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 June 27, 2020

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	**95-0693330**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
200 Sandpointe Avenue, Suite 700, Santa Ana, California	**92707-5759**
(Address of principal executive offices)	**(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 x No ☐

Indicate by check mark whether the registrant has submitted electronically, if any, 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 x 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	☐	Accelerated filer	x
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 x

As of July 21, 2020, the registrant had 11,683,483 shares of common stock outstanding.

DUCOMMUN INCORPORATED AND SUBSIDIARIES

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)

	June 27, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ 70,828	$ 39,584
Accounts receivable, net (allowance for credit losses of $1,318 and $1,321 at June 27, 2020 and December 31, 2019, respectively	67,518	67,133
Contract assets	122,877	106,670
Inventories	128,609	112,482
Production cost of contracts	7,351	9,402
Other current assets	4,548	5,497
Total Current Assets	401,731	340,768
Property and equipment, net of accumulated depreciation of $169,721 and $162,920 at June 27, 2020 and December 31, 2019, respectively	113,765	115,216
Operating Lease Right-of-Use Assets	17,789	19,105
Goodwill	170,907	170,917
Intangibles, Net	131,224	138,362
Deferred Income Taxes	59	55
Other Assets	6,162	6,006
Total Assets	$ 841,637	$ 790,429
Liabilities and Shareholders’ Equity		
Current Liabilities		
Accounts payable	$ 69,068	$ 82,597
Contract liabilities	27,082	14,517
Accrued and other liabilities	29,122	37,620
Operating lease liabilities	3,094	2,956
Current portion of long-term debt	7,000	7,000
Total Current Liabilities	135,366	144,690
Long-Term Debt, Less Current Portion	341,975	300,887
Non-Current Operating Lease Liabilities	16,155	17,565
Deferred Income Taxes	18,755	16,766
Other Long-Term Liabilities	19,779	17,721
Total Liabilities	532,030	497,629
Commitments and Contingencies (Notes 8, 10)		
Shareholders’ Equity		
Common stock - $0.01 par value; 35,000,000 shares authorized; 11,683,131 and 11,572,668 shares issued and outstanding at June 27, 2020 and December 31, 2019, respectively	117	116
Additional paid-in capital	91,645	88,399
Retained earnings	225,573	212,553
Accumulated other comprehensive loss	(7,728)	(8,268)
Total Shareholders’ Equity	309,607	292,800
Total Liabilities and Shareholders’ Equity	$ 841,637	$ 790,429

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		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net Revenues	$ 147,309	$ 180,495	$ 320,784	$ 353,061
Cost of Sales	114,641	142,430	251,312	279,302
Gross Profit	32,668	38,065	69,472	73,759
Selling, General and Administrative Expenses	21,982	24,461	45,160	47,307
Restructuring Charges	661	—	661	—
Operating Income	10,025	13,604	23,651	26,452
Interest Expense	(3,721)	(4,426)	(7,967)	(8,777)
Income Before Taxes	6,304	9,178	15,684	17,675
Income Tax Expense	1,214	1,363	2,664	2,388
Net Income	$ 5,090	$ 7,815	$ 13,020	$ 15,287
Earnings Per Share				
Basic earnings per share	$ 0.44	$ 0.68	$ 1.12	$ 1.33
Diluted earnings per share	$ 0.43	$ 0.66	$ 1.10	$ 1.30
Weighted-Average Number of Common Shares Outstanding				
Basic	11,665	11,513	11,638	11,475
Diluted	11,828	11,758	11,845	11,754

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		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net Income	$ 5,090	$ 7,815	$ 13,020	$ 15,287
Other Comprehensive Income, Net of Tax:				
Amortization of actuarial loss and prior service costs, net of tax of $59 and $51 for the three months ended June 27, 2020 and June 29, 2019, respectively, and $118 and $103 for the six months ended June 27, 2020 and June 29, 2019, respectively	188	170	378	340
Change in unrealized gains and losses on cash flow hedges, net of tax of $31 and $5 for the three months ended June 27, 2020 and June 29, 2019, respectively, and $57 and $27 for the six months ended June 27, 2020 and June 29, 2019, respectively	76	(7)	162	(91)
Other Comprehensive Income, Net of Tax	264	163	540	249
Comprehensive Income	$ 5,354	$ 7,978	$ 13,560	$ 15,536

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Common Stock and Paid-in-Capital				
Balance, Beginning of Period	$ 89,936	$ 83,485	$ 88,515	$ 83,826
Employee Stock Purchase Plan	—	—	1,112	—
Stock Options Exercised	231	742	270	839
Stock Awards Vested	—	—	(1)	(1)
Stock Repurchased Related to the Exercise of Stock Options and Stock Awards Vested	(655)	(2,075)	(2,663)	(3,976)
Stock-Based Compensation	2,250	1,807	4,529	3,271
Balance, End of Period	91,762	83,959	91,762	83,959
Retained Earnings				
Balance, Beginning of Period	220,483	187,564	212,553	180,356
Net Income	5,090	7,815	13,020	15,287
Adoption of ASC 842 Adjustment	—	—	—	(264)
Balance, End of Period	225,573	195,379	225,573	195,379
Accumulated Other Comprehensive Loss				
Balance, Beginning of Period	(7,992)	(7,271)	(8,268)	(7,357)
Other Comprehensive Income, Net of Tax	264	163	540	249
Balance, End of Period	(7,728)	(7,108)	(7,728)	(7,108)
Total Stockholders’ Equity	$ 309,607	$ 272,230	$ 309,607	$ 272,230

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	June 27, 2020	June 29, 2019
Cash Flows from Operating Activities		
Net Income	$ 13,020	$ 15,287
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and amortization	14,663	13,759
Non-cash operating lease cost	1,554	1,373
Stock-based compensation expense	4,529	3,271
Deferred income taxes	2,087	181
Recovery of credit losses	(3)	(391)
Other	388	(297)
Changes in Assets and Liabilities:		
Accounts receivable	(382)	(1,145)
Contract assets	(16,207)	(13,862)
Inventories	(16,127)	(8,202)
Production cost of contracts	1,014	(1,161)
Other assets	1,139	473
Accounts payable	(14,063)	7,158
Contract liabilities	12,565	(3,962)
Operating lease liabilities	(1,391)	(1,329)
Accrued and other liabilities	(6,176)	(3,103)
Net Cash (Used in) Provided by Operating Activities	**(3,390)**	**8,050**
Cash Flows from Investing Activities		
Purchases of property and equipment	(5,002)	(7,566)
Post closing cash received from the acquisition of Nobles Worldwide, Inc., net	190	—
Net Cash Used in Investing Activities	**(4,812)**	**(7,566)**
Cash Flows from Financing Activities		
Borrowings from senior secured revolving credit facility	65,900	106,800
Repayments of senior secured revolving credit facility	(15,900)	(104,300)
Repayments of term loans	(9,112)	(6,000)
Repayments of other debt	(160)	(65)
Net cash paid upon issuance of common stock under stock plans	(1,282)	(3,138)
Net Cash Provided by (Used in) Financing Activities	**39,446**	**(6,703)**
Net Increase (Decrease) in Cash and Cash Equivalents	31,244	(6,219)
Cash and Cash Equivalents at Beginning of Period	39,584	10,263
Cash and Cash Equivalents at End of Period	**$ 70,828**	**$ 4,044**

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 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"). 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. All 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, 2019 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, 2019. The financial information included in this Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2019.

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 and cash flows in accordance with GAAP for the periods covered by this Quarterly Report on Form 10-Q. The results of operations for the three and six months ended June 27, 2020 are not necessarily indicative of the results to be expected for the full year ending December 31, 2020.

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 ends 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 forward loss reserves), 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.

Subsequent Event

On June 29, 2020, subsequent to our quarter ended June 27, 2020, a fire severely damaged our performance center in Guaymas, Mexico, which is part of our Structural Systems segment. There were no injuries, however, inventories and property and equipment in this leased facility were damaged. We have insurance coverage and expect the majority, if not all, of these items will be covered, less our deductible. However, the full financial impact cannot be estimated at this time as we are currently working with our insurance carrier to determine specific damages and coverage. 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 will be absorbed by our other existing performance centers.

Supplemental Cash Flow Information

	(In thousands) Six Months Ended	
	June 27, 2020	June 29, 2019
Interest paid	$ 6,114	$ 7,985
Taxes paid	$ 495	$ 3,389
Non-cash activities:		
Purchases of property and equipment not paid	$ 1,914	$ 3,671

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:

	(In thousands, except per share data) Three Months Ended		(In thousands, except per share data) Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net income	$ 5,090	$ 7,815	$ 13,020	$ 15,287
Weighted-average number of common shares outstanding				
Basic weighted-average common shares outstanding	11,665	11,513	11,638	11,475
Dilutive potential common shares	163	245	207	279
Diluted weighted-average common shares outstanding	11,828	11,758	11,845	11,754
Earnings per share				
Basic	$ 0.44	$ 0.68	$ 1.12	$ 1.33
Diluted	$ 0.43	$ 0.66	$ 1.10	$ 1.30

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

	(In thousands) Three Months Ended		(In thousands) Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Stock options and stock units	450	66	352	55

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 and they are included as cash and cash equivalents. We also had interest rate cap hedge agreements for which the fair value of the interest rate cap hedge agreements was determined using pricing models that use observable market inputs as of the balance sheet date, a Level 2 measurement, however, those agreements expired during the three months ended June 27, 2020.

There were no transfers between Level 1, Level 2, or Level 3 financial instruments in the three months ended June 27, 2020.

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, which 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, a hedge of a net investment in a foreign operation, or a derivative instrument that will not be accounted for using hedge accounting methods. As of June 27, 2020, we had no derivative instruments as all of our derivative instruments that were designated as cash flow hedges matured during the three months ended June 27, 2020.

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 hedge. 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. For the three and six months ended June 27, 2020, the impact of cash flow hedges in the respective periods were insignificant and all of our cash flow hedges matured during the three months ended June 27, 2020.

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 and the related revenue is recognized. Inventoried costs include raw materials, outside processing, direct labor and allocated overhead, adjusted for any abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) incurred. 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.

Restructuring Charges

In May 2020, management approved and commenced a restructuring plan in the Structural Systems segment mainly to reduce headcount in response to the impact from the COVID-19 pandemic on the commercial aerospace demand outlook. We recorded an aggregate total of $0.7 million for severance and benefit costs which were charged to restructuring charges during the three months ended June 27, 2020.

Provision for Estimated Losses on Contracts

We record provisions for the total anticipated losses on contracts, considering total estimated costs to complete the contract compared to total anticipated revenues, in the period in which such losses are identified. 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.

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 when control of the promised goods is transferred to our customers, in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods. We apply a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when or as the corresponding performance obligation is satisfied.

Each distinct promise to transfer products is considered an identified performance obligation for which revenue is recognized upon transfer of control of the products to our customer. The majority of our contracts have a single performance obligation as the promise to transfer the individual good is not separately identifiable from other promises in the contract and is, therefore, not distinct. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Orders for our products generally correspond to the production schedules of our customers and are supported with purchase orders with firm fixed price and firm delivery dates. Our customers have continuous control of the work-in-process and finished goods throughout the manufacturing process, as products are built to customer specifications with no alternative use, and there is an enforceable right to payment for work performed to date. As a result, we recognize revenue over time based on the extent of progress towards satisfaction of the performance obligation. The majority of our contracts are production-type contracts for which we have significant historical manufacturing experience. From time to time, we may enter into development type contracts which require more judgment to determine our total estimated costs at completion, including estimates of materials and labor costs to complete the contract. Revenue recognized is based on the cost-to-cost method as it best depicts the transfer of control to our customer which takes place as we incur costs. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion. Revenues are recorded proportionally as costs are incurred.

We also have some contracts where we recognize revenue at a point in time upon transfer of control of the products to the customer. Point in time recognition was determined as the customer does not simultaneously receive or consume the benefits provided by our performance and the asset being manufactured has alternative uses to us.

Our manufacturing costs include materials, labor, and overhead. A component of materials costs is production cost of contracts. Production cost of contracts includes non-recurring production costs, such as design and engineering costs, and tooling and other special-purpose machinery necessary to build parts as specified in a contract. Production costs of contracts are recorded to cost of 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 a significant change in estimated costs at completion could affect the estimated gross profit recorded for our contracts, we review and update our estimated costs at completion on a regular basis. We recognize adjustments in estimated gross profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on gross profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the period it is identified. 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 six months ended June 27, 2020 and June 29, 2019.

Contract Assets and Contract Liabilities

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.

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.

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

	(In thousands)	
	June 27, 2020	December 31, 2019
Contract assets	$ 122,877	$ 106,670
Contract liabilities	$ 27,082	$ 14,517

Remaining performance obligations are defined as customer placed purchase orders ("POs") with firm fixed price and firm delivery dates. Our remaining performance obligations as of June 27, 2020 totaled $732.2 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 2021 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:

	(In thousands) Three Months Ended		(In thousands) Six Months Ended	
	June 27 2020	June 29, 2019	June 27 2020	June 29, 2019
Consolidated Ducommun				
Military and space	$ 94,597	$ 77,189	$ 194,088	$ 150,886
Commercial aerospace	40,418	91,988	104,268	180,456
Industrial	12,294	11,318	22,428	21,719
Total	$ 147,309	$ 180,495	$ 320,784	$ 353,061
Electronic Systems				
Military and space	$ 68,021	$ 60,272	$ 141,150	$ 117,704
Commercial aerospace	11,635	17,670	26,492	34,034
Industrial	12,294	11,318	22,428	21,719
Total	$ 91,950	$ 89,260	$ 190,070	$ 173,457
Structural Systems				
Military and space	$ 26,576	$ 16,917	$ 52,938	$ 33,182
Commercial aerospace	28,783	74,318	77,776	146,422
Total	$ 55,359	$ 91,235	$ 130,714	$ 179,604

Recent Accounting Pronouncements

New Accounting Guidance Adopted in 2020

In March 2020, the FASB issued ASU 2020-03, "Codification Improvements to Financial Instruments" ("ASU 2020-03"), which provides clarity to, or address various specific issues, including modifications of debt instruments. The new guidance was effective upon issuance of this final accounting standards update. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

In February 2020, the FASB issued ASU 2020-02, "Financial Statements - Credit losses (Topic 326) and Leases (Topic 842) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Relating to Accounting Standards Update No. 2016-02, Leases (Topic 842)" ("ASU 2020-02"), which provides guidance on the measurement and requirements related to credit losses. The new guidance was effective upon issuance of this final accounting standards update. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Statements" ("ASU 2019-04"), which clarify, correct, and improve various aspects of the guidance in ASU 2016-01, ASU 2016-13, and ASU 2017-12. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which was our interim period beginning January 1, 2020. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

In March 2019, the FASB issued ASU 2019-01, “Leases (Topic 842): Codification Improvements” (“ASU 2019-01”), which addresses various lessor implementation issues and clarifies that lessees and lessors are exempt from certain interim disclosure requirements associated with the adoption of ASC 842. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which was our interim period beginning January 1, 2020. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”), which should improve the effectiveness of fair value measurement disclosures by removing certain requirements, modifying certain requirements, and adding certain new requirements. The new guidance was effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which was our interim period beginning January 1, 2020. Early adoption was permitted. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”), which is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. ASU 2016-13 requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. The new guidance was effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which was our interim period beginning January 1, 2020. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

Recently Issued Accounting Standards

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. We are evaluating the impact of this standard.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes” (“ASU 2019-12”), which removes certain exceptions and provides guidance on various areas of tax accounting. The new guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, which will be our interim period beginning January 1, 2021. Early adoption is permitted. We are evaluating the impact of this standard.

In August 2018, the FASB issued ASU 2018-14, “Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU 2018-14”), which will remove disclosures that no longer are considered cost-beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The new guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, which will be our interim period beginning January 1, 2021. Early adoption is permitted. We are evaluating the impact of this standard.

Note 2. Business Combinations

In October 2019, we acquired 100.0% of the outstanding equity interests of Nobles Parent Inc., the parent company of Nobles Worldwide, Inc. (“Nobles”), a privately-held global leader in the design and manufacturing of high performance ammunition handling systems for a wide range of military platforms including fixed-wing aircraft, rotary-wing aircraft, ground vehicles, and shipboard systems. Nobles is located in St. Croix Falls, Wisconsin. The acquisition of Nobles advances our strategy to diversify and offer more customized, value-driven engineered products with aftermarket opportunities.

The original purchase price for Nobles was $77.0 million, net of cash acquired, all payable in cash. We paid a gross total aggregate of $77.3 million in cash upon the closing of the transaction. Subsequent to the closing of the transaction, during the three months ended March 28, 2020, we received $0.2 million back from the seller which lowered the purchase price to $76.8 million, net of cash acquired. We allocated the gross purchase price of $77.1 million to the assets acquired and liabilities assumed at 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 estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

	Estimated Fair Value
Cash	$ 658
Accounts receivable	1,880
Inventories	2,866
Other current assets	288
Property and equipment	2,319
Intangible assets	37,200
Goodwill	34,850
Other non-current assets	675
Total assets acquired	80,736
Current liabilities	(2,187)
Net non-current deferred tax liability	(759)
Other non-current liabilities	(675)
Total liabilities assumed	(3,621)
Total purchase price allocation	$ 77,115

	Useful Life (In years)	Estimated Fair Value (In thousands)
Intangible assets:		
Customer relationships	15-16	$ 34,200
Trade names and trademarks	15	3,000
		$ 37,200

The intangible assets acquired of $37.2 million were determined based on the estimated fair values using valuation techniques consistent with the income approach to measure fair value. The useful lives were estimated based on the underlying agreements or the future economic benefit expected to be received from the assets. The fair values of the identifiable intangible assets were estimated using several valuation methodologies, which represented Level 3 fair value measurements. The value for customer relationships was estimated based on a multi-period excess earnings approach, while the value for trade names and trademarks was assessed using the relief from royalty methodology.

The goodwill of $34.9 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 Nobles acquisition, for tax purposes, is also deemed a stock acquisition and thus, the goodwill recognized is not deductible for income tax purposes except for $6.7 million of pre-acquisition goodwill that is tax deductible.

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 $0.8 million during 2019 and charged to selling, general and administrative expenses.

Nobles' 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. Pro forma results of operations of the Nobles acquisition have not been presented as the effect of the Nobles acquisition was not material to our financial results.

Note 3. Inventories

Inventories consisted of the following:

	(In thousands)	
	June 27, 2020	December 31, 2019
Raw materials and supplies	$ 108,522	$ 98,151
Work in process	14,382	10,887
Finished goods	5,705	3,444
Total	$ 128,609	$ 112,482

Note 4. Goodwill

We perform our annual goodwill impairment test as of the first day of the fourth quarter. If certain factors occur, including significant under performance 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 perform an impairment test prior to the fourth quarter.

As a result of the COVID-19 pandemic, which significantly impacted our business in the United States and the rest of the world during the six months ended June 27, 2020, we assessed our goodwill for potential impairment indicators. The most recent goodwill impairment test for our Electronic Systems reporting unit was the annual goodwill impairment test as of the first day of the fourth quarter of 2019 where the fair value of our Electronic Systems reporting unit exceeded its carrying value by 44% and thus, goodwill was not deemed impaired at that time. During the first quarter of 2020, we performed a qualitative assessment including consideration of 1) margin of passing most recent Step 1 analysis, 2) earnings before interest, taxes, depreciation, and amortization, 3) long-term growth rate, 4) analyzing material adverse factors/changes between valuation dates, 5) general macroeconomic factors, and 6) industry and market conditions. We determined for the first quarter of 2020 it was not more likely than not that the fair value of a reporting unit was less than its carrying amount and thus, goodwill was not deemed impaired. For the second quarter of 2020, no material adverse factors/changes have occurred since the first quarter of 2020 that would require us to perform another qualitative assessment. As such, for the second quarter of 2020 it was also not more likely than not that the fair value of a reporting unit was less than its carrying amount and thus, goodwill was not deemed impaired.

The most recent Step 1 goodwill impairment test for our Structural Systems reporting unit was April 2019, where the fair value of our Structural Systems reporting unit exceeded its carrying value by 85%. As such, for our annual goodwill impairment test as of the first day of the fourth quarter of 2019, we used a qualitative assessment and determined it was not more likely than not that the fair value of a reporting unit was less than its carrying amount and thus, goodwill was not deemed impaired at that time. During the first quarter of 2020, we performed a qualitative assessment including consideration of 1) margin of passing most recent step 1 analysis, 2) earnings before interest, taxes, depreciation, and amortization, 3) long-term growth rate, 4) analyzing material adverse factors/changes between valuation dates, 5) general macroeconomic factors, and 6) industry and market conditions. We determined for the first quarter of 2020 it was not more likely than not that the fair value of a reporting unit was less than its carrying amount and thus, goodwill was not deemed impaired. For the second quarter of 2020, no material adverse factors/changes have occurred since the first quarter of 2020 that would require us to perform another qualitative assessment. As such, for the second quarter of 2020 it was also not more likely than not that the fair value of a reporting unit was less than its carrying amount and thus, goodwill was not deemed impaired.

We acquired Nobles Worldwide, Inc. (“Nobles”) in October 2019 and recorded goodwill of $34.9 million in our Structural Systems segment. See Note 2.

The carrying amounts of our goodwill were as follows:

	Electronic Systems	Structural Systems	Consolidated Ducommun
Gross goodwill	$ 199,157	$ 53,482	$ 252,639
Accumulated goodwill impairment	(81,722)	—	(81,722)
Balance at December 31, 2019	117,435	53,482	170,917
Purchase price allocation refinements	—	(10)	(10)
Balance at June 27, 2020	$ 117,435	$ 53,472	$ 170,907

Note 5. Accrued and Other Liabilities

The components of accrued and other liabilities were as follows:

	(In thousands)	
	June 27, 2020	December 31, 2019
Accrued compensation	$ 22,619	$ 31,342
Accrued income tax and sales tax	443	163
Other	6,060	6,115
Total	$ 29,122	$ 37,620

Note 6. Long-Term Debt

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

	(In thousands)	
	June 27, 2020	December 31, 2019
Term loans	$ 300,888	$ 310,000
Revolving credit facility	50,000	—
Total debt	350,888	310,000
Less current portion	7,000	7,000
Total long-term debt, less current portion	343,888	303,000
Less debt issuance costs - term loans	1,913	2,113
Total long-term debt, net of debt issuance costs - term loans	$ 341,975	$ 300,887
Debt issuance costs - revolving credit facility (1)	$ 1,705	$ 1,894
Weighted-average interest rate	4.04 %	6.87 %

(1) Included as part of other assets.

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

The New Term Loan bears 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 New Term Loan requires installment payments of 1.25% of the original outstanding principal balance of the New Term Loan amount on a quarterly basis, on the last day of each calendar quarter. For the three and six months ended June 27, 2020, we made the one required quarterly payment totaling $1.8 million.

The New Revolving Credit Facility bears 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 New 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.

The 2018 Term Loan bears 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 requires installment payments of 0.25% of the outstanding principal balance of the 2018 Term Loan amount on a quarterly basis.

Further, under the Credit Facilities, if we meet the annual excess cash flow threshold, we will be required to make excess flow payments. The annual mandatory excess cash flow payments will be based on (i) 50% of the excess cash flow amount if the adjusted leverage ratio is greater than 3.25 to 1.0, (ii) 25% of the excess cash flow amount if the adjusted leverage ratio is 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 adjusted leverage ratio is less than or equal to 2.50 to 1.0. During our first quarter of 2020, we made the required 2019 annual excess cash flow payment of $7.4 million. As of June 27, 2020, we were in compliance with all covenants required under the Credit Facilities.

During the three and six months ended months ended June 27, 2020, as a result of drawing down $50.0 million on the New Revolving Credit Facility during our first quarter of 2020 to hold as cash, we made no net aggregate voluntary prepayments.

In conjunction with entering into the New Revolving Credit Facility and the New Term Loan, we drew down the entire $140.0 million on the New Term Loan and used those proceeds to pay off and close the 2018 Revolving Credit Facility of $58.5 million, pay down a portion of the 2018 Term Loan of $56.0 million, pay the accrued interest associated with the amounts being paid down on the 2018 Revolving Credit Facility and 2018 Term Loan, pay the fees related to this transaction, and the remainder will be used for general corporate expenses. The New Revolving Credit Facility does not require any principal installment payments, however, the undrawn portion is subject to a commitment fee ranging from 0.175% to 0.275%, based upon the consolidated total net adjusted leverage ratio. The New Term Loan requires installment payments of 1.25% of the initial principal balance outstanding on a quarterly basis. The $56.0 million pay down paid all the required quarterly principal installment payments on the 2018 Term Loan until it matures.

The New Term Loan and 2018 Term Loan were considered a modification of debt and thus, no gain or loss was recorded. Instead, the new fees paid to the lenders of $0.6 million were capitalized and are being amortized over the life of the New Term Loan. The remaining debt issuance costs related to the 2018 Term Loan of $1.5 million will continue to be amortized over its remaining life.

The New Revolving Credit Facility that replaced the 2018 Revolving Credit Facility was considered an extinguishment of debt except for the portion related to the creditors that were part of both the New Revolving Credit Facility and the 2018 Revolving Credit Facility and in which case, it was considered a modification of debt. As a result, we expensed the portion of the unamortized debt issuance costs related to the 2018 Revolving Credit Facility that was considered an extinguishment of debt of $0.5 million. In addition, the new fees paid to the lenders of $0.5 million as part of the New Revolving Credit Facility were capitalized and are being amortized over its remaining life. Further, the remaining debt issuance costs related to the 2018 Revolving Credit Facility of $1.1 million will also be amortized over its remaining life.

In October 2019, we acquired 100.0% of the outstanding equity interests of Nobles for an original purchase price of $77.0 million, net of cash acquired, all payable in cash. Upon the closing of the transaction, we paid a gross total aggregate of $77.3 million in cash upon the closing of the transaction by drawing down on the 2018 Revolving Credit Facility. See Note 2.

As of June 27, 2020, we had $49.8 million of unused borrowing capacity under the New Revolving Credit Facility, after deducting $0.2 million for standby letters of credit.

The 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 Credit Facilities. The Parent Company has no independent assets or operations and therefore, no consolidating financial information for the Parent Company and its subsidiaries are presented.

In October 2015, we entered into interest rate cap hedges designated as cash flow hedges with a portion of these interest rate cap hedges maturing on a quarterly basis, with a final quarterly maturity date in June 2020, and in aggregate, totaling $135.0 million of our debt. We paid a total of $1.0 million in connection with entering into the interest rate cap hedges. The interest rate cap hedges matured during the three months ended June 27, 2020 and as such, all remaining amounts related to the interest rate cap hedges were fully amortized and unrealized gains and losses recorded in accumulated other comprehensive income were also realized.

Note 7. Employee Benefit Plans

The components of net periodic pension expense were as follows:

	(In thousands) Three Months Ended		(In thousands) Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Service cost	$ 156	$ 126	$ 311	$ 251
Interest cost	303	347	605	694
Expected return on plan assets	(441)	(411)	(881)	(822)
Amortization of actuarial losses	247	221	496	443
Net periodic pension cost	$ 265	$ 283	$ 531	$ 566

The components of the reclassifications of net actuarial losses from accumulated other comprehensive loss to net income for the three and six months ended June 27, 2020 were as follows:

	(In thousands) Three Months Ended	Six Months Ended
	June 27, 2020	June 27, 2020
Amortization of actuarial losses - total before tax (1)	$ 247	$ 496
Tax benefit	(59)	(118)
Net of tax	$ 188	$ 378

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

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. In connection with certain facility leases, we have indemnified our lessors for certain claims arising from our use of the facility under our lease. We indemnify our directors and officers to the maximum extent permitted under the laws of the State of Delaware.

However, we have a directors and officers insurance policy that may reduce our exposure in certain circumstances and may enable us to recover a portion of future amounts that may be payable, if any. The duration of the guarantees and indemnities vary and, in many cases, are subject to statutes of limitations. The majority of guarantees and indemnities do not provide any limitations of the maximum potential future payments we could be obligated to make. Historically, payments related to these guarantees and indemnities have been immaterial. We estimate the amount of our indemnification obligations as insignificant based on this history and our insurance coverage and therefore, have not recorded any liability for these guarantees and indemnities on the accompanying condensed consolidated balance sheets. Further, when considered with our insurance coverage, although recorded through different captions on our condensed consolidated balance sheets, the potential impact is further mitigated.

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, the 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 income statement could result in fluctuations in our effective tax rate period-over-period depending on the volatility of our stock price and how many units vest and options exercised in 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 $1.2 million for the three months ended June 27, 2020 compared to $1.4 million for the three months ended June 29, 2019. The decrease in income tax expense for the second quarter of 2020 compared to the second quarter of 2019 was primarily due to lower pre-tax income for the second quarter of 2020 compared to the second quarter of 2019, net of lower discrete tax benefits recognized in the second quarter of 2020, mainly related to net windfalls from stock-based compensation and changes to deferred income taxes.

We recorded income tax expense of $2.7 million for the six months ended June 27, 2020 compared to $2.4 million for the six months ended June 29, 2019. The increase in income tax expense for the first six months of 2020 compared to the first six months of 2019 was primarily due to lower discrete tax benefits recognized in the first six months of 2020, mainly related to net windfalls from stock-based compensation and changes to deferred income taxes net of lower pre-tax income for the first six months ended of 2020 compared to the first six months ended of 2019.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") that provides tax relief to individuals and businesses affected by the coronavirus pandemic. We considered the provisions of the CARES Act and determined they do not have a material impact to our income taxes.

Our total amount of unrecognized tax benefits was $5.8 million and $5.7 million as of June 27, 2020 and December 31, 2019, respectively. If recognized, $4.2 million would affect the effective tax rate. As a result of statute of limitations set to expire in the fourth quarter of 2020, we expect decreases to our unrecognized tax benefits of approximately $2.0 million in the next twelve months.

Note 10. Contingencies

Structural Systems has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at its facilities located in El Mirage and Monrovia, California. Based on currently available information, Ducommun has established an accrual for its estimated liability for such investigation and corrective action of $1.5 million at both June 27, 2020 and December 31, 2019, which is reflected in other long-term liabilities on its 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, Ducommun preliminarily estimates that the range of its future liabilities in connection with the landfill located in West Covina, California is between $0.4 million and $3.1 million. Ducommun has established an accrual for its estimated liability in connection with the West Covina landfill of $0.4 million at June 27, 2020, which is reflected in other long-term liabilities on its condensed consolidated balance sheet. Ducommun’s ultimate liability in connection with these matters will depend upon a number of factors, including changes in existing laws and regulations, the design and cost of construction, operation and maintenance activities, and the allocation of liability among potentially responsible parties.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation, claims and inquiries, including matters relating to environmental laws. In addition, Ducommun makes various commitments and incurs contingent liabilities 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:

	(In thousands) Three Months Ended		(In thousands) Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net Revenues				
Electronic Systems	$ 91,950	$ 89,260	$ 190,070	$ 173,457
Structural Systems	55,359	91,235	130,714	179,604
Total Net Revenues	$ 147,309	$ 180,495	$ 320,784	$ 353,061
Segment Operating Income				
Electronic Systems	$ 10,438	$ 9,912	$ 25,560	$ 19,093
Structural Systems	6,214	11,773	11,604	22,322
	16,652	21,685	37,164	41,415
Corporate General and Administrative Expenses (1)	(6,627)	(8,081)	(13,513)	(14,963)
Operating Income	$ 10,025	$ 13,604	$ 23,651	$ 26,452
Depreciation and Amortization Expenses				
Electronic Systems	$ 3,524	$ 3,531	$ 7,099	$ 7,033
Structural Systems	3,739	3,400	7,428	6,400
Corporate Administration	64	73	136	326
Total Depreciation and Amortization Expenses	$ 7,327	$ 7,004	$ 14,663	$ 13,759
Capital Expenditures				
Electronic Systems	$ 2,117	$ 2,216	$ 2,932	$ 3,052
Structural Systems	467	3,672	2,604	7,361
Corporate Administration	—	—	—	—
Total Capital Expenditures	$ 2,584	$ 5,888	$ 5,536	$ 10,413

(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:

	(In thousands)	
	June 27, 2020	December 31, 2019
Total Assets		
Electronic Systems	$ 427,750	$ 411,981
Structural Systems	334,789	328,718
Corporate Administration (1)	79,098	49,730
Total Assets	$ 841,637	$ 790,429
Goodwill and Intangibles		
Electronic Systems	$ 205,743	$ 210,453
Structural Systems	96,388	98,826
Total Goodwill and Intangibles	$ 302,131	$ 309,279

(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 the three and six months ended June 27, 2020. 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.

We have made the safety of our workforce our top priority by implementing numerous well-being protocols related to health and welfare at all of our facilities. Safety protocols consistent with guidelines provided by state and local governments and the Centers for Disease Control and Prevention ("CDC") have been put into practice, including 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 provide frequent updates to ensure our workforce is kept apprised of evolving regulations and safety measures.

The COVID-19 pandemic has and continues to contribute to a general slowdown in the global economy and specifically, the commercial aerospace end-use market. 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 some portion, if not the remainder, of 2020. See Risk Factors included in Part II, Item 1A of this Quarterly Report on Form 10-Q ("Form 10-Q").

Second quarter 2020 recap:

- Revenues of $147.3 million
- Net income of $5.1 million, or $0.43 per diluted share
- Adjusted EBITDA of $20.3 million

Non-GAAP Financial Measures

Adjusted earnings before interest, taxes, depreciation, amortization, stock-based compensation expense, and restructuring charges ("Adjusted EBITDA") was $20.3 million and $22.4 million for the three months ended June 27, 2020 and June 29, 2019, 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 to clarify and enhance the understanding of the factors and trends affecting our past performance and future prospects. We define these measures, explain how they are calculated and provide reconciliations of these measures to the most comparable GAAP measure in the table below. Adjusted EBITDA and the related financial ratios, as presented in this 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 non-GAAP operating performance measures internally as complementary financial measures 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:

- They do not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;
- They do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- They are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- They do not reflect the impact on earnings of charges resulting from matters unrelated to our ongoing operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently from us, limiting their usefulness as comparative measures.

Because 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.

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

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

The following financial items have been added back to 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; and
- Restructuring charges 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) Three Months Ended		(Dollars in thousands) Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net income	$ 5,090	$ 7,815	$ 13,020	$ 15,287
Interest expense	3,721	4,426	7,967	8,777
Income tax expense	1,214	1,363	2,664	2,388
Depreciation	3,552	3,351	6,988	6,835
Amortization	3,775	3,653	7,675	6,924
Stock-based compensation expense	2,250	1,807	4,529	3,271
Restructuring charges	661	—	661	—
Adjusted EBITDA	$ 20,263	$ 22,415	$ 43,504	$ 43,482
% of net revenues	13.8 %	12.4 %	13.6 %	12.3 %

Results of Operations

Second Quarter of 2020 Compared to Second Quarter of 2019

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) Six Months Ended			
	June 27, 2020	% of Net Revenues	June 29, 2019	% of Net Revenues	June 27, 2020	% of Net Revenues	June 29, 2019	% of Net Revenues
Net Revenues	$ 147,309	100.0 %	$ 180,495	100.0 %	$ 320,784	100.0 %	$ 353,061	100.0 %
Cost of Sales	114,641	77.8 %	142,430	78.9 %	251,312	78.3 %	279,302	79.1 %
Gross Profit	32,668	22.2 %	38,065	21.1 %	69,472	21.7 %	73,759	20.9 %
Selling, General and Administrative Expenses	21,982	15.0 %	24,461	13.6 %	45,160	14.1 %	47,307	13.4 %
Restructuring Charges	661	0.4 %	—	— %	661	0.2 %	—	— %
Operating Income	10,025	6.8 %	13,604	7.5 %	23,651	7.4 %	26,452	7.5 %
Interest Expense	(3,721)	(2.5)%	(4,426)	(2.4)%	(7,967)	(2.5)%	(8,777)	(2.5)%
Income Before Taxes	6,304	4.3 %	9,178	5.1 %	15,684	4.9 %	17,675	5.0 %
Income Tax Expense	1,214	nm	1,363	nm	2,664	nm	2,388	nm
Net Income	$ 5,090	3.5 %	$ 7,815	4.3 %	$ 13,020	4.1 %	$ 15,287	4.3 %
Effective Tax Rate	19.3 %	nm	14.9 %	nm	17.0 %	nm	13.5 %	nm
Diluted Earnings Per Share	$ 0.43	nm	$ 0.66	nm	$ 1.10	nm	$ 1.30	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 six months ended June 27, 2020 and June 29, 2019, respectively, were as follows:

	Three Months Ended					Six Months Ended				
		(Dollars in thousands)		% of Net Revenues			(Dollars in thousands)		% of Net Revenues	
	Change	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019	Change	June 27 2020	June 29, 2019	June 27 2020	June 29, 2019
Consolidated Ducommun										
Military and space	$ 17,408	$ 94,597	$ 77,189	64.2 %	42.8 %	$ 43,202	$ 194,088	$ 150,886	60.5 %	42.7 %
Commercial aerospace	(51,570)	40,418	91,988	27.4 %	51.0 %	(76,188)	104,268	180,456	32.5 %	51.1 %
Industrial	976	12,294	11,318	8.4 %	6.2 %	709	22,428	21,719	7.0 %	6.2 %
Total	$ (33,186)	$ 147,309	$ 180,495	100.0 %	100.0 %	$ (32,277)	$ 320,784	$ 353,061	100.0 %	100.0 %
Electronic Systems										
Military and space	$ 7,749	$ 68,021	$ 60,272	74.0 %	67.5 %	$ 23,446	$ 141,150	$ 117,704	74.3 %	67.9 %
Commercial aerospace	(6,035)	11,635	17,670	12.6 %	19.8 %	(7,542)	26,492	34,034	13.9 %	19.6 %
Industrial	976	12,294	11,318	13.4 %	12.7 %	709	22,428	21,719	11.8 %	12.5 %
Total	$ 2,690	$ 91,950	$ 89,260	100.0 %	100.0 %	$ 16,613	$ 190,070	$ 173,457	100.0 %	100.0 %
Structural Systems										
Military and space	$ 9,659	$ 26,576	$ 16,917	48.0 %	18.5 %	$ 19,756	$ 52,938	$ 33,182	40.5 %	18.5 %
Commercial aerospace	(45,535)	28,783	74,318	52.0 %	81.5 %	(68,646)	77,776	146,422	59.5 %	81.5 %
Total	$ (35,876)	$ 55,359	$ 91,235	100.0 %	100.0 %	$ (48,890)	$ 130,714	$ 179,604	100.0 %	100.0 %

Net revenues for the three months ended June 27, 2020 were $147.3 million, compared to $180.5 million for the three months ended June 29, 2019. The year-over-year decrease was primarily due to the following:

- $51.6 million lower revenues in our commercial aerospace end-use markets due to lower build rates on large aircraft platforms; partially offset by
- $17.4 million higher revenues in our military and space end-use markets due to additional content and higher build rates on other military and space platforms, and higher build rates on military fixed-wing aircraft platforms and various missile platforms.

Net revenues for the six months ended June 27, 2020 were $320.8 million, compared to $353.1 million for the six months ended June 29, 2019. The year-over-year decrease was primarily due to the following:

- $76.2 million lower revenues in our commercial aerospace end-use markets due to lower build rates on large aircraft platforms; partially offset by
- $43.2 million higher revenues in our military and space end-use markets due to higher build rates on military fixed-wing aircraft platforms, additional content and higher build rates on other military and space platforms, and higher build rates on 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		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Boeing Company	12.6 %	16.5 %	10.4 %	18.2 %
Lockheed Martin Corporation	5.6 %	4.1 %	4.8 %	4.0 %
Northrop Grumman Corporation	5.3 %	2.2 %	5.5 %	3.3 %
Raytheon Technologies Corporation	21.7 %	17.1 %	19.9 %	16.2 %
Spirit Aerosystems Holdings, Inc.	0.7 %	14.9 %	3.3 %	13.5 %
Total top ten customers [1]	60.4 %	67.9 %	56.8 %	68.2 %

(1) Includes The Boeing Company ("Boeing"), Lockheed Martin Corporation ("Lockheed"), Northrop Grumman Corporation ("Northrop"), and Raytheon Technologies Corporation ("Raytheon") for the three months ended June 27, 2020, and Spirit Aerosystems Holdings, Inc. ("Spirit") for the six months ended June 27, 2020, as well as the three and six months ended June 29, 2019. The significant decrease in total aggregate revenues generated from our top ten customers was primarily due to the decrease by Boeing and Spirit, mainly due to the impact from the continued grounding of the Boeing 737 MAX program combined with the outbreak of the COVID-19 pandemic during the first six months of 2020, which resulted in Boeing and Spirit temporarily shutting down production at some of their facilities. The impacted plants at Boeing and Spirit resumed production during our three months ended June 27, 2020.

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

	June 27, 2020	December 31, 2019
Boeing	5.6 %	5.9 %
Lockheed Martin	3.8 %	1.3 %
Northrop	7.7 %	6.5 %
Raytheon	11.5 %	6.7 %
Spirit	0.7 %	2.0 %

The net revenues and accounts receivable from Boeing, Lockheed, Northrop, Raytheon, and Spirit 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 margin as a percentage of net revenues increased year-over-year in the three months ended June 27, 2020 to 22.2%, compared to the three months ended June 29, 2019 of 21.1% primarily due to lower compensation and benefit costs and favorable product mix, partially offset by unfavorable manufacturing volume.

Gross profit margin as a percentage of net revenues increased year-over-year in the six months ended June 27, 2020 to 21.7%, compared to the six months ended June 29, 2019 of 20.9% primarily due to lower compensation and benefit costs and favorable product mix, partially offset by unfavorable manufacturing volume.

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

SG&A expenses decreased $2.5 million year-over-year in the three months ended June 27, 2020 compared to the three months ended June 29, 2019 primarily due to one-time severance charges of $1.7 million in the prior year and lower compensation and benefits costs of $0.6 million.

SG&A expenses decreased $2.1 million year-over-year in the six months ended June 27, 2020 compared to the six months ended June 29, 2019 primarily due to one-time severance charges of $1.7 million in the prior year and lower compensation and benefits costs of $0.6 million.

Interest Expense

Interest expense decreased in the three and six months ended June 27, 2020 compared to the three and six months ended June 29, 2019 due to lower interest rates, partially offset by a higher outstanding balance on the Credit Facilities driven by the acquisition of Nobles Worldwide, Inc. ("Nobles") in October 2019, and higher net draw downs on the Revolving Credit Facility, including $50.0 million during the first quarter of 2020 which remained as cash on hand at the end of the second quarter of 2020.

Income Tax Expense

We recorded income tax expense of $1.2 million for the three months ended June 27, 2020 compared to $1.4 million for the three months ended June 29, 2019. The decrease in income tax expense for the second quarter of 2020 compared to the second quarter of 2019 was primarily due to lower pre-tax income for the second quarter of 2020 compared to the second quarter of 2019, net of lower discrete tax benefits recognized in the second quarter of 2020, mainly related to net windfalls from stock-based compensation and changes to deferred income taxes.

We recorded income tax expense of $2.7 million for the six months ended June 27, 2020 compared to $2.4 million for the six months ended June 29, 2019. The increase in income tax expense for the first six months of 2020 compared to the first six months of 2019 was primarily due to lower discrete tax benefits recognized in the first six months of 2020, mainly related to net windfalls from stock-based compensation and changes to deferred income taxes net of lower pre-tax income for the first six months of 2020 compared to the first six months of 2019.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) that provides tax relief to individuals and businesses affected by the coronavirus pandemic. We considered the provisions of the CARES Act and determined they do not have a material impact to our income taxes.

Our total amount of unrecognized tax benefits was $5.8 million and $5.7 million as of June 27, 2020 and December 31, 2019, respectively. If recognized, $4.2 million would affect the effective tax rate. As a result of statute of limitations set to expire in the fourth quarter of 2020, we expect decreases to our unrecognized tax benefits of $2.0 million in the next twelve months.

Net Income and Earnings per Share

Net income and earnings per share for the three months ended June 27, 2020 were $5.1 million, or $0.43 per diluted share, compared to $7.8 million, or $0.66 per diluted share, for the three months ended June 29, 2019. The decrease in net income for the three months ended June 27, 2020 compared to the three months ended June 29, 2019 was due to $5.4 million of lower gross profit as a result of lower revenues, partially offset by lower SG&A expenses of $2.5 million.

Net income and earnings per share for the six months ended June 27, 2020 were $13.0 million, or $1.10 per diluted share, compared to $15.3 million, or $1.30 per diluted share, for the six months ended June 29, 2019. The decrease in net income for the six months ended June 27, 2020 compared to the six months ended June 29, 2019 was due to $4.3 million of lower gross profit as a result of lower revenues, partially offset by lower SG&A expenses of $2.1 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 six months ended June 27, 2020 and June 29, 2019:

	Three Months Ended					Six Months Ended				
	%	(Dollars in thousands)		% of Net Revenues		%	(Dollars in thousands)		% of Net Revenues	
	Change	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019	Change	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net Revenues										
Electronic Systems	3.0 %	$ 91,950	$ 89,260	62.4 %	49.5 %	9.6 %	$ 190,070	$ 173,457	59.3 %	49.1 %
Structural Systems	(39.3) %	55,359	91,235	37.6 %	50.5 %	(27.2) %	130,714	179,604	40.7 %	50.9 %
Total Net Revenues	(18.4) %	$ 147,309	$ 180,495	100.0 %	100.0 %	(9.1) %	$ 320,784	$ 353,061	100.0 %	100.0 %
Segment Operating Income										
Electronic Systems		$ 10,438	$ 9,912	11.4 %	11.1 %		$ 25,560	$ 19,093	13.4 %	11.0 %
Structural Systems		6,214	11,773	11.2 %	12.9 %		11,604	22,322	8.9 %	12.4 %
		16,652	21,685				37,164	41,415		
Corporate General and Administrative Expenses (1)		(6,627)	(8,081)	(4.5) %	(4.5) %		(13,513)	(14,963)	(4.2) %	(4.2) %
Total Operating Income		$ 10,025	$ 13,604	6.8 %	7.5 %		$ 23,651	$ 26,452	7.4 %	7.5 %
Adjusted EBITDA										
Electronic Systems										
Operating Income		$ 10,438	$ 9,912				$ 25,560	$ 19,093		
Depreciation and Amortization		3,524	3,531				7,099	7,033		
Restructuring Charges		28	—				28	—		
		13,990	13,443	15.2 %	15.1 %		32,687	26,126	17.2 %	15.1 %
Structural Systems										
Operating Income		6,214	11,773				11,604	22,322		
Depreciation and Amortization		3,739	3,400				7,428	6,400		
Restructuring Charges		633	—				633	—		
		10,586	15,173	19.1 %	16.6 %		19,665	28,722	15.0 %	16.0 %
Corporate General and Administrative Expenses (1)										
Operating Loss		(6,627)	(8,081)				(13,513)	(14,963)		
Depreciation and Amortization		64	73				136	326		
Stock-Based Compensation Expense		2,250	1,807				4,529	3,271		
		(4,313)	(6,201)				(8,848)	(11,366)		
Adjusted EBITDA		$ 20,263	$ 22,415	13.8 %	12.4 %		$ 43,504	$ 43,482	13.6 %	12.3 %
Capital Expenditures										
Electronic Systems		$ 2,117	$ 2,216				$ 2,932	$ 3,052		
Structural Systems		467	3,672				2,604	7,361		
Corporate Administration		—	—				—	—		
Total Capital Expenditures		$ 2,584	$ 5,888				$ 5,536	$ 10,413		

(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 June 27, 2020 compared to the three months ended June 29, 2019 increased $2.7 million primarily due to the following:

- $7.7 million higher revenues in our military and space end-use markets due to higher build rates on military fixed-wing aircraft platforms, various missile platforms, and other military and space platforms; partially offset by
- $6.0 million lower revenues in our commercial aerospace end-use markets due to lower build rates on other commercial aerospace platforms.

Electronic Systems net revenues in the six months ended June 27, 2020 compared to the six months ended June 29, 2019 increased $16.6 million primarily due to the following:

- $23.4 million higher revenues in our military and space end-use markets due to higher build rates on military fixed-wing aircraft platforms and various missile platforms; partially offset by
- $7.5 million lower revenues in our commercial aerospace end-use markets due to lower build rates on other commercial aerospace platforms, regional and business aircraft platforms, and large aircraft platforms.

Electronic Systems segment operating income in the three months ended June 27, 2020 compared to the three months ended June 29, 2019 increased $0.5 million primarily due to lower compensation and benefit costs.

Electronic Systems segment operating income in the six months ended June 27, 2020 compared to the six months ended June 29, 2019 increased $6.5 million primarily due to favorable volume, lower compensation and benefit costs, and favorable product mix.

Structural Systems

Structural Systems net revenues in the three months ended June 27, 2020 compared to the three months ended June 29, 2019 decreased $35.9 million due to the following:

- $45.5 million lower revenues in our commercial aerospace end-use markets due to lower build rates on large aircraft platforms; partially offset by
- $9.7 million higher revenues in our military and space end-use markets due to additional content and higher build rates on other military and space platforms, and higher build rates on military rotary-wing aircraft platforms and military fixed-wing aircraft platforms.

Structural Systems net revenues in the six months ended June 27, 2020 compared to the six months ended June 29, 2019 decreased $48.9 million primarily due to the following:

- $68.6 million lower revenues in our commercial aerospace end-use markets due to lower build rates on large aircraft platforms; partially offset by
- $19.8 million higher revenues in our military and space end-use markets due to additional content and higher build rates on other military and space platforms, and higher build rates on military fixed-wing aircraft platforms.

The Structural Systems segment operating income in the three months ended June 27, 2020 compared to the three months ended June 29, 2019 decreased $5.6 million primarily due to unfavorable manufacturing volume, partially offset by favorable product mix.

The Structural Systems segment operating income in the six months ended June 27, 2020 compared to the six months ended June 29, 2019 decreased $10.7 million primarily due to unfavorable manufacturing volume, partially offset by lower compensation and benefit costs and favorable product mix.

On June 29, 2020, subsequent to our quarter ended June 27, 2020, a fire severely damaged our performance center in Guaymas, Mexico, which is part of our Structural Systems segment. There were no injuries, however, inventories and property and equipment in this leased facility were damaged. We have insurance coverage and expect the majority, if not all, of these items will be covered, less our deductible. However, the full financial impact cannot be estimated at this time as we are currently working with our insurance carrier to determine specific damages and coverage. 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 will be absorbed by some of our other existing performance centers.

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

CG&A expenses decreased $1.5 million in both the three and six months ended June 27, 2020 compared to the three and six months ended June 29, 2019 due to one-time severance charges of $1.7 million in the prior year.

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 decrease in backlog was primarily in the commercial aerospace end-use markets, mainly due to reduced demand as a result of the COVID-19 pandemic on the commercial aerospace end-use market, partially offset by an increase in the military and space end-use markets. $552.0 million of total backlog is expected to be delivered over the next 12 months. The following table summarizes our backlog as of June 27, 2020 and December 31, 2019:

		(Dollars in thousands)	
	Change	June 27, 2020	December 31, 2019
Consolidated Ducommun			
Military and space	$ 53,896	$ 505,189	$ 451,293
Commercial aerospace	(123,768)	306,874	430,642
Industrial	(9,689)	18,597	28,286
Total	$ (79,561)	$ 830,660	$ 910,221
Electronic Systems			
Military and space	$ 45,019	$ 356,046	$ 311,027
Commercial aerospace	(7,383)	68,336	75,719
Industrial	(9,689)	18,597	28,286
Total	$ 27,947	$ 442,979	$ 415,032
Structural Systems			
Military and space	$ 8,877	$ 149,143	$ 140,266
Commercial aerospace	(116,385)	238,538	354,923
Total	$ (107,508)	$ 387,681	$ 495,189

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)	
	June 27, 2020	December 31, 2019
Total debt, including long-term portion	$ 350.9	$ 310.0
Weighted-average interest rate on debt	4.04 %	6.87 %
Term Loans interest rate	4.31 %	6.28 %
Cash and cash equivalents	$ 70.8	$ 39.6
Unused Revolving Credit Facility	$ 49.8	$ 99.8

On December 20, 2019, we completed the refinancing of a portion of our existing debt by entering into a new revolving credit facility ("New Revolving Credit Facility") to replace the existing revolving credit facility that was entered into in November 2018 ("2018 Revolving Credit Facility") and entering into a new term loan ("New Term Loan"). The New Revolving Credit Facility is a $100.0 million senior secured revolving credit facility that matures on December 20, 2024 replacing the $100.0 million 2018 Revolving Credit Facility that would have matured on November 21, 2023. The New Term Loan is a $140.0 million senior secured term loan that matures on December 20, 2024. We also have an existing $240.0 million senior secured term loan that was entered into in November 2018 that matures on November 21, 2025 ("2018 Term Loan"). The original amounts available under the New Revolving Credit Facility, New Term Loan, and 2018 Term Loan (collectively, the "Credit Facilities") in aggregate, totaled $480.0 million. We are required to make installment payments of 1.25% of the original outstanding principal balance of the New Term Loan amount on a quarterly basis. In addition, if we meet the annual excess cash flow threshold, we will be required to make excess cash flow payments on an annual basis. Further, the undrawn portion of the commitment of the New 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. As of June 27, 2020, we were in compliance with all covenants required under the Credit Facilities. See Note 6 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

In November 2018, we completed credit facilities to replace the then existing credit facilities. The November 2018 credit facilities consisted of the 2018 Term Loan and the 2018 Revolving Credit Facility (collectively, the "2018 Credit Facilities"). We are required to make installment payments of 0.25% of the outstanding principal balance of the 2018 Term Loan amount on a quarterly basis. In addition, if we meet the annual excess cash flow threshold, we will be required to make excess flow payments on an annual basis. See Note 6 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information. We made an aggregate total of $1.8 million and $9.1 million of mandatory principal prepayments under the Term Loans during the three and six months ended June 27, 2020, respectively.

In October 2015, we entered into interest rate cap hedges that were designated as cash flow hedges, which matured during the three months ended June 27, 2020.

On June 29, 2020, subsequent to our quarter ended June 27, 2020, a fire severely damaged our performance center in Guaymas, Mexico, which is part of our Structural Systems segment. There were no injuries, however, inventories and property and equipment in this leased facility were damaged. We have insurance coverage and expect the majority, if not all, of these items will be covered, less our deductible. However, the full financial impact cannot be estimated at this time as we are currently working with our insurance carrier to determine specific damages and coverage. 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 will be absorbed by some of our other existing performance centers.

In October 2019, we acquired Nobles Parent Inc., the parent company of Nobles Worldwide, Inc. ("Nobles") for an original purchase price of $77.0 million, net of cash acquired, all payable in cash. We paid a gross total aggregate of $77.3 million in cash upon the closing of the transaction by drawing down on the 2018 Revolving Credit Facility. See Note 2 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

We expect to spend a total of $12.0 million to $14.0 million for capital expenditures in 2020 (excluding capital expenditures we will spend to restore the manufacturing capabilities related to our leased Guaymas performance center that was severely damaged by fire subsequent to our quarter ended June 27, 2020), financed by cash generated from operations, principally to support new contract awards in Electronic Systems and Structural Systems. As part of our strategic plan to become a supplier 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. However, some portion of the expected capital expenditures in 2020 could be delayed as a result of the COVID-19 pandemic.

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 continue to depend on operating cash flow and the availability of our Credit Facilities to provide short-term liquidity. Cash generated from operations and bank borrowing capacity are 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 used in operating activities for the six months ended June 27, 2020 was $3.4 million, compared to cash provided by of $8.1 million for the six months ended June 29, 2019. The higher net cash used during the first six months of 2020 was due to higher inventories and lower accounts payable, partially offset by higher contract liabilities.

Net cash used in investing activities was $4.8 million for the six months ended June 27, 2020 compared to $7.6 million in the six months ended June 29, 2019. The lower net cash used during the first six months of 2020 compared to the prior year period was due to lower purchases of property and equipment.

Net cash provided by financing activities was $39.4 million for the six months ended June 27, 2020 compared to net cash used of $6.7 million for the six months ended June 29, 2019. The higher net cash provided by during the first six months of 2020 was mainly due to higher net draw down on the New Revolving Credit Facility, partially offset by higher repayments of term loans.

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 sale-leasebacks on property and equipment, and indemnities.

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 2019 Annual Report on Form 10-K. There have been no material changes in any of our critical accounting policies during the three months ended June 27, 2020.

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. and U.K. interest rates on our outstanding long-term debt. At June 27, 2020, we had total borrowings of $350.9 million under our Credit Facilities.

The New Term Loan bears 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.

The New Revolving Credit Facility bears 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.

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 the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)), and concluded that such disclosure controls 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 June 27, 2020 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 for the year ended December 31, 2019 for a discussion of our risk factors. Other than the risk factor below, there have been no material changes in the three months ended June 27, 2020 to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

The COVID-19 pandemic could have a material adverse effect on our business, results of operations and financial condition.

The COVID-19 pandemic has caused significant volatility in financial markets, including the market price of our stock and the commercial aerospace industry during the first six months of 2020, which has raised the prospect of an extended global recession. Public health problems resulting from COVID-19 and precautionary measures instituted by governments and businesses to mitigate its spread, including travel restrictions, quarantines, shelter in place directives, and shutting down of non-essential businesses has and continues to contribute to a general slowdown in the global economy and if it continues for an extended period of time, it could have a material adverse impact to the businesses of our customers, suppliers and distribution partners, and disrupt our operations. Changes in our operations in response to the COVID-19 pandemic or employee illnesses resulting from the pandemic, may result in inefficiencies or delays, including in sales and product development efforts and our manufacturing and supply chain, and additional costs related to business continuity initiatives, that cannot be fully mitigated through succession planning, employees working remotely, or teleconferencing technologies. The spread of COVID-19 along with related travel restrictions and operational issues has caused a decrease in the demand for air travel and has resulted in lower demand from civil aviation customers for our products. 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 some portion, if not the remainder, of 2020.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

2.1 Agreement and Plan of Merger, dated as of April 3, 2011, among Ducommun Incorporated, DLBMS, Inc. and LaBarge, Inc. Incorporated by reference to Exhibit 2.1 to Form 8-K filed on April 5, 2011.

2.2 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.

2.3 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.

2.4 Stock Purchase Agreement dated January 22, 2016, by and among Ducommun Incorporated, Ducommun LaBarge Technologies, Inc., as Seller, LaBarge Electronics, Inc., and Intervala, LLC, as Buyer. Incorporated by reference to Exhibit 2.1 to Form 8-K dated January 25, 2016.

2.5 Stock Purchase Agreement dated February 24, 2016, by and between Ducommun LaBarge Technologies, Inc., as Seller, and General Atomics, as Buyer. Incorporated by reference to Exhibit 2.1 to Form 8-K dated February 24, 2016.

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.

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 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.

10.2 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.

*10.3 2007 Stock Incentive Plan. Incorporated by reference to Appendix B of Definitive Proxy Statement on Schedule 14a, filed on March 29, 2010.

*10.4 2013 Stock Incentive Plan (Amended and Restated March 18, 2015). Incorporated by reference to Appendix B of Definitive Proxy Statement on Schedule 14a, filed on April 22, 2015.

*10.5 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.

*10.6 2018 Employee Stock Purchase Plan. Incorporated by reference to Appendix B of Definitive Proxy Statement on Schedule 14a, filed on March 23, 2018.

*10.7 2020 Employee Stock Purchase Plan. Incorporated by reference to Appendix A of Definitive Proxy Statement on Schedule 14a, filed on March 20, 2020.

*10.8 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.

*10.9 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.

*10.10 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.

*10.11 Form of Performance Stock Unit Agreement for 2014 and 2015. Incorporated by reference to Exhibit 10.19 to Form 10-Q for the period ended March 29, 2014.

*10.12 Form of Performance Stock Unit Agreement for 2016. Incorporated by reference to Exhibit 10.6 to Form 10-Q for the period ended April 2, 2016.

*10.13 Form of Performance Stock Unit Agreement for 2017. Incorporated by reference to Exhibit 10.21 to Form 10-Q for the period ended April 1, 2017.

*10.14 Form of Restricted Stock Unit Agreement for 2016 and earlier. Incorporated by reference to Exhibit 99.1 to Form 8-K dated May 8, 2007.

*10.15 Form of Restricted Stock Unit Agreement for 2017 and after. Incorporated by reference to Exhibit 10.9 to Form 10-K for the year ended December 31, 2016.

*10.16 Form of Directors' Restricted Stock Unit Agreement. Incorporated by reference to Exhibit 99.1 to Form 8-K dated May 10, 2010.

*10.17 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.

*10.18 Form of Performance Stock Unit Agreement for 2020 and after.

*10.19 Form of Restricted Stock Unit Agreement for Non-Qualified Deferred Compensation Plan Participants for 2020 and after.

*10.20 Form of Restricted Stock Unit Agreement for 2020 and after.

*10.21 Form of Stock Option Agreement for 2020 and after.

*10.22 Form of Performance Restricted Stock Unit Agreement for 2020.

*10.23 Form of Indemnity Agreement entered with all directors and officers of Ducommun. Incorporated by reference to Exhibit 10.8 to Form 10-K for the year ended December 31, 1990. All of the Indemnity Agreements are identical except for the name of the director or officer and the date of the Agreement:

Director/Officer	Date of Agreement
Richard A. Baldridge	March 19, 2013
Gregory S. Churchill	March 19, 2013
Shirley G. Drazba	October 18, 2018
Robert C. Ducommun	December 31, 1985
Dean M. Flatt	November 5, 2009
Jay L. Haberland	February 2, 2009
Stephen G. Oswald	January 23, 2017
Jerry L. Redondo	October 1, 2015
Rosalie F. Rogers	July 24, 2008
Rajiv A. Tata	January 24, 2020
Christopher D. Wampler	January 1, 2016

*10.24 Ducommun Incorporated 2016 Bonus Plan. Incorporated by reference to Exhibit 99.3 to Form 8-K dated March 1, 2016.

*10.25 Ducommun Incorporated 2017 Bonus Plan. Incorporated by reference to Exhibit 99.1 to Form 8-K dated February 27, 2017.

*10.26 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.

*10.27 Non Qualified Deferred Compensation. Incorporated by reference to Exhibit 4.6 to Form S-8 dated November 26, 2019.

*10.28 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.

*10.29 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:

Person	Date of Agreement
Jerry L. Redondo	January 23, 2017
Rosalie F. Rogers	January 23, 2017
Rajiv A. Tata	January 24, 2020
Christopher D. Wampler	January 23, 2017

*10.30 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.

*10.31 Employment Letter Agreement dated December 19, 2016 between Ducommun Incorporated and Amy M. Paul. Incorporated by reference to Exhibit 10.19 to Form 10-K for the year ended December 31, 2016.

*10.32 Transition Services Letter Agreement dated January 10, 2017 between Ducommun Incorporated and James S. Heiser. Incorporated by reference to Exhibit 99.1 to Form 8-K filed on January 17, 2017.

*10.33 Separation and Release Agreement dated May 14, 2018 between Ducommun Incorporated and Amy M. Paul. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 23, 2018.

*10.34 Separation and Release Agreement dated June 26, 2019 between Ducommun Incorporated and Douglas L. Groves. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 28, 2019.

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: July 30, 2020	By:	/s/ Stephen G. Oswald
		Stephen G. Oswald
		Chairman, President and Chief Executive Officer
		(Principal Executive Officer)
Date: July 30, 2020	By:	/s/ Christopher D. Wampler
		Christopher D. Wampler
		Vice President, Interim Chief Financial Officer and Treasurer, and Controller and Chief Accounting Officer
		(Principal Financial and Principal Accounting Officer)

DUCOMMUN INCORPORATED

PERFORMANCE STOCK UNIT AGREEMENT

This performance stock unit agreement is made as of January 1, 2020 (the “Effective Date”), between Ducommun Incorporated, a Delaware corporation (the “Corporation”), and ________ (“Award Holder”).

R E C I T A L S

This performance stock unit agreement is pursuant to the 2020 Stock Incentive Plan (the “Plan”).

A G R E E M E N T S

1. Grant. The Corporation hereby grants to the Award Holder an award (the “Award”) with a target (if the Corporation achieves the target level performance goals described in Exhibit A) of __________ performance stock units (the “Target Units”), and a maximum of up to two hundred fifty percent (250%) of the Target Units (if Corporation achieves the maximum level performance goals described in Exhibit A), in each case subject to certain adjustments as described herein. Each performance stock unit represents the right to receive one share of Common Stock, subject to the conditions set forth in this performance stock unit agreement and the Plan.

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

“Common Stock” shall mean the Common Stock, $.01 par value, of the Corporation or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 6 of this performance stock unit agreement.

“Subsidiary” shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

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

3. Vesting. The Award shall vest at the end of the 3-year performance period, beginning as of January 1, 2020 and ending on December 31, 2022 (the “Performance Period”). The vesting of the Award shall be subject to the Corporation achieving during the Performance Period the Diluted Earnings Per Share and Relative Total Shareholder Return, as provided in Exhibit A attached hereto. Following the end of each fiscal year of the Performance Period and the collection of relevant data necessary to determine the extent to which the performance goals set forth in Exhibit A have been satisfied, the Committee will determine: (a) the amount of Diluted Earnings Per Share that was achieved by the Corporation for each fiscal year of the Performance Period, and (b) the percentage and number of the Target Units for each fiscal year (for each such fiscal year, the “Earned Units”) that will become Vested Units (as defined in Exhibit A) as of the last day of the Performance Period or earlier as provided in Section 5(b). Following the end of the Performance Period and collection of relevant data necessary to determine the extent to which the performance goals set forth in Exhibit A have been satisfied, the Committee will determine: (a) the Relative Total Shareholder Return that was achieved by the Corporation over the Performance Period, and (b) the multiplier that will be applied to the Earned Units to calculate the total number of Vested Units as of the last day of the Performance Period, as provided in Exhibit A attached hereto. The Committee shall make these determinations in its sole discretion. The level of achievement of Diluted Earnings Per Share and Relative Total Shareholder Return shall be evidenced by the Committee’s written certification. For the avoidance of doubt, any performance stock units subject to this Award that do not vest in accordance with the forgoing shall expire without consideration at the end of the Performance Period.

4. Settlement of Vested Units. Upon the vesting of all or a portion of the Award, one share of Common Stock shall be issuable for each Vested Unit (as defined in Exhibit A) (the “PSU Shares”). Thereafter, the Corporation will transfer such PSU Shares to the Award Holder upon the Committee’s written certification as set forth in Section 3 and the satisfaction of any required tax withholding obligations, securities law registration or other requirements, and applicable stock exchange listing. No fractional shares shall be issued with respect to the Award. The Award Holder shall not acquire or have any rights as a shareholder of the Corporation by virtue of this performance stock unit agreement (or the Award evidenced hereby) until the certificates representing shares of Common Stock issuable pursuant to this Award are actually issued and delivered to the Award Holder in accordance with the terms of the Plan and this performance stock unit agreement. Notwithstanding the foregoing, the Award Holder may elect, on a form and in a manner prescribed by the Corporation, to defer any payment of Vested Units, provided that any such deferral of payment must comply with any applicable requirements of Section 409A of the Code.

5. Termination.

(a) If the Award Holder’s employment with the Corporation or a Subsidiary terminates before the end of the Performance Period for any reason, except as provided in this Section 5, then the Award will be forfeited and cancelled and surrendered to the Corporation without payment of any consideration, effective on the date of the Award Holder’s termination of employment. Upon the termination of the Award Holder’s employment with the Corporation or a Subsidiary as a result of (i) death or “permanent disability” (as defined herein) or (ii) “retirement” (as defined herein), the number of Vested Units and the vesting of such Vested Units shall be determined in accordance with Section 5(b) below. As used herein, the term "retirement" shall mean that, on the date on which the Award Holder terminates employment with the Corporation or a Subsidiary, either (x) the Award Holder is sixty-five (65) or more years of age, or (y) the combination of the Award Holder's age plus years of service equals not less than seventy (70). As used herein, the term "permanent disability" shall mean the date on which the Award Holder has not worked or been able to work due to physical or mental incapacity for a period of one hundred eighty (180) consecutive days.

(b) Upon the termination of the Award Holder's employment with the Corporation or a Subsidiary as a result of death, permanent disability or retirement as provided in Section 5(a), (i) for each full fiscal year that the Award Holder was employed by the Corporation or a Subsidiary, the Earned Units (as defined in Section 3) shall vest immediately, and (ii) for the last fiscal year (if less than a full fiscal year) that the Award Holder was employed by the Corporation or a Subsidiary, the Target Units covered by the Award shall be reduced to a number of performance stock units equal to the Target Units set forth in Section 1 multiplied by a fraction, (x) the numerator of which equals the number of full calendar quarters that have elapsed between January 1 of such fiscal year and the date of termination of employment, and (y) the denominator of which equals four (4), and such performance stock units (as reduced) shall then vest at such time as they become Earned Units (as defined in Section 3) provided that the Award Holder has not rendered services, directly or indirectly, to any third party engaged in competition with the Corporation or its Subsidiaries. For the avoidance of doubt, the Total Vested Units Modifier (as defined in Exhibit A) shall <u>not</u> be applied in determining the Vested Units for any Award covered by this Section 5(b).

6. <u>Adjustments</u>

(a) If the outstanding shares of Common Stock of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through recapitalization (other than the conversion of convertible securities according to their terms), reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made, or if the Corporation shall spin-off, spin-out or otherwise distribute assets with respect to the outstanding shares of Common Stock of the Corporation, an appropriate and proportionate adjustment shall be made, in the number of performance stock units subject to this Award.

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

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

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

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

10. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this performance stock unit agreement and the transactions contemplated hereby, and the Corporation or any such Subsidiary may require the Award Holder to pay to the Corporation or such Subsidiary in cash any amount or amounts which may be required to be paid as withheld taxes in connection with any issuance of Common Stock pursuant to this Award or any other transaction contemplated hereby as a condition to the issuance of shares of the Common Stock, provided, however, that any amount withheld for taxes in connection with this Award may, at the election of the Award Holder, be paid with previously issued shares of Common Stock or the deduction of shares of Common Stock to be issued in connection with this Award.

11. No Assignments. Neither this performance stock unit agreement, nor this Award nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this performance stock unit agreement, this Award or any other right or privilege granted hereby contrary to the provisions hereof, this performance stock unit agreement, this Award and all of such rights and privileges shall immediately become null and void, provided however, that the Award Holder may transfer an Award to any “family member” (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended (“Form S-8”)), to trusts solely for the benefit of such family members and to

partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8 and provided further, that such transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

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

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

14. Committee Authority. All questions arising under the Plan or under this performance stock unit agreement shall be decided by the Committee in its total and absolute discretion. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this performance stock unit agreement, all of which shall be binding upon the Award Holder to the maximum extent permitted by the Plan.

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

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

DUCOMMUN INCORPORATED

By: ______________________________________
Chief Executive Officer

By: ______________________________________
Secretary

____
Award Holder

PERFORMANCE STOCK UNIT AGREEMENT

Exhibit A

For purposes of this performance stock unit agreement, the "Diluted Earnings Per Share" means the diluted earnings per share of the Corporation for each of the Corporation's fiscal years ending December 31, 2020, December 31, 2021 and December 31, 2022 as included in the Corporation's audited financial statements, subject to adjustment as provided herein. The Diluted Earnings Per Share shall be adjusted (as determined by the Committee) (i) for changes in accounting, (ii) for discontinued operations (including businesses and product lines that are sold), (iii) to exclude gain or loss on the sale of any business or product line, including but not limited to post-closing adjustments to the purchase price, any indemnity or similar payments, and any costs or expenses in connection therewith, (iv) to exclude any asset impairment write-offs or charges (whether of goodwill, intangible or tangible assets), (v) to exclude any transaction-related costs or expenses arising in connection with the purchase or sale of any business or product line, including but not limited to the effects of Financial Accounting Standards Board Accounting Standards Codification Topic 805, (vi) to exclude any costs or expenses arising in connection with the refinancing, restructuring or prepayment of any Debt, including but not limited to the unamortized portion of any original issue discount, the unamortized portion of any original issue costs and expenses, and any prepayment or make-whole payments, costs or expenses and (vii) any restructuring, reorganization or other costs, expenses or charges that the Compensation Committee determines should be adjusted to fairly reflect the operating performance of the Company. An appropriate adjustment in the Diluted Earnings Per Share amounts in the table below also shall be made for any of the events described in Section 6(a) above.

For purposes of this performance stock unit agreement, the "Relative Total Shareholder Return" means the percentile ranking over the Performance Period of the Corporation's total shareholder return as compared to the total shareholder return of the companies in the Russell 2000 Index at the beginning of the Performance Period. The determination of the total shareholder return for the Corporation and the companies in the Russell 2000 Index shall include the appreciation or depreciation of stock prices plus dividends paid as if reinvested, and shall be determined based on the average closing price of the Corporation's common stock and the average closing price of the companies in the Russell 2000 Index over the thirty (30) trading days immediately preceding the Performance Period compared to the last thirty (30) trading days of the Performance Period. If the Russell 2000 Index ceases to be published, the Committee shall, in its discretion, substitute another broad-based stock index that it determines is appropriate.

After the end of the Corporation's fiscal year ending December 31, 2020, the Committee shall determine the Corporation's Diluted Earnings Per Share for such fiscal year and the applicable percentage of Target Units earned with respect to such performance measure for such fiscal year. After the end of the Corporation's fiscal year ending December 31, 2021, the Committee shall determine the Corporation's Diluted Earnings Per Share for such fiscal year and the applicable percentage of Target Units earned with respect to such performance measure for such fiscal year. After the end of the Corporation's fiscal year ending December 31, 2022, the

Committee shall determine the Corporation's Diluted Earnings Per Share for such fiscal year and the applicable percentage of Target Units earned with respect to such performance measure for such fiscal year. If the Diluted Earnings Per Share does not equal or exceed the thresholds in the table below, the Award shall expire without consideration.

Diluted Earnings Per Share	20__	20__	20__	Total @ Target
Threshold Vesting % of Target Units				
Target Vesting % of Target Units				
Maximum Vesting % of Target Units				

In the event that the Corporation's Diluted Earnings Per Share for any fiscal year of the Performance Period falls between two of the percentages listed in the table above, the applicable percentage of Target Units earned based on such achievement shall be determined by linear interpolation. The total number of performance stock units subject to the Award that are earned based upon the Corporation's achievement over the Performance Period (as determined by the Committee) will be equal to the sum of (i) the percentage determined by reference to the table above with respect to the Corporation's Diluted Earnings Per Share for the fiscal year ending December 31, 2020 multiplied by the number of Target Units set forth in Section 1 above, plus (ii) the percentage determined by reference to the table above with respect to the Corporation's Diluted Earnings Per Share for the fiscal year ending December 31, 2021 multiplied by the number of Target Units set forth in Section 1 above, plus (iii) the percentage determined by reference to the table above with respect to the Corporation's Diluted Earnings Per Share for the fiscal year ending December 31, 2022 multiplied by the number of Target Units set forth in Section 1 above (such units collectively, the "Earned Units").

After the end of the Performance Period, the Committee shall determine the Corporation's Relative Total Shareholder Return (compared to the companies in the Russell 2000 Index at the beginning of the Performance Period) over the Performance Period. The Committee, in its discretion, shall establish such procedures as it deems appropriate to determine the Corporation's percentile rank in Relative Total Shareholder Return. The total Vesting Units will then be determined by multiplying the Earned Units by the Total Vested Units Modifier in the table below. Notwithstanding the foregoing, the Total Vested Units Modifier shall not be greater than 1.0 unless the Corporation's Total Shareholder Return over the Performance Period is greater than zero.

Relative Total Shareholder Return v. Russell 2000 Index	
Total Shareholder Return Percentile Rank	Total Vested Units Modifier
81% - 100%	1.25
71% - 80%	1.15
61% - 70%	1.10
41% - 60%	1.00
31% - 40%	.90
21% - 30%	.85
0% - 20%	.75

Notwithstanding anything herein to the contrary, in no event will more than two hundred fifty percent (250%) of the number of Target Units become vested hereunder. Performance stock units granted under this Award that are not vested and remain subject to forfeiture are referred to herein as “Unvested Units.”

EXHIBIT 10.19

DUCOMMUN INCORPORATED

RESTRICTED STOCK UNIT AGREEMENT

This restricted stock unit agreement is made as of __________ (the "Effective Date"), between Ducommun Incorporated, a Delaware corporation (the "Corporation"), and _______ ("Award Holder").

R E C I T A L S

This restricted stock unit agreement is pursuant to the 2020 Stock Incentive Plan (the "Plan").

A G R E E M E N T S

1. Grant. The Corporation hereby grants to the Award Holder an award (the "Award") of _______ restricted stock units (the "Restricted Stock Units"), subject to certain adjustments as described herein. Each restricted stock unit represents the right to receive one share of Common Stock, subject to the conditions set forth in this restricted stock unit agreement and the Plan.

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

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

"Subsidiary" shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

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

3. Vesting. Provided that the Award Holder has remained in the employ of the Corporation and/or its Subsidiaries throughout the period from the Effective Date until _______, one-third of the Restricted Stock Units shall vest on _______ (the "First Vesting Date"). Provided that the Award Holder has remained in the employ of the Corporation and/or its Subsidiaries throughout the period from the Effective Date until _________ an additional one-third of the Restricted Stock Units shall vest on _______ (the "Second Vesting Date"). Provided that the Award Holder has remained in the employ of the Corporation and/or its Subsidiaries throughout the period from the Effective Date until ________, an additional one-third of the Restricted Stock Units shall vest on _________ (the "Third Vesting Date"). The First Vesting Date, the Second Vesting Date and the Third Vesting Date are each the "Vesting Date" for the Restricted Stock Units that vest on such date. Restricted Stock Units that

have vested and are no longer subject to a substantial risk of forfeiture are referred to herein as "Vested Units." Restricted Stock Units that are not vested and remain subject to a substantial risk of forfeiture are referred to herein as "Unvested Units."

4. Settlement of Vested Units. Upon the vesting of all or a portion of the Award, one share of Common Stock shall be issuable for each Vested Unit (the "RSU Shares"). Thereafter, the Corporation will transfer such RSU Shares to the Award Holder upon the satisfaction of any required tax withholding obligations, securities law registration or other requirements, and applicable stock exchange listing. No fractional shares shall be issued with respect to the Award. The Award Holder shall not acquire or have any rights as a shareholder of the Corporation by virtue of this restricted stock unit agreement (or the Award evidenced hereby) until the certificates representing shares of Common Stock issuable pursuant to this Award are actually issued and delivered to the Award Holder in accordance with the terms of the Plan and this restricted stock unit agreement. Notwithstanding the foregoing, the Award Holder may elect, on a form and in a manner prescribed by the Corporation, to defer any payment of Vested Units, provided that any such deferral of payment must comply with any applicable requirements of Section 409A of the Code.

5. Termination. If the Award Holder's employment with the Corporation or a Subsidiary terminates at any time for any reason prior to the Vesting Date, except as provided in this Section 5 or as determined by the Committee in its sole and absolute discretion, the Unvested Units will be forfeited and cancelled and surrendered to the Corporation without payment of any consideration, effective on the date of the Award Holder's termination of employment. Upon the termination of the Award Holder's employment with the Corporation or a Subsidiary as a result of death or "permanent disability" (as defined herein) the Restricted Stock Units shall become fully vested on the date of such death or "permanent disability". As used herein, the term "permanent disability" shall mean the date on which the Award Holder has not worked or been able to work due to physical or mental incapacity for a period of one hundred eighty (180) consecutive days.

6. Adjustments

(a) If the outstanding shares of Common Stock of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through recapitalization (other than the conversion of convertible securities according to their terms), reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made, or if the Corporation shall spin-off, spin-out or otherwise distribute assets with respect to the outstanding shares of Common Stock of the Corporation, an appropriate and proportionate adjustment shall be made, in the number of restricted stock units subject to this Award.

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

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

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

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

10. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this restricted stock unit agreement and the transactions contemplated hereby, and the Corporation or any such Subsidiary may require the Award Holder to pay to the Corporation or such Subsidiary in cash any amount or amounts which may be required to be paid as withheld taxes in connection with any issuance of Common Stock pursuant to this Award or any other transaction contemplated hereby as a condition to the issuance of shares of the Common Stock, provided, however, that any amount withheld for taxes in connection with this Award may, at the election of the Award Holder, be paid with previously issued shares of Common Stock or the deduction of shares of Common Stock to be issued in connection with this Award.

11. No Assignments. Neither this restricted stock unit agreement, nor this Award nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this restricted stock unit agreement, this Award or any other right or privilege granted hereby contrary to the provisions hereof, this restricted stock unit agreement, this Award and all of such rights and privileges shall immediately become null and void provided however, that the Award Holder may transfer an Award to any “family member” (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended (“Form S-8”)), to trusts solely for the benefit of such family members and to

partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8 and provided further, that such transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

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

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

14. Committee Authority. All questions arising under the Plan or under this restricted stock unit agreement shall be decided by the Committee in its total and absolute discretion. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this restricted stock unit agreement, all of which shall be binding upon the Award Holder to the maximum extent permitted by the Plan.

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

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

DUCOMMUN INCORPORATED

By: ______________________________________
Chief Executive Officer

By: ______________________________________
Secretary

____
Award Holder

EXHIBIT 10.20

DUCOMMUN INCORPORATED

RESTRICTED STOCK UNIT AGREEMENT

This restricted stock unit agreement is made as of _______ (the “Effective Date”), between Ducommun Incorporated, a Delaware corporation (the “Corporation”), and ________ (“Award Holder”).

RECITALS

This restricted stock unit agreement is pursuant to the 2020 Stock Incentive Plan (the “Plan”).

AGREEMENTS

1. Grant. The Corporation hereby grants to the Award Holder an award (the “Award”) of ______ restricted stock units (the “Restricted Stock Units”), subject to certain adjustments as described herein. Each restricted stock unit represents the right to receive one share of Common Stock, subject to the conditions set forth in this restricted stock unit agreement and the Plan.

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

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

“Subsidiary” shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

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

3. Vesting. Provided that the Award Holder has remained in the employ of the Corporation and/or its Subsidiaries throughout the period from the Effective Date until ______, one-third of the Restricted Stock Units shall vest on _______ (the “First Vesting Date”). Provided that the Award Holder has remained in the employ of the Corporation and/or its Subsidiaries throughout the period from the Effective Date until _______, an additional one-third of the Restricted Stock Units shall vest on _______ (the “Second Vesting Date”). Provided that the Award Holder has remained in the employ of the Corporation and/or its Subsidiaries throughout the period from the Effective Date until _______, an additional one-third of the Restricted Stock Units shall vest on ________ (the “Third Vesting Date”). The First Vesting Date, the Second Vesting Date and the Third Vesting Date are each the “Vesting Date” for the Restricted Stock Units that vest on such date. Restricted Stock Units that have

vested and are no longer subject to a substantial risk of forfeiture are referred to herein as “Vested Units.” Restricted Stock Units that are not vested and remain subject to a substantial risk of forfeiture are referred to herein as “Unvested Units.”

4. Settlement of Vested Units. Upon the vesting of all or a portion of the Award, one share of Common Stock shall be issuable for each Vested Unit (the “RSU Shares”). Thereafter, the Corporation will transfer such RSU Shares to the Award Holder upon the satisfaction of any required tax withholding obligations, securities law registration or other requirements, and applicable stock exchange listing. No fractional shares shall be issued with respect to the Award. The Award Holder shall not acquire or have any rights as a shareholder of the Corporation by virtue of this restricted stock unit agreement (or the Award evidenced hereby) until the certificates representing shares of Common Stock issuable pursuant to this Award are actually issued and delivered to the Award Holder in accordance with the terms of the Plan and this restricted stock unit agreement.

5. Termination. If the Award Holder’s employment with the Corporation or a Subsidiary terminates at any time for any reason prior to the Vesting Date, except as provided in this Section 5 or as determined by the Committee in its sole and absolute discretion, the Unvested Units will be forfeited and cancelled and surrendered to the Corporation without payment of any consideration, effective on the date of the Award Holder’s termination of employment. Upon the termination of the Award Holder’s employment with the Corporation or a Subsidiary as a result of death or “permanent disability” (as defined herein) the Restricted Stock Units shall become fully vested on the date of such death or “permanent disability”. As used herein, the term “permanent disability” shall mean the date on which the Award Holder has not worked or been able to work due to physical or mental incapacity for a period of one hundred eighty (180) consecutive days.

6. Adjustments

(a) If the outstanding shares of Common Stock of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through recapitalization (other than the conversion of convertible securities according to their terms), reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made, or if the Corporation shall spin-off, spin-out or otherwise distribute assets with respect to the outstanding shares of Common Stock of the Corporation, an appropriate and proportionate adjustment shall be made, in the number of restricted stock units subject to this Award.

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

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

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

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

10. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this restricted stock unit agreement and the transactions contemplated hereby, and the Corporation or any such Subsidiary may require the Award Holder to pay to the Corporation or such Subsidiary in cash any amount or amounts which may be required to be paid as withheld taxes in connection with any issuance of Common Stock pursuant to this Award or any other transaction contemplated hereby as a condition to the issuance of shares of the Common Stock, provided, however, that any amount withheld for taxes in connection with this Award may, at the election of the Award Holder, be paid with previously issued shares of Common Stock or the deduction of shares of Common Stock to be issued in connection with this Award.

11. No Assignments. Neither this restricted stock unit agreement, nor this Award nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this restricted stock unit agreement, this Award or any other right or privilege granted hereby contrary to the provisions hereof, this restricted stock unit agreement, this Award and all of such rights and privileges shall immediately become null and void provided however, that the Award Holder may transfer an Award to any “family member” (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended (“Form S-8”)), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General

Instructions to Form S-8 and provided further, that such transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

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

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

14. Committee Authority. All questions arising under the Plan or under this restricted stock unit agreement shall be decided by the Committee in its total and absolute discretion. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this restricted stock unit agreement, all of which shall be binding upon the Award Holder to the maximum extent permitted by the Plan.

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

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

DUCOMMUN INCORPORATED

By: ____________________________________
Chief Executive Officer

By: ____________________________________
Secretary

____
Award Holder

DUCOMMUN INCORPORATED

STOCK OPTION AGREEMENT

This stock option agreement is made as of ______ (the “Effective Date”), between Ducommun Incorporated, a Delaware corporation (the “Corporation”), and ______ (“Option Holder”).

R E C I T A L S

This stock option agreement is pursuant to the Amended and Restated 2020 Stock Incentive Plan (the “Plan”). This stock option agreement DOES NOT represent an incentive stock option as defined in Section 422A of the Internal Revenue Code. This stock option agreement expires on _____ (the “Expiration Date”). Attention is called to the non-compete provisions (applicable to Option Holders employed by the Corporation outside of California) in this stock option agreement. Failure to comply with these provisions will result in the forfeiture of the option. These provisions will be binding on the Option Holder whether or not the option vests.

A G R E E M E N T S

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

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

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

“Subsidiary” shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

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

3. Conditions to Exercise. The Option Holder may not purchase any shares by exercise of this option unless the Option Holder shall have remained in the employ of the Corporation and/or a Subsidiary until at least _______. On and after ________, the Option Holder may purchase, by exercise of this option, an aggregate of not more than one-third of the total number of shares subject to

this option. On and after _______, the Option Holder may purchase, by exercise of this option, an additional one-third of such total number of shares. On and after _______, until this option expires, the Option Holder may purchase, by exercise of this option, all or any part of the shares subject to this option.

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

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

(a) Death. If the Option Holder dies while employed by the Corporation or a Subsidiary, or while this option was exercisable by him or her in accordance with paragraph (b) or (c) below after his or her retirement, permanent disability or the termination of his or her employment other than for cause, this option may be exercised (for not more than the number of shares as to which the Option Holder might have exercised this Option at the time of such death) by the personal representative of the decedent or, by such person or persons as shall have acquired the Option Holder's rights under this option by will or by the laws of descent and distribution at any time (i) prior to the Expiration Date, in the event the Expiration Date is not more than one year following the date of death, or (ii) within such one year, in the event that the Expiration Date is more than one year following such date of death;

(b) Retirement or Permanent Disability. If the Option Holder retires or becomes permanently disabled, this option may be exercised (for not more than the number of shares as to which the Option Holder might have exercised this option on the date of his or her retirement or permanent disability) at any time prior to the Expiration Date. As used herein, the term "retirement" shall mean that, on the date on which the Option Holder terminates employment with the Corporation or a Subsidiary, either (x) the Option Holder is sixty-five (65) or more years of age, or (y) the combination of the Option Holder's age plus years of service equals not less than seventy (70). As used herein, the term "permanent disability" shall mean the date on which the Option Holder has not worked or been able to work due to physical or mental incapacity for a period of one-hundred eighty (180) consecutive days.

(c) Other Termination. If the employment of the Option Holder with the Corporation or a Subsidiary is terminated for any reason other than by death, permanent disability or retirement, this option may be exercised (for not more than the number of shares as to which the Option Holder might have exercised this option on the date on which his or her employment was terminated) at any time (i) prior to the Expiration Date in the event the Expiration Date is not more than three months following the date of such retirement or termination, or (ii) within such three-month period, in the event that the Expiration Date is more than three months following the date of such termination of employment; provided, however, that if the Option Holder is dismissed for cause, of which the Committee shall be the sole judge, this option shall terminate forthwith. The Committee may determine that, for the purpose of the Plan, the Option Holder while on a leave of absence will be considered as still in the employ of the Corporation, provided that this option shall be exercisable during a leave of absence only as to the number of shares as to which it was exercisable at the commencement of such leave of absence.

6. Method of Exercise. A person electing to exercise this option shall deliver to the Secretary of the Corporation a written notice of such election and of the number of shares such person has elected to purchase and shall at the time of exercise tender the full purchase price of the shares such person has elected to purchase. The purchase price for the shares may, at the election of the Option Holder, be paid with previously issued shares of Common Stock of the Company, or the deduction of shares of Common Stock to be issued in connection with the exercise of this Option.

7. Adjustments

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

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

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

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

any such issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances satisfactory to counsel to the Corporation in respect of such matters as the Corporation or any Subsidiary of the Corporation may deem desirable to assure compliance with all applicable legal requirements.

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

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

12. No Assignments. Neither this stock option agreement, nor this option nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this stock option agreement, this option or any other right or privilege granted hereby contrary to the provisions hereof, this stock option agreement, this option and all of such rights and privileges shall immediately become null and void provided however, that the Award Holder may transfer an Award to any "family member" (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended ("Form S-8")), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8, and provided further, that such transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

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

14. Non-Solicitation of Customers; Non-Competition. By signing this stock option agreement, the Option Holder agrees that while employed by the Corporation and for a period of one year following the Option Holder's departure from the Corporation, the Option Holder will not

(directly or in association with others) call on or solicit any of the Corporation's customers with whom the Option Holder had personal contact while employed by the Corporation, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Corporation in its Business (as defined below). The Option Holder further agrees that for the same time period, the Option Holder will not, directly or indirectly, engage in any activity which is the same as or competitive with the Business including, without limitation, engagement as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 2% of the outstanding capital stock of a publicly traded corporation), guarantor, consultant, advisor, agent, sales representative or other participant, in any market which the Corporation conducts its Business. For purposes of this stock option agreement, the term "Business" means engineering and manufacturing services for high-performance products and high-cost-of failure applications used primarily in the aerospace and defense, industrial, medical and other industries, and any other activity of the Corporation or any of its affiliates. This Section 14 is not intended to prevent the Option Holder from engaging in any activity that is not the same as or competitive with the Business. The Option Holder acknowledges that the Corporation would not have awarded the option granted under this stock option agreement absent the Option Holder's agreement to be bound by the promises made in this Section 14.

15. Acknowledgment; Injunctive Relief. By signing this stock option agreement, the Option Holder acknowledges having carefully read and considered all the terms and conditions of this stock option agreement, including the restraints imposed pursuant to Section 14. The Option Holder also agrees that each of the restraints contained herein is necessary for the protection of the goodwill, confidential information, trade secrets and other legitimate interests of the Corporation; that each and every one of these restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent the Option Holder from obtaining other suitable employment during the period of such restraints. The Option Holder further acknowledges that breach any of the covenants contained in Section 14 would result in irreparable damage to the Corporation. The Option Holder therefore agrees that the Corporation, in addition to any other remedies available to it, shall be entitled to injunctive relief against the breach or threatened breach of said covenants. The Option Holder and the Corporation further agree that, in the event that any provision of Section 14 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

16. Violation of Promises. By signing this stock option agreement, the Option Holder agrees that if the Option Holder violates any of the promises in Section 14, the Option Holder's right to the shares of Common Stock upon exercise of the option shall not have been earned and the unexercised portion of the option, whether vested or not, will be immediately cancelled.

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

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

19. Applicable Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the state in which the Option Holder is employed by the Corporation. Sections 14, 15 and 16 shall not apply to Option Holders employed by the Corporation in California.

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DUCOMMUN INCORPORATED

By: ______________________________________
Chief Executive Officer

By: ______________________________________
Secretary

____
Option Holder

DUCOMMUN INCORPORATED

PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT

This performance restricted stock unit agreement is made as of _______ (the "Effective Date"), between Ducommun Incorporated, a Delaware corporation (the "Corporation"), and ________ ("Award Holder").

R E C I T A L S

This performance restricted stock unit agreement is pursuant to the 2020 Stock Incentive Plan (the "Plan").

A G R E E M E N T S

1. Grant. The Corporation hereby grants to the Award Holder an award (the "Award") with a target (if the Corporation achieves the target level performance goals described in Exhibit A) of _________ performance restricted stock units (the "Restricted Stock Units"), subject to certain adjustments as described herein. Each Restricted Stock Unit represents the right to receive one share of Common Stock, subject to the conditions set forth in this performance restricted stock unit agreement and the Plan.

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

"Common Stock" shall mean the Common Stock, $.01 par value, of the Corporation or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 6 of this performance restricted stock unit agreement.

"Subsidiary" shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

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

3. Vesting. The Award shall vest at the end of the 3-year performance period, beginning as of ________ and ending on _____ (the "Performance Period"). The vesting of the Award shall be based upon the Corporation achieving during the last year of the Performance Period, that level of revenue as set forth in Exhibit A as approved by the Committee at the commencement of the Performance Period. Following the end of the Performance Period and the collection of relevant data necessary to determine the extent to which the performance goal has been satisfied, the Committee

will determine: (a) the amount of revenue that was achieved by the Corporation during the Performance Period relative to the level of revenue approved by the Committee, and (b) the percentage and number of the Restricted Stock Units earned as a result thereof for the Performance Period (the number earned shall be referred to as the "Earned Units"). The Earned Units shall vest (and become "Vested Units") as of the last day of the Performance Period, subject to the continued employment of the Award Holder by the Corporation through such date. The Committee shall make the determination set forth herein in its sole discretion. The level of achievement of revenue shall be evidenced by the Committee's written certification. For the avoidance of doubt, any Restricted Stock Units subject to this Award that do not become Earned Units in accordance with the forgoing shall expire without consideration at the end of the Performance Period.

4. Settlement of Vested Units. Upon certification by the Committee pursuant to Section 3 hereof of the total number of Earned Units earned hereunder for the Performance Period, one share of Common Stock shall be issuable for each Vested Unit (the "RSU Shares"). Thereafter, the Corporation will transfer such RSU Shares to the Award Holder upon the satisfaction of any required tax withholding obligations, securities law registration or other requirements, and applicable stock exchange listing. No fractional shares shall be issued with respect to the Award. The Award Holder shall not acquire or have any rights as a shareholder of the Corporation by virtue of this performance restricted stock unit agreement (or the Award evidenced hereby) until the certificates representing shares of Common Stock issuable pursuant to this Award are actually issued and delivered to the Award Holder in accordance with the terms of the Plan and this performance restricted stock unit agreement. Notwithstanding the foregoing, the Award Holder may elect, on a form and in a manner prescribed by the Corporation, to defer any payment of Vested Units, provided that any such deferral of payment must comply with any applicable requirements of Section 409A of the Code.

5. Termination. If the Award Holder's employment with the Corporation or a Subsidiary terminates at any time for any reason prior to the expiration of the Performance Period, except as provided in this Section 5 or as determined by the Committee in its sole and absolute discretion, any Restricted Stock Units that have not become Vested Units will be forfeited and cancelled and surrendered to the Corporation without payment of any additional consideration, effective on the date of the Award Holder's termination of employment. Upon the termination of the Award Holder's employment with the Corporation or a Subsidiary as a result of the Award Holder's death or "permanent disability" (as defined herein) the Restricted Stock Units shall become fully vested on the date of such death or "permanent disability". As used herein, the term "permanent disability" shall mean the date on which the Award Holder has not worked or been able to work due to physical or mental incapacity for a period of one hundred eighty (180) consecutive days.

6. Adjustments

(a) If the outstanding shares of Common Stock of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through recapitalization (other than the conversion of convertible securities according to their terms), reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made, or if the Corporation shall spin-off, spin-out or otherwise distribute assets with respect to the outstanding shares of Common Stock of the Corporation, an appropriate and proportionate adjustment shall be made, in the number of Restricted Stock Units subject to this Award.

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

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

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

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

10. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this performance restricted stock unit agreement and the transactions contemplated hereby, and the Corporation or any such Subsidiary may require the Award Holder to pay to the Corporation or such Subsidiary in cash any amount or amounts which may be required to be paid as withheld taxes in connection with any issuance of Common Stock pursuant to this Award or any other transaction contemplated hereby as a condition to the issuance of shares of the Common Stock, provided, however, that any amount withheld for taxes in connection with this Award may, at the election of the Award Holder, be paid with previously issued shares of Common Stock or the deduction of shares of Common Stock to be issued in connection with this Award.

11. No Assignments. Neither this performance restricted stock unit agreement, nor this Award nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this performance restricted stock unit agreement, this Award or any other right or privilege granted hereby contrary to the provisions hereof, this performance restricted stock unit agreement, this Award and all of such rights and privileges shall immediately become null and void, provided however, that the Award Holder may transfer an Award to any “family member” (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended (“Form S-8”)), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8 and provided further, that such transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

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

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

14. Clawback. Notwithstanding any other provisions in the Plan, the Corporation may cancel any Award, require reimbursement of any Award by the Award Holder, and effect any other right of recoupment of equity or other compensation provided under the Plan (including under this performance restricted stock unit agreement) in accordance with the Corporation’s clawback policy as the same may be adopted and/or modified from time to time (the "Clawback Policy"). In addition, Award Holder acknowledges that any RSU Shares awarded pursuant to the Plan and this performance restricted stock unit agreement may be subject to repayment to the Corporation in accordance with the Clawback Policy. By accepting the Award, Award Holder is agreeing to be bound by the Clawback Policy, as in effect on the Effective Date or as may be adopted and/or modified from time to time by the Corporation in its sole discretion (including, without limitation, to comply with applicable law or stock exchange listing requirements).

15. Committee Authority. All questions arising under the Plan or under this performance restricted stock unit agreement shall be decided by the Committee in its total and absolute discretion. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this performance restricted stock unit agreement, all of which shall be binding upon the Award Holder to the maximum extent permitted by the Plan.

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

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

DUCOMMUN INCORPORATED

By: ____

Chief Executive Officer

By: ____

Secretary

____

Award Holder

EXHIBIT A

EXHIBIT 31.1

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 June 27, 2020;
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: July 30, 2020

/s/ Stephen G. Oswald

Stephen G. Oswald
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

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 June 27, 2020;
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: July 30, 2020

/s/ Christopher D. Wampler

Christopher D. Wampler

Vice President, Interim Chief Financial Officer and Treasurer, and
Controller and Chief Accounting Officer

EXHIBIT 32

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

In connection with the Quarterly Report of Ducommun Incorporated (the “Company”) on Form 10-Q for the period ending June 27, 2020, 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
July 30, 2020

In connection with the Quarterly Report of Ducommun Incorporated (the “Company”) on Form 10-Q for the period ending June 27, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher D. Wampler, Vice President, Interim Chief Financial Officer and Treasurer, and Controller and Chief Accounting 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/ Christopher D. Wampler
Christopher D. Wampler
Vice President, Interim Chief Financial Officer and Treasurer, and Controller and Chief Accounting Officer
July 30, 2020

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.