

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

FORM 10-Q

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

For the quarterly period ended **October 1, 2022**

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 **001-08174**

DUCOMMUN INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

200 Sandpointe Avenue, Suite 700, Santa Ana, California
(Address of principal executive offices)

95-0693330
(I.R.S. Employer
Identification No.)

92707-5759
(Zip code)

Registrant's telephone number, including area code: **(657) 335-3665**

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 par value per share	DCO	New York Stock Exchange

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 every Interactive Data File required to be submitted 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). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 25, 2022, the registrant had 12,102,368 shares of common stock outstanding.

DUCOMMUN INCORPORATED AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS AND RISK FACTORS

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be preceded by, followed by or include words such as “could,” “may,” “believe,” “expect,” “anticipate,” “plan,” “estimate,” “expect,” “would,” or similar expressions. These statements are based on the beliefs and assumptions of our management at the time such statements are made. 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-Q regarding: future sales, earnings, receipt of AMJPP Grant (as described below) funds, cash flow, uses of cash and other measures of financial performance, projections or expectations for future operations, including costs to complete contracts, goodwill impairment evaluations, unrecognized tax benefits, environmental remediation costs, insurance recoveries, industry trends and expectations, our plans with respect to restructuring activities, 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-Q that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by the “Risk Factors” contained within Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021 (“Form 10-K”) and Part II, Item 1A of this Form 10-Q and other cautionary statements included herein.

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, some 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 contained within Part I, Item 1A of our Form 10-K and Part II, Item 1A of this Form 10-Q 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;
- our acquisitions, business combinations, joint ventures, divestitures, or restructuring activities may entail certain operational and financial risks;
- the cyclical nature 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;
- compliance with applicable regulatory requirements and changes in regulatory requirements, including regulatory requirements such as Cybersecurity Maturity Model Certification (“CMMC”), 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 supplier of higher-level assemblies;
- our ability to manage the risks associated with international operations and sales;
- economic and geopolitical developments and conditions, including supply chain shortages and rising interest rates;
- environmental, social, and governance (“ESG”) developments and related impact;
- pandemics, such as COVID-19, significantly impacting the global economy and most significantly, the commercial aerospace end-use market;
- disasters, natural or otherwise, damaging or disrupting our operations;

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- unfavorable developments in the global credit markets;
- our ability to operate within highly competitive markets;
- technology changes and evolving industry and regulatory standards;
- possible goodwill and other asset impairments;
- the risk of environmental liabilities;
- the risk of cyber security attacks or not being able to detect such attacks; 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-Q. 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-Q except as required by law.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****Ducommun Incorporated and Subsidiaries****Condensed Consolidated Balance Sheets**

(Unaudited)

(Dollars in thousands, except share and per share data)

	October 1, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 21,247	\$ 76,316
Accounts receivable, net of allowance for credit losses of \$615 and \$1,098 at October 1, 2022 and December 31, 2021, respectively	94,328	72,261
Contract assets	194,496	176,405
Inventories	172,060	150,938
Production cost of contracts	6,187	8,024
Other current assets	10,735	8,625
Total Current Assets	499,053	492,569
Property and Equipment, Net of Accumulated Depreciation of \$179,298 and \$168,132 at October 1, 2022 and December 31, 2021, respectively	105,887	102,419
Operating Lease Right-of-Use Assets	36,611	33,265
Goodwill	203,407	203,694
Intangibles, Net	130,839	141,764
Other Assets	13,706	5,024
Total Assets	\$ 989,503	\$ 978,735
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 89,720	\$ 66,059
Contract liabilities	34,057	42,077
Accrued and other liabilities	44,257	41,291
Operating lease liabilities	7,164	6,133
Current portion of long-term debt	6,250	7,000
Total Current Liabilities	181,448	162,560
Long-Term Debt, Less Current Portion	242,061	279,384
Non-Current Operating Lease Liabilities	30,632	28,074
Deferred Income Taxes	14,123	18,727
Other Long-Term Liabilities	12,452	15,388
Total Liabilities	480,716	504,133
Commitments and Contingencies (Notes 8, 10)		
Shareholders' Equity		
Common Stock - \$0.01 par value; 35,000,000 shares authorized; 12,102,308 and 11,925,087 shares issued and outstanding at October 1, 2022 and December 31, 2021, respectively	121	119
Additional Paid-In Capital	110,025	104,253
Retained Earnings	397,971	377,263
Accumulated Other Comprehensive Income (Loss)	670	(7,033)
Total Shareholders' Equity	508,787	474,602
Total Liabilities and Shareholders' Equity	\$ 989,503	\$ 978,735

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Condensed Consolidated Statements of Income
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net Revenues	\$ 186,590	\$ 163,227	\$ 524,269	\$ 480,570
Cost of Sales	148,003	127,912	418,565	375,373
Gross Profit	38,587	35,315	105,704	105,197
Selling, General and Administrative Expenses	24,803	21,952	72,340	68,132
Restructuring Charges	567	—	3,270	—
Operating Income	13,217	13,363	30,094	37,065
Interest Expense	(2,998)	(2,770)	(8,056)	(8,433)
Loss on Extinguishment of Debt	(295)	—	(295)	—
Other Income	—	196	3,000	196
Income Before Taxes	9,924	10,789	24,743	28,828
Income Tax Expense	1,462	1,205	4,035	4,126
Net Income	\$ 8,462	\$ 9,584	\$ 20,708	\$ 24,702
Earnings Per Share				
Basic earnings per share	\$ 0.70	\$ 0.80	\$ 1.72	\$ 2.08
Diluted earnings per share	\$ 0.69	\$ 0.78	\$ 1.68	\$ 2.02
Weighted-Average Number of Common Shares Outstanding				
Basic	12,112	11,920	12,057	11,862
Diluted	12,350	12,242	12,346	12,248

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net Income	\$ 8,462	\$ 9,584	\$ 20,708	\$ 24,702
Other Comprehensive Income, Net of Tax:				
Amortization of actuarial loss and prior service costs, net of tax of \$36 and \$76 for the three months ended October 1, 2022 and October 2, 2021, respectively and \$107 and \$229 for the nine months ended October 1, 2022 and October 2, 2021, respectively	111	245	332	735
Change in unrealized (losses) gains on cash flow hedges, net of tax of (\$17) and zero for the three months ended October 1, 2022 and October 2, 2021, respectively and \$2,269 and zero for the nine months ended October 1, 2022 and October 2, 2021, respectively	(55)	—	7,371	—
Other Comprehensive Income, Net of Tax	56	245	7,703	735
Comprehensive Income	<u>\$ 8,518</u>	<u>\$ 9,829</u>	<u>\$ 28,411</u>	<u>\$ 25,437</u>

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)
(Dollars in thousands)

	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2020	11,728,212	\$ 117	\$ 97,090	\$ 241,727	\$ (9,600)	\$ 329,334
Net income	—	—	—	15,118	—	15,118
Other comprehensive income, net of tax	—	—	—	—	490	490
Employee stock purchase plan	31,580	—	1,558	—	—	1,558
Stock options exercised	31,527	—	1,120	—	—	1,120
Stock awards vested	244,008	3	(3)	—	—	—
Stock repurchased related to the exercise of stock options and stock awards vested	(140,520)	(1)	(7,891)	—	—	(7,892)
Stock-based compensation	—	—	5,742	—	—	5,742
Balance at July 3, 2021	11,894,807	119	97,616	256,845	(9,110)	345,470
Net income	—	—	—	9,584	—	9,584
Other comprehensive income, net of tax	—	—	—	—	245	245
Employee stock purchase plan	24,944	—	1,345	—	—	1,345
Stock options exercised	8,557	—	280	—	—	280
Stock awards vested	1,365	—	—	—	—	—
Stock repurchased related to the exercise of stock options and stock awards vested	(7,274)	—	(383)	—	—	(383)
Stock-based compensation	—	—	2,407	—	—	2,407
Balance at October 2, 2021	11,922,399	\$ 119	\$ 101,265	\$ 266,429	\$ (8,865)	\$ 358,948
Balance at December 31, 2021	11,925,087	\$ 119	\$ 104,253	\$ 377,263	\$ (7,033)	\$ 474,602
Net income	—	—	—	12,246	—	12,246
Other comprehensive income, net of tax	—	—	—	—	7,647	7,647
Employee stock purchase plan	31,686	—	1,386	—	—	1,386
Stock options exercised	81,212	1	2,473	—	—	2,474
Stock awards vested	160,349	2	(2)	—	—	—
Stock repurchased related to the exercise of stock options and stock awards vested	(130,466)	(1)	(6,453)	—	—	(6,454)
Stock-based compensation	—	—	4,644	—	—	4,644
Balance at July 2, 2022	12,067,868	121	106,301	389,509	614	496,545
Net income	—	—	—	8,462	—	8,462
Other comprehensive income, net of tax	—	—	—	—	56	56
Employee stock purchase plan	28,007	—	1,119	—	—	1,119
Stock options exercised	16,551	—	613	—	—	613
Stock awards vested	775	—	—	—	—	—
Stock repurchased related to the exercise of stock options and stock awards vested	(10,893)	—	(518)	—	—	(518)
Stock-based compensation	—	—	2,510	—	—	2,510
Balance at October 1, 2022	12,102,308	\$ 121	\$ 110,025	\$ 397,971	\$ 670	\$ 508,787

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Nine Months Ended	
	October 1, 2022	October 2, 2021
Cash Flows from Operating Activities		
Net Income	\$ 20,708	\$ 24,702
Adjustments to Reconcile Net Income to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation and amortization	23,335	21,112
Non-cash operating lease cost	5,184	2,586
Inventory write down and property and equipment impairment due to restructuring	1,018	—
Stock-based compensation expense	7,904	8,149
Deferred income taxes	(6,981)	1,403
Recovery of credit losses	(483)	(65)
Noncash loss on extinguishment of debt	295	—
Other	603	531
Changes in Assets and Liabilities:		
Accounts receivable	(21,584)	(11,715)
Contract assets	(18,091)	(28,731)
Inventories	(21,690)	(14,956)
Production cost of contracts	276	(1,481)
Other assets	(139)	(2,678)
Accounts payable	23,166	2,074
Contract liabilities	(8,020)	(4,990)
Operating lease liabilities	(4,700)	(2,545)
Accrued and other liabilities	(171)	(5,667)
Net Cash Provided by (Used in) Operating Activities	630	(12,271)
Cash Flows from Investing Activities		
Purchases of property and equipment	(14,365)	(10,798)
Proceeds from sale of assets	51	551
Proceeds from life insurance	—	439
Post closing cash received from the acquisition of Magnetic Seal LLC, net	365	—
Net Cash Used in Investing Activities	(13,949)	(9,808)
Cash Flows from Financing Activities		
Borrowings from senior secured revolving credit facility	4,000	21,000
Repayments of senior secured revolving credit facility	(4,000)	(36,000)
Borrowings from term loans	250,000	—
Repayments of term loans	(287,712)	(6,176)
Repayments of other debt	(246)	(266)
Debt issuance costs	(2,511)	—
Net cash paid upon issuance of common stock under stock plans	(1,281)	(3,972)
Net Cash Used in Financing Activities	(41,750)	(25,414)
Net Decrease in Cash and Cash Equivalents	(55,069)	(47,493)
Cash and Cash Equivalents at Beginning of Period	76,316	56,466
Cash and Cash Equivalents at End of Period	\$ 21,247	\$ 8,973

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Summary of Significant Accounting Policies

Description of Business

We are a leading global provider of innovative, value-added proprietary products and manufacturing solutions for high-performance products and high-cost-of-failure applications used primarily in the aerospace and defense (“A&D”), industrial, medical and other industries (collectively, “Industrial”). Our operations are organized into two primary businesses: the Electronic Systems segment (“Electronic Systems”) and the Structural Systems segment (“Structural Systems”), each of which is a reportable operating segment. Electronic Systems designs, engineers and manufactures high-reliability electronic and electromechanical products used in worldwide technology-driven markets including A&D and Industrial end-use markets. Electronic Systems’ product offerings primarily range from prototype development to complex assemblies. Structural Systems designs, engineers and manufactures large, complex contoured aerostructure components and assemblies and supplies composite and metal bonded structures and assemblies. Structural Systems’ products are primarily used on commercial aircraft, military fixed-wing aircraft, and military and commercial rotary-wing aircraft. Both reportable operating segments follow the same accounting principles.

Basis of Presentation

The unaudited condensed 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. The December 31, 2021 condensed consolidated balance sheet data was derived from audited financial statements, but does not contain all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”).

Our significant accounting policies were described in Part IV, Item 15(a)(1), “Note 1. Summary of Significant Accounting Policies” in our Annual Report on Form 10-K for the year ended December 31, 2021 (“2021 Form 10-K”). The financial information included in this Quarterly Report on Form 10-Q (“Form 10-Q”) should be read in conjunction with the 2021 Form 10-K.

In the opinion of management, all adjustments, consisting of recurring accruals, have been made that are necessary to fairly state our condensed consolidated financial position, statements of income, comprehensive income, changes in shareholders’ equity, and cash flows in accordance with GAAP for the periods covered by this Form 10-Q. The results of operations for the three and nine months ended October 1, 2022 are not necessarily indicative of the results to be expected for the full year ending December 31, 2022.

Our fiscal quarters typically end on the Saturday closest to the end of March, June and September for the first three fiscal quarters of each year, and on December 31 for our fourth fiscal quarter. As a result of using fiscal quarters for the first three quarters combined with leap years, our first and fourth fiscal quarters can range between 12 1/2 weeks to 13 1/2 weeks while the second and third fiscal quarters remain at a constant 13 weeks per fiscal quarter.

Certain reclassifications have been made to prior period amounts to conform to the current year’s presentation.

Use of Estimates

Certain amounts and disclosures included in the unaudited condensed consolidated financial statements require management to make estimates and judgments that affect the amounts of assets, liabilities (including contract 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.

Supplemental Cash Flow Information

	(Dollars in thousands)	
	Nine Months Ended	
	October 1, 2022	October 2, 2021
Interest paid	\$ 7,417	\$ 7,672
Taxes paid, net	\$ 2,286	\$ 3,082
Non-cash activities:		
Purchases of property and equipment not paid	\$ 1,828	\$ 1,698

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 is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding, plus any potentially dilutive shares that could be issued if exercised or converted into common stock in each period.

The net income and weighted-average common shares outstanding used to compute earnings per share were as follows:

	(Dollars in thousands, except per share data)		(Dollars in thousands, except per share data)	
	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net income	\$ 8,462	\$ 9,584	\$ 20,708	\$ 24,702
Weighted-average number of common shares outstanding				
Basic weighted-average common shares outstanding	12,112	11,920	12,057	11,862
Dilutive potential common shares	238	322	289	386
Diluted weighted-average common shares outstanding	12,350	12,242	12,346	12,248
Earnings per share				
Basic	\$ 0.70	\$ 0.80	\$ 1.72	\$ 2.08
Diluted	\$ 0.69	\$ 0.78	\$ 1.68	\$ 2.02

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

	(In thousands)		(In thousands)	
	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Stock options and stock units	82	9	50	6

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 the 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.

We have money market funds which are included as cash and cash equivalents. We also have forward interest rate swap agreements and the fair value of the forward interest rate swap agreements was determined using pricing models that use observable market inputs as of the balance sheet date, a Level 2 measurement.

There were no transfers between Level 1, Level 2, or Level 3 financial instruments in the three months ended October 1, 2022.

Cash and 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, and we classify as Level 1. See Fair Value above.

Derivative Instruments

We recognize derivative instruments on our condensed consolidated balance sheets at their fair value. On the date that we enter into a derivative contract, we designate the derivative instrument as a fair value hedge, a cash flow hedge, or a derivative instrument that will not be accounted for using hedge accounting methods. In November 2021, we entered into forward interest rate swap agreements with an aggregate notional amount of \$150.0 million, all with an effective date of January 1, 2024 (“Forward Interest Rate Swaps”) to manage our exposure to interest rate movements on a portion of our debt. As such, at the time we entered into the Forward Interest Rate Swaps, there was a high probability of forecasted interest payments on our debts occurring and the swaps are highly effective in offsetting those interest payments and therefore, we elected to apply cash flow hedge accounting. On July 14, 2022, as a result of refinancing all our existing debt, which allows borrowing based on a Secured Overnight Financing Rate (“SOFR”), we were required to complete an amendment of the Forward Interest Rate Swaps from One Month London Interbank Offered Rate (“LIBOR”) to One Month Term SOFR (“Amended Forward Interest Rate Swaps”), which occurred on the same day. After the transition of the Forward Interest Rate Swaps and debt to SOFR was completed, we determined the hedging relationship was still highly effective as of the amendment date. See Note 7. As of October 1, 2022, all of our derivative instruments were designated as cash flow hedges.

We record changes in the fair value of a derivative instrument that is highly effective and that is designated and qualifies as a cash flow hedge in other comprehensive income (loss), net of tax until our earnings are affected by the variability of cash flows of the underlying hedged item. We report changes in the fair values of derivative instruments that are not designated or do not qualify for hedge accounting in current period earnings. We classify cash flows from derivative instruments in the condensed consolidated statements of cash flows in the same category as the item being hedged or on a basis consistent with the nature of the instrument. Since the Amended Forward Interest Rate Swaps are not effective until January 1, 2024, we only record the changes in fair value of the derivative instruments that were highly effective and that were designated and qualified as cash flow hedges. As such, during the three and nine months ended October 1, 2022, we recorded changes of \$0.1 million and \$9.6 million, respectively, to other long term assets, other long term liabilities, and accumulated other comprehensive income (loss). During the three and nine months ended October 2, 2021, we had no derivative instruments.

When we determine that a derivative instrument is not highly effective as a hedge, we discontinue hedge accounting prospectively. In all situations in which we discontinue hedge accounting and the derivative instrument remains outstanding, we will carry the derivative instrument at its fair value on our condensed consolidated balance sheets and recognize subsequent changes in its fair value in our current period earnings.

Inventories

Inventories are stated at the lower of cost or net realizable value with cost being determined using a moving average cost basis for raw materials and actual cost for work-in-process and finished goods. The majority of our inventory is charged to cost of sales as raw materials are placed into production. Inventoried costs include raw materials, outside processing, direct labor and allocated overhead, adjusted for any abnormal amounts of idle performance center expense, freight, handling costs, and wasted materials (spoilage) incurred. 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. The majority of our revenues are recognized over time, however, for revenue contracts where revenue is recognized using the point in time method, inventory is not reduced until it is shipped or transfer of control to the customer has occurred. Our ending inventory consists of raw materials, work-in-process, and finished goods.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, as reflected on the condensed consolidated balance sheets under the equity section, was comprised of cumulative pension and retirement liability adjustments, net of tax, and change in net unrealized gains and losses on cash flow hedges, net of tax.

Revenue Recognition

Our customers typically engage us to manufacture products based on designs and specifications provided by the end-use customer. This requires the building of tooling and manufacturing first article inspection products (prototypes) before volume manufacturing. Contracts with our customers generally include a termination for convenience clause.

We have a significant number of contracts that are started and completed within the same year, as well as contracts derived from long-term agreements and programs that can span several years. We recognize revenue under Accounting Standards Codification 606, “Revenue from Contracts with Customers” (“ASC 606”), which utilizes a five-step model.

The definition of a contract for us is typically defined as a customer purchase order as this is when we achieve an enforceable right to payment. The majority of our contracts are firm fixed-price contracts. The deliverables within a customer purchase order are analyzed to determine the number of performance obligations. At times, in order to achieve economies of scale and

based on our customer's forecasted demand, we may build in advance of receiving a purchase order from our customer. When that occurs, we would not recognize revenue until we have received the customer purchase order.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account under ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, control is transferred and the performance obligation is satisfied. The majority of our contracts have a single performance obligation as the promise to transfer the individual goods or services are highly interrelated or meet the series guidance. For contracts with multiple performance obligations, we allocate the contract transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate the standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service.

We manufacture most products to customer specifications and the product cannot be easily modified to satisfy another customer's order. As such, these products are deemed to have no alternative use once the manufacturing process begins. In the event the customer invokes a termination for convenience clause, we would be entitled to costs incurred to date plus a reasonable profit. Contract costs typically include labor, materials, overhead, and when applicable, subcontractor costs. For most of our products, we are building assets with no alternative use and have enforceable right to payment, and thus, we recognize revenue using the over time method.

The majority of our performance obligations are satisfied over time as work progresses. Typically, revenue is recognized over time using an input measure (i.e., costs incurred to date relative to total estimated costs at completion, also known as cost-to-cost plus reasonable profit) to determine progress. Our typical revenue contract is a firm fixed price contract, and the cost of raw materials could make up a significant amount of the total costs incurred. As such, we believe using the total costs incurred input method would be the most appropriate method. While the cost of raw materials could make up a significant amount of the total costs incurred, there is a direct relationship between our inputs and the transfer of control of goods or services to the customer.

Contract estimates are based on various assumptions to project the outcome of future events that can span multiple months or years. These assumptions include labor productivity and availability; the complexity of the work to be performed; the cost and availability of materials; and the performance of subcontractors.

As a significant change in one or more of these estimates could affect the progress completed (and related profitability) on our contracts, we review and update our contract-related estimates on a regular basis. We recognize such adjustments under the cumulative catch-up method. Under this method, the impact of the adjustment is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate.

The impact of adjustments in contract estimates on our operating earnings can be reflected in either operating costs and expenses or revenue.

Net cumulative catch up adjustments on gross profit recorded were not material for both the three and nine months ended October 1, 2022 and October 2, 2021.

Payments under long-term contracts may be received before or after revenue is recognized. When revenue is recognized before we bill our customer, a contract asset is created for the work performed but not yet billed. Similarly, when we receive payment before we ship our products to our customer, a contract liability is created for the advance or progress payment. When a contract liability and a contract asset exist on the same contract, we report it on a net basis.

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. The provisions for estimated losses on contracts require us 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. Our estimate of the future cost to complete a contract may include assumptions as to changes in manufacturing efficiency, operating and material costs, and our ability to resolve claims and assertions with our customers. If any of these or other assumptions and estimates do not materialize in the future, we may be required to adjust the provisions for estimated losses on contracts. The provision for estimated losses on contracts is included as part of contract liabilities on the condensed consolidated balance sheets. As of October 1, 2022 and December 31, 2021, provision for estimated losses on contracts were \$4.3 million and \$2.8 million, respectively.

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 sales using the over time revenue recognition model. We review the value of the production cost of contracts on a quarterly basis to ensure when added to the estimated cost to complete, the value is not greater than the estimated realizable value of the related contracts. As of October 1, 2022 and December 31, 2021, production cost of contracts were \$6.2 million and \$8.0 million, respectively.

Contract Assets and Contract Liabilities

Contract assets consist of our right to payment for work performed but not yet billed. Contract assets are transferred to accounts receivable when we bill our customers. We bill our customers when we ship the products and meet the shipping terms within the revenue contract. Contract liabilities consist of advance or progress payments received from our customers prior to the time transfer of control occurs plus the estimated losses on contracts. When a contract liability and a contract asset exist on the same contract, we report it on a net basis.

Contract assets and contract liabilities from revenue contracts with customers are as follows:

	(Dollars in thousands)	
	October 1, 2022	December 31, 2021
Contract assets	\$ 194,496	\$ 176,405
Contract liabilities	\$ 34,057	\$ 42,077

The increase in our contract assets as of October 1, 2022 compared to December 31, 2021 was primarily due to a net increase of products in work in process in the current period.

The decrease in our contract liabilities as of October 1, 2022 compared to December 31, 2021 was primarily due to a net decrease of advance or progress payments received from our customers in the current period. We recognized \$23.9 million of the contract liabilities as of December 31, 2021 as revenues during the nine months ended October 1, 2022.

Performance obligations are defined as customer placed purchase orders (“POs”) with firm fixed price and firm delivery dates. Our remaining performance obligations as of October 1, 2022 totaled \$853.1 million. We anticipate recognizing an estimated 70% of our remaining performance obligations as revenue during the next 12 months with the remaining performance obligations being recognized in the remainder of 2023 and beyond.

Revenue by Category

In addition to the revenue categories disclosed above, the following table reflects our revenue disaggregated by major end-use market:

	(Dollars in thousands)		(Dollars in thousands)	
	Three Months Ended		Nine Months Ended	
	October 1 2022	October 2, 2021	October 1 2022	October 2, 2021
<u>Consolidated Ducommun</u>				
Military and space	\$ 106,303	\$ 113,622	\$ 312,317	\$ 340,757
Commercial aerospace	68,348	41,150	179,490	114,104
Industrial	11,939	8,455	32,462	25,709
Total	<u>\$ 186,590</u>	<u>\$ 163,227</u>	<u>\$ 524,269</u>	<u>\$ 480,570</u>
<u>Electronic Systems</u>				
Military and space	\$ 78,811	\$ 81,365	\$ 230,818	\$ 243,853
Commercial aerospace	22,654	14,901	57,322	37,060
Industrial	11,939	8,455	32,462	25,709
Total	<u>\$ 113,404</u>	<u>\$ 104,721</u>	<u>\$ 320,602</u>	<u>\$ 306,622</u>
<u>Structural Systems</u>				
Military and space	\$ 27,492	\$ 32,257	\$ 81,499	\$ 96,904
Commercial aerospace	45,694	26,249	122,168	77,044
Total	<u>\$ 73,186</u>	<u>\$ 58,506</u>	<u>\$ 203,667</u>	<u>\$ 173,948</u>

Government Grant

In November 2021, we were awarded an Aviation Manufacturing Jobs Protection Program grant from the U.S. Department of Transportation (“AMJPP Grant”) of \$4.0 million. As part of the award, we had to meet, and did complete, certain requirements over a six month performance period from November 15, 2021 to May 14, 2022. As of October 1, 2022, we have received \$2.0 million of the AMJPP Grant, all during 2021, with the remaining \$2.0 million expected to be received during 2022 and

included as other current assets. We recorded zero and \$2.7 million as a reduction of cost of sales during the three and nine months ended October 1, 2022, respectively, and zero and \$0.3 million as a reduction of general and administrative expenses during the three and nine months ended October 1, 2022, respectively. Cumulative through October 1, 2022, we have recorded \$3.6 million and \$0.4 million as a reduction of cost of sales and selling, general and administrative expenses, respectively.

Recent Accounting Pronouncements

New Accounting Guidance Adopted in 2022

In August 2020, the FASB issued ASU 2020-06, “Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40) - Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity” (“ASU 2020-06”), which simplifies reporting or provides clarification on various topics, including clarification that an entity should use the weighted-average share count from each quarter when calculating the year-to-date weighted-average share count. The new guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, which was our interim period beginning January 1, 2022. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”), which provides optional guidance for a limited time for contracts that reference London Interbank Offered Rate (“LIBOR”), to ease the potential burden in accounting for, or recognizing the effects, of reference rate reform on financial reporting as a result of the cessation of LIBOR. The new guidance is effective at any time after March 12, 2020 but no later than December 31, 2022. Prior to the adoption of this standard, during the three months ended October 1, 2022, we had made the following elections related to our current cash flow hedging relationships as our current term loans mature before the expiration of the Forward Interest Rate Swaps: 1) Probability of forecasted transactions, and 2) Assessment of effectiveness. The adoption of this standard during the three months ended October 1, 2022 did not have a material impact on our condensed consolidated financial statements. See Note 7.

Note 2. Business Combinations

In December 2021, we acquired 100.0% of the outstanding equity interests of Magnetic Seal LLC (f/k/a Magnetic Seal Corporation, “MagSeal”), a privately-held leading provider of high-impact, military-proven magnetic seals for critical systems in aerospace and defense applications, offering sealing solutions that are engineered to perform in high-speed, high-vibration, and other challenging environments. MagSeal is located in Warren, Rhode Island. The acquisition of MagSeal will continue to advance our strategy to diversify and offer more customized, value-driven engineered products with aftermarket opportunities.

The original purchase price for MagSeal was \$69.5 million, net of cash acquired, all payable in cash. We paid a gross aggregate of \$71.3 million in cash upon the closing of the transaction. Subsequent to the closing of the transaction, during the three months ended July 2, 2022, as part of finalizing the working capital adjustment, we received \$0.4 million back from the seller which lowered the purchase price to \$69.1 million, net of cash acquired. We allocated the final gross purchase price of \$70.9 million to the assets acquired and liabilities assumed at their estimated fair values. The excess of the purchase price over the aggregate fair values of the net assets was recorded as goodwill.

The following table summarizes the final estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

	Estimated Fair Value
Cash	\$ 1,821
Accounts receivable	2,093
Inventories	4,546
Other current assets	98
Property and equipment	482
Operating lease right-of-use assets	1,533
Intangible assets	30,100
Goodwill	32,577
Total assets acquired	73,250
Current liabilities	(907)
Other non-current liabilities	(1,408)
Total liabilities assumed	(2,315)
Total purchase price allocation	\$ 70,935

	Useful Life (In years)	Estimated Fair Value (In thousands)
Intangible assets:		
Customer relationships	19	\$ 24,800
Backlog	2	600
Trade name	Indefinite	4,700
		\$ 30,100

The intangible assets acquired of \$30.1 million were determined based on the estimated fair values using valuation techniques consistent with the income approach to measure fair value, which represented Level 3 fair value measurements. The useful lives were estimated based on the underlying agreements or the future economic benefit expected to be received from the assets. The value for customer relationships and backlog were estimated based on a multi-period excess earnings approach, while the value for trade name was assessed using the relief from royalty methodology. Inputs to the income approach models and other aspects of the allocation of the purchase price require judgment. The more significant inputs used in the customer relationships intangible asset valuation include (i) future revenue growth rates, (ii) projected gross margins, (iii) the customer attrition rate, and (iv) the discount rate.

The goodwill of \$32.6 million arising from the acquisition is attributable to the benefits we expect to derive from expected synergies from the transaction, including complementary products that will enhance our overall product portfolio, opportunities within new markets, and an acquired assembled workforce. All the goodwill was assigned to the Structural Systems segment. The MagSeal acquisition, for tax purposes, is deemed an asset acquisition and thus, is deductible for income tax purposes.

Acquisition related transaction costs were not included as components of consideration transferred but have been expensed as incurred. Total acquisition-related transaction costs incurred by us were \$0.9 million during 2021 and charged to selling, general and administrative expenses.

MagSeal's results of operations have been included in our condensed consolidated statements of income since the date of acquisition as part of the Structural Systems segment and were immaterial since the date of acquisition. Pro forma results of operations of the MagSeal acquisition have not been presented as the effect of the MagSeal acquisition was not material to our financial results.

Note 3. Restructuring Activities

Summary of 2022 Restructuring Plan

In April 2022, management approved and commenced a restructuring plan that will better position us for stronger performance. The restructuring plan will mainly reduce headcount and consolidate facilities. As a result of this restructuring plan, we analyzed the need to write-down inventory and impair long-lived assets, including operating lease right-of-use assets. During the three and nine months ended October 1, 2022, we recorded total charges of \$0.6 million and \$3.8 million, respectively. As

of October 1, 2022, we estimate the remaining amount of charges related to this initiative will be \$7.0 million to \$10.0 million in total pre-tax restructuring charges through 2023. Of these charges, we estimate \$5.0 million to \$7.0 million to be cash payments for employee separation and other facility consolidation related expenses, and \$2.0 million to \$3.0 million to be non-cash charges for impairment of long-lived assets.

In the Electronics Systems segment, we recorded \$0.1 million and \$0.2 million during the three months ended October 1, 2022, for severance and benefits that were classified as restructuring charges and accelerated depreciation of property and equipment that was classified as restructuring charges, respectively. We recorded \$1.4 million and \$0.2 million during the nine months ended October 1, 2022, for severance and benefits that were classified as restructuring charges and accelerated depreciation of property and equipment that was classified as restructuring charges, respectively.

In the Structural Systems segment, we recorded zero, \$0.3 million, and zero during the three months ended October 1, 2022 for inventory write down that was classified as cost of sales, severance and benefits that were classified as restructuring charges, and impairment of property and equipment that was classified as restructuring charges, respectively. We recorded \$0.5 million, \$1.4 million, and \$0.3 million during the nine months ended October 1, 2022 for inventory write down that was classified as cost of sales, severance and benefits that were classified as restructuring charges, and impairment of property and equipment that was classified as restructuring charges, respectively.

Our restructuring activities during the nine months ended October 1, 2022 were as follows (in thousands):

	December 31, 2021	Nine Months Ended October 1, 2022				October 1, 2022
	Balance	Charges	Cash Payments	Non-Cash Payments	Change in Estimates	Balance
Severance and benefits	\$ —	\$ 2,780	\$ (1,423)	\$ —	\$ —	\$ 1,357
Property and equipment accelerated depreciation due to restructuring	—	186	—	(186)	—	—
Property and equipment impairment due to restructuring	—	304	—	(304)	—	—
Inventory write down	—	528	—	(528)	—	—
Ending balance	\$ —	\$ 3,798	\$ (1,423)	\$ (1,018)	\$ —	\$ 1,357

The restructuring activities accrual for severance and benefits of \$1.4 million as of October 1, 2022 was included as part of accrued and other liabilities.

Note 4. Inventories

Inventories consisted of the following:

	(Dollars in thousands)	
	October 1, 2022	December 31, 2021
Raw materials and supplies	\$ 144,406	\$ 125,334
Work in process	23,859	20,609
Finished goods	3,795	4,995
Total	\$ 172,060	\$ 150,938

Note 5. Goodwill

We perform our annual goodwill impairment test as of the first day of the fourth quarter. If certain factors occur, including significant underperformance of our business relative to expected operating results, significant adverse economic and industry trends, significant decline in our market capitalization for an extended period of time relative to net book value, a decision to divest individual businesses within a reporting unit, or a decision to group individual businesses differently, we may be required to perform an interim impairment test prior to the fourth quarter.

We may use either a qualitative or quantitative approach when testing a reporting unit's goodwill for impairment. The qualitative approach for potential impairment analysis to determine whether it is more likely than not that the fair value of a reporting unit was less than its carrying amount.

The quantitative approach for potential impairment analysis is performed by comparing the fair value of a reporting unit to its carrying value, including goodwill. Fair value is estimated by management using a combination of the income approach (which is based on a discounted cash flow model) and market approach. Management's cash flow projections include significant

judgments and assumptions, including the amount and timing of expected cash flows, long-term growth rates, and discount rates. The cash flows used in the discounted cash flow model are based on our best estimate of future revenues, gross margins, and adjusted after-tax earnings. If any of these assumptions are incorrect, it will impact the estimated fair value of a reporting unit. The market approach also requires significant management judgment in selecting comparable business acquisitions and the transaction values observed and its related control premiums.

While our business continues to be negatively impacted during the three and nine months ended October 1, 2022 as a result of the COVID-19 pandemic, no material adverse factors/changes have occurred since the fourth quarter of 2021 that would require us to perform another qualitative or quantitative assessment. As such, for the third quarter of 2022, it was also not more likely than not that the fair values of the reporting units were less than their carrying amounts and thus, the respective goodwill amounts were not deemed to be impaired.

The carrying amounts of our goodwill were as follows:

	(Dollars in thousands)		
	Electronic Systems	Structural Systems	Consolidated Ducommun
Gross goodwill	\$ 199,157	\$ 86,259	\$ 285,416
Accumulated goodwill impairment	(81,722)	—	(81,722)
Balance at December 31, 2021	\$ 117,435	\$ 86,259	\$ 203,694
Purchase price allocation refinements	—	(287)	(287)
Balance at October 1, 2022	\$ 117,435	\$ 85,972	\$ 203,407

Note 6. Accrued and Other Liabilities

The components of accrued and other liabilities were as follows:

	(Dollars in thousands)	
	October 1, 2022	December 31, 2021
Accrued compensation	\$ 22,351	\$ 24,391
Accrued income tax and sales tax	9,460	926
Other	12,446	15,974
Total	\$ 44,257	\$ 41,291

Note 7. Long-Term Debt

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

	(Dollars in thousands)	
	October 1, 2022	December 31, 2021
Term loans	\$ 250,000	\$ 287,712
Total debt	250,000	287,712
Less current portion	(6,250)	(7,000)
Total long-term debt, less current portion	243,750	280,712
Less debt issuance costs - term loans	(1,689)	(1,328)
Total long-term debt, net of debt issuance costs - term loans	\$ 242,061	\$ 279,384
Debt issuance costs - revolving credit facility ⁽¹⁾	\$ 2,391	\$ 1,136
Weighted-average interest rate	3.91 %	3.27 %

(1) Included as part of other assets.

On July 14, 2022, we completed a refinancing of all our existing debt by entering into a new term loan (“2022 Term Loan”) and a new revolving credit facility (“2022 Revolving Credit Facility”). The 2022 Term Loan is a \$250.0 million senior secured loan that matures on July 14, 2027. The 2022 Revolving Credit Facility is a \$200.0 million senior secured revolving credit facility that matures on July 14, 2027. The 2022 Term Loan and 2022 Revolving Credit Facility, collectively are the new credit facilities (“2022 Credit Facilities”).

The 2022 Term Loan bears interest, at our option, at a rate equal to either (i) Term Secured Overnight Financing Rate (“Term SOFR”) plus an applicable margin ranging from 1.375% to 2.375% per year or (ii) Base Rate (defined as the highest of [a]

Federal Funds Rate plus 0.50%, [b] Bank of America's prime rate, and [c] Term SOFR plus 1.00%, and if the Base Rate is less than zero percent, it will be deemed zero percent) plus an applicable margin ranging from 0.375% to 1.375% per year, in each case based upon the consolidated total net adjusted leverage ratio. Interest payments are typically paid on a quarterly basis, on the last business day each quarter. In addition, the 2022 Term Loan requires quarterly amortization payments of 0.625% during year one and year two, 1.250% during year three and year four, and 1.875% during year five of the original outstanding principal balance of the 2022 Term Loan amount, on the last business day each quarter. No quarterly amortization payment was required to be paid during the three months ended October 1, 2022, however, it will begin in the three months ending December 31, 2022.

The 2022 Revolving Credit Facility bears interest, at our option, at a rate equal to either (i) Term SOFR plus an applicable margin ranging from 1.375% to 2.375% per year or (ii) Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America's prime rate, and [c] Term SOFR plus 1.00%, and if the Base Rate is less than zero percent, it will be deemed zero percent) plus an applicable margin ranging from 0.375% to 1.375% per year, in each case based upon the consolidated total net adjusted leverage ratio. Interest payments are typically paid on a quarterly basis, on the last business day each quarter. The undrawn portion of the commitment of the 2022 Revolving Credit Facility is subject to a commitment fee ranging from 0.175% to 0.275%, based upon the consolidated total net adjusted leverage ratio, typically paid on a quarterly basis, on the last business day each quarter. However, the 2022 Revolving Credit Facility does not require any principal installment payments.

In conjunction with the closing of the 2022 Credit Facilities, we utilized the entire \$250.0 million of proceeds from the 2022 Term Loan plus our existing cash on hand to pay off our entire debt balance outstanding of \$254.2 million under prior credit facilities (described below).

In December 2019, we completed the refinancing of a portion of our existing debt by entering into a new revolving credit facility ("2019 Revolving Credit Facility") to replace the then existing revolving credit facility that was entered into in November 2018 ("2018 Revolving Credit Facility") and entered into a new term loan ("2019 Term Loan"). The 2019 Revolving Credit Facility was a \$100.0 million senior secured revolving credit facility that would have matured on December 20, 2024 replacing the \$100.0 million 2018 Revolving Credit Facility that would have matured on November 21, 2023. The 2019 Term Loan was a \$140.0 million senior secured term loan that would have matured on December 20, 2024. We also have an existing \$240.0 million senior secured term loan that was entered into in November 2018 that would have matured on November 21, 2025 ("2018 Term Loan"). The original amounts available under the 2019 Revolving Credit Facility, 2019 Term Loan, and 2018 Term Loan (collectively, the "Existing Credit Facilities") in aggregate, totaled \$480.0 million.

The 2019 Term Loan bore interest, at our option, at a rate equal to either (i) the Eurodollar Rate (defined as the London Interbank Offered Rate ["LIBOR"]) plus an applicable margin ranging from 1.50% to 2.50% per year or (ii) the Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America's prime rate, and [c] the Eurodollar Rate plus 1.00%) plus an applicable margin ranging from 0.50% to 1.50% per year, in each case based upon the consolidated total net adjusted leverage ratio, typically payable quarterly. In addition, the 2019 Term Loan required amortization payments of 1.25% of the original outstanding principal balance of the 2019 Term Loan amount on a quarterly basis, on the last day of the calendar quarter. For the three and six months ended July 2, 2022, we made the required quarterly amortization payments on the 2019 Term Loan of \$1.8 million and \$3.5 million, respectively.

The 2019 Revolving Credit Facility bore interest, at our option, at a rate equal to either (i) the Eurodollar Rate (defined as LIBOR) plus an applicable margin ranging from 1.50% to 2.50% per year or (ii) the Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America's prime rate, and [c] the Eurodollar Rate plus 1.00%) plus an applicable margin ranging from 0.50% to 1.50% per year, in each case based upon the consolidated total net adjusted leverage ratio, typically payable quarterly. The undrawn portion of the commitment of the 2019 Revolving Credit Facility was subject to a commitment fee ranging from 0.175% to 0.275%, based upon the consolidated total net adjusted leverage ratio. However, the 2019 Revolving Credit Facility did not require any principal installment payments.

The 2018 Term Loan bore interest, at our option, at a rate equal to either (i) the Eurodollar Rate (defined as LIBOR plus an applicable margin ranging from 3.75% to 4.00% per year or (ii) the Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America's prime rate, and [c] the Eurodollar Rate plus 1.00%) plus an applicable margin ranging from 3.75% to 4.00% per year, in each case based upon the consolidated total net adjusted leverage ratio, typically payable quarterly. In addition, the 2018 Term Loan required amortization payments of 0.25% of the outstanding principal balance of the 2018 Term Loan amount on a quarterly basis.

Further, under the Existing Credit Facilities, if we exceeded the annual excess cash flow threshold, we were required to make an annual additional principal payment based on the consolidated adjusted leverage ratio. The annual mandatory excess cash flow payment was based on (i) 50% of the excess cash flow amount if the adjusted leverage ratio was greater than 3.25 to 1.0, (ii) 25% of the excess cash flow amount if the adjusted leverage ratio was less than or equal to 3.25 to 1.0 but greater than 2.50 to 1.0, and (iii) zero percent of the excess cash flow amount if the consolidated adjusted leverage ratio is less than or equal to 2.50

to 1.0. We did not exceed the annual excess cash flow threshold for 2021 and thus, no annual excess cash flow payment was required to be paid during the first quarter of 2022.

In conjunction with entering into the 2019 Revolving Credit Facility and the 2019 Term Loan, we used the \$140.0 million of proceeds from the 2019 Term Loan to pay off and close the 2018 Revolving Credit Facility of \$58.5 million, paid down a portion of the 2018 Term Loan of \$56.0 million, paid the accrued interest associated with the amounts being paid down on the 2018 Revolving Credit Facility and 2018 Term Loan, paid the fees related to this transaction, and used the remainder for general corporate purposes. The \$56.0 million pay down on the 2018 Term Loan paid all the required quarterly amortization payments on the 2018 Term Loan until maturity.

However, since we were paying down on the term loans during the three months ended April 2, 2022, we were required to pay down on the 2019 Term Loan and 2018 Term Loan on a pro-rata basis and thus, we paid down \$13.0 million and \$17.0 million on the 2019 Term Loan and 2018 Term Loan, respectively, for an aggregate total pay down of \$30.0 million. During the three and nine months ended October 1, 2022 we made no other voluntary prepayments on our debt.

As of October 1, 2022, we had \$199.8 million of unused borrowing capacity under the 2022 Revolving Credit Facility, after deducting \$0.2 million for standby letters of credit.

As of October 1, 2022, we were in compliance with all covenants required under the 2022 Credit Facilities.

The 2022 Term Loan was considered a modification of debt for some lenders and an extinguishment of debt for other lenders, and thus, a loss of \$0.2 million was recorded related to the extinguishment. In addition, the new fees incurred of \$0.8 million were capitalized and will be amortized over the life of the 2022 Term Loan. Further, the remaining debt issuance costs related to the 2019 Term Loan and 2018 Term Loan of \$1.0 million as of the modification date will be amortized over the life of the 2022 Term Loan, using the effective interest method.

The 2022 Revolving Credit Facility that replaced the 2019 Revolving Credit Facility was considered a modification of debt except for the portion related to the creditor that is no longer a part of the 2022 Revolving Credit Facility and in which case, it was considered an extinguishment of debt. As a result, we expensed the portion of the unamortized debt issuance costs related to the 2019 Revolving Credit Facility that was considered an extinguishment of debt of \$0.1 million. In addition, the new fees incurred of \$1.7 million as part of the 2022 Revolving Credit Facility were capitalized and will be amortized over the life of the 2022 Revolving Credit Facility. Further, the remaining debt issuance costs related to the 2019 Revolving Credit Facility of \$0.8 million as of the modification date will also be amortized over the life of the 2022 Revolving Credit Facility.

The 2022 Credit Facilities were entered into by us (“Parent Company”) and guaranteed by all of our domestic subsidiaries, other than two subsidiaries that were considered minor (“Subsidiary Guarantors”). The Subsidiary Guarantors jointly and severally guarantee the 2022 Credit Facilities. The Parent Company has no independent assets or operations and therefore, no consolidating financial information for the Parent Company and its subsidiaries is presented.

In November 2021, we entered into derivative contracts, U.S. dollar-one month LIBOR forward interest rate swaps designated as cash flow hedges, all with an effective date of January 1, 2024, for an aggregate total notional amount of \$150.0 million, weighted average fixed rate of 1.8%, and all terminating on January 1, 2031 (“Forward Interest Rate Swaps”). The Forward Interest Rate Swaps mature on a monthly basis, with fixed amount payer payment dates on the first day of each calendar month, commencing on February 1, 2024 through January 1, 2031. The Forward Interest Rate Swaps were deemed to be highly effective upon entering into the derivative contracts and thus, hedge accounting treatment was utilized. Since the Forward Interest Rate Swaps are not effective until January 1, 2024, we only recorded the changes in the fair value of the Forward Interest Rate Swaps that were highly effective and that were designated and qualified as cash flow hedges. As such, we recorded the change of \$0.1 million to other long term assets, other long term liabilities, and other comprehensive income (loss) for the three months ended October 1, 2022. See Note 1 for further information.

On July 14, 2022, as a result of completing a refinancing of our existing debt, we were required to complete an amendment of the Forward Interest Rate Swaps (“Amended Forward Interest Rate Swaps”). The Forward Interest Rate Swaps were based on U.S. dollar-one month LIBOR and were amended to be based on one month Term SOFR as borrowings using LIBOR are no longer available under the 2022 Credit Facilities. Since this was an amendment of just the reference rate as a result of the cessation of LIBOR, utilizing the guidance under ASU 2020-04, we determined the Amended Forward Interest Rate Swaps as of the amendment date to continue to be highly effective. The Amended Forward Interest Rate Swaps weighted average fixed rate is 1.7%, as a result of the difference between U.S. dollar-one month LIBOR and one month Term SOFR.

Note 8. 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. Additionally, we indemnify our directors and officers to the maximum extent permitted under the laws of the State of Delaware and 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. Moreover, in connection with certain performance center leases, we have indemnified our lessors for certain claims arising from the performance center or the lease.

The duration of the guarantees and indemnities varies and, in many cases is indefinite but subject to applicable statutes of limitations. The majority of guarantees and indemnities do not provide any limitations on 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 condensed consolidated balance sheets.

Note 9. Income Taxes

The provision for income taxes is determined using an estimated annual effective tax rate, which is generally less than the U.S. Federal statutory rate, primarily due to research and development (“R&D”) tax credits. Our effective tax rate may be subject to fluctuations during the year as new information is obtained, which may affect the assumptions used to estimate the annual effective tax rate, including factors such as expected utilization of R&D tax credits, valuation allowances against deferred tax assets, recognition or derecognition of tax benefits related to uncertain tax positions, and changes in or the interpretation of tax laws in jurisdictions where we conduct business. Also, excess tax benefits and tax detriments related to our equity compensation recognized in the condensed consolidated income statement could result in fluctuations in our effective tax rate period-over-period depending on the volatility of our stock price, number of restricted or performance stock units that vests, and stock options exercised during the period. We recognize deferred tax assets and liabilities, using enacted tax rates, for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities along with net operating loss and tax credit carryovers.

We record a valuation allowance against our deferred tax assets to reduce the net carrying value to an amount that we believe is more likely than not to be realized. When we establish or reduce our valuation allowances against our deferred tax assets, the provision for income taxes will increase or decrease, respectively, in the period when that determination is made.

We recorded income tax expense of \$1.5 million for the three months ended October 1, 2022 compared to \$1.2 million for the three months ended October 2, 2021. The increase in income tax expense for the third quarter of 2022 compared to the third quarter of 2021 was primarily due to lower income tax benefits recognized related to the U.S. Federal research and development tax credit in the third quarter of 2022 compared to the third quarter of 2021. The increase in income tax expense was partially offset by lower pre-tax income in the third quarter of 2022.

We recorded income tax expense of \$4.0 million for the nine months ended October 1, 2022 compared to \$4.1 million for the nine months ended October 2, 2021. The decrease in income tax expense for the first nine months of 2022 compared to the first nine months of 2021 was primarily due to lower pre-tax income in the first nine months of 2022 compared to the first nine months of 2021. The decrease in income tax expense was partially offset by lower income tax benefits recognized related to the U.S. Federal research and development tax credit and lower discrete income tax benefits recognized for net tax windfalls related to stock-based compensation in the first nine months of 2022.

Our total amount of unrecognized tax benefits was \$4.8 million and \$4.4 million as of October 1, 2022 and December 31, 2021, respectively. If recognized, \$3.0 million would affect the effective tax rate. We record interest and penalty charges, if any, related to uncertain tax positions as a component of tax expense and unrecognized tax benefits. The amounts accrued for interest and penalty charges as of October 1, 2022 and December 31, 2021 were not significant. As a result of statute of limitations set to expire in the fourth quarter of 2022, we expect decreases to our unrecognized tax benefits of approximately \$0.7 million in the next twelve months.

We file U.S. Federal and state income tax returns. We are subject to examination by the Internal Revenue Service (“IRS”) for tax years after 2017 and by state taxing authorities for tax years after 2016. While we are no longer subject to examination prior to those periods, carryforwards generated prior to those periods may still be adjusted upon examination by the IRS or state taxing authorities if they either have been or will be used in a subsequent period. We believe we have adequately accrued for tax deficiencies or reductions in tax benefits, if any, that could result from the examination and all open audit years.

The Tax Cuts and Jobs Act of 2017 (“TCJA”), which was signed into U.S. law in December 2017, eliminated the option to immediately deduct research and development expenditures in the year incurred under Section 174 effective January 1, 2022. The amended provision under Section 174 requires us to capitalize and amortize these expenditures over five years (for U.S.-based research). As of October 1, 2022, we recorded an increase to current income taxes payable of approximately \$7.5 million and a decrease to net deferred tax liabilities of a similar amount. We are monitoring legislation for any further changes to Section 174 and the impact to the financial statements in 2022.

On August 9, 2022, the U.S. enacted the Creating Helpful Incentives to Produce Semiconductors Act of 2022 (“CHIPS Act”) which provides new funding to boost domestic research and manufacturing of semiconductors in the United States. We are

evaluating the provisions in the CHIPS Act. Any impact to our overall income taxes would be for 2023 and thereafter.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 (“IRA”) which aims to curb inflation by reducing the deficit, lowering prescription drug prices, and investing in domestic energy production while promoting clean energy. We considered the provisions in the IRA and determined they have no or minimal impact to our overall income taxes.

Note 10. Commitments and Contingencies

In December 2020, a representative action under California’s Private Attorneys General Act was filed against us in the Superior Court of California, County of San Bernardino. We received service of process of this complaint on January 28, 2021. The complaint alleges violations of California’s wage and hour laws relating to our current and former employees and seeks attorney’s fees and penalties. We vigorously refuted and defended these claims, and reached a tentative settlement of \$0.8 million during the fourth quarter 2021, which is subject to court approval. Thus, we recorded accrued liabilities of \$0.8 million as of December 31, 2021. During the three months ended July 2, 2022, additional factual information was identified resulting in an increase in the amount of the tentative settlement to \$0.9 million. Therefore, we recorded an additional accrued liabilities of \$0.1 million for a total accrued liabilities amount of \$0.9 million as of July 2, 2022 and remains unchanged as of October 1, 2022 as we are awaiting final court approval of this settlement.

Structural Systems has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at our facilities located in El Mirage and Monrovia, California. Based on currently available information, we have established an accrual for its estimated liability for such investigation and corrective action of \$1.5 million at both October 1, 2022 and December 31, 2021, which is reflected in other long-term liabilities on our condensed consolidated balance sheets.

Structural Systems also faces liability as a potentially responsible party for hazardous waste disposed at landfills located in Casmalia and West Covina, California. Structural Systems 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, we preliminarily estimate that the range of our future liabilities in connection with the landfill located in West Covina, California is between \$0.4 million and \$3.1 million. We have established an accrual for the estimated liability in connection with the West Covina landfill of \$0.4 million as of both October 1, 2022 and December 31, 2021, which is reflected in other long-term liabilities on our condensed consolidated balance sheets. Our 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 June 2020, a fire severely damaged our performance center in Guaymas, Mexico, which is part of our Structural Systems segment. There were no injuries, however, property and equipment, inventories, and tooling in this leased facility were damaged. Our Guaymas performance center is comprised of two buildings with an aggregate total of 62,000 square feet. The loss of production from the Guaymas performance center was being absorbed by our other existing performance centers, however, we have reestablished and are in the process of ramping up manufacturing capabilities in a different leased facility in Guaymas. A neighboring, non-related manufacturing facility, also suffered fire damage during the same time as the fire that severely damaged our Guaymas performance center. The cause of the fire is still undetermined and as such, there is no amount of loss that is probable and reasonably estimable at this time. If we are ultimately deemed to be responsible or partly responsible, it is possible we could incur a loss in excess of our insurance coverage limits, which could be material to our cash flow, liquidity, or financial results.

Our insurance covers damage, up to a capped amount, to the facility, equipment, unfinished inventory, and other assets at replacement cost, finished goods inventory at selling price, as well as business interruption, third party property damage, and recovery related expenses caused by the fire, less our per claim deductible. The anticipated insurance recoveries related to losses and incremental costs incurred are recognized when receipt is probable. The anticipated insurance recoveries in excess of net book value of the damaged operating assets and business interruption will not be recorded until all contingencies related to our claim have been resolved. During the year ended December 31, 2020, \$0.8 million of revenue and \$0.5 million of related cost of sales were reversed for revenue previously recognized using the over time method as the revenue recognition process for these items were deemed to be interrupted as a result of these inventory items being damaged. Also during the year ended December 31, 2020, we wrote off property and equipment and tooling with an aggregate total net book value of \$7.1 million and inventory on hand of \$3.4 million that were damaged by the fire. The related anticipated insurance recoveries were also presented within the same financial statement line item in the condensed consolidated statements of income resulting in no net impact, with the anticipated insurance recoveries receivable included as part of other current assets on the condensed consolidated balance sheets. During the three and nine months ended October 1, 2022, we received insurance recoveries of zero and \$3.0 million, respectively, for business interruption and since the contingencies related to this amount are deemed to be resolved, we recorded this amount as other income. In addition, as of October 1, 2022, we have received \$13.5 million of

general insurance recoveries, all during 2020. The timing of and the remaining amounts of insurance recoveries, including for business interruption, are not known at this time.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation and claims, and receive certain demands and inquiries, in both cases, including but not limited to matters relating to environmental laws. In addition, Ducommun makes various commitments, grants indemnities, and incurs contingent liabilities in the ordinary course of business. 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 condensed consolidated financial position, results of operations or cash flows.

Note 11. Business Segment Information

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

Financial information by reportable operating segment was as follows:

	(Dollars in thousands) Three Months Ended		(Dollars in thousands) Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net Revenues				
Electronic Systems	\$ 113,404	\$ 104,721	\$ 320,602	\$ 306,622
Structural Systems	73,186	58,506	203,667	173,948
Total Net Revenues	<u>\$ 186,590</u>	<u>\$ 163,227</u>	<u>\$ 524,269</u>	<u>\$ 480,570</u>
Segment Operating Income				
Electronic Systems	\$ 13,881	\$ 15,319	\$ 36,902	\$ 42,185
Structural Systems	6,687	4,457	12,839	15,177
	20,568	19,776	49,741	57,362
Corporate General and Administrative Expenses ⁽¹⁾	(7,351)	(6,413)	(19,647)	(20,297)
Total Operating Income	<u>\$ 13,217</u>	<u>\$ 13,363</u>	<u>\$ 30,094</u>	<u>\$ 37,065</u>
Depreciation and Amortization Expenses				
Electronic Systems	\$ 3,510	\$ 3,547	\$ 10,500	\$ 10,396
Structural Systems	4,100	3,599	12,659	10,540
Corporate Administration	59	58	176	176
Total Depreciation and Amortization Expenses	<u>\$ 7,669</u>	<u>\$ 7,204</u>	<u>\$ 23,335</u>	<u>\$ 21,112</u>
Capital Expenditures				
Electronic Systems	\$ 3,192	\$ 1,964	\$ 7,831	\$ 3,865
Structural Systems	1,175	1,598	7,033	6,154
Corporate Administration	—	—	—	—
Total Capital Expenditures	<u>\$ 4,367</u>	<u>\$ 3,562</u>	<u>\$ 14,864</u>	<u>\$ 10,019</u>

(1) Includes costs not allocated to either the Electronic Systems or Structural Systems operating segments.

Segment assets include assets directly identifiable to or allocated to each segment. Our segment assets are as follows:

	(Dollars in thousands)	
	October 1, 2022	December 31, 2021
Total Assets		
Electronic Systems	\$ 537,425	\$ 490,814
Structural Systems	414,971	408,118
Corporate Administration ⁽¹⁾	37,107	79,803
Total Assets	<u>\$ 989,503</u>	<u>\$ 978,735</u>
Goodwill and Intangibles		
Electronic Systems	\$ 184,823	\$ 191,789
Structural Systems	149,423	153,669
Total Goodwill and Intangibles	<u>\$ 334,246</u>	<u>\$ 345,458</u>

(1) Includes assets not specifically identified to or allocated to either the Electronic Systems or Structural Systems operating segments, including cash and cash equivalents.

Item 2. 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 and defense (“A&D”), industrial, medical and other industries (collectively, “Industrial”). We differentiate ourselves 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 segments: Electronic Systems and Structural Systems, each of which is a reportable segment.

COVID-19 Pandemic Impact on Our Business

The COVID-19 pandemic has had a significant impact on our overall business during both the three and nine months ended October 1, 2022 and October 2, 2021. As a result of the COVID-19 pandemic, precautionary measures were instituted by governments and businesses to mitigate its spread, including the imposition of travel restrictions, quarantines, shelter in place directives, and shutting down of non-essential businesses.

The safety of our employees remains our highest priority. The well-being and safety protocols that were already in place at all of our facilities were further enhanced at the onset of the COVID-19 pandemic. We continue to follow safety protocols consistent with guidelines provided by state and local governments and the Centers for Disease Control and Prevention (“CDC”). These measures included social distancing, provision of personal protective equipment, enhanced cleaning, and flexible work arrangements wherever possible. We have also offered enhanced leave and benefits to our employees and provided frequent updates to ensure our workforce is kept apprised of evolving regulations and safety measures.

In March 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) which provides tax relief to individuals and businesses affected by the coronavirus pandemic. We have not requested or accepted any loans or payments that are available under the CARES Act, however, we have utilized the option to defer payment of the employer portion of payroll taxes (Social Security) that would otherwise be required to be made during the period beginning March 27, 2020 to December 31, 2020. One half of the deferred amount was required to be paid and was paid by December 31, 2021, with the remaining 50% to be paid by December 31, 2022. As of October 1, 2022, we have deferred \$3.1 million, which is included as part of accrued and other liabilities on the condensed consolidated balance sheets.

The COVID-19 pandemic has and continues to contribute to a general slowdown in the global economy and most significantly, the commercial aerospace end-use market. While both major large aircraft manufacturers, The Boeing Company (“Boeing”) and Airbus SE, have announced increases in build rates for 2022, it is well below pre-pandemic levels. In its 2021 Annual Report on Form 10-K, Boeing indicated it expects commercial air travel to return to 2019 levels in 2023 to 2024, and a few years beyond that for the industry to return to the long-term trend growth. While the full extent and impact of the COVID-19 pandemic cannot be reasonably estimated with certainty at this time, COVID-19 has had a significant impact on our business, the businesses of our customers and suppliers, as well as our results of operations and financial condition, and may have a material adverse impact on our business, results of operations and financial condition for 2022 and beyond.

Third quarter 2022 recap:

- Net revenues of \$186.6 million
- Net income of \$8.5 million, or \$0.69 per diluted share
- Adjusted EBITDA of \$26.0 million, or 13.9% of revenues

Non-GAAP Financial Measures

Adjusted earnings before interest, taxes, depreciation, amortization, stock-based compensation expense, restructuring charges, Guaymas fire related expenses, insurance recoveries related to business interruption, inventory purchase accounting adjustments, loss on extinguishment of debt, and other debt refinancing costs (“Adjusted EBITDA”) were \$26.0 million and \$23.9 million for the three months ended October 1, 2022 and October 2, 2021, respectively.

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 Adjusted EBITDA provides additional useful information that clarifies and enhances the understanding of the factors and trends affecting our past performance and future prospects. We define this measure, explain how it is calculated and provide a reconciliation of this measure to the most comparable GAAP measure in the table below. Adjusted EBITDA and the related financial ratios, as presented in this Quarterly Report on Form 10-Q (“Form 10-Q”), 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 Adjusted EBITDA as a non-GAAP operating performance measure internally as a complementary financial measure to evaluate the performance and trends of our businesses. We present 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 operating commitments.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- It does not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- It does not reflect changes in, or cash requirements for, our working capital needs;
- It does 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 Adjusted EBITDA does not reflect any cash requirements for such replacements;
- It is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- It does not reflect the impact on earnings of charges resulting from matters unrelated to our ongoing operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently from us, limiting its usefulness as a comparative measure.

As a result of these limitations, 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 Adjusted EBITDA only as supplemental information. See our condensed consolidated financial statements contained in this Form 10-Q.

Even with the limitations above, we believe that Adjusted EBITDA is useful to an investor in evaluating our results of operations as this measure:

- Is 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;
- Helps 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
- Is 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 or subtracted from our net income when calculating Adjusted EBITDA:

- Interest expense may be useful to investors for determining current cash flow;
- 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;
- Depreciation may be useful to investors because it generally represents the wear and tear on our property and equipment used in our operations;
- 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;
- Stock-based compensation may be useful to our investors for determining current cash flow;
- Restructuring charges may be useful to our investors in evaluating our core operating performance;
- Guaymas fire related expenses may be useful to our investors in evaluating our core operating performance;

- Insurance recoveries related to business interruption may be useful to our investors in evaluating our core operating performance;
- Purchase accounting inventory step-ups may be useful to our investors as they do not necessarily reflect the current or on-going cash charges related to our core operating performance;
- Loss on extinguishment of debt may be useful to our investors for determining current cash flow; and
- Other debt refinancing costs may be useful to our investors in evaluating our core operating performance.

Reconciliations of net income to Adjusted EBITDA and the presentation of Adjusted EBITDA as a percentage of net revenues were as follows:

	(Dollars in thousands)		(Dollars in thousands)	
	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net income	\$ 8,462	\$ 9,584	\$ 20,708	\$ 24,702
Interest expense	2,998	2,770	8,056	8,433
Income tax expense	1,462	1,205	4,035	4,126
Depreciation	3,652	3,632	10,849	10,530
Amortization	4,017	3,572	12,486	10,582
Stock-based compensation expense ⁽¹⁾	2,714	2,407	7,904	8,149
Restructuring charges ⁽²⁾	567	—	3,798	—
Guaymas fire related expenses	1,496	704	3,451	1,871
Insurance recoveries related to business interruption	—	—	(3,000)	—
Inventory purchase accounting adjustments	107	—	1,381	—
Loss on extinguishment of debt	295	—	295	—
Other debt refinancing costs	224	—	224	—
Adjusted EBITDA	\$ 25,994	\$ 23,874	\$ 70,187	\$ 68,393
% of net revenues	13.9 %	14.6 %	13.4 %	14.2 %

(1) The three and nine months ended October 1, 2022 included \$0.2 million and \$0.8 million, respectively, of stock-based compensation expense for awards with both performance and market conditions that will be settled in cash.

(2) The three and nine months ended October 1, 2022 included zero and \$0.5 million, respectively, of restructuring charges that were recorded as cost of sales.

Results of Operations
Third Quarter of 2022 Compared to Third Quarter of 2021

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

	(Dollars in thousands, except per share data) Three Months Ended				(Dollars in thousands, except per share data) Nine Months Ended			
	October 1, 2022	% of Net Revenues	October 2, 2021	% of Net Revenues	October 1, 2022	% of Net Revenues	October 2, 2021	% of Net Revenues
Net Revenues	\$ 186,590	100.0 %	\$ 163,227	100.0 %	\$ 524,269	100.0 %	\$ 480,570	100.0 %
Cost of Sales	148,003	79.3 %	127,912	78.4 %	418,565	79.8 %	375,373	78.1 %
Gross Profit	38,587	20.7 %	35,315	21.6 %	105,704	20.2 %	105,197	21.9 %
Selling, General and Administrative Expenses	24,803	13.3 %	21,952	13.4 %	72,340	13.8 %	68,132	14.2 %
Restructuring Charges	567	0.3 %	—	— %	3,270	0.7 %	—	— %
Operating Income	13,217	7.1 %	13,363	8.2 %	30,094	5.7 %	37,065	7.7 %
Interest Expense	(2,998)	(1.6)%	(2,770)	(1.7)%	(8,056)	(1.5)%	(8,433)	(1.7)%
Loss on Extinguishment of Debt	(295)	(0.2)%	—	— %	(295)	(0.1)%	—	— %
Other Income	—	— %	196	0.1 %	3,000	0.6 %	196	— %
Income Before Taxes	9,924	5.3 %	10,789	6.6 %	24,743	4.7 %	28,828	6.0 %
Income Tax Expense	1,462	nm	1,205	nm	4,035	nm	4,126	nm
Net Income	\$ 8,462	4.5 %	\$ 9,584	5.9 %	\$ 20,708	3.9 %	\$ 24,702	5.1 %
Effective Tax Rate	14.7 %	nm	11.2 %	nm	16.3 %	nm	14.3 %	nm
Diluted Earnings Per Share	\$ 0.69	nm	\$ 0.78	nm	\$ 1.68	nm	\$ 2.02	nm

nm = not meaningful

Net Revenues by End-Use Market and Operating Segment

Net revenues by end-use market and operating segment during the fiscal three and nine months ended October 1, 2022 and October 2, 2021, respectively, were as follows:

	Three Months Ended					Nine Months Ended				
	Change	(Dollars in thousands)		% of Net Revenues		Change	(Dollars in thousands)		% of Net Revenues	
October 1, 2022		October 2, 2021	October 1, 2022	October 2, 2021	October 1, 2022		October 2, 2021	October 1, 2022	October 2, 2021	
Consolidated Ducommun										
Military and space	\$ (7,319)	\$ 106,303	\$ 113,622	57.0 %	69.6 %	\$ (28,440)	\$ 312,317	\$ 340,757	59.6 %	70.9 %
Commercial aerospace	27,198	68,348	41,150	36.6 %	25.2 %	65,386	179,490	114,104	34.2 %	23.7 %
Industrial	3,484	11,939	8,455	6.4 %	5.2 %	6,753	32,462	25,709	6.2 %	5.4 %
Total	\$ 23,363	\$ 186,590	\$ 163,227	100.0 %	100.0 %	\$ 43,699	\$ 524,269	\$ 480,570	100.0 %	100.0 %
Electronic Systems										
Military and space	\$ (2,554)	\$ 78,811	\$ 81,365	69.5 %	77.7 %	\$ (13,035)	\$ 230,818	\$ 243,853	72.0 %	79.5 %
Commercial aerospace	7,753	22,654	14,901	20.0 %	14.2 %	20,262	57,322	37,060	17.9 %	12.1 %
Industrial	3,484	11,939	8,455	10.5 %	8.1 %	6,753	32,462	25,709	10.1 %	8.4 %
Total	\$ 8,683	\$ 113,404	\$ 104,721	100.0 %	100.0 %	\$ 13,980	\$ 320,602	\$ 306,622	100.0 %	100.0 %
Structural Systems										
Military and space	\$ (4,765)	\$ 27,492	\$ 32,257	37.6 %	55.1 %	\$ (15,405)	\$ 81,499	\$ 96,904	40.0 %	55.7 %
Commercial aerospace	19,445	45,694	26,249	62.4 %	44.9 %	45,124	122,168	77,044	60.0 %	44.3 %
Total	\$ 14,680	\$ 73,186	\$ 58,506	100.0 %	100.0 %	\$ 29,719	\$ 203,667	\$ 173,948	100.0 %	100.0 %

Net revenues for the three months ended October 1, 2022 were \$186.6 million, compared to \$163.2 million for the three months ended October 2, 2021. The year-over-year increase was primarily due to the following:

- \$27.2 million higher revenues in our commercial aerospace end-use markets due to higher build rates on large aircraft platforms, other commercial aerospace platforms, and regional and business aircraft platforms; partially offset by
- \$7.3 million lower revenues in our military and space end-use markets due to lower build rates on military rotary-wing aircraft platforms and military fixed-wing aircraft platforms, partially offset by higher build rates on other military and space platforms.

Net revenues for the nine months ended October 1, 2022 were \$524.3 million, compared to \$480.6 million for the nine months ended October 2, 2021. The year-over-year increase was primarily due to the following:

- \$65.4 million higher revenues in our commercial aerospace end-use markets due to higher build rates on large aircraft platforms, other commercial aerospace platforms, and regional and business aircraft platforms; partially offset by
- \$28.4 million lower revenues in our military and space end-use markets due to lower build rates on military rotary-wing aircraft platforms, military fixed-wing aircraft platforms, and various missile platforms.

Net Revenues by Major Customers

A significant portion of our net revenues are from our top ten customers as follows:

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Boeing Company	7.2 %	8.7 %	6.9 %	8.4 %
General Dynamics Corporation	6.0 %	3.0 %	5.7 %	2.8 %
Northrop Grumman Corporation	5.1 %	6.6 %	5.8 %	6.7 %
Raytheon Technologies Corporation	20.6 %	25.0 %	21.0 %	23.3 %
Spirit AeroSystems Holdings, Inc.	6.8 %	5.3 %	5.7 %	3.9 %
Viasat, Inc.	5.7 %	2.4 %	4.7 %	2.7 %
Total top ten customers ⁽¹⁾	63.9 %	62.4 %	60.9 %	60.4 %

(1) Includes The Boeing Company (“Boeing”), General Dynamics Corporation (“GD”), Northrop Grumman Corporation (“Northrop”), Raytheon Technologies Corporation (“Raytheon”), Spirit AeroSystems Holdings, Inc. (“Spirit”), and Viasat, Inc. (“Viasat”) for the three and nine months ended October 1, 2022 and October 2, 2021.

Boeing, GD, Northrop, Raytheon, Spirit, and Viasat represented the following percentages of total accounts receivable:

	October 1, 2022	December 31, 2021
Boeing	3.4 %	3.5 %
GD	5.9 %	4.0 %
Northrop	6.4 %	10.9 %
Raytheon	12.2 %	17.8 %
Spirit	1.3 %	0.7 %
Viasat	7.6 %	4.3 %

The net revenues and accounts receivable from Boeing, GD, Northrop, Raytheon, Spirit, and Viasat are diversified over a number of commercial, military and space programs and were generated by both operating segments.

Gross Profit

Gross profit consists of net revenues less cost of sales. Cost of sales includes the cost of production of finished products and other expenses related to inventory management, manufacturing quality, and order fulfillment. Gross profit as a percentage of net revenues decreased year-over-year with the three months ended October 1, 2022 of 20.7%, compared to the three months ended October 2, 2021 of 21.6% primarily due to unfavorable product mix, partially offset by favorable manufacturing volume.

Gross profit as a percentage of net revenues decreased year-over-year with the nine months ended October 1, 2022 of 20.2%, compared to the nine months ended October 2, 2021 of 21.9% primarily due to unfavorable product mix, partially offset by favorable manufacturing volume and lower compensation and benefits costs.

Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses increased \$2.9 million year-over-year in the three months ended October 1, 2022 compared to the three months ended October 2, 2021 primarily due to higher compensation and benefits costs of \$2.0 million and higher other general and administrative expenses of \$1.0 million.

SG&A expenses increased \$4.2 million year-over-year in the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021 primarily due to higher other general and administrative expenses of \$3.0 million and higher compensation and benefits costs of \$1.8 million.

Restructuring Charges

Restructuring charges increased \$0.6 million and \$3.8 million (of which, zero and \$0.5 million, respectively, was included in cost of sales) year-over-year in the three and nine months ended October 1, 2022, respectively, compared to both the three and nine months ended October 2, 2021, respectively, primarily due to the restructuring plan that was approved and commenced in April 2022 that is expected to better position us for stronger performance. See Note 3 for further information.

Interest Expense

Interest expense increased \$0.2 million year-over-year in the three months ended October 1, 2022 compared to the three months ended October 2, 2021 primarily due to higher interest rates, partially offset by a lower outstanding debt balance.

Interest expense decreased \$0.4 million year-over-year in the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021 primarily due to a lower outstanding debt balance, partially offset by higher interest rates.

Income Tax Expense

We recorded income tax expense of \$1.5 million for the three months ended October 1, 2022, compared to \$1.2 million for the three months ended October 2, 2021. The increase in income tax expense for the third quarter of 2022 compared to the third quarter of 2021 was primarily due to lower income tax benefits recognized related to the U.S. Federal research and development tax credit in the third quarter of 2022 compared to the third quarter of 2021. The increase in income tax expense was partially offset by lower pre-tax income in the third quarter of 2022.

We recorded income tax expense of \$4.0 million for the nine months ended October 1, 2022, compared to \$4.1 million for the nine

months ended October 2, 2021. The decrease in income tax expense for the first nine months of 2022 compared to the first nine months of 2021 was primarily due to lower pre-tax income in the first nine months of 2022 compared to the first nine months of 2021. The decrease in income tax expense was partially offset by lower income tax benefits recognized related to the U.S. Federal research and development tax credit and lower discrete income tax benefits recognized for net tax windfalls related to stock-based compensation in the first nine months of 2022.

Our total amount of unrecognized tax benefits was \$4.8 million and \$4.4 million as of October 1, 2022 and December 31, 2021, respectively. If recognized, \$3.0 million would affect the effective tax rate. We record interest and penalty charges, if any, related to uncertain tax positions as a component of tax expense and unrecognized tax benefits. The amounts accrued for interest and penalty charges as of October 1, 2022 and December 31, 2021 were not significant. As a result of statute of limitations set to expire in the fourth quarter of 2022, we expect decreases to our unrecognized tax benefits of approximately \$0.7 million in the next twelve months.

We file U.S. Federal and state income tax returns. We are subject to examination by the Internal Revenue Service (“IRS”) for tax years after 2017 and by state taxing authorities for tax years after 2016. While we are no longer subject to examination prior to those periods, carryforwards generated prior to those periods may still be adjusted upon examination by the IRS or state taxing authorities if they either have been or will be used in a subsequent period. We believe we have adequately accrued for tax deficiencies or reductions in tax benefits, if any, that could result from the examination and all open audit years.

The Tax Cuts and Jobs Act of 2017 (“TCJA”), which was signed into U.S. law in December 2017, eliminated the option to immediately deduct research and development expenditures in the year incurred under Section 174 effective January 1, 2022. The amended provision under Section 174 requires us to capitalize and amortize these expenditures over five years (for U.S.-based research). As of October 1, 2022, we recorded an increase to current income taxes payable of approximately \$7.5 million and a decrease to net deferred tax liabilities of a similar amount. We are monitoring legislation for any further changes to Section 174 and the impact to the financial statements in 2022.

On August 9, 2022, the U.S. enacted the Creating Helpful Incentives to Produce Semiconductors Act of 2022 (“CHIPS Act”) which provides new funding to boost domestic research and manufacturing of semiconductors in the United States. We are evaluating the provisions in the CHIPS Act. Any impact to our overall income taxes would be for 2023 and thereafter.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 (“IRA”) which aims to curb inflation by reducing the deficit, lowering prescription drug prices, and investing in domestic energy production while promoting clean energy. We considered the provisions in the IRA and determined they have no or minimal impact to our overall income taxes.

Net Income and Earnings per Share

Net income and earnings per share for the three months ended October 1, 2022 were \$8.5 million, or \$0.69 per diluted share, compared to \$9.6 million, or \$0.78 per diluted share, for the three months ended October 2, 2021. The decrease in net income for the three months ended October 1, 2022 compared to the three months ended October 2, 2021 was primarily due to higher SG&A expenses of \$2.9 million, partially offset by higher gross profit of \$3.3 million.

Net income and earnings per share for the nine months ended October 1, 2022 were \$20.7 million, or \$1.68 per diluted share, compared to \$24.7 million, or \$2.02 per diluted share, for the nine months ended October 2, 2021. The decrease in net income for the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021 was primarily due to higher SG&A expenses of \$4.2 million and higher restructuring charges of \$3.8 million (\$0.5 million was included as part of cost of sales), partially offset by higher other income of \$2.8 million.

Business Segment Performance

We report our financial performance based upon the two reportable operating segments: Electronic Systems and Structural Systems. 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 the three and nine months ended October 1, 2022 and October 2, 2021:

	Three Months Ended					Nine Months Ended				
	% Change	(Dollars in thousands)		% of Net Revenues		% Change	(Dollars in thousands)		% of Net Revenues	
		October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021		October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net Revenues										
Electronic Systems	8.3 %	\$ 113,404	\$ 104,721	60.8 %	64.2 %	4.6 %	\$ 320,602	\$ 306,622	61.2 %	63.8 %
Structural Systems	25.1 %	73,186	58,506	39.2 %	35.8 %	17.1 %	203,667	173,948	38.8 %	36.2 %
Total Net Revenues	14.3 %	\$ 186,590	\$ 163,227	100.0 %	100.0 %	9.1 %	\$ 524,269	\$ 480,570	100.0 %	100.0 %
Segment Operating Income										
Electronic Systems		\$ 13,881	\$ 15,319	12.2 %	14.6 %		\$ 36,902	\$ 42,185	11.5 %	13.8 %
Structural Systems		6,687	4,457	9.1 %	7.6 %		12,839	15,177	6.3 %	8.7 %
		20,568	19,776				49,741	57,362		
Corporate General and Administrative Expenses ⁽¹⁾		(7,351)	(6,413)	(3.9)%	(3.9)%		(19,647)	(20,297)	(3.7)%	(4.2)%
Total Operating Income		\$ 13,217	\$ 13,363	7.1 %	8.2 %		\$ 30,094	\$ 37,065	5.7 %	7.7 %
Adjusted EBITDA										
Electronic Systems										
Operating Income		\$ 13,881	\$ 15,319				\$ 36,902	\$ 42,185		
Other Income		—	196				—	196		
Depreciation and Amortization		3,510	3,547				10,500	10,396		
Restructuring Charges		340	—				1,624	—		
		17,731	19,062	15.6 %	18.2 %		49,026	52,777	15.3 %	17.2 %
Structural Systems										
Operating Income		6,687	4,457				12,839	15,177		
Depreciation and Amortization		4,100	3,599				12,659	10,540		
Restructuring Charges		227	—				2,174	—		
Guaymas fire related expenses		1,496	704				3,451	1,871		
Inventory Purchase Accounting Adjustments		107	—				1,381	—		
		12,617	8,760	17.2 %	15.0 %		32,504	27,588	16.0 %	15.9 %
Corporate General and Administrative Expenses ⁽¹⁾										
Operating Loss		(7,351)	(6,413)				(19,647)	(20,297)		
Depreciation and Amortization		59	58				176	176		
Stock-Based Compensation Expense		2,714	2,407				7,904	8,149		
Other Debt Refinancing Costs		224	—				224	—		
		(4,354)	(3,948)				(11,343)	(11,972)		
Adjusted EBITDA		\$ 25,994	\$ 23,874	13.9 %	14.6 %		\$ 70,187	\$ 68,393	13.4 %	14.2 %
Capital Expenditures										
Electronic Systems		\$ 3,192	\$ 1,964				\$ 7,831	\$ 3,865		
Structural Systems		1,175	1,598				7,033	6,154		
Corporate Administration		—	—				—	—		
Total Capital Expenditures		\$ 4,367	\$ 3,562				\$ 14,864	\$ 10,019		

(1) Includes costs not allocated to either the Electronic Systems or Structural Systems operating segments.

Electronic Systems

Electronic Systems net revenues in the three months ended October 1, 2022 compared to the three months ended October 2, 2021 increased \$8.7 million primarily due to the following:

- \$7.8 million higher revenues in our commercial aerospace end-use markets due to higher build rates on other commercial aerospace platforms and regional and business aircraft platforms; partially offset by

- \$2.6 million lower revenues in our military and space end-use markets due to lower build rates on military fixed-wing aircraft platforms, partially offset by higher build rates on other military and space platforms.

Electronic Systems net revenues in the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021 increased \$14.0 million primarily due to the following:

- \$20.3 million higher revenues in our commercial aerospace end-use markets due to higher build rates on other commercial aerospace platforms, regional and business aircraft platforms, and large aircraft platforms; partially offset by
- \$13.0 million lower revenues in our military and space end-use markets due to lower build rates on military fixed-wing aircraft platforms and various missile platforms.

Electronic Systems segment operating income in the three months ended October 1, 2022 compared to the three months ended October 2, 2021 decreased \$1.4 million primarily due to unfavorable product mix, partially offset by favorable manufacturing volume.

Electronic Systems segment operating income in the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021 decreased \$5.3 million primarily due to unfavorable product mix, partially offset by favorable manufacturing volume.

Structural Systems

Structural Systems net revenues in the three months ended October 1, 2022 compared to the three months ended October 2, 2021 increased \$14.7 million primarily due to the following:

- \$19.4 million higher revenues in our commercial aerospace end-use markets due to higher build rates on large aircraft platforms, other commercial aerospace platforms, and regional and business aircraft platforms; partially offset by
- \$4.8 million lower revenues in our military and space end-use markets due to lower build rates on military rotary-wing aircraft platforms, partially offset by higher build rates on military fixed-wing aircraft platforms.

Structural Systems net revenues in the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021 increased \$29.7 million primarily due to the following:

- \$45.1 million higher revenues in our commercial aerospace end-use markets due to higher build rates on large aircraft platforms, regional and business aircraft platforms, and other commercial aerospace platforms; partially offset by
- \$15.4 million lower revenues in our military and space end-use markets due to lower build rates on military rotary-wing aircraft platforms, partially offset by higher build rates on military fixed-wing aircraft platforms.

The Structural Systems segment operating income in the three months ended October 1, 2022 compared to the three months ended October 2, 2021 increased \$2.2 million primarily due to favorable manufacturing volume.

The Structural Systems segment operating income in the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021 decreased \$2.3 million primarily due to unfavorable manufacturing volume, partially offset by lower compensation and benefits costs and favorable product mix.

In June 2020, a fire severely damaged our performance center in Guaymas, Mexico. We have insurance coverage and up to a capped amount, expect these items will be covered, less our deductible. The full financial impact cannot be estimated at this time as we are currently working with our insurance carriers to determine the cause of the fire. The loss of production from the Guaymas performance center was being absorbed by our other existing performance centers, however, we have reestablished and are in the process of ramping up our manufacturing capabilities in a different leased facility in Guaymas. A neighboring, non-related manufacturing facility, also suffered fire damage during the same time as the fire that severely damaged our Guaymas performance center. The cause of the fire is still undetermined and as such, there is no amount of loss that is probable and reasonably estimable at this time. If we are ultimately deemed to be responsible or partly responsible, it is possible we could incur a loss in excess of our insurance coverage limits, which could be material to our cash flow, liquidity, or financial results. See Note 8 and Note 10 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Corporate General and Administrative (“CG&A”) Expenses

CG&A expenses increased \$0.9 million for the three months ended October 1, 2022 compared to the three months ended October 2, 2021 primarily due to higher compensation and benefits costs of \$1.0 million.

CG&A expenses decreased \$0.7 million for the nine months ended October 1, 2022 compared to the nine months ended October 2, 2021 primarily due to lower compensation and benefits costs of \$0.6 million.

Backlog

We define backlog as customer placed purchase orders (“POs”) and long-term agreements (“LTAs”) with firm fixed price and expected delivery dates of 24 months or less. The majority of the LTAs do not meet the definition of a contract under ASC 606 and thus, the backlog amount disclosed below is greater than the remaining performance obligations amount disclosed in Note 1 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q. 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 revenues. Backlog in industrial markets tends to be of a shorter duration and is generally fulfilled within a three 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 revenues.

The increase in backlog was primarily in the commercial aerospace end-use market, partially offset by a decrease in the military and space end-use market. \$688.0 million of total backlog is expected to be delivered over the next 12 months. The following table summarizes our backlog as of October 1, 2022 and December 31, 2021:

		(Dollars in thousands)	
	Change	October 1, 2022	December 31, 2021
<u>Consolidated Ducommun</u>			
Military and space	\$ (53,443)	\$ 466,835	\$ 520,278
Commercial aerospace	97,990	431,097	333,107
Industrial	4,491	56,293	51,802
Total	<u>\$ 49,038</u>	<u>\$ 954,225</u>	<u>\$ 905,187</u>
<u>Electronic Systems</u>			
Military and space	\$ (35,589)	\$ 364,413	\$ 400,002
Commercial aerospace	53,073	109,883	56,810
Industrial	4,491	56,293	51,802
Total	<u>\$ 21,975</u>	<u>\$ 530,589</u>	<u>\$ 508,614</u>
<u>Structural Systems</u>			
Military and space	\$ (17,854)	\$ 102,422	\$ 120,276
Commercial aerospace	44,917	321,214	276,297
Total	<u>\$ 27,063</u>	<u>\$ 423,636</u>	<u>\$ 396,573</u>

Liquidity and Capital Resources**Available Liquidity**

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

	(Dollars in millions)	
	October 1, 2022	December 31, 2021
Total debt, including long-term portion	\$ 250.0	\$ 287.7
Weighted-average interest rate on debt	3.91 %	3.27 %
Term Loans interest rate	3.81 %	3.22 %
Cash and cash equivalents	\$ 21.2	\$ 76.3
Unused Revolving Credit Facility	\$ 199.8	\$ 99.8

On July 14, 2022, we completed a refinancing of all our existing debt by entering into a new term loan (“2022 Term Loan”) and a new revolving credit facility (“2022 Revolving Credit Facility”). The 2022 Term Loan is a \$250.0 million senior secured loan that matures on July 14, 2027. The 2022 Revolving Credit Facility is a \$200.0 million senior secured revolving credit facility that matures on July 14, 2027. The 2022 Term Loan and 2022 Revolving Credit Facility, collectively are the new credit facilities (“2022 Credit Facilities”). In conjunction with the closing of the 2022 Credit Facilities, we utilized the entire \$250.0 million of proceeds from the 2022 Term Loan plus our existing cash on hand to pay off our entire debt balance outstanding of \$254.2 million under prior credit facilities. At the same leverage ratio, the interest rate spread in the 2022 Credit Facilities is lower than the interest rate spread under our prior credit facilities. Interest payments are typically paid on a quarterly basis, on the last business day each quarter. In addition, the 2022 Term Loan requires quarterly amortization payments of 0.625% during year one and year two, 1.250% during year three and year four, and 1.875% during year five of the original outstanding principal balance of the 2022 Term Loan amount, on the last business day each quarter. Further, the undrawn portion of the commitment of the 2022 Revolving Credit Facility is subject to a commitment fee ranging from 0.175% to 0.275%, based upon the consolidated total net adjusted leverage ratio, typically paid on a quarterly basis, on the last business day each quarter. However, the 2022 Revolving Credit Facility does not require any principal installment payments. As of October 1, 2022, we were in compliance with all covenants required under the 2022 Credit Facilities. See Note 7 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

During the three months ended April 2, 2022, we paid down our existing debt an aggregate total of \$30.0 million. We also made the mandatory quarterly amortization payments under our existing debt during the three and six months ended July 2, 2022 of \$1.8 million and \$3.5 million, respectively. No mandatory quarterly amortization payment was required to be paid on the 2022 Term Loan during the three months ended October 1, 2022, however, it will begin in the three months ending December 31, 2022. We made no other voluntary prepayments during the three and nine months ended October 1, 2022.

In April 2022, management approved and commenced a restructuring plan that will position us for stronger performance. The restructuring plan will mainly reduce headcount and consolidate facilities. As a result of this restructuring plan, we analyzed the need to write-down inventory and impair long-lived assets, including operating lease right-of-use assets. As of October 1, 2022, we estimate the remaining amount of charges related to this initiative to be \$7.0 million to \$10.0 million in total pre-tax restructuring charges through 2023. Of these charges, we estimate \$5.0 million to \$7.0 million to be cash payments for employee separation and other facility consolidation related expenses, and \$2.0 million to \$3.0 million to be non-cash charges for impairment of long-lived assets. On an annualized basis, we anticipate these restructuring actions will result in total cost savings of \$7.0 million to \$9.0 million. See Note 3 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

In November 2021, we entered into derivative contracts, U.S. dollar-one month LIBOR forward interest rate swaps designated as cash flow hedges, all with an effective date of January 1, 2024, for an aggregate total notional amount of \$150.0 million, weighted average fixed rate of 1.8%, and all terminating on January 1, 2031 (“Forward Interest Rate Swaps”). The Forward Interest Rate Swaps mature on a monthly basis, with fixed amount payer payment dates on the first day of each calendar month, commencing on February 1, 2024 through January 1, 2031. See Note 1 and Note 7 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

On July 14, 2022, as a result of completing a refinancing of our existing debt, we were required to complete an amendment of the Forward Interest Rate Swaps (“Amended Forward Interest Rate Swaps”). The Forward Interest Rate Swaps were based on U.S. dollar-one month LIBOR and were amended to be based on one month Term SOFR as borrowings using LIBOR are no longer available under the 2022 Credit Facilities. The Amended Forward Interest Rate Swaps weighted average fixed rate is 1.7%, as a result of the difference between U.S. dollar-one month LIBOR and one month Term SOFR. See Note 1 and Note 7 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

In December 2021, we acquired MagSeal for a purchase price of \$69.5 million, net of cash acquired, all payable in cash. Upon the closing of the transaction, we paid a gross total aggregate of \$71.3 million in cash, a portion of which was by drawing down on our revolving credit facility. This draw down on our revolving credit facility was paid off by December 31, 2021. See Note 2 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

In December 2021, we entered into a sale-leaseback transaction for the building and related land for our Gardena performance center located in Carson, California (“Sale-Leaseback Agreement”). The building and related land was sold for \$141.3 million and we recognized a gain of \$132.5 million. As part of the Sale-Leaseback Agreement, we entered into an initial five year lease for the usage of the just sold building and related land. The future minimum base monthly lease payments during the initial five year period in aggregate total \$19.6 million.

We expect to spend a total of \$16.0 million to \$18.0 million for capital expenditures in 2022 (excluding capital expenditures we will spend to restore the manufacturing capabilities related to our Guaymas performance center that was severely damaged by fire in June 2020), financed by cash generated from operations, principally to support new contract awards in the Electronic Systems and Structural Systems segments. As part of our strategic plan to become a supplier of a wider range of higher-level assemblies and win new contract awards, 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.

We monitor our asset base, including the market dynamics of the properties we own, and we may sell such properties and/or enter into sale-leaseback transactions. Such transactions would provide cash for various capital deployment options.

We continue to depend on operating cash flow and the availability of our 2022 Credit Facilities 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 from the date of issuance of these financial statements.

Cash Flow Summary

Net cash provided by operating activities for the nine months ended October 1, 2022 was \$0.6 million, compared to net cash used in operating activities of \$12.3 million for the nine months ended October 2, 2021. The higher net cash provided by operating activities during the first nine months of 2022 was mainly due to higher accounts payable, partially offset by higher inventories, higher accounts receivable, higher contract assets, and lower net income.

Net cash used in investing activities was \$13.9 million for the nine months ended October 1, 2022, compared to \$9.8 million in the nine months ended October 2, 2021. The higher net cash used during the first nine months of 2022 compared to the prior year period was mainly due to higher purchases of property and equipment.

Net cash used in financing activities was \$41.8 million for the nine months ended October 1, 2022, compared to \$25.4 million for the nine months ended October 2, 2021. The higher net cash used in financing activities during the first nine months of 2022 was mainly due to the \$37.7 million, net pay down on term loans during the nine months ended October 1, 2022.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of operating and finance leases not recorded as a result of the practical expedients utilized, right of offset of industrial revenue bonds and associated failed sales-leasebacks on property and equipment, and indemnities, none of which we believe may have a material current or future effect on our financial condition, liquidity, capital resources, or results of operations.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States requires estimation and judgment that affect the reported amounts of net revenues, expenses, assets and liabilities. For a description of our critical accounting policies, please refer to “Critical Accounting Policies” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2021 Annual Report on Form 10-K. There have been no material changes in any of our critical accounting policies during the three months ended October 1, 2022.

Recent Accounting Pronouncements

See “Part I, Item 1. Ducommun Incorporated and Subsidiaries—Notes to Condensed Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—Recent Accounting Pronouncements” for further information.

Item 3. 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 October 1, 2022, we had total borrowings of \$250.0 million under our 2022 Credit Facilities.

The 2022 Term Loan bears interest, at our option, at a rate equal to either (i) Term Secured Overnight Financing Rate (“Term SOFR”) plus an applicable margin ranging from 1.375% to 2.375% per year or (ii) Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America’s prime rate, and [c] Term SOFR plus 1.00%, and if the Base Rate is less than zero percent, it will be deemed zero percent) plus an applicable margin ranging from 0.375% to 1.375% per year, in each case based upon the consolidated total net adjusted leverage ratio.

The 2022 Revolving Credit Facility bears interest, at our option, at a rate equal to either (i) Term SOFR plus an applicable margin ranging from 1.375% to 2.375% per year or (ii) Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America’s prime rate, and [c] Term SOFR plus 1.00%, and if the Base Rate is less than zero percent, it will be deemed zero percent) plus an applicable margin ranging from 0.375% to 1.375% per year, in each case based upon the consolidated total net adjusted leverage ratio.

A hypothetical 10% increase or decrease in the interest rate would have an immaterial impact on our financial condition and results of operations.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended October 1, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 10 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for a description of our legal proceedings.

Item 1A. Risk Factors

See Part I, Item 1A of our Annual Report on Form 10-K (“Form 10-K”) for the year ended December 31, 2021 for a discussion of our risk factors. There have been no material changes during the three months ended October 1, 2022 to the risk factors disclosed in our Form 10-K for the year ended December 31, 2021.

Macroeconomic trends including inflation and rising interest rates may adversely affect our financial condition and results of operations.

Macroeconomic trends, including increases in inflation and rising interest rates, may adversely impact our business, financial condition and results of operations. Inflation in the United States has recently accelerated

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On November 4, 2022, our Board of Directors (the “Board”) approved and adopted Amended and Restated Bylaws (the “Bylaws”), which became effective immediately, in order to, among other things:

- address recently adopted amendments to Rule 14a-19 under the Securities Exchange Act 1934, as amended, by clarifying that no person may solicit proxies in support of a director nominee other than the Board’s director nominees unless such person has complied with Rule 14a-19, and that any person soliciting proxies in support of a director nominee other than the Board’s director nominees must comply with the requirements to provide notices required under Rule 14a-19 in a timely manner and deliver reasonable evidence that the Rule 14a-19 requirements have been met;
- clarify that directors shall be elected by a plurality of the votes cast at a meeting for the election of directors;
- conform the periods required for a stockholder to give advance notice of a director nomination (formerly not less than 120 days prior to the annual meeting) or other business proposal (formerly 60-135 days prior to the annual meeting) to 90-120 days prior to the first anniversary of the preceding year’s annual meeting (subject to certain specified exceptions);
- require a stockholder making a director nomination to provide certain information with respect to such director nominee, including, among other things, (i) all information that is required to be disclosed in solicitations of proxies for election of directors and such nominee’s written consent to being named in a proxy statement and affirmation of such nominee’s intent to serve as a director for the full term if elected and (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years and any other material relationships, between or among such stockholder or beneficial owner, if any, on the one hand, and such nominee, and his or her respective affiliates and associates, on the other hand;
- require a stockholder making any other business proposal besides a director nomination to provide certain information with respect to such proposal, including (i) a brief description of the business desired to be brought before the meeting, the text of the proposal (including the text of any proposed resolutions or amendment, if applicable), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and beneficial owner, if any, on whose behalf the proposal is made and (ii) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person(s) (including their names) in connection with the proposal of such business by such stockholder;
- require a stockholder making a director nomination or any other business proposal to provide certain information with respect to such stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (including, among other things, the number of shares of the Company’s stock owned beneficially and of record and any derivative positions held or beneficially held, directly or indirectly (including any short position, profit interest, option or any borrowing or lending of shares)) and to make certain representations regarding whether such stockholder or such beneficial owner, if any, intends to appear in person or by proxy at the meeting to propose such nomination or proposal and/or to solicit proxies with respect to such nomination or proposal; and
- require director nominees (whether nominated by the Board or by a stockholder) to provide the Company’s Secretary with (i) a completed written questionnaire (in the form provided by the Company) regarding the director nominee’s background and qualifications and the background of any other person or entity on whose behalf the nomination is being made and (ii) a written representation and agreement (in the form provided by the Company) representing and agreeing that the director nominee is not and will not become a party to certain voting commitments or compensation arrangements with respect to the director nominee’s service as a director and that, if elected, such director nominee (in his or her individual capacity and on behalf of any beneficial owner on whose behalf nomination is being made) would be in compliance and will continue to comply with all applicable corporate governance, code of business conduct and ethics, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Company.

The preceding summary of the amendments to the Bylaws is qualified in its entirety by reference to, and should be read in connection with, the complete copy of the Amended and Restated Bylaws attached hereto as Exhibits 3.7 (clean) and 3.8 (marked) to this Quarterly Report on Form 10-Q and incorporated by reference therein.

Item 6. Exhibits

Exhibit

No. Description

- [2.1 Agreement and Plan of Merger, dated as of September 11, 2017, among Ducommun LaBarge Technologies, Inc., LS Holdings Company LLC, and DLS Company LLC. Incorporated by reference to Exhibit 2.1 to Form 8-K filed on September 11, 2017.](#)
- [2.2 Agreement and Plan of Merger, dated as of October 8, 2019, among Ducommun LaBarge Technologies, Inc., DLT Acquisition, Inc., Nobles Parent Inc., and the Stockholder Representative. Incorporated by reference to Exhibit 2.1 to Form 8-K filed on October 9, 2019.](#)
- [2.3 Equity Purchase Agreement dated December 15, 2021, by and between Ducommun LaBarge Technologies, Inc., Mag Parent, Inc. and Thomas B. Colby and Lyman J. Colby. Incorporated by reference to Exhibit 2.1 to Form 8-K filed on December 16, 2021.](#)
- [2.4 Agreement of Purchase and Sale and Agreement to Enter into Lease dated as of December 16, 2021, by and among Ducommun Aerostructures, Inc. and Centerpoint 268 Gardena LLC. Incorporated by reference to Exhibit 2.1 to Form 8-K filed on December 20, 2021.](#)
- 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 to Bylaws dated January 5, 2017. Incorporated by reference to Exhibit 99.2 to Form 8-K dated January 9, 2017.](#)
- [3.5 Amendment to Bylaws dated February 21, 2018. Incorporated by reference to Exhibit 3.1 to Form 8-K dated February 26, 2018.](#)
- [3.6 Amendment to Bylaws dated March 5, 2021. Incorporated by reference to Exhibit 3.1 to Form 8-K dated March 8, 2021.](#)
- [3.7 Amended and Restated Bylaws of Ducommun Incorporated, dated as of November 4, 2022.](#)
- [3.8 Amended and Restated Bylaws of Ducommun Incorporated, dated as of November 4, 2022 \(marked to show changes against prior version\).](#)
- [4.1 Description of Ducommun Incorporated Securities Registered under Section 12 of the Exchange Act. Incorporated by reference to Exhibit 4.1 to Form 10-K for the year ended December 31, 2019.](#)
- [10.1 Credit Agreement, dated as of July 14, 2022, by and among Ducommun Incorporated, as Borrower, the subsidiaries of the Borrower party thereto as Guarantors, Bank of America, N.A., as Administrative Agent, Swingline Lender and an L/C Issuer, and the lender party thereto. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 18, 2022.](#)
- [10.2 Joinder Agreement to Amended and Restated Credit Agreement dated as of April 15, 2022, by and among Magnetic Seal LLC as Subsidiary Guarantor, Ducommun Incorporated as Borrower, and Bank of America, N.A. as Administrative Agent. Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended April 2, 2022.](#)
- [10.3 Second Amendment to Amended and Restated Credit Agreement entered into on March 20, 2020. Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended October 2, 2021.](#)
- [10.4 Incremental Term Loan Lender Joinder Agreement and Additional Credit Extension Amendment, dated as of December 20, 2019, by and among Ducommun Incorporated, as Borrower, the subsidiaries of the Borrower party thereto, as Guarantors, Bank of America, N.A., as Administrative Agent, Swingline Lender and an L.C. Issuer, and the lender party thereto. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 20, 2019.](#)
- [10.5 Amended and Restated Credit Agreement, dated as of November 21, 2018, among Ducommun Incorporated, certain of its subsidiaries, Bank of America, N.A., as administrative agent, swingline lender and issuing bank, and other lenders party thereto. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 26, 2018.](#)
- [*10.6 2013 Stock Incentive Plan \(Amended and Restated May 2, 2018\). Incorporated by reference to Appendix A of Definitive Proxy Statement on Schedule 14a, filed on March 23, 2018.](#)

Exhibit

No. Description

- [*10.7 2020 Employee Stock Incentive Plan. Incorporated by reference to Appendix A of Definitive Proxy Statement on Schedule 14a, filed on March 20, 2020.](#)
- [*10.8 2018 Employee Stock Purchase Plan. Incorporated by reference to Appendix B of Definitive Proxy Statement on Schedule 14a, filed on March 23, 2018.](#)
- [*10.9 2020 Employee Stock Purchase Plan. Incorporated by reference to Appendix A of Definitive Proxy Statement on Schedule 14a, filed on March 20, 2020.](#)
- [*10.10 Form of Stock Option Agreement for 2016 and earlier. Incorporated by reference to Exhibit 10.8 to Form 10-K for the year ended December 31, 2003.](#)
- [*10.11 Form of Stock Option Agreement for 2017. Incorporated by reference to Exhibit 10.5 to Form 10-K for the year ended December 31, 2016.](#)
- [*10.12 Form of Stock Option Agreement for 2018 and after. Incorporated by reference to Exhibit 4.7 to Form S-8, filed on May 10, 2018.](#)
- [*10.13 Form of Restricted Stock Unit Agreement for 2017 through 2019. Incorporated by reference to Exhibit 10.9 to Form 10-K for the year ended December 31, 2016.](#)
- [*10.14 Performance Restricted Stock Unit Agreement dated January 23, 2017 between Ducommun Incorporated and Stephen G. Oswald. Incorporated by reference to Exhibit 10.11 to Form 10-K for the year ended December 31, 2016.](#)
- [*10.15 Form of Performance Stock Unit Agreement for 2020 and after. Incorporated by reference to Exhibit 10.18 to Form 10-Q for the period ended June 27, 2020.](#)
- [*10.16 Form of Restricted Stock Unit Agreement for Non-Qualified Deferred Compensation Plan Participants for 2020 and after. Incorporated by reference to Exhibit 10.19 to Form 10-Q for the period ended June 27, 2020.](#)
- [*10.17 Form of Restricted Stock Unit Agreement for 2020 and after. Incorporated by reference to Exhibit 10.20 to Form 10-Q for the period ended June 27, 2020.](#)
- [*10.18 Form of Stock Option Agreement for 2020 and after. Incorporated by reference to Exhibit 10.21 to Form 10-Q for the period ended June 27, 2020.](#)
- [*10.19 Form of Performance Restricted Stock Unit Agreement for 2020. Incorporated by reference to Exhibit 10.22 to Form 10-Q for the period ended June 27, 2020.](#)
- [*10.20 Form of Performance Stock Unit Cash-Based Long-Term Incentive Award Agreement for 2022 and after. Incorporated by reference to Exhibit 10.20 to Form 10-Q for the period ended July 2, 2022.](#)
- [*10.21 Form of Performance Restricted Stock Unit Cash-Based Long-Term Incentive Award Agreement for 2022 and after. Incorporated by reference to Exhibit 10.21 to Form 10-Q for the period ended July 2, 2022.](#)
- [*10.22 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.](#)
- [*10.23 Non-Qualified Deferred Compensation. Incorporated by reference to Exhibit 4.6 to Form S-8 dated November 26, 2019.](#)
- [*10.24 Key Executive Severance Agreement between Ducommun Incorporated and Stephen G. Oswald dated January 23, 2017. Incorporated by reference to Exhibit 99.1 to Form 8-K dated January 27, 2017.](#)
- [*10.25 Form of Key Executive Severance Agreement between Ducommun Incorporated and each of the individuals listed below. Incorporated by reference to Exhibit 99.2 to Form 8-K dated January 27, 2017. All of the Key Executive Severance Agreements are identical except for the name of the person, the address for notice, and the date of the Agreement:](#)
- | <u>Executive Officer</u> | <u>Date of Agreement</u> |
|--------------------------|--------------------------|
| Laureen S. Gonzalez | September 20, 2022 |
| Jerry L. Redondo | January 23, 2017 |
| Rajiv A. Tata | January 24, 2020 |
| Christopher D. Wampler | January 23, 2017 |
- [*10.26 Employment Letter Agreement dated January 3, 2017 between Ducommun Incorporated and Stephen G. Oswald. Incorporated by reference to Exhibit 99.1 to Form 8-K dated January 9, 2017.](#)

Exhibit

No. Description

[*10.27 Retirement and Release Agreement dated November 29, 2021 between Ducommun Incorporated and Rosalie F. Rogers. Incorporated by reference to Exhibit 10.24 to Form 10-K for the year ended December 31, 2021.](#)

10.28 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:

<u>Director/Officer</u>	<u>Date of Agreement</u>
Richard A. Baldrige	March 19, 2013
Shirley G. Drazba	October 18, 2018
Robert C. Ducommun	December 31, 1985
Dean M. Flatt	November 5, 2009
Laureen S. Gonzalez	September 20, 2022
Jay L. Haberland	February 2, 2009
Sheila G. Kramer	June 1, 2021
Stephen G. Oswald	January 23, 2017
Jerry L. Redondo	October 1, 2015
Samara A. Strycker	December 30, 2021
Rajiv A. Tata	January 24, 2020
Christopher D. Wampler	January 1, 2016

[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.](#)

101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL

101.SCH Inline XBRL Taxonomy Extension Schema

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase

101.LAB Inline XBRL Taxonomy Extension Label Linkbase

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Indicates an executive compensation plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 7, 2022

By: /s/ Stephen G. Oswald
Stephen G. Oswald
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2022

By: /s/ Christopher D. Wampler
Christopher D. Wampler
Vice President, Chief Financial Officer, Controller and Treasurer
(Principal Financial and Principal Accounting Officer)

As of November 4, 2022

**AMENDED AND RESTATED BYLAWS OF
DUCOMMUN INCORPORATED**

Ducommun Incorporated (the “Corporation”), pursuant to the provisions of Section 109 of the Delaware General Corporation Law, hereby adopts these Amended and Restated Bylaws, which restate, amend and supersede the Bylaws of the Corporation, as previously amended, in their entirety as described below:

Article I

OFFICES

Section 1. Registered Office. The Registered Office of the Corporation in the State of Delaware shall be at 2711 Centerville Road, Suite 400, in the City of Wilmington 19808, County of New Castle, and the name of the Registered Agent in charge thereof shall be Corporation Service Company.

Section 2. Principal Office. The principal office for the transaction of business of the Corporation shall be 200 Sandpointe Avenue, Suite 700, in the City of Santa Ana, County of Orange, State of California. The Board of Directors has full power and authority to change said principal office from one location to another, whether within or outside said City, County or State, by amendment of this Section 2.

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

Article II

STOCKHOLDERS

Section 4. Annual Meetings. The Annual Meeting of Stockholders shall be held each year on such day, other than a legal holiday, and at such time and place, or by virtual platform, as may be designated by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof, for the purpose of electing Directors and for the transaction of such other business as may be brought before the meeting. If such annual meeting is not held, or the Directors are not elected thereat, Directors may be elected at a special meeting held for that purpose, and it shall be the duty of the Chairman of the Board of Directors, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President or the Secretary, upon the demand of any stockholder entitled to vote, to call such special meeting.

Section 5. Special Meetings. Special meetings of the stockholders for any purpose or purposes may be called at any time by the Board of Directors or by a majority of the members of the Board of Directors.

Section 6. Notice of Meetings. Except as otherwise required by law, notice of meetings of stockholders, annual or special, shall be given to stockholders entitled to vote thereat by the Secretary or an Assistant Secretary or other person charged with that duty not less than ten

(10) nor more than sixty (60) days before the date of any such meeting. Such notice may be printed, typewritten, or in handwriting, and may be given to any stockholder either personally or by sending a copy of the notice through the mail, or by telegram, charges prepaid, to his address appearing on the books of the Corporation or supplied by him to the Corporation for the purpose of notice. Except as otherwise expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. Every notice of a meeting of the stockholders shall state the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called.

Section 7. Place of Meetings. All meetings of the stockholders shall be held at the principal office of the Corporation in the State of California or at such other place within or without the State of Delaware as the Board of Directors may from time to time designate.

Section 8. Quorum. A quorum at any meeting of the stockholders shall consist of stockholders holding a majority of the voting power of the shares of this Corporation outstanding and entitled to vote thereat, represented either in person or by proxy, except as otherwise specifically provided by law or in the Certificate of Incorporation. In the absence of a quorum, any meeting of stockholders may be adjourned from time to time by the vote of a majority of the voting stock, the holders of which are either present in person or represented by proxy thereat. The stockholders present at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 9. Adjournments. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of the original meeting, but when a meeting is adjourned for less than thirty (30) days it is not necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which the adjournment is taken. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 10. Organization. The Chairman of the Board of Directors, or, in his absence, the Chief Executive Officer, or in the absence of the Chairman of the Board of Directors and the Chief Executive Officer, the President, the Executive Vice President, a Senior Vice President or a Vice President shall call meetings of stockholders to order, and shall act as Chairman of such meetings. In the absence of the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Executive Vice President, any Senior Vice President and the Vice Presidents, the stockholders shall appoint a Chairman for such meeting. The Secretary of the Corporation shall act as Secretary at all meetings of the stockholders, but in the absence of the Secretary at any meeting of the stockholders, the presiding officer may appoint any person to act as Secretary of the meeting.

Section 11. Voting.

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

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

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

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

(b) Any such voting rights may be exercised by the stockholder entitled thereto in person or by his proxy appointed by an instrument in writing or by a transmission permitted by law, including Rule 14a-19 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subscribed by such stockholder or by his attorney thereunto authorized and delivered to the Secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date unless said proxy shall provide for a longer period. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the Secretary of the meeting prior to the voting of the proxy. At any meeting of the stockholders all matters other than the election of Directors, except as otherwise provided in the Certificate of Incorporation, these Bylaws or by law, shall be decided by the vote of majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat and thereon, a quorum being present. The vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the Chairman of the meeting. On a vote by ballot each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and it shall state the number of shares voted. Except as otherwise provided in the Certificate of Incorporation, Directors shall be elected by a plurality of the votes cast by the holders of the shares present in person or represented by proxy at the meeting and entitled to vote for the election of such Directors.

Section 12. Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint inspectors of election to act at such meeting or any adjournment thereof. If inspectors of election be not so appointed, the Chairman of any such meeting may make such appointment at the meeting. The number of inspectors shall be either one or three.

Section 13. Consent of Absentees. The transactions of any meeting of stockholders, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the stockholders entitled to vote, not present in person or by proxy, signs a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 14. Record Date and Closing Stock Books. The Board of Directors may fix a record date for the determination of the stockholders entitled to notice of and to vote at any meeting of stockholders, or for the determination of the stockholders entitled to receive any dividend or distribution or any allotment of rights, or to exercise rights in respect to any change, conversion or exchange of shares. The record date so fixed shall not be more than sixty (60) nor less than ten (10) days before the date of any such meeting, nor more than sixty (60) days prior to any other action. When a record date is so fixed, only stockholders who are such of record on that date are entitled to notice of and to vote at the meeting or to receive the dividend, distribution, or allotment of rights, or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date. The Board of Directors may close the books of the Corporation against transfers of shares during the whole or any part of a period not more than sixty (60) days prior to the date of a stockholders' meeting, the date when the right to any dividend, distribution, or allotment of rights vests, or the effective date of any change, conversion or exchange of shares. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 15. Conduct of Meetings. The Chairman of the Board of Directors shall have complete authority to establish rules of conduct governing all meetings of stockholders. These rules may include, but shall not be limited to, rules related to attendance, questions from the audience and similar matters. Notwithstanding the above, the nomination at any meeting of stockholders of any person to serve as a Director shall not be valid unless (i) the nomination of such person has been approved by resolution of the Board of Directors of the Corporation, or (ii) notice of the nomination of such person has been delivered to the Secretary of the Corporation in full compliance with the procedures set forth in Article II, Section 13 hereof.

Section 16. Notice of Stockholder Business and Nominations.

(b) To be properly brought before the annual meeting of stockholders, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, (iii) brought before the meeting in accordance with Rule 14a-8 under the Exchange Act, or (iv) otherwise properly brought before the annual meeting by a stockholder of record of the Corporation at the time the notice provided for in this Section 13(b) is delivered to the Secretary of the Corporation, who is entitled to vote at the annual meeting and who complies with the notice procedures set forth in this Section 13(b). No business (including nominations) shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 13. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business (including nominations) was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 13, and if he should so determine, he shall so declare to the annual meeting and any such business (including nominations) not properly brought before the meeting shall not be transacted.

(c) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iv) of Section 13(a), the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such nominations or proposed business must constitute a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to, or mailed to and received by, the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business

on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty five (35) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to the date of such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to the date of such annual meeting or, if the first public announcement of the date of such advanced or delayed annual meeting is less than one hundred (100) days prior to the date of such annual meeting, the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the adjournment or postponement of an annual meeting or the announcement thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall: (i) as to each person whom the stockholder proposes to nominate for election as a director, set forth (1) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (and such person's written consent to being named in the proxy statement and accompanying proxy card as a nominee and affirmation of such person's intent to serve as a director for the full term if elected) and (2) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder or beneficial owner, if any, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner, if any, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; (ii) as to any other business that the stockholder proposes to bring before the meeting, set forth (1) a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made and (2) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder; (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, set forth (1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (2) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (3) a representation (I) that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination and (II) whether the stockholder or such beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination, (4) any derivative positions held or beneficially held, directly or indirectly, by or on behalf of such stockholder or beneficial owner and whether and the extent to which any hedging or other transaction or series of transactions has been entered into or any other agreement, arrangement or understanding (including any short position, profit interest, option or any borrowing or lending of shares) has been

made, directly or indirectly, by or on behalf of such stockholder or beneficial owner, the effect or intent of which is to mitigate loss to or manage or share risk or benefit of changes in the value or price of shares of the capital stock of the Corporation for, or to increase or decrease the voting power or economic interest of, such stockholder or any such beneficial owner with respect to any share of capital stock of the Corporation, (5) a description of any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or any such beneficial owner has a right to vote any shares of capital stock of the Corporation or influence the voting over any such shares; (6) any rights to dividends on the shares of the Corporation owned beneficially, directly or indirectly, by such stockholder or any such beneficial owner that are separated or separable from the underlying shares of capital stock of the Corporation; (7) any performance-related fees (other than an asset-based fee) that such stockholder or any such beneficial owner is entitled to based on any increase or decrease in the value of shares of capital stock of the Corporation or any derivative position; and (8) to the extent known by such stockholder or beneficial owner giving the notice, the name and address of any other stockholder or beneficial owner supporting the nomination or proposal of other business on the date of such stockholder's or beneficial owner's notice, if any, as of the date of such notice, including without limitation any such interests referred to in the foregoing clauses (1) through (8) held by members of such stockholder's or any such beneficial owner's immediate family sharing the same household; and (iv) with respect to each nominee for election as a director, include a completed and signed questionnaire, representation and agreement required by Section 13 of Article III of these Bylaws. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation, including any information that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

(d) A stockholder providing notice of business proposed to be brought before a meeting, including with respect to nominations of directors, shall, in order for such notice to be considered timely, further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice under this Section 13 shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered in writing to the Secretary at the principal executive offices of the Corporation not later than ten (10) days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(e) In addition to the requirements of this Section 13 with respect to any nomination proposed to be made at a meeting, each stockholder providing notice as to nominations pursuant to this Section 13 shall comply with all applicable requirements of the Exchange Act with respect to any such nominations. Notwithstanding the foregoing provisions of this Section 13, unless otherwise required by law, (i) no such stockholder shall solicit proxies in support of director nominees other than the Corporation's nominees unless such stockholder has complied with Rule 14a-19 promulgated under the Exchange Act in connection with the solicitation of such proxies, including the provision to the Corporation of notices required thereunder in a timely manner and (ii) if such stockholder (1) provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act and (2) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) promulgated under the Exchange Act, including the

provision to the Corporation of notices required thereunder in a timely manner, then the Corporation shall disregard any proxies or votes solicited for such stockholder's director nominees. Upon request by the Corporation, if any such stockholder provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act, such stockholder shall deliver to the Corporation, no later than five (5) business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act.

(f) For purposes of these Bylaws, (i) "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act, (ii) "beneficial owner" shall mean, when used with respect to securities of the Corporation owned by any stockholder, (1) any beneficial owner of any securities of the Corporation owned of record or beneficially by such stockholder, including any of such person's associates or affiliates, (2) any person acting in concert (pursuant to any agreement, arrangement, understanding or otherwise, whether written or oral) with such stockholder or (3) any person directly or indirectly controlling, controlled by or under common control with such stockholder and (iii) "derivative position" shall mean any option, warrant, convertible security, stock appreciation right, swap or similar right or agreement, arrangement or understanding with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of capital stock of the Corporation or with a value derived in whole or in part from the value of any class or series of capital stock of the Corporation, or which is intended to increase or decrease (or has the effect of increasing or decreasing) the voting power of any person with respect to the shares of any class or series of capital stock of the Corporation, whether or not such instrument or right or agreement shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise.

Article III

BOARD OF DIRECTORS

Section 13(a). Powers. The corporate powers, business and property of this Corporation shall be exercised, conducted and controlled by a Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board may exercise all such powers and do all such lawful acts and things as are not by statute or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 13(b). Minimum and Maximum Number. The authorized number of Directors of this Corporation shall not be less than six (6) nor more than nine (9) until changed by an amendment of this Bylaw; the exact number of Directors shall be fixed, within the limits specified in this Section 1(b), from time to time solely by resolution adopted by the affirmative vote of a majority of the total number of Directors then authorized.

Section 1. Vacancies. In case of a vacancy in the Directors through death, resignation, disqualification, or other cause, the remaining Directors, though less than a quorum, by affirmative vote of a majority thereof, or the sole remaining Director, may elect a successor or successors to hold office for the unexpired portion of the term of the Director whose place shall be vacant, and until the election of his successor.

Section 2. Place of Meeting. The Directors may hold their meetings and have an office and keep the books of the Corporation in such place or places within or without the State of Delaware as the Board may from time to time determine.

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

Section 4(b). Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer, any two Vice Presidents, any two Directors, or by the sole remaining Director. Written notice of the time and place of special meetings shall be delivered personally to each Director or sent to each Director by email, mail or other form of written communication, charges prepaid, addressed at his business address or his residence address, as either may be shown upon the records of the Corporation, or if not so shown, or not readily ascertainable, at the principal office of the Corporation. In case such notice is delivered personally it shall be delivered at least twenty-four hours prior to the time of the holding of the meeting. In case such notice is sent by telegram, facsimile or e-mail, it shall be transmitted at least twenty-four hours prior to the time of the holding of the meeting. In case such notice is mailed, it shall be deposited in the United States mail at least sixty hours prior to the time of the holding of the meeting. Except where otherwise required by law or by these Bylaws, notice of the purpose of a special meeting need not be given. Notice of any meeting of the Board of Directors shall not be required to be given to any Director who shall have waived such notice and such notice shall be deemed to have been waived by any Director who is present at such meeting.

Section 1. Quorum. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number be required by law or by the Certificate of Incorporation.

Section 3. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action and such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the Directors.

Section 4. Compensation of Directors. Unless otherwise provided by the Certificate of Incorporation, the Board of Directors shall have authority to fix the compensation of Directors. Directors may be paid a fixed sum for attendance at each meeting of the Board of Directors and may be paid a stated compensation for serving as Directors. Directors may also be paid their expenses, if any, for attending each meeting of the Board of Directors. No payments to Directors shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 5. Lead Director. The Board of Directors may elect a Lead Director to preside at all meetings of the Board of Directors at which the Chairman of the Board is not present and to perform such other duties and responsibilities as the Board of Directors may determine.

Section 6. Presiding Officers. At all meetings of the Board of Directors, the Chairman of the Board of Directors, or, in his absence, the Lead Director of the Corporation, or in the absence of the Chairman of the Board of Directors and the Lead Director, a Chairman chosen by the Directors present shall preside.

Section 7. Election of Officers. At the first meeting of the Board of Directors each year (at which a quorum shall be present) held next after the Annual Meeting of Stockholders, the Board of Directors shall proceed to the election of the Officers of the Corporation.

Section 8. Committees of the Board of Directors. The Board of Directors may by resolution appoint an Executive Committee and other committees. Such Executive Committee and other committees shall be composed of two or more members of this Board of Directors and shall have such powers as may be expressly delegated to them by resolution of the Board of Directors, except that no such committee shall have the power to amend the Certificate of Incorporation, to adopt an agreement of merger or consolidation, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, to recommend to the stockholders the dissolution of the Corporation or a revocation of a dissolution, or to adopt, amend or repeal Bylaws. The Executive Committee, if there shall be one, shall have the right and authority to declare dividends. The Board of Directors shall have the authority to fix the compensation of members of the committees for attending committee meetings.

Section 9. Advisory Directors. The Board of Directors may elect one or more Advisory Directors who shall have such powers and perform such duties as the Directors shall assign to them. Advisory Directors shall, upon election, serve until the next Annual Meeting of Stockholders. Advisory Directors shall receive notice of all meetings of the Board of Directors in the same manner and at the same time as the Directors. They shall attend such meetings in an advisory capacity, but shall not cast a vote or be counted to determine a quorum. Any Advisory Director may be removed, either with or without cause, by a majority of the Directors. The Advisory Directors shall not receive any stated compensation for their services as Advisory Directors, but by resolution of the Board of Directors a fixed fee and expenses of attendance may be allowed for attendance at each meeting. Nothing herein shall be construed to preclude any Advisory Director from serving the Corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

Section 10. Director Qualifications. To be eligible to be a nominee for election or reelection as a Director of the Corporation, the prospective nominee (whether nominated by or at the direction of the Board of Directors or by a stockholder), or someone acting on such prospective nominee's behalf, must deliver (in the case of nominees proposed by a stockholder, in accordance with any applicable time periods prescribed for delivery of notice under Section 13 of Article II of these Bylaws) to the Secretary at the principal executive offices of the Corporation, a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be in the form provided by the Corporation, which form shall be provided by the Secretary upon written request). The prospective nominee must also provide a written representation and agreement (which written representation and agreement shall be in the form provided by the Corporation, which form shall be provided by the Secretary upon written request) that such prospective nominee: (i) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such prospective nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such prospective nominee's ability to comply, if elected as a director of the Corporation, with such prospective nominee's fiduciary duties under applicable law; (ii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed therein; and (iii) in such person's individual capacity and on behalf of any beneficial owner on whose behalf the nomination is being made, would be in compliance if elected as a Director of

the Corporation, and will comply with all applicable corporate governance, code of business conduct and ethics, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation. Directors need not be stockholders. For purposes of this Section 13, a “nominee” shall include any person being considered to fill a vacancy on the Board of Directors.

Article IV

OFFICERS

Section 11. **Officers**. The Officers of the Corporation shall be a Chief Executive Officer, a President, a Secretary and a Treasurer, who shall be elected by the Directors at their first meeting after the Annual Meeting of Stockholders, and who shall hold office until their successors are elected and qualify. The Board of Directors may also elect at its discretion a Chairman of the Board (who may or may not be an officer), one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other Officers as the business of the Corporation may require. The Chairman of the Board, if there shall be such an officer, and the Chief Executive Officer must be members of the Board of Directors. So far as is permitted by law any two or more offices may be held by the same person.

Section 1(a) **Chairman of the Board**. The Chairman of the Board of Directors, if there shall be such an officer, shall preside at meetings of the stockholders and of the Board of Directors, and shall perform such other duties, in major policy areas or otherwise, consistent with his office, as may be assigned to him by the Board of Directors.

Section 1(a). **Vice Chairman of the Board**. The Vice Chairman of the Board of Directors, if there shall be such an officer, shall, during any period when so requested by the Chairman of the Board of Directors or during the absence of the Chairman of the Board of Directors or his inability to act, have the powers and perform the duties of the Chairman. The Vice Chairman shall perform such other duties consistent with his office as from time to time may be assigned to him by the Board of Directors.

Section 2. **Chief Executive Officer**. The Chief Executive Officer shall be the chief executive officer of the Corporation. Subject to the control of the Board of Directors, he shall have general executive powers concerning, and active management and supervision over, the property, business and affairs of the Corporation and its several officers. He shall have the powers and shall perform the duties usually incident to the office of Chief Executive Officer and, during any period when so requested by the Chairman of the Board of Directors, or during the absence of the Chairman and the Vice Chairman of the Board of Directors or the inability of both to act, shall also have the powers and perform the duties of the Chairman of the Board of Directors. The Chief Executive Officer shall perform such other duties consistent with his office as from time to time may be assigned to him by the Board of Directors.

Section 3. **President**. The President shall be the chief operating officer of the Corporation. The President shall exercise general supervision over and have executive control of the operations of the Corporation’s business and shall have such powers as may be assigned to him from time to time by the Board of Directors. He shall exercise the functions of the Chief Executive Officer during the absence or disability of the Chief Executive Officer.

Section 1(a) **Executive Vice President**. The Executive Vice President(s), if there shall be such an officer, shall, subject to such powers as shall be assigned to him from time to time by the Board of Directors or by the President, have such managerial responsibility and authority and shall exercise such supervisory powers as shall be assigned to him from time to time by the

Board of Directors or by the President. He shall exercise the functions of the President during the absence or disability of the President.

Section 1(b). Senior Vice President. The Senior Vice President(s) shall exercise general supervision over and have executive control of such departments of the Corporation's business and shall have such powers and discharge such duties as may be assigned to him from time to time by the Board of Directors. The Senior Vice President, as designated by the Board of Directors, shall exercise the functions of the President during the absence or disability of the President and the Executive Vice President.

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

Section 12. Secretary. The Secretary shall issue due notice to stockholders and Directors in accordance with these Bylaws and as required by law, shall record all the proceedings of the meetings of the stockholders and Directors in a book to be kept for that purpose, shall have charge of the corporate seal, shall keep or cause to be kept a share register of stockholders of the Corporation, and shall make such reports and perform such other duties as are incident to his office, or assigned to him by the Board of Directors.

Section 13. Assistant Secretary. The Assistant Secretaries shall, in the absence or disability of the Secretary, perform the duties and exercise the power of the Secretary.

Section 14. Treasurer. The Treasurer shall have the custody of all monies and securities of the Corporation and shall keep regular books of account. He shall disburse the funds of the Corporation in payment of the just demands against the Corporation, or as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors from time to time, as may be required of him, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 15. Assistant Treasurer. The Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer.

Section 16. General Counsel. The General Counsel shall provide legal advice to the Corporation, render legal opinions as necessary in connection with the business of the Corporation, exercise general supervision over the legal affairs of the Corporation and perform such other duties as assigned to him by the Board of Directors.

Section 17. Duties. Except as otherwise provided in this Section, the said Officers shall have all the usual powers and shall perform all the usual duties incident to their respective offices and shall, in addition, perform such other duties as shall be assigned to them from time to time by the Board of Directors.

Section 18. Delegation of Duties. In the absence or disability of any Officer of the Corporation, the Board of Directors may, subject to the provisions of this Section, delegate his powers and duties to any other Executive Officer, or to any Director, during such absence or disability, and the person so delegated shall, for the time being, be the Officer whose powers and duties he so assumes.

Section 19. Vacancies. A vacancy in any office existing at any time may be filled by the Directors at any regular or special meeting.

Section 20. Other Officers. The Board of Directors may appoint such other Officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 21. Salaries. The salaries of all Officers of the Corporation shall be approved by the Board of Directors.

Section 22. Bonds. The Board of Directors may require any and all Officers, respectively, to give a bond for the faithful performance of their respective duties in such sum as said Board of Directors may determine, such bond to be executed by a reliable surety company, but the expense of obtaining the same shall be borne by the Corporation.

Section 23. Representation of Shares of Other Corporations. The Chief Executive Officer, the President or any Vice President and the Secretary or any Assistant Secretary of this Corporation are authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said Officers to vote or represent on behalf of this Corporation any and all shares held by this Corporation in any other corporation or corporations may be exercised either by such Officers in person or by any person authorized so to do by proxy or power of attorney duly executed by said Officers.

Section 24. Removal of Officers. Any Officer may be removed at any time by the affirmative vote of a majority of the Board of Directors.

Article V

CERTIFICATES OF STOCK

Section 25. Form and Execution of Certificate. The certificates of shares of stock of the Corporation shall be in such form as shall be approved by the Board of Directors. All certificates shall be signed by the Chief Executive Officer, the President or a Vice President, and by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer; provided, however, that if any such certificate is countersigned by a transfer agent other than the Corporation or its employee, or by a registrar other than the Corporation or its employee, the signatures of such Chief Executive Officer, President or Vice President and of such Secretary or Assistant Secretary or Treasurer or Assistant Treasurer may be facsimiles.

Section 26. Certificates to be Entered. All certificates shall be consecutively numbered and the names in which they are issued, the number of shares and the date of issue shall be entered in the Corporation's books.

Section 27. Transfer of Shares. Shares shall be transferred only on the books of the Corporation by the holder thereof, in person or by his attorney, upon the surrender and cancellation of certificates for a like number of shares.

Section 28. Regulations. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates of stock, and may appoint a transfer agent or transfer agents and a registrar or registrars of transfers, and may require all stock certificates to bear the signature of any such transfer agent and registrar of transfers.

Article VI

SEAL

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

Article VII

INDEMNIFICATION

Section 29. **Indemnification of Directors and Officers.** The Corporation shall, to the fullest extent permitted by law, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including without limitation any action by or in the right of the Corporation) by reason of the fact that he is or was a Director or Officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful. The right of indemnity provided herein shall not be exclusive, and the Corporation may provide indemnification to any person, by agreement or otherwise, on such terms and conditions as the Board of Directors may approve. Any agreement for indemnification of any Director, Officer, employee or other person may provide indemnification rights which are broader or otherwise different from those set forth herein.

Section 30. **Insurance.** The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VII.

Article VIII

FISCAL YEAR

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

Article IX

AMENDMENTS

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

As of ~~March 19~~ November 4, ~~2013~~ 2022**AMENDED AND RESTATED BYLAWS OF****DUCOMMUN INCORPORATED**

Ducommun Incorporated (the "Corporation"), pursuant to the provisions of Section 109 of the Delaware General Corporation Law, hereby adopts these Amended and Restated Bylaws, which restate, amend and supersede the Bylaws of the Corporation, as previously amended, in their entirety as described below:

ARTICLE I__**OFFICES**

Section 1. Registered Office. The Registered Office of ~~Ducommun Incorporated (hereinafter called~~ the Corporation) in the State of Delaware shall be at 2711 Centerville Road, Suite 400, in the City of Wilmington 19808, County of New Castle, and the name of the Registered Agent in charge thereof shall be Corporation Service Company.

Section 2. Principal Office. The principal office for the transaction of business of the Corporation shall be ~~2330+ Wilmington Ave.~~ 200 Sandpointe Avenue, Suite 700, in the City of ~~Carson~~ Santa Ana, County of ~~Los Angeles~~ Orange, State of California. The Board of Directors has full power and authority to change said principal office from one location to another, whether within or outside said City, County or State, by amendment of this Section 2.

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

ARTICLE II__**STOCKHOLDERS**

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

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

Section 3. Notice of Meetings. Except as otherwise required by law, notice of meetings of stockholders, annual or special, shall be given to stockholders entitled to vote thereat by the Secretary or an Assistant Secretary or other person charged with that duty not less than ten (10) nor more than sixty (60) days before the date of any such meeting. Such notice may be printed, typewritten, or in handwriting, and may be given to any stockholder either personally or by sending a copy of the notice through the mail, or by telegram, charges prepaid, to his address appearing on the books of the Corporation or supplied by him to the Corporation for the purpose of notice. Except as otherwise expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. Every notice of a meeting of the stockholders shall state the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called.

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

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

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

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

Section 8. Voting.

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

- (i) on the date fixed pursuant to ~~ARTICLE~~Article II, Section 11 of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting, or
- (ii) if no such record date shall have been so fixed, then (a) at the close of business on the day next preceding the day on which notice of the meeting shall be given, or (b) if notice of the meeting shall be waived, at the close of business on the day next preceding the day on which the meeting shall be held.

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

(c) Any such voting rights may be exercised by the stockholder entitled thereto in person or by his proxy appointed by an instrument in writing or by a transmission permitted by law, including Rule 14a-19 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subscribed by such stockholder or by his attorney thereunto authorized and delivered to the Secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date unless said proxy shall provide for a longer period. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the Secretary of the meeting prior to the voting of the proxy. At any meeting of the stockholders all matters other than the election of Directors, except as otherwise provided in the Certificate of Incorporation, these Bylaws or ~~by law~~ by law, shall be decided by the vote of majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat and thereon, a quorum being present. The vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the Chairman of the meeting. On a vote by ballot each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and it shall state the number of shares voted. Except as otherwise provided in the Certificate of Incorporation, Directors shall be elected by a plurality of the votes cast by the holders of the shares present in person or represented by proxy at the meeting and entitled to vote for the election of such Directors.

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

Section 10. Consent of Absentees. The transactions of any meeting of stockholders, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the stockholders entitled to vote, not present in person or by proxy, signs a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting of

stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

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

Section 12. Conduct of Meetings. The Chairman of the Board of Directors shall have complete authority to establish rules of conduct governing all meetings of stockholders. These rules may include, but shall not be limited to, rules related to attendance, questions from the audience and similar matters. Notwithstanding the above, the nomination at any meeting of stockholders of any person to serve as a Director shall not be valid unless (i) the nomination of such person has been approved by resolution of the Board of Directors of the Corporation, or (ii) notice of the nomination of such person has been delivered to the Secretary of the Corporation ~~not less than 120 days prior to the date of the meeting of stockholders~~ in full compliance with the procedures set forth in Article II, Section 13 hereof.

Section 13. Notice of Stockholder Business and Nominations.

~~Section 13. Business of Meetings (a)~~ To be properly brought before the annual meeting of stockholders, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, (iii) brought before the meeting in accordance with Rule 14a-8 under the ~~Securities Exchange Act of 1934~~, or (iv) otherwise properly brought before the annual meeting by a stockholder. ~~In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder (other than in connection with the nomination of any person to serve as a Director pursuant to Article II, Section 12(ii) hereof), the stockholder must have given timely notice thereof in writing of record of the Corporation at the time the notice provided for in this Section 13(b) is delivered to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than one hundred thirty-five (135) days prior to the meeting; provided, however, that in the event that less than thirty-five (35) days' notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by a stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A stockholder's notice to the Secretary shall~~

~~set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class, series and number of shares of the Corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business, who is entitled to vote at the annual meeting and who complies with the notice procedures set forth in this Section 13(b).~~ No business (including nominations) shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 13. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business (including nominations) was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 13, and if he should so determine, he shall so declare to the annual meeting and any such business (including nominations) not properly brought before the meeting shall not be transacted.

(b) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iv) of Section 13(a), the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such nominations or proposed business must constitute a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to, or mailed to and received by, the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty five (35) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to the date of such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to the date of such annual meeting or, if the first public announcement of the date of such advanced or delayed annual meeting is less than one hundred (100) days prior to the date of such annual meeting, the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the adjournment or postponement of an annual meeting or the announcement thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall: (i) as to each person whom the stockholder proposes to nominate for election as a director, set forth (1) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (and such person's written consent to being named in the proxy statement and accompanying proxy card as a nominee and affirmation of such person's intent to serve as a director for the full term if elected) and (2) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder or beneficial owner, if any, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner, if any, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; (ii) as to any other business that the stockholder proposes to bring before the meeting, set forth (1) a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language

of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made and (2) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder; (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, set forth (1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (2) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (3) a representation (I) that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination and (II) whether the stockholder or such beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination, (4) any derivative positions held or beneficially held, directly or indirectly, by or on behalf of such stockholder or beneficial owner and whether and the extent to which any hedging or other transaction or series of transactions has been entered into or any other agreement, arrangement or understanding (including any short position, profit interest, option or any borrowing or lending of shares) has been made, directly or indirectly, by or on behalf of such stockholder or beneficial owner, the effect or intent of which is to mitigate loss to or manage or share risk or benefit of changes in the value or price of shares of the capital stock of the Corporation for, or to increase or decrease the voting power or economic interest of, such stockholder or any such beneficial owner with respect to any share of capital stock of the Corporation, (5) a description of any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or any such beneficial owner has a right to vote any shares of capital stock of the Corporation or influence the voting over any such shares; (6) any rights to dividends on the shares of the Corporation owned beneficially, directly or indirectly, by such stockholder or any such beneficial owner that are separated or separable from the underlying shares of capital stock of the Corporation; (7) any performance-related fees (other than an asset-based fee) that such stockholder or any such beneficial owner is entitled to based on any increase or decrease in the value of shares of capital stock of the Corporation or any derivative position; and (8) to the extent known by such stockholder or beneficial owner giving the notice, the name and address of any other stockholder or beneficial owner supporting the nomination or proposal of other business on the date of such stockholder's or beneficial owner's notice, if any, as of the date of such notice, including without limitation any such interests referred to in the foregoing clauses (1) through (8) held by members of such stockholder's or any such beneficial owner's immediate family sharing the same household; and (iv) with respect to each nominee for election as a director, include a completed and signed questionnaire, representation and agreement required by Section 13 of Article III of these Bylaws. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation, including any information that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

(c) A stockholder providing notice of business proposed to be brought before a meeting, including with respect to nominations of directors, shall, in order for such notice to be considered timely, further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice under this

Section 13 shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered in writing to the Secretary at the principal executive offices of the Corporation not later than ten (10) days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(d) In addition to the requirements of this Section 13 with respect to any nomination proposed to be made at a meeting, each stockholder providing notice as to nominations pursuant to this Section 13 shall comply with all applicable requirements of the Exchange Act with respect to any such nominations. Notwithstanding the foregoing provisions of this Section 13, unless otherwise required by law, (i) no such stockholder shall solicit proxies in support of director nominees other than the Corporation's nominees unless such stockholder has complied with Rule 14a-19 promulgated under the Exchange Act in connection with the solicitation of such proxies, including the provision to the Corporation of notices required thereunder in a timely manner and (ii) if such stockholder (1) provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act and (2) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) promulgated under the Exchange Act, including the provision to the Corporation of notices required thereunder in a timely manner, then the Corporation shall disregard any proxies or votes solicited for such stockholder's director nominees. Upon request by the Corporation, if any such stockholder provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act, such stockholder shall deliver to the Corporation, no later than five (5) business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act.

(e) For purposes of these Bylaws, (i) "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act, (ii) "beneficial owner" shall mean, when used with respect to securities of the Corporation owned by any stockholder, (1) any beneficial owner of any securities of the Corporation owned of record or beneficially by such stockholder, including any of such person's associates or affiliates, (2) any person acting in concert (pursuant to any agreement, arrangement, understanding or otherwise, whether written or oral) with such stockholder or (3) any person directly or indirectly controlling, controlled by or under common control with such stockholder and (iii) "derivative position" shall mean any option, warrant, convertible security, stock appreciation right, swap or similar right or agreement, arrangement or understanding with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of capital stock of the Corporation or with a value derived in whole or in part from the value of any class or series of capital stock of the Corporation, or which is intended to increase or decrease (or has the effect of increasing or decreasing) the voting power of any person with respect to the shares of any class or series of capital stock of the Corporation, whether or not such instrument or right or agreement shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise.

ARTICLE III

BOARD OF DIRECTORS

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

Section 1(b). Minimum and Maximum Number. The authorized number of Directors of this Corporation shall not be less than six (6) nor more than nine (9) until changed by an amendment of this Bylaw; the exact number of Directors shall be fixed, within the limits specified in this Section 1(b), from time to time solely by resolution adopted by the affirmative vote of a majority of the total number of Directors then authorized.

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

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

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

Section 4(b). Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer, any two Vice Presidents, any two Directors, or by the sole remaining Director. Written notice of the time and place of special meetings shall be delivered personally to each Director or sent to each Director by email, mail or other form of written communication, charges prepaid, addressed at his business address or his residence address, as either may be shown upon the records of the Corporation, or if not so shown, or not readily ascertainable, at the principal office of the Corporation. In case such notice is delivered personally it shall be delivered at least twenty-four hours prior to the time of the holding of the meeting. In case such notice is sent by telegram, facsimile or e-mail, it shall be transmitted at least twenty-four hours prior to the time of the holding of the meeting. In case such notice is mailed, it shall be deposited in the United States mail at least sixty hours prior to the time of the holding of the meeting. Except where otherwise required by law or by these Bylaws, notice of the purpose of a special meeting need not be given. Notice of any meeting of the Board of Directors shall not be required to be given to any Director who shall have waived such notice and such notice shall be deemed to have been waived by any Director who is present at such meeting.

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

at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number be required by law or by the Certificate of Incorporation.

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

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

Section 8. Lead Director. The Board of Directors may elect a Lead Director to preside at all meetings of the Board of Directors at which the Chairman of the Board is not present and to perform such other duties and responsibilities as the Board of Directors may determine.

Section 9. Presiding Officers. At all meetings of the Board of Directors, the Chairman of the Board of Directors, or, in his absence, the Lead Director of the Corporation, or in the absence of the Chairman of the Board of Directors and the Lead Director, a Chairman chosen by the Directors present shall preside.

Section 10. Election of Officers. At the first meeting of the Board of Directors each year (at which a quorum shall be present) held next after the Annual Meeting of Stockholders, the Board of Directors shall proceed to the election of the Officers of the Corporation.

Section 11. Committees of the Board of Directors. The Board of Directors may by resolution appoint an Executive Committee and other committees. Such Executive Committee and other committees shall be composed of two or more members of this Board of Directors and shall have such powers as may be expressly delegated to them by resolution of the Board of Directors, except that no such committee shall have the power to amend the Certificate of Incorporation, to adopt an agreement of merger or consolidation, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, to recommend to the stockholders the dissolution of the Corporation or a revocation of a dissolution, or to adopt, amend or repeal Bylaws. The Executive Committee, if there shall be one, shall have the right and authority to declare dividends. The Board of Directors shall have the authority to fix the compensation of members of the committees for attending committee meetings.

Section 12. Advisory Directors. The Board of Directors may elect one or more Advisory Directors who shall have such powers and perform such duties as the Directors shall assign to them. Advisory Directors shall, upon election, serve until the next Annual Meeting of Stockholders. Advisory Directors shall receive notice of all meetings of the Board of Directors in the same manner and at the same time as the Directors. They shall attend such meetings in an advisory capacity, but shall not cast a vote or be counted to determine a quorum. Any Advisory Director may be removed, either with or without cause, by a majority of the Directors. The Advisory Directors shall not receive any stated compensation for their services as Advisory Directors, but by resolution of the Board of Directors a fixed fee and expenses of attendance may be allowed for attendance at each meeting. Nothing herein shall be construed to preclude any

Advisory Director from serving the Corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

Section 13. Director Qualifications. To be eligible to be a nominee for election or reelection as a Director of the Corporation, the prospective nominee (whether nominated by or at the direction of the Board of Directors or by a stockholder), or someone acting on such prospective nominee's behalf, must deliver (in the case of nominees proposed by a stockholder, in accordance with any applicable time periods prescribed for delivery of notice under Section 13 of Article II of these Bylaws) to the Secretary at the principal executive offices of the Corporation, a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be in the form provided by the Corporation, which form shall be provided by the Secretary upon written request). The prospective nominee must also provide a written representation and agreement (which written representation and agreement shall be in the form provided by the Corporation, which form shall be provided by the Secretary upon written request) that such prospective nominee: (i) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such prospective nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such prospective nominee's ability to comply, if elected as a director of the Corporation, with such prospective nominee's fiduciary duties under applicable law; (ii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed therein; and (iii) in such person's individual capacity and on behalf of any beneficial owner on whose behalf the nomination is being made, would be in compliance if elected as a Director of the Corporation, and will comply with all applicable corporate governance, code of business conduct and ethics, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation. **Directors need not be stockholders.** For purposes of this Section 13, a "nominee" shall include any person being considered to fill a vacancy on the Board of Directors.

ARTICLE IV__

OFFICERS

Section 1. Officers. The Officers of the Corporation shall be a Chief Executive Officer, a President, a Secretary and a Treasurer, who shall be elected by the Directors at their first meeting after the Annual Meeting of Stockholders, and who shall hold office until their successors are elected and qualify. The Board of Directors may also elect at its discretion a Chairman of the Board (who may or may not be an officer), one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other Officers as the business of the Corporation may require. The Chairman of the Board, if there shall be such an officer, and the Chief Executive Officer must be members of the Board of Directors. So far as is permitted by law any two or more offices may be held by the same person.

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

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

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

Section 4. President. The President shall be the chief operating officer of the Corporation. The President shall exercise general supervision over and have executive control of the operations of the Corporation's business and shall have such powers as may be assigned to him from time to time by the Board of Directors. He shall exercise the functions of the Chief Executive Officer during the absence or disability of the Chief Executive Officer.

Section 5(a): Executive Vice President. The Executive Vice President(s), if there shall be such an officer, shall, subject to such powers as shall be assigned to him from time to time by the Board of Directors or by the President, have such managerial responsibility and authority and shall exercise such supervisory powers as shall be assigned to him from time to time by the Board of Directors or by the President. He shall exercise the functions of the President during the absence or disability of the President.

Section 5(b). Senior Vice President. The Senior Vice President(s) shall exercise general supervision over and have executive control of such departments of the Corporation's business and shall have such powers and discharge such duties as may be assigned to him from time to time by the Board of Directors. The Senior Vice President, as designated by the Board of Directors, shall exercise the functions of the President during the absence or disability of the President and the Executive Vice President.

Section 5(c). Vice Presidents. The Vice Presidents shall exercise general supervision over and have executive control of such departments of the Corporation's business and shall have such powers and discharge such duties as may be assigned to each of them from time to time by the Board of Directors. The Vice Presidents in order of their rank, or if not ranked, as designated by the Board of Directors, shall exercise the functions of the President during the absence or disability of the President, the Executive Vice President and the Senior Vice President.

Section 6. Secretary. The Secretary shall issue due notice to stockholders and Directors in accordance with these Bylaws and as required by law, shall record all the proceedings of the meetings of the stockholders and Directors in a book to be kept for that purpose, shall have charge of the corporate seal, shall keep or cause to be kept a share register of stockholders of the Corporation, and shall make such reports and perform such other duties as are incident to his office, or assigned to him by the Board of Directors.

Section 7. Assistant Secretary. The Assistant Secretaries shall, in the absence or disability of the Secretary, perform the duties and exercise the power of the Secretary.

Section 8. Treasurer. The Treasurer shall have the custody of all monies and securities of the Corporation and shall keep regular books of account. He shall disburse the funds of the Corporation in payment of the just demands against the Corporation, or as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors from time to time, as may be required of him, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 9. Assistant Treasurer. The Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer.

Section 10. General Counsel. The General Counsel shall provide legal advice to the Corporation, render legal opinions as necessary in connection with the business of the Corporation, exercise general supervision over the legal affairs of the Corporation and perform such other duties as assigned to him by the Board of Directors.

Section 11. Duties. Except as otherwise provided in this Section, the said Officers shall have all the usual powers and shall perform all the usual duties incident to their respective offices and shall, in addition, perform such other duties as shall be assigned to them from time to time by the Board of Directors.

Section 12. Delegation of Duties. In the absence or disability of any Officer of the Corporation, the Board of Directors may, subject to the provisions of this Section, delegate his powers and duties to any other Executive Officer, or to any Director, during such absence or disability, and the person so delegated shall, for the time being, be the Officer whose powers and duties he so assumes.

Section 13. Vacancies. A vacancy in any office existing at any time may be filled by the Directors at any regular or special meeting.

Section 14. Other Officers. The Board of Directors may appoint such other Officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 15. Salaries. The salaries of all Officers of the Corporation shall be approved by the Board of Directors.

Section 16. Bonds. The Board of Directors may require any and all Officers, respectively, to give a bond for the faithful performance of their respective duties in such sum as said Board of Directors may determine, such bond to be executed by a reliable surety company, but the expense of obtaining the same shall be borne by the Corporation.

Section 17. Representation of Shares of Other Corporations. The Chief Executive Officer, the President or any Vice President and the Secretary or any Assistant Secretary of this Corporation are authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said Officers to vote or represent on behalf of this Corporation any and all shares held by this Corporation in any other corporation or corporations may be exercised either by such Officers in person or by any person authorized so to do by proxy or power of attorney duly executed by said Officers.

Section 18. Removal of Officers. Any Officer may be removed at any time by the affirmative vote of a majority of the Board of Directors.

ARTICLE V__

CERTIFICATES OF STOCK

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

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

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

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

ARTICLE VI__

SEAL

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

ARTICLE VII__

INDEMNIFICATION

Section 1. Indemnification of Directors and Officers. The Corporation shall, to the fullest extent permitted by law, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including without limitation any action by or in the right of the Corporation) by reason of the fact that he is or was a Director or Officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or

proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful. The right of indemnity provided herein shall not be exclusive, and the Corporation may provide indemnification to any person, by agreement or otherwise, on such terms and conditions as the Board of Directors may approve. Any agreement for indemnification of any Director, Officer, employee or other person may provide indemnification rights which are broader or otherwise different from those set forth herein.

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

ARTICLE VIII

FISCAL YEAR

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

ARTICLE IX

AMENDMENTS

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

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

I, Stephen G. Oswald, certify that:

1. I have reviewed this Quarterly Report of Ducommun Incorporated (the “registrant”) on Form 10-Q for the period ended October 1, 2022;
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: November 7, 2022

/s/ Stephen G. Oswald

Stephen G. Oswald

Chairman, President and Chief Executive Officer

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

I, Christopher D. Wampler, certify that:

1. I have reviewed this Quarterly Report of Ducommun Incorporated (the “registrant”) on Form 10-Q for the period ended October 1, 2022;
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: November 7, 2022

/s/ Christopher D. Wampler

Christopher D. Wampler

Vice President, Chief Financial Officer, Contoller and Treasurer

**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 Quarterly Report of Ducommun Incorporated (the "Company") on Form 10-Q for the period ending October 1, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen G. Oswald, Chairman, President and Chief Executive 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 my 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/ Stephen G. Oswald
Stephen G. Oswald
Chairman, President and Chief Executive Officer
November 7, 2022

In connection with the Quarterly Report of Ducommun Incorporated (the "Company") on Form 10-Q for the period ending October 1, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher D. Wampler, Vice President, Chief Financial Officer, Controller and Treasurer 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 my 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/ Christopher D. Wampler
Christopher D. Wampler
Vice President, Chief Financial Officer, Controller and Treasurer
November 7, 2022

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