

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial statements of business acquired.

Attached as Exhibit 2 are the audited financial statements of Dynatech Microwave Technology, Inc. (a wholly-owned subsidiary of Dynatch USA, Inc.) for the nine months ended December 31, 1994.

(b) Pro forma financial information.

Attached as Exhibit 3 is unaudited pro forma financial information for Ducommun Incorporated and Dynatech Microwave Technology, Inc. (a wholly-owned subsidiary of Dynatech USA, Inc.).

(c) Exhibits.

1. Asset Purchase Agreement by and among Jay-El Products, Inc., as Buyer, and Dynatch Microwave Technology, Inc., as Seller, and Ducommun Incorporated and Dynatech Corporation, dated December 30, 1994. Incorporated by reference to Exhibit 1 to the Form 8-K dated January 13, 1995.
2. Report of Independent Accountants and Financial Statements of Dynatech Microwave Technology, Inc. (a wholly-owned subsidiary of Dynatech USA, Inc.) for the nine months ended December 31, 1994.
3. Unaudited Pro Forma Financial Information for Ducommun Incorporated and Dynatech Microwave Technology, Inc. (a wholly-owned subsidiary of Dynatech USA, Inc.).

SIGNATURE

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

DUCOMMUN INCORPORATED

Dated March 15, 1995

By: /s/ Joseph C. Berenato

Joseph C. Berenato
Executive Vice President
Chief Operating Officer,
and Chief Financial Officer

DYNATECH MICROWAVE TECHNOLOGY, INC.

(a wholly-owned subsidiary of Dynatech USA, Inc.)

FINANCIAL STATEMENTS

DECEMBER 31, 1994

Exhibit 2

REPORT OF INDEPENDENT ACCOUNTANTS

January 19, 1994

To the Management of
Ducommun Incorporated

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of Dynatech Microwave Technology, Inc. (a wholly-owned subsidiary of Dynatech USA, Inc.) at December 31, 1994, and the results of its operations and its cash flows for the nine months then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

As discussed in Note 1, Jay-El Products, Inc. (a wholly-owned subsidiary of Ducommun Incorporated) acquired substantially all of the assets and assumed certain liabilities of Dynatech Microwave Technology, Inc.

Price Waterhouse LLP
Los Angeles, California

DYNATECH MICROWAVE TECHNOLOGY, INC.
(a wholly-owned subsidiary of Dynatech USA, Inc.)

BALANCE SHEET

	December 31, 1994 -----
ASSETS	

Current assets:	
Cash	\$ 300,000
Accounts receivable (less allowance for doubtful accounts of \$5,000)	1,048,000
Inventories	1,023,000
Prepaid expenses and other current assets	132,000

Total current assets	2,503,000
Property and equipment, net	565,000
Other assets	67,000

	\$3,135,000
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	

Current liabilities:	
Accounts payable	\$ 241,000
Payable to Dynatech Corporation	1,727,000
Accrued costs of warranty claim	125,000
Commissions and expenses payable to outside parties	80,000
Accrued income taxes	211,000
Accrued expenses	184,000

Total current liabilities	2,568,000

Commitments and contingencies (Note 8)	
Shareholders' equity:	
Common stock, \$.20 par value, 5,040 shares authorized issued and outstanding	1,000
Additional paid-in capital	93,000
Retained earnings	473,000

Total shareholders' equity	567,000

	\$3,135,000
	=====

See accompanying notes to financial statements.

DYNATECH MICROWAVE TECHNOLOGY, INC.
(a wholly-owned subsidiary of Dynatech USA, Inc.)

STATEMENT OF INCOME AND RETAINED EARNINGS

	Nine months Ended December 31, 1994 -----
Net sales	\$5,477,000
Cost of sales	3,781,000 -----
Gross margin	1,696,000 -----
Costs and expenses:	
Selling and marketing	523,000
General and administrative	451,000
Management fees charged by Parent company	185,000
Research and development	97,000 -----
	1,256,000 -----
Income from operations	440,000
Intercompany interest expense	248,000 -----
Income before income taxes	192,000
Provision for income taxes	88,000 -----
Net income	104,000
Retained earnings, beginning of period	369,000 -----
Retained earnings, end of period	\$ 473,000 =====

See accompanying notes to consolidated financial statements.

DYNATECH MICROWAVE TECHNOLOGY, INC.
(a wholly-owned subsidiary of Dynatech USA, Inc.)

STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH

	Nine months Ended December 31, 1994 -----
Cash flows from operating activities:	
Net income	\$ 104,000
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	200,000
Provision for excess and obsolete inventory	33,000
Changes in assets and liabilities:	
Accounts receivable	504,000
Inventories	14,000
Prepaid expenses and other current assets	(21,000)
Other assets	5,000
Accounts payable	(450,000)
Payable to Dynatech Corporation	194,000
Commissions and expenses payable to outside parties	(45,000)
Accrued income taxes	80,000
Accrued expenses	(147,000)

Net cash provided by operating activities	471,000

Cash flows from investing activities:	
Net cash used for acquisitions of property and equipment	(171,000)

Net increase in cash	300,000
Cash at beginning of period	-

Cash at end of period	\$ 300,000
	=====

See accompanying notes to consolidated financial statements.

DYNATECH MICROWAVE TECHNOLOGY, INC.
(a wholly-owned subsidiary of Dynatech USA, Inc.)

NOTES TO FINANCIAL STATEMENTS

Note 1 - The Company:

Dynatech Microwave Technology, Inc. (the Company) was incorporated in Nevada in 1979. The Company is a wholly-owned subsidiary of Dynatech USA, Inc., which is a wholly-owned subsidiary of Dynatech Corporation. The Company is engaged primarily in the manufacture and distribution of switches and other microwave components used in commercial and military aircraft and in other non-aerospace commercial applications.

On December 30, 1994, certain assets of the Company were acquired by Jay-El Products, Inc. (a wholly-owned subsidiary of Ducommun Incorporated) in exchange for a cash payment to Dynatech, Inc. of \$7.5 million and the assumption of certain liabilities (the Acquisition). The following assets and liabilities of the Company, which are included in the accompanying balance sheet, were not acquired or assumed by Jay-El Products, Inc.:

	December 31, 1994

Assets	
Cash	\$ 300,000
Prepaid expenses	132,000
Fixed Assets	20,000

	452,000
	=====
Liabilities	
Payable to Dynatech Corporation	1,727,000
Accrued income taxes	211,000
Accrued expenses	184,000
Accrued costs of warranty claim	125,000

	\$2,247,000
	=====

The activity of the Company was not significant for the period from December 30, 1994 to December 31, 1994. The accompanying financial statements and notes have been prepared as of December 31, 1994, using the Company's historical basis of accounting, prior to giving effect to the Acquisition.

Note 2 - Summary of Accounting Policies:

Inventories

Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method and the estimated useful lives of the assets of three to ten years. Leasehold improvements are depreciated over the lesser of the remaining life of the lease or their estimated useful lives.

Revenue Recognition

Revenue from nonrecurring engineering services and research and development contracts is recognized using the percentage of completion method based on costs incurred-to-date to total estimated cost-at-completion. Unbilled revenue under these contracts was not significant at December 31, 1994. Revenue from product sales is recognized upon product shipment. During the nine months ended December 31, 1994, one customer represented 20% of total revenue.

Income Taxes

The Company has an income tax-sharing agreement with Dynatech Corporation whereby the Company is included in the consolidated federal income tax return of Dynatech Corporation. The Company's income tax liability has been recorded in the accompanying financial statements on a separate-return basis. Income tax liability for periods prior to and including the year ended March 31, 1993 has been recorded as an intercompany charge due to Dynatech Corporation.

This income tax accounting by the Company, recorded on a separate-return basis, approximates Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (FAS 109). FAS 109 requires an asset and liability approach that recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, FAS 109 generally considers all expected future events other than enactments or changes in the tax law or rates.

Geographic Information and Concentrations of Credit Risk

The Company markets its products both domestically and internationally. All sales are denominated in United States dollars. Export sales for the nine months ended December 31, 1994 of \$668,000 were primarily to Europe and Asia.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable. The Company offers credit terms

on the sale of its products to its customers. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The Company maintains an allowance of uncollectible accounts receivable based upon the expected collectibility of all accounts receivable.

Note 3 - Related Party Transactions:

Dynatech Corporation provides certain management services to the Company. The costs of these services are allocated to the Company based on the Company's sales and expenses. Dynatech Corporation also charges interest on the intercompany balance. The following summarizes transaction activity with Dynatech Corporation for the nine months ended December 31, 1994:

Payable at March 31, 1994	\$ 1,533,000
Management service fees	185,000
Interest charge	248,000
Net cash paid	(239,000)

Payable at December 31, 1994	\$ 1,727,000
	=====

Note 4 - Balance Sheet Accounts:

	December 31, 1994

Inventories:	
Raw materials	\$ 829,000
Work-in-progress	198,000
Finished goods	64,000
Reserved for excess and obsolete inventory	(68,000)

	\$ 1,023,000
	=====
Property and equipment:	
Machinery and equipment	\$ 2,888,000
Leasehold improvements	539,000
Furniture and fixtures	215,000

	3,642,000
Less: Accumulated depreciation and amortization	(3,077,000)

	\$ 565,000
	=====

Note 5 - Non-Recurring Engineering Services Contracts:

In March 1994, the Company entered into an agreement to develop and manufacture certain switching devices (the Agreement). Under the Agreement the Company is required to perform certain specified non-recurring engineering services to develop a prototype of the device in return for a fee of \$190,000. These services were completed as of December 31, 1994 for a cost of \$350,000. During the nine months ended December 31, 1994, the Company recorded revenue and cost of revenues under the Agreement of \$344,000 and \$439,000, respectively.

Note 6 - Income Taxes:

The income tax provision consists of the following:

	Nine Months Ended December 31, 1994 -----
Current	
Federal	\$ 90,000
State	18,000

	108,000

Deferred	
Federal	(20,000)
State	-

	(20,000)

Net tax provision	\$ 88,000 =====

The difference between the current income tax provision and the provision determined by applying the U.S. statutory income tax rate to pretax income is due primarily to state income taxes. Deferred tax assets are attributable primarily to depreciation for financial reporting purposes in excess of tax.

Note 7 - Employee Benefits:

The Company maintains an Employee Profit Sharing and 401(k) Plan (the Plan) which covers all employees of the Company who have completed certain period of employment requirements. Under the Plan, employees may elect to contribute 1% to 15% of their pretax compensation to the Plan, subject to certain limits. At the end of each fiscal year the Board of Directors may vote to make a profit-sharing contribution to the Plan. The contribution, together with any forfeitures, is allocated to Plan participants partly as a basic contribution and partly as a matching contribution. The matching contributions are to be not more than 50% of the first \$2,000 contributed by the Plan participant during the fiscal year. The Company's contribution to the Plan was \$43,000 for the nine months ended December 31, 1994.

Note 8 - Commitments and Contingencies:

The Company leases its principal facility in Calabasas, California under a noncancelable operating lease which provides for escalating lease payments and for pro rata costs of common area maintenance. Future minimum lease payments under all noncancelable operating leases for fiscal years ending December 31 are as follows:

	Operating Leases -----
1995	\$401,000
1996	401,000
1997	135,000

Total minimum lease payments	\$937,000 =====

Total rent expense on all operating leases was \$300,000 for the nine months ended December 31, 1994.

The Company is involved in legal proceedings arising in the ordinary course of business. Management believes that such proceedings will be resolved without material effect on the Company's financial position or results of operations.

DUCOMMUN INCORPORATED

PRO FORMA FINANCIAL INFORMATION
(Unaudited)

The following unaudited pro forma financial statements reflect the acquisition by Jay-El Products, Inc., a wholly-owned subsidiary of Ducommun Incorporated (Ducommun) on December 30, 1994, of substantially all of the assets and the assumption of certain liabilities of Dynatech Microwave Technology, Inc. (DMT), an indirect wholly-owned subsidiary of Dynatech Corporation. The purchase price for DMT was \$7.5 million in cash, subject to adjustments following the closing. The acquisition was accounted for under the purchase method of accounting.

The unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 1994 give effect to the acquisition of DMT assuming the transaction was consummated as of the beginning of the period presented. The unaudited pro forma condensed combined statements of operations combine the historical statements of operations of Ducommun and DMT for the year ended December 31, 1994.

The unaudited pro forma condensed combined statements of operations are not necessarily indicative of the operating results that would have been achieved had the acquisition been consummated at the beginning of the period presented; and should not be construed as representative of future operating results. The pro forma financial statement should also be read in conjunction with Ducommun's consolidated financial statements and notes set forth in the Report on Form 10-K for the year ended December 31, 1994.

DUCOMMUM INCORPORATED

Exhibit 3
Page 2 of 2Pro Forma Condensed Combined Statement of Operations
Twelve Months Ended December 31, 1994
(Amounts in thousands)
(Unaudited)

	Ducommun	DMT	Pro Forma Adjustments	DUCOMMUM and DMT Combined
	-----	-----	-----	-----
Net Sales	\$72,715	\$7,867	\$ -	\$80,582
Operating Costs and Expenses:				
Cost of goods sold	49,716	5,264	-	54,980
Selling, general and administrative expenses	15,755	1,761	182 (a)	17,698
Total Operating Costs and Expenses	65,471	7,025	182	72,678
Operating Income	7,244	842	(182)	7,904
Interest	(2,800)	-	(585)(b)	(3,385)
Income from Continuing Operations Before Taxes	4,444	842	(767)	4,519
Income Tax Expense	(1,364)	(258)	235 (c)	(1,387)
Net Income	\$ 3,080	\$ 584	\$(532)	\$ 3,132
	=====	=====	=====	=====
Per Share:				
Fully Diluted Earnings Per Share	\$ 0.62			\$ 0.62
	=====			=====
Weighted Average Number of Common and Common Equivalent Shares Outstanding for Computation of Fully Diluted Earnings Per Share	7,452			7,452
	=====			=====

- (a) Record amortization of goodwill arising on the DMT acquisition on a straight line basis over 15 years and a reduction in expenses related to administrative expenses charged by DMT's Parent.
- (b) This adjustment is made to reflect incremental interest on bank borrowings and notes payable used to finance the transaction.
- (c) Represents the tax effects of the above adjustments at Ducommun's approximate tax rate.