkie. Incorporated by reference to Exhibit 99.1 to Form 8-K dated June 4, 2012.

11 Reconciliation of the Numerators and Denominators of the Basic and Diluted Earnings Per Share Computations.

21 Subsidiaries of registrant.

23 Consent of PricewaterhouseCoopers LLP.

31.1 Certification of Principal Executive Officer.

31.2 Certification of Principal Financial Officer.

32 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit No.	Description
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* 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 27, 2014	By:	/s/ Joseph P. Bellino
		Joseph P. Bellino
		Vice President, Treasurer and Chief Financial 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 27, 2014	By:	/s/ Anthony J. Reardon
		Anthony J. Reardon
		Chairman and Chief Executive Officer
		(Principal Executive Officer)
Date: February 27, 2014	By:	/s/ Joseph P. Bellino
		Joseph P. Bellino
		Vice President, Treasurer and Chief Financial Officer
		(Principal Financial Officer)
Date: February 27, 2014	By:	/s/ Douglas L. Groves
		Douglas L. Groves
		Vice President, Controller and Chief Accounting Officer
		(Principal Accounting Officer)

DIRECTORS

By:	/s/ Richard A. Baldridge Richard A. Baldridge	Date:	February 27, 2014
By:	/s/ Gregory S. Churchill Gregory S. Churchill	Date:	February 27, 2014
By:	/s/ Joseph C. Berenato Joseph C. Berenato	Date:	February 27, 2014
By:	/s/ Robert C. Ducommun Robert C. Ducommun	Date:	February 27, 2014
By:	/s/ Dean M. Flatt Dean M. Flatt	Date:	February 27, 2014
By:	/s/ Jay L. Haberland Jay L. Haberland	Date:	February 27, 2014
By:	/s/ Robert D. Paulson Robert D. Paulson	Date:	February 27, 2014
By:	/s/ Anthony J. Reardon Anthony J. Reardon	Date:	February 27, 2014

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

As of December 31, 2013, the active subsidiaries of the Company were:

CMP Display Systems, Inc., a California corporation
Composite Structures, LLC, a Delaware limited liability company
Ducommun AeroStructures, Inc., a Delaware corporation
Ducommun AeroStructures Mexico, LLC, a Delaware limited liability company
Ducommun AeroStructures New York, Inc., a New York corporation
Ducommun LaBarge Technologies, Inc., an Arizona corporation
Ducommun LaBarge Technologies, Inc., a Delaware corporation
Ducommun Technologies (Thailand) Ltd., a Thailand corporation
LaBarge Electronics, Inc., a Missouri corporation
LaBarge/STC, Inc., a Texas corporation
LaBarge Acquisition Company, Inc., a Missouri corporation
Miltec Corporation, an Alabama corporation

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-188630) and Form S-8 (Nos. 333-188460, 333-167731, 333-145008, 333-118288, and 333-72556) of Ducommun Incorporated of our report dated February 27, 2014 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
February 27, 2014

EXHIBIT 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Anthony J. Reardon, certify that:

1. I have reviewed this Annual Report of Ducommun Incorporated (the “registrant”) on Form 10-K for the period ended December 31, 2013;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f), and 15d-15(f) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 27, 2014

/s/ Anthony J. Reardon

Anthony J. Reardon
Chairman and Chief Executive Officer

EXHIBIT 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Joseph P. Bellino, certify that:

1. I have reviewed this Annual Report of Ducommun Incorporated (the "registrant") on Form 10-K for the period ended December 31, 2013;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2014

/s/ Joseph P. Bellino

Joseph P. Bellino
Vice President, Treasurer and Chief Financial Officer

EXHIBIT 32

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of
the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Ducommun Incorporated (the "Company") on Form 10-K for the period ending December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Anthony J. Reardon, Chairman and Chief Executive Officer of the Company, and Joseph P. Bellino, Vice President, Treasurer and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Anthony J. Reardon
Anthony J. Reardon
Chairman and Chief Executive Officer

By: /s/ Joseph P. Bellino
Joseph P. Bellino
Vice President, Treasurer and Chief Financial Officer

February 27, 2014

The foregoing certification is accompanying the Form 10-K solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Form 10-K or as a separate disclosure document.

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Corporate Information

BOARD OF DIRECTORS

Anthony J. Reardon
Chairman and Chief Executive Officer,
Ducommun Incorporated

Richard A. Baldridge
President and Chief Operating Officer, ViaSat, Inc.

Joseph C. Berenato
Chairman, President and Chief Executive Officer,
Ducommun Incorporated (Ret.)

Gregory S. Churchill
Executive Vice President,
International and Service Solutions,
Rockwell Collins, Inc. (Ret.)

Robert C. Ducommun
Business Advisor

Dean M. Flatt
President, Defense and Space,
Honeywell International, Inc. (Ret.)

Jay L. Haberland
Vice President, United Technologies Corporation (Ret.)

Robert D. Paulson
Chief Executive Officer, Aerostar Capital LLC

OFFICERS

Anthony J. Reardon
Chairman and Chief Executive Officer

Joel H. Benkie
President and Chief Operating Officer

Joseph P. Bellino
Vice President, Chief Financial Officer and Treasurer

Kathryn M. Andrus
Vice President, Internal Audit

Douglas L. Groves
Vice President, Controller and Chief Accounting Officer

James S. Heiser
Vice President, General Counsel and Secretary

Rose F. Rogers
Vice President, Human Resources

COMMON STOCK

Ducommun Incorporated common stock is listed on the New York Stock Exchange (symbol DCO).

DCO LISTED NYSE

Registrar and Transfer Agent
Computershare Shareowner Services LLC
P.O. Box 43006
Providence, RI 02940-3006
800.667.6589 Toll-free
201.680.6578 International shareholders
800.952.9245 TDD for hearing impaired
www.computershare.com/investor

Ducommun on the Web
www.ducommun.com

CERTIFICATIONS

The Company has filed the required certifications under Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of our public disclosures as Exhibits 31.1 and 31.2 to our annual report on Form 10-K for the fiscal year ended December 31, 2013. After the 2014 Annual Meeting of Shareholders, the Company intends to file with the New York Stock Exchange the CEO certification regarding its compliance with the NYSE's corporate governance listing standards as required by NYSE Rule 303A.12. Last year, the Company filed this CEO certification with the NYSE on or about May 16, 2013.

Ducommun Incorporated
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Carson, CA 90745
310.513.7200
www.ducommun.com