FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended October 3, 1998

OR

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

For the transition period from _____________ to _____________

Commission File Number 1-8174

DUCOMMUN INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	95-0693330
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification No.

111 West Ocean Boulevard, Suite 900, Long Beach, California 90802

(Address of principal executive offices) (Zip Code)

(562) 624-0800

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of October 3, 1998, there were outstanding 11,138,563 shares of common stock.

DUCOMMUN INCORPORATED
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	October 3, 1998	December 31, 1997
ASSETS		
Current Asssets		
Cash and cash equivalents	$ 19,810	$ 2,156
Accounts receivable (less allowance for doubtful accounts of $137 and $359)	17,718	19,189
Inventories	20,739	24,604
Deferred income taxes	4,527	4,612
Prepaid income taxes	227	2,877
Other current assets	3,002	2,053
Total Current Assets	66,023	55,491
Property and Equipment, Net	39,800	30,594
Deferred Income Taxes	-	380
Excess of Cost Over Net Assets Acquired (Net of Accumulated Amortization of $5,085 and $4,829)	19,291	16,907
Other Assets	694	869
	$125,808	$104,241
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Note 4)	$ 1,488	$ 919
Accounts payable	7,534	9,024
Accrued liabilties	19,079	15,366
Total Current Liabilities	28,101	25,309
Long-Term Debt (Note 4)	5,499	4,884
Deferred Income Taxes	1,672	-
Other Long-Term Liabilities	345	345
Total Liabilities	35,617	30,538
Commitments and Contingencies (Note 6)		
Shareholders' Equity (Note 5):		
Common stock -- $.01 per value; authorized 35,000,000 shares; shares issued 11,321,325 in 1998 and 11,101,985 in 1997	113	74
Additional paid-in capital	60,236	59,497
Retained earnings	33,251	14,132
Less common stock held in treasury	(3,409)	-
Total Shareholders' Equity	90,191	73,703
	$125,808	$104,241

Share data have been adjusted for the 3-for-2 stock split in June 1998. See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	For Three Months Ended October 3, 1998	For Three Months Ended September 27, 1997
Net Sales	$ 41,273	$ 40,482
Operating Costs and Expenses:		
Cost of goods sold	27,785	27,721
Selling, general and administrative expenses	6,163	6,223
Total Operating Costs and Expenses	33,948	33,944
Operating Income	7,325	6,538
Gain on Sale of Subsidiary	9,249	--
Interest Expense	(13)	(137)
Income Before Taxes	16,561	6,401
Income Tax Expense	(6,041)	(2,686)
Net Income	$ 10,520	$ 3,715
Earnings Per Share:		
Basic earnings per share	$ .94	$ .34
Diluted earnings per share	.90	.31
Weighted Average Number of Common and Common Equivalent Shares Outstanding for Computation of Earnings Per Share:		
Basic earnings per share	11,218	11,030
Diluted earnings per share	11,707	11,836

Per-share data have been adjusted for the 3-for-2 stock split in June 1998. See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	For Nine Months Ended	
	October 3, 1998	September 27, 1997
Net Sales	$ 130,288	$ 115,171
Operating Costs and Expenses:		
Cost of goods sold	87,036	77,552
Selling, general and administrative expenses	21,144	19,804
Total Operating Costs and Expenses	108,180	97,356
Operating Income	22,108	17,815
Gain on Sale of Subsidiary	9,249	--
Interest Expense	(221)	(532)
Income Before Taxes	31,136	17,283
Income Tax Expense	(12,017)	(7,258)
Net Income	$ 19,119	$ 10,025
Earnings Per Share:		
Basic earnings per share	$ 1.70	$ .91
Diluted earnings per share	1.63	.84
Weighted Average Number of Common and Common Equivalent Shares Outstanding for Computation of Earnings Per Share:		
Basic earnings per share	11,225	10,991
Diluted earnings per share	11,728	11,866

Per-share data have been adjusted for the 3-for-2 stock split in June 1998. See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For Nine Months Ended	
	October 3, 1998	September 27, 1997
Cash Flows from Operating Activities:		
Net Income	$ 19,119	$ 10,025
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	4,352	3,993
Gain on sale of subsidiary	(9,249)	--
Deferred income tax provision	1,663	3,906
Other	42	--
Changes in Assets and Liabilities, Net of Effects From Acquisition and Divestiture:		
Accounts receivable	164	(5,144)
Inventories	3,069	(3,361)
Prepaid income taxes	2,650	--
Other assets	(952)	94
Accounts payable	(975)	1,158
Accrued and other liabilities	2,297	(1,016)
Net Cash Provided by Operating Activities	22,180	9,655
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(9,329)	(5,701)
Acquisition	(8,165)	--
Proceeds from Sale of Subsidiary	17,250	--
Cash Payments Related to Sale of Subsidiary	(1,143)	--
Other	208	--
Net Cash Used in Investing Activities	(1,179)	(5,701)
Cash Flows from Financing Activities:		
Net Repayment of Long-Term Debt	(716)	(4,122)
Repurchase of Common Stock	(3,409)	--
Other	778	(83)
Net Cash (Used in) Provided by Financing Activities	(3,347)	(4,205)
Net Increase (Decrease) in Cash and Cash Equivalents	17,654	(251)
Cash and Cash Equivalents at Beginning of Period	2,156	571
Cash and Cash Equivalents at End of Period	$ 19,810	$ 320
Supplemental Disclosures of Cash Flows Information:		
Interest Expense Paid	$ 338	$ 601
Income Taxes Paid	$ 4,270	$ 3,721

See accompanying notes to consolidated financial statements.

DUCOMMUN INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

Note 1. The consolidated balance sheets, consolidated statements of income and consolidated statements of cash flows are unaudited as of and for the three months and nine months ended October 3, 1998 and September 27, 1997. The financial information included in the quarterly report should be read in conjunction with the Company's consolidated financial statements and the related notes thereto included in its annual report to shareholders for the year ended December 31, 1997.

Note 2. Certain amounts and disclosures included in the consolidated financial statements required management to make estimates which could differ from actual results.

Note 3. Earnings Per Share

The Company effected a three-for-two stock split of the Company's common stock in the form of a stock dividend, which was paid on June 10, 1998 to shareholders of record as of May 20, 1998, and is reflected in all references to the number of common shares and per-share amounts in this report.

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding in each period. Diluted earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding plus any potential dilution that could occur if stock options were exercised or converted into common stock in each period. For the three months ended October 3, 1998 and September 27, 1997, income available to common stockholders was $10,520,000 and $3,715,000, respectively. The weighted average number of common shares outstanding for the three months ended October 3, 1998 and September 27, 1997 were 11,218,000 and 11,030,000 and the dilutive shares associated with stock options were 489,000 and 806,000, respectively. For the nine months ended October 3, 1998 and September 27, 1997, income available to common stockholders was $19,119,000 and $10,025,000, respectively. The weighted average number of common shares outstanding for the nine months ended October 3, 1998 and September 27, 1997 were 11,225,000 and 10,991,000 and the dilutive shares associated with stock options were 503,000 and 875,000, respectively.

Note 4. Long-term debt is summarized as follows:

	(In Thousands)	
	October 3, 1998	December 31, 1997
Term and real estate loans	$4,745	$5,181
Promissory notes related to acquisitions	2,242	622
Total debt	6,987	5,803
Less current portion	1,488	919
Long-term debt, less current portion	$5,499	$4,884

The Company's bank credit agreement provides for a $40,000,000 unsecured revolving credit line with an expiration date of July 1, 2001. Interest is payable monthly on the outstanding borrowings based on the bank's prime rate (8.25% per annum at October 3, 1998) minus 0.25%. A Eurodollar pricing option is also available to the Company for terms of up to six months at the Eurodollar rate plus a spread based on the leverage ratio of the Company calculated at the end of each fiscal quarter (1.00% at October 3, 1998). At October 3, 1998, the Company had $40,000,000 of unused lines of credit available. The credit agreement includes fixed charge coverage and maximum leverage ratios, and limitations on future dividend payments and outside indebtedness.

Note 5. Shareholders' Equity

In May 1998 the shareholders of Ducommun Incorporated authorized the amendment of its Certificate of Incorporation to increase the Company's authorized common stock from 12,500,000 shares to 35,000,000 shares. The Company effected a three-for-two stock split of the Company's common stock in the form of a stock dividend, which was paid on June 10, 1998 to shareholders of record as of May 20, 1998, and is reflected in all references to the number of common shares and per-share amounts in this report. Average shares outstanding for the quarter ended October 3, 1998 and September 27, 1997, after adjusting for the stock split, were 11,218,000 and 11,030,000, respectively and for the nine months ended October 3, 1998 and September 27, 1997 were 11,225,000 and 10,991,000, respectively.

In July 1998 the Board of Directors authorized the repurchase of up to $15,000,000 of its common stock. To date, $3,409,000 has been used to acquire 182,762 shares in the open market.

Common shares issued and outstanding are summarized in the table below.

(In Thousands)	October 3, 1998	September 27, 1997
Issued	11,321,325	11,101,985
In Treasury	(182,762)	-
Outstanding	11,138,563	11,101,985

Note 6. Commitments and Contingencies

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of chemical milling services for the aerospace industry. Aerochem has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its El Mirage, California facility (the "Site"). Aerochem expects to spend approximately $1 million for future investigation and corrective action at the Site, and the Company has established a provision for such costs. However, the Company's ultimate liability in connection with the Site will depend upon a number of factors, including changes in existing laws and regulations, and the design and cost of the construction, operation and maintenance of the correction action.

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

Note 7. Acquisition and Divestiture

In June 1998, the Company acquired the capital stock of American Electronics, Inc. ("AEI") for $8,165,000 in cash and $1,900,000 in other liabilities. AEI is a leading manufacturer of high-precision actuators, stepper motors, fractional horsepower motors and resolvers principally for commercial and military space applications. Calendar 1997 sales of AEI exceeded $7.1 million, of which approximately 60% were related to space programs. The acquisition of AEI was accounted for under the purchase method of accounting, and based on preliminary allocation of the purchase price, the Company recorded goodwill of $5,813,000. The consolidated statements of income include the operating results for AEI since the date of the acquisition.

The acquisition was funded from internally generated cash, debt payable to sellers and borrowings under the Company's credit agreement with its bank. The acquisition is expected to strengthen the Company's position in the aerospace industry, add complementary lines of business and improve utilization of existing manufacturing facilities and overhead structure.

In August 1998, the Company sold the capital stock of its wireless communications subsidiary, 3dbm, Inc., for $17,250,000 in cash. The transaction resulted in an after-tax gain of $6,206,000, or $0.53 per diluted share, which was recorded in the third quarter 1998 results. Exclusive of the gain recognized, this transaction did not have a significant impact on the Company's results of operations or financial position.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL STATEMENT PRESENTATION

The interim financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of the Company, necessary for a fair presentation of the results for the interim periods presented.

ACQUISITION AND DIVESTITURE

In June 1998, the Company acquired the capital stock of American Electronics, Inc. ("AEI") for $8,165,000 in cash and $1,900,000 in notes and other liabilities. AEI is a leading manufacturer of high-precision actuators, stepper motors, fractional horsepower motors and resolvers principally for commercial and military space applications. Calendar 1997 sales of AEI exceeded $7.1 million, of which approximately 60% were related to space programs. The acquisition of AEI was accounted for under the purchase method of accounting, and based on preliminary allocation of the purchase price, the Company recorded goodwill of $5,813,000. The consolidated statements of income include the operating results for AEI since the date of the acquisition.

The acquisition was funded from internally generated cash, debt payable to sellers and borrowings under the Company's credit agreement with its bank. The acquisition is expected to strengthen the Company's position in the aerospace industry and add complementary lines of business.

In August 1998, the Company sold the capital stock of its wireless communications subsidiary, 3dbm, Inc. ("3dbm"), for $17,250,000 in cash. The transaction resulted in an after-tax gain of $6,206,000, or $0.53 per diluted share, which was recorded in the third quarter 1998 results. The proceeds from this transaction will be used for general corporate purposes including acquisitions and common stock repurchases.

RESULTS OF OPERATIONS

Third Quarter of 1998 Compared to Third Quarter of 1997

Net sales increased 2% to $41,273,000 in the third quarter of 1998. The increase resulted primarily from a broad-based increase in sales in most of the Company's product lines due to increased outsourcing from the primes and first tier subcontractors as well as new contract awards, partially offset by lower aftermarket sales. The net effect on sales of the acquisition of AEI and the divestiture of 3dbm in the third quarter of 1998 compared to the third quarter of 1997 was not material.

The Company had substantial sales to Boeing and Lockheed Martin. During the third quarter of 1998 and 1997, sales to Boeing were approximately $11,514,000 and $13,653,000, respectively; and sales to Lockheed Martin were approximately $4,421,000 and $4,643,000, respectively. The sales relating to Boeing and Lockheed Martin are diversified over a number of different commercial, space and military programs.

Gross profit, as a percentage of sales, was 32.7% for the third quarter of 1998 compared to 31.5% for the third quarter of 1997. This increase was primarily the result of changes in sales mix and lower production costs.

Selling, general and administrative expenses, as a percentage of sales, were 14.9% for the third quarter of 1998 compared to 15.4% in 1997. The decrease in these expenses as a percentage of sales was primarily the result of lower variable costs.

Interest expense decreased approximately 91% to $13,000 in the third quarter of 1998 compared to $137,000 for 1997. The decrease in interest expense was primarily due to higher interest income from invested cash in 1998 compared to 1997, which was offset against interest expense.

Income tax expense increased to $6,041,000 in the third quarter of 1998 compared to $2,686,000 for 1997. The increase in income tax expense was primarily due to $3,043,000 of income taxes related to the sale of 3dbm, Inc. Cash paid for income taxes was $2,105,000 in the third quarter of 1998, compared to $1,211,000 in 1997.

Net income for the third quarter of 1998 was $10,520,000, or $0.90 diluted earnings per share, compared to $3,715,000, or $0.31 diluted earnings per share, in 1997. Net income for the third quarter of 1998 included an after-tax gain of $6,206,000, or $0.53 per diluted share, for the sale of the capital stock of 3dbm, Inc.

Nine Months of 1998 Compared to Nine Months of 1997

Net sales increased 13% to $130,288,000 in the first nine months of 1998. The increase resulted primarily from a broad-based increase in sales in most of the Company's product lines due to increased outsourcing from the primes and first tier subcontractors as well as new contract awards, partially offset by lower aftermarket sales. The net effect on sales of the acquisition of AEI and the divestiture of 3dbm in the first nine months of 1998 compared to the nine months of 1997 was not material.

The Company had substantial sales to Boeing and Lockheed Martin. During the first nine months of 1998 and 1997, sales to Boeing were approximately $37,148,000 and $30,072,000, respectively; and sales to Lockheed Martin were approximately $14,833,000 and $13,201,000, respectively. The sales relating to Boeing and Lockheed Martin are diversified over a number of different commercial, space and military programs.

At October 3, 1998, backlog believed to be firm was approximately $146,800,000 compared to $166,100,000 at September 27, 1997 and $155,700,000 at December 31, 1997. Approximately $40,000,000 of the total backlog is expected to be delivered during 1998.

Gross profit, as a percentage of sales, was 33.2% for the first nine months of 1998 compared to 32.7% in 1997. This increase was primarily the result of changes in sales mix, lower production costs and the economies of scale resulting from sales increases.

Selling, general and administrative expenses, as a percentage of sales, were 16.2% for the first nine months of 1998 compared to 17.2% in 1997. The decrease in these expenses as a percentage of sales was primarily the results of higher sales volume partially offset by an increase in related variable period costs.

Interest expense decreased approximately 58% to $221,000 in the first nine months of 1998 compared to $532,000 for 1997. The decrease in interest expense was primarily due to higher interest income from invested cash in 1998 compared to 1997, which was offset against interest expense.

Income tax expense increased to $12,017,000 in the first nine months of 1998 compared to $7,258,000 for 1997. The increase in income tax expense was primarily due to the increase in income before taxes and $3,043,000 of income taxes related to the sale of 3dbm, Inc. Cash paid for income taxes was $4,270,000 in the first nine months of 1998, compared to $3,721,000 in 1997.

Net income for the first nine months of 1998 was $19,119,000, or $1.63 diluted earnings per share, compared to $10,025,000, or $0.84 diluted earnings per share, in 1997. Net income for the first nine months of 1998 included an after-tax gain of $6,206,000, or $0.53 per diluted share, for the sale of the capital stock of 3dbm, Inc.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow from operating activities for the nine months ended October 3, 1998 was $22,180,000, compared to $9,655,000 for the nine months ended September 27, 1997. The increase in cash flow from operating activities resulted principally from an increase in income before the gain on sale of 3dbm subsidiary, a decrease in inventory, a reduction during 1998 in prepaid income taxes and an increase in accrued tax liabilities related to the sale of 3dbm. The Company continues to depend on operating cash flow and the availability of its bank line of credit to provide short-term liquidity. Cash from operations and bank borrowing capacity are expected to provide sufficient liquidity to meet the Company's obligations during 1998. The Company's bank credit agreement provides for a $40,000,000 unsecured revolving credit line with an expiration date of July 1, 2001. At October 3, 1998, the Company had $40,000,000 of unused lines of credit available. See Note 4 to the Notes to Consolidated Financial Statements.

In June 1998, the Company acquired the capital stock of American Electronics, Inc. ("AEI") for $8,165,000 in cash and $1,900,000 in other liabilities. AEI is a leading manufacturer of high-precision actuators, stepper motors, fractional horsepower motors and resolvers principally for commercial and military space applications. Calendar 1997 sales of AEI exceeded $7.1 million, of which approximately 60% were related to space programs. The acquisition of AEI was accounted for under the purchase method of accounting, and based on preliminary allocation of the purchase price, the Company recorded goodwill of $5,813,000. The consolidated statements of income include the operating results for AEI since the date of the acquisition.

The acquisition was funded from internally generated cash, notes payable to sellers and borrowings under the Company's credit agreement with its bank. The acquisition is expected to strengthen the Company's position in the aerospace industry and add complementary lines of business.

In August 1998, the Company sold the capital stock of its wireless communications subsidiary, 3dbm, Inc., for $17,250,000 in cash. The transaction resulted in an after-tax gain of $6,206,000, or $0.53 per diluted share, which was recorded in the third quarter 1998 results. The proceeds from this transaction will be used for general corporate purposes including acquisitions and common stock repurchases.

The Company spent $9,329,000 on capital expenditures during the first nine months of 1998 and expects to spend approximately $13,000,000 in the aggregate for capital expenditures in 1998. The Company plans to make these capital expenditures in 1998 primarily for manufacturing equipment and facilities to support long-term aerospace structure contracts for both commercial and military aircraft and space programs. These expenditures are expected to place the Company in a favorable competitive position among aerospace subcontractors, and to allow the Company to take advantage of the offload requirements from its customers.

In May 1998 the shareholders of the Company authorized the amendment of its Certificate of Incorporation to increase the Company's authorized common stock from 12,500,000 shares to 35,000,000 shares. The Company effected a three-for-two stock split of the Company's common stock in the form of a stock dividend, which was paid on June 10, 1998 to shareholders of record as of May 20, 1998.

In July 1998 the Company's Board of Directors authorized the repurchase of up to $15 million of its common stock. Repurchases will be made from time to time on the open market at prevailing prices. The shares initially will be held as treasury stock. To date, $3,409,000 has been used to acquire 182,762 shares in the open market.

Ducommun's subsidiary, Aerochem, Inc. ("Aerochem"), is a major supplier of chemical milling services for the aerospace industry. Aerochem has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its El Mirage, California facility (the "Site"). Aerochem expects to spend approximately $1 million for future investigation and corrective action at the Site, and the Company has established a provision for such costs. However, the Company's ultimate liability in connection with the Site will depend upon a number of factors, including changes in existing laws and regulations, and the design and cost of the construction, operation and maintenance of the correction action.

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

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Any forward looking statements made in this Form 10-Q report involve risks and uncertainties. The Company's future financial results could differ materially from those anticipated due to the Company's dependence on conditions in the airline industry, the level of new commercial aircraft orders, the production rate for the Space Shuttle program, the level of defense spending, competitive pricing pressures, technology and product development risks and uncertainties, product performance, risks associated with acquisitions and dispositions of businesses by the Company, increasing consolidation of customers and suppliers in the aerospace industry, and other factors beyond the Company's control.

FUTURE ACCOUNTING REQUIREMENTS

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Comprehensive Income" ("SFAS 130"), and No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"). In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures About Pension and Other Postretirement Benefits" ("SFAS 132"). SFAS 130, 131 and 132 will become effective for the Company in 1998. The adoption of SFAS 130, 131 and 132 is not expected to have a material effect on the Company's financial statements.

YEAR 2000

The Company has commenced, for its systems, a year 2000 date conversion project to address necessary code changes, testing, and implementation. Project completion is planned for the beginning of 1999 at a cost that is not expected to be material to the Company. The Company expects its year 2000 date conversion project to be completed on a timely basis. The Company is also evaluating both its products and its machinery and equipment against Year 2000 concerns. As a result of these ongoing evaluations, the Company is not currently aware of any significant exposure to contingencies related to the Year 2000 issue for its information systems software, its products or its machinery and equipment and believes that its business will not be substantially affected by the advent of the Year 2000. The Company believes that by mid 1999, all evaluation and testing of internal software applications, operating systems, products and machinery and equipment will be completed with no material effect on the Company's operations and will not require any material expenditures or other material diversion of resources. The Company is currently working with third parties with which it has material relationships to attempt to determine their preparedness with respect to Year 2000 issues and to analyze the risk to the Company in the event any such third parties experience significant business interruptions as a result of Year 2000 noncompliance. The Company expects to complete this review and analysis and to determine the need for contingency planning in this regard by mid 1999. However, there can be no assurance that the systems of the Company or of other companies on which the Company's systems rely will be timely converted or that any such failure to convert by another company would not have an adverse effect on the Company. Maintenance or modification costs will be expensed as incurred, while the cost of new software will be capitalized and amortized over the software's useful life.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Inapplicable.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

10.1 Second Amendment To Fifth Amended And Restated Loan Agreement

27 Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter for which this report is filed.

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.

DUCOMMUN INCORPORATED
(Registrant)

By: /s/ James S. Heiser
James S. Heiser
Vice President, Chief Financial Officer and General Counsel
(Duly Authorized Officer of the Registrant)

By: /s/ Samuel D. Williams
Samuel D. Williams
Vice President and Controller
(Chief Accounting Officer of the Registrant)

Date: October 28, 1998

EXHIBIT INDEX

Exhibit Number	Description
10.1	Second Amendment To Fifth Amended And Restated Loan Agreement
27	Financial Data Schedule

EXHIBIT 10.1

SECOND AMENDMENT TO FIFTH AMENDED AND RESTATED LOAN AGREEMENT

This Second Amendment (the "Amendment") dated as of August 10, 1998, is between Bank of America National Trust and Savings Association (the "Bank") and Ducommun Incorporated, a Delaware corporation (the "Borrower").

RECITALS

A. The Bank and the Borrower entered into a certain Fifth Amended and Restated Loan Agreement dated as of June 23, 1997, as previously amended (the "Agreement").

B. The Bank and the Borrower desire to further amend the Agreement.

AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meaning given to them in the Agreement.

2. Amendments. The Agreement is hereby amended as follows:

2.1 Paragraph 1.1 of the Agreement is hereby amended as follows:

(a) The following defined terms are deleted in their entirety: "Letter of Credit," "Letter of Credit Obligations," and "Outstanding Letters of Credit."

(b) In the definition of "Consideration", the figure "$10,000,000" is substituted for the figure "$5,000,000".

(c) The definition of "Line of Credit" is amended to read as follows:

"`Line of Credit' means the credit facility for Loans described in Article 2 of this Agreement."

(d) In the definition of "Loan Documents," the phrase "the Letters of Credit," is hereby deleted.

(e) The definition of "Maximum Amount" is amended to read as follows:

"`Maximum Amount' means, as of any date of determination thereof, the Line Commitment."

(f) The definition of "Permitted Acquisition" is amended as follows:

(i) The first line of the definition is amended to read:

"`Permitted Acquisition' means, subject to Paragraph 6.3(c) hereof, any Acquisition by Borrower:..."

(ii) Subparagraph (vi) is amended to read as follows:

"(vi) of a Target which, if the Total Purchase Price for the Acquisition is greater than $15,000,000, obtains at least 75% of its revenue from one or more lines of business that are the same as or very similar to one or more lines of business in which Borrower or one of its Subsidiaries is engaged. If the Total Purchase Price for the Acquisition of such Target is less than or equal to $15,000,000, such percentage is reduced to 50%."

(iii) In subparagraph (vii), the figure of "$35,000,000" is substituted for the figure of "$25,000,000."

(iv) In subparagraph (viii), the first three lines are amended to read:

"(viii) with respect to which, if the Total Purchase Price for such Acquisition is not less than $15,000,000:..."

(v) In clause (B) of subparagraph (viii), the phrase "Total Purchase Price" is substituted for the word "Consideration."

(g) In the definition of "Term of this Agreement," the phrase "no Letter of Credit remains outstanding," is deleted.

(h) The definition of "Termination Date" is amended to read:

"`Termination Date' means July 1, 2001."

(i) In the definition of "Total Consideration," clause (a) is amended to read:

"...(a) the aggregate amount of the Consideration for all Acquisitions (excluding American Electronics, Inc.) that have occurred during the Term of this Agreement,..."

(j) In the definition of "Total Funded Debt" the phrase "Outstanding Letters of Credit" is deleted.

(k) The definition of "Total Outstandings" is amended to read:

"'Total Outstandings' means, as of any date of determination, all outstanding Loans."

(l) The definition of "Total Purchase Price" is added to read as follows:

"`Total Purchase Price' means Total Consideration without excluding the then current value of Borrower's capital stock up to $10,000,000 that constitutes all or any part of the Consideration for such Acquisition."

2.2 Paragraph 2.2 of the Agreement is deleted in its entirety and the following is substituted therefore:

"2.2 Intentionally Omitted."

2.3 In Paragraph 4.13 of the Agreement, the phrase "or in connection with the issuance of any Letter of Credit, " is deleted.

2.4 The Agreement is hereby amended to add a new Paragraph 4.18 to read as follows:

"4.18 Year 2000 Compliance. The Borrower has developed and budgeted for a comprehensive program to address the "Year 2000 Problem" (that is the inability of computers, as well as embedded microchips in non-computing devices, to properly perform date-sensitive functions with respect to certain dates prior to and after December 31, 1999). The Borrower has implemented that program substantially in accordance with its timetable and budget and reasonably anticipates that it will have substantially addressed the year 2000 problem as to all computers, as well as embedded microchips in non-computing devices, that are material to the Borrower's business properties or operations. The Borrower has developed comprehensive contingency plans to achieve uninterrupted and unimpaired business operation in the event of failure of its own equipment due to a year 2000 problem, as well as general failure of/or interruption in its communications or delivery infrastructure, however, the Borrower cannot provide assurance that the systems of other companies on which the Borrower's systems rely also will be timely converted or that such failure to convert by another company would not have an adverse affect on the Borrower's system."

2.5 Paragraph 5.9 of the Agreement is amended in its entirety to read as follows:

"5.9 Use of Proceeds. Use the proceeds of the Line of Credit for the following purposes only: (i) working capital purposes of Borrower and its Subsidiaries, (ii) other lawful corporate purposes in the ordinary course of business, and (iii) to finance Permitted Acquisitions."

2.6 Paragraph 6.3 of the Agreement is amended by deleting the period at the end of said paragraph and adding the following:

"and (c) the Borrower may redeem or repurchase shares of its common stock, in addition to the amount permitted in clause (b) herein, in an aggregate amount not exceeding $15,000,000; provided that all amounts paid by the Borrower to redeem or repurchase stock under this Paragraph 6.3(c), shall reduce by like amount, the amount of Permitted Acquisitions allowed under this Agreement."

2.7 A new clause (p) is added to Paragraph 6.6 of the Agreement to read as follows:

"(p) Indebtedness incurred in connection with the Acquisition of American Electronics, Inc."

2.8 In Paragraph 6.11 of the Agreement, the table appearing therein is amended to read as follows:

"Period	Maximum Ratio
Second Fiscal Quarter, 1997, through Fourth Fiscal Quarter, 1999	1.25:1:00
First Fiscal Quarter, 2000 and each Fiscal Quarter thereafter"	1.30:1.0

2.9 In Paragraph 9.2 of the Agreement, all references to Letters of Credit are hereby deleted.

2.10 In Paragraph 10.8 of the Agreement, all references to Letters of Credit are hereby deleted.

3. Representations and Warranties. When the Borrower signs this Amendment, the Borrower represents and warrants to the Bank that: (a) there is no event which is, or with notice or lapse of time or both would be, a default under the Agreement, (b) the representations and warranties in the Agreement are true as of the date of this Amendment as if made on the date of this Amendment, (c) this Amendment is within the Borrower's powers, has been duly authorized, and does not conflict with any of the Borrower's organizational papers, and (d) this Amendment does not conflict with any law, agreement, or obligation by which the Borrower is bound.

4. Conditions. This Amendment will be effective when the Bank receives the following items, in form and content acceptable to the Bank:

4.1 An amendment fee in the amount of $10,000.

4.2 An Instrument of Joinder, duly executed by American Electronics, Inc., together with a corporate resolution authorizing such guaranty by joinder, certified by its Secretary or Assistant Secretary.

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

(signatures to follow)

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

Bank of America National Trust
and Savings Association

By: /s/ J. Thomas Fagan

J. Thomas Fagan
Vice President

Ducommun Incorporated

By: /s/ K. R. Pearson

Kenneth R. Pearson
Vice President - Human
Resources and Assistant
Secretary

By: /s/ J. S. Heiser

James S. Heiser
Vice President, Treasurer,
Secretary, And Chief
Financial Officer

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JAN-01-1998
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87,036
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