

DUCOMMUN INC /DE/  
Form 8-K  
June 20, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934, as amended

Date of Report (Date of earliest event reported) June 20, 2011

**DUCOMMUN INCORPORATED**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction

of incorporation)

**001-08174**  
(Commission

File Number)

**95-0693330**  
(IRS Employer

Identification No.)

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**23301 Wilmington Avenue, Carson, California**  
(Address of principal executive offices)

**90745-6209**  
(Zip Code)

**Registrant's telephone number, including area code (310) 513-7200**

**N/A**

**(Former name or former address, if changed since last report.)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01. Regulation FD Disclosure.**

The information contained in Item 7.01 of this Current Report is being furnished pursuant to Item 7.01 of Form 8-K, and the information contained herein shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under such section.

As previously announced, Ducommun Incorporated, a Delaware corporation ( *Ducommun* ), and DLBMS, Inc., a Delaware corporation and a wholly-owned subsidiary of Ducommun ( *Merger Sub* ), entered into an Agreement and Plan of Merger (the *Merger Agreement* ) with LaBarge, Inc., a Delaware corporation ( *LaBarge* ). Pursuant to the terms of the Merger Agreement, at the effective time of the Merger (the *Effective Time* ) Merger Sub will be merged with and into LaBarge with LaBarge continuing as the surviving corporation and a wholly-owned subsidiary of Ducommun (the *Merger* ).

Concurrently and subject to the consummation of the Merger, Ducommun expects to offer \$200.0 million aggregate principal amount of its senior unsecured notes due 2018 (the *notes* ) and enter into a new \$190.0 million term loan facility, maturing in June 2017 (the *New Term Loan Facility* ) and a \$60.0 million new revolving credit facility, maturing in June 2016 (the *New Revolving Credit Facility*, and together with the New Term Loan Facility, the *New Credit Facilities* ). The proceeds of the notes offering, together with borrowings under the New Credit Facilities will be used to finance the Merger, repay certain existing indebtedness of Ducommun and LaBarge, pay fees and expenses in connection with the Transactions (as defined below) and add new cash to Ducommun's balance sheet.

In connection with the anticipated consummation of the Transactions, including, without limitation, the Merger, Ducommun is providing the following additional information concerning the anticipated effects of the Merger, and the transactions contemplated in connection therewith.

For purposes of this Current Report, unless otherwise indicated or the context requires otherwise:

*Ducommun, we, us or our refers to Ducommun Incorporated and its consolidated subsidiaries, including, where applicable, LaBarge on a pro forma basis;*

*LaBarge refers to LaBarge, Inc. and its consolidated subsidiaries;*

*on a pro forma basis, means on a pro forma basis, giving effect to the Transactions, and the other adjustments referred to in the introduction to Unaudited Pro Forma Condensed Combined Financial Data ;*

*on a stand-alone basis means without giving effect to the Transactions; and*

*Transactions means collectively, the Merger, the notes offering and entry into the New Credit Facilities (each as defined above).*

### Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be preceded by, followed by or include the words believes, expects, anticipates, intends, plans, estimates or similar expressions. These statements are based on the beliefs and assumptions of our management. Generally, forward-looking statements include information concerning our possible or assumed future actions, events or results of operations. Forward-looking statements specifically include, without limitation, the information herein regarding: projections; efficiencies/cost avoidance; cost savings; income and margins; earnings per share; growth; economies of scale; combined operations; the economy; future economic performance; conditions to, and the timetable for, completing the transactions; capital expenditures; future financing needs; future acquisitions and dispositions; litigation; potential and contingent liabilities; management's plans; and merger and integration-related expenses.

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

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

the cyclical nature of the aerospace market and the level of new commercial aircraft orders;

customer concentration;

production rates for various commercial and military aircraft programs;

the level of U.S. defense spending;

competitive pricing pressures;

manufacturing inefficiencies;

start-up costs and possible overruns on new contracts;

technology and product development risks and uncertainties;

product performance;

increasing consolidation of customers and suppliers in the aerospace industry;

price erosion within the electronics manufacturing services marketplace;

the risk of environmental liabilities;

possible goodwill impairment;

compliance with applicable regulatory requirements and changes in regulatory requirements, including regulatory requirements applicable to government contracts and sub-contracts;

imposition of taxes, export controls, tariffs, embargoes and other trade restrictions;

economic and geopolitical developments and conditions;

our ability to service our substantial indebtedness;

our ability to manage and otherwise comply with our covenants with respect to our significant outstanding indebtedness;

unfavorable developments in the global credit markets, which may make it more difficult to incur new indebtedness or refinance our outstanding indebtedness;

the risk that LaBarge's business, operations and employees will not be integrated successfully with our business and operations;

our inability to recognize the benefits of the Merger, including any potential synergies, growth, cost savings or accretive value;

our ability to retain key employees following the Merger;

our inability to maintain current customer and supplier relationships following the Merger;

the risk that the Merger disrupts current plans and operations;

litigation in respect of either LaBarge, the Merger or us;

the amount of the costs, fees, expenses and charges related to the Merger and the financings for the Merger, including the notes offering;

the method of accounting for the Merger; and

risks associated with other acquisitions and dispositions of businesses by us.

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

## Business

### Overview

Ducommun provides engineering and manufacturing services primarily to the aerospace and defense industry. We design, engineer and manufacture mission-critical aerospace and electromechanical components and subassemblies. We also provide engineering, technical and program management services. Our products and services are used on domestic and foreign commercial and military aircraft, helicopter, missile and space programs. We are the successor to a business that was founded in California in 1849 and reincorporated in Delaware in 1970.

On April 3, 2011, we entered into a Merger Agreement to acquire LaBarge for approximately \$338.1 million comprised of approximately \$310.3 million in equity and \$27.8 million of outstanding LaBarge debt, which will be repaid at closing of the Merger. LaBarge provides custom high-performance electronic, electromechanical and interconnect systems on a contractual basis for customers in the aerospace and defense and several other markets. We believe our acquisition of LaBarge (the *LaBarge Acquisition*) will allow us to significantly expand our existing presence in the aerospace and defense industry as well as to diversify our net sales base across new markets, including industrial, natural resources and medical.

Pursuant to the Merger Agreement, subject to the satisfaction of certain conditions, Merger Sub will be merged with and into LaBarge, with LaBarge (which will be renamed Ducommun LaBarge Technologies, Inc.) continuing as the surviving corporation and a wholly-owned subsidiary of Ducommun. In the Merger, each outstanding share of LaBarge common stock will be cancelled and converted (subject to the exercise of appraisal rights) into the right to receive \$19.25 per share in cash. The proceeds from the notes offered, together with borrowings under the New Credit Facilities will be used to finance the cost of the LaBarge Acquisition, refinance certain existing indebtedness of Ducommun and LaBarge, pay fees and expenses in connection with the Transactions and add new cash to our balance sheet.

### LaBarge

Incorporated in 1968, LaBarge provides EMS services, which involves the manufacture of custom, complex, high-reliability and mission-critical products for customers in diverse technology-driven markets, such as the aerospace and defense, industrial, natural resources, medical and other commercial markets. LaBarge markets its services to customers desiring a manufacturing and engineering partner capable of developing and providing products that can perform reliably in harsh environmental conditions, such as extreme temperatures, severe shock and vibration and

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with rapid turnaround time. The sophistication and complexity of the products LaBarge designs and manufactures require superior quality. LaBarge is capable of quickly producing multiple sophisticated electronics products utilizing the same manufacturing set up resulting in increased efficiency and higher margins as compared to less-sophisticated high-volume product lines. This low-volume and high-mix production expertise, together with its lean manufacturing culture and service driven business model, enables LaBarge to consistently achieve attractive profit margins relative to other industry participants that may focus on high-volume and low-mix products.

For the twelve months ended April 3, 2011, on a stand-alone basis, LaBarge generated net sales of \$332.5 million and Adjusted EBITDA of \$41.0 million. See Summary Consolidated Historical Financial Data of LaBarge for a reconciliation of net income to Adjusted EBITDA. As of April 3, 2011, on a stand-alone basis LaBarge had firm backlog of \$241.6 million.

## LaBarge Acquisition Rationale

We believe the LaBarge Acquisition will allow us to expand our presence significantly in the aerospace and defense markets as well as diversify our net sales base across new markets, including industrial, natural resources, medical and other commercial end markets. More specifically, we expect to realize the following benefits from the LaBarge Acquisition:

**Strengthen our market position as a significant Tier 2 supplier for both structural and electronic assemblies.** We believe that we are an important global provider of innovative, value-added products and solutions to the aerospace and defense industries. We believe that the LaBarge Acquisition will add substantial additional technical capabilities, which will increase our ability to serve our customers with a broader base of products and services and strengthen our market position as a Tier 2 supplier for both structural and electronic assemblies. Tier 2 suppliers manufacture subassemblies and are regarded as preferred secondary suppliers to principal OEMs and primary Tier 1 suppliers (those who manufacture aircraft sections and purchase assemblies).

**Diversify our end markets.** The LaBarge Acquisition will diversify our net sales across new and higher growth markets in addition to the aerospace and defense sectors we already serve. Our more diversified net sales base will reduce dependence on any particular product, platform or market channel, mitigating the impact of any specific industry risk. For the twelve months ended April 3, 2011, approximately 63% of LaBarge's net sales were related principally to the industrial, natural resources, medical and other commercial end markets. We believe that the addition of these new end markets will increase the number of growth opportunities available to us.

**Expand our platform.** The LaBarge Acquisition will add new customers and programs and expand our existing platforms. For example, LaBarge is a significant provider of products and services to the UH-60 Black Hawk and F-35 Joint Strike Fighter platforms. Through the LaBarge Acquisition, we believe our presence in these attractive programs will significantly increase. In addition, we believe that the LaBarge Acquisition will enable cross-selling opportunities to current and new customers in aerospace and defense and other markets.

**Increase value-added manufacturing services content in our product portfolio.** We believe that the LaBarge Acquisition will enable us to be a more significant provider of low-volume, high-mix, complex, high reliability and mission-critical services and products to the aerospace and defense industries and other key industries by expanding our value-added service offerings including engineering, design and program management. For example, the LaBarge Acquisition will enhance our ability to offer complete system integration services to a broader customer base such as mobile radar solutions for Raytheon and Northrop Grumman.

**Expand our technology product portfolio.** We believe that LaBarge's products will complement our existing integrated electronics assembly product offerings. For example, one of our primary focus areas following the LaBarge Acquisition will be building on the expertise of both Ducommun and LaBarge in providing electromechanical equipment to support sophisticated airborne radar systems in order to create a platform for DTI to become one of the largest non-OEM aerospace and defense providers of manufacturing services related to radar rack solutions. We believe the high level of commonality between our and LaBarge's products supports the complementary nature of our technology product portfolios.

**Realize potential synergies.** We expect that the LaBarge Acquisition will create cost synergy opportunities for us, including savings on a combined basis related to corporate overhead costs and public company costs as well as supply chain and operational improvements. We believe that access to new customers afforded to us by the LaBarge Acquisition will allow for substantial marketing and cross-selling opportunities to both current and new customers.

## Combined Company

The combined company will operate in two business segments:

Ducommun LaBarge Technologies (DLT), which will be formed by the combination of our DTI segment and LaBarge. DLT will design, engineer and manufacture a broad range of electronic, electromechanical and interconnect systems and components. DLT products will be used in technology-driven markets, including aerospace and defense, industrial, natural resources, medical and other commercial markets. In addition, DLT will provide technical and program management services (including design, development, integration and testing of prototype products) principally for advanced weapons and missile defense systems. We believe the EMS activities currently conducted through our DTI segment will be significantly complemented in scale, customer, program, product, market and brand presence through the addition of LaBarge's EMS activities. On a pro forma basis, DLT net sales were \$463.1 million for the twelve months ended April 2, 2011.



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DAS, our other segment, will remain intact and will continue to design, engineer and manufacture large and complex contoured aerostructure components and assemblies and serve as an OEM supplier of composite and metal bonded structures, specializing in rotor blades and other flight control assemblies. on a historical and pro forma basis DAS net sales were \$273.1 million for the twelve months ended April 2, 2011.

On a pro forma basis, our net sales and Adjusted EBITDA were \$736.2 million and \$90.5 million, respectively, for the twelve months ended April 2, 2011. See Summary Consolidated Historical and Pro Forma Financial Data for a reconciliation of pro forma net income to pro forma Adjusted EBITDA. As of April 2, 2011, our backlog was \$600.2 million on a pro forma basis. The following charts set forth our pro forma net sales for the twelve months ended April 2, 2011 by end market and business segment:

**Pro Forma Net Sales By End Market**

**Pro Forma Net Sales by Business Segment**

Note: Reflects net sales on a pro forma basis for the twelve months ended April 2, 2011.

**Competitive Strengths**

We believe our key competitive strengths include:

**Strong market position.** We are an important manufacturing services provider to the aerospace and defense industries. We engineer and manufacture mission critical and highly customized components for the global aerospace and defense industries. We are a non-OEM supplier of composite and metal bonded structures, specializing in rotor blades and other flight control assemblies, fuselage skins, radar systems, electrical harnesses and various other applications. Following the consummation of the LaBarge Acquisition, we believe we will be better positioned in the markets we serve and a more recognizable provider of high-margin, low-volume and high-mix customized manufacturing services to the global aerospace and defense and other technology-driven industries.

**Significant obstacles for competitors.** We design and manufacture advanced technology products that specifically address the evolving needs of our customers, and we have developed a strong track record of delivering reliable, high-performance product and service solutions. We believe we are the sole source provider for most of the products we sell. The niche nature of our markets, the industry's stringent regulatory and customer certification requirements, the investments necessary to develop and certify products create significant obstacles for potential competitors.

**Diversified end-markets and platforms with strong industry fundamentals.** Our diversified net sales base provides stability by reducing our dependence on any particular product, platform or market channel. Within the aerospace and defense sectors, we believe we are entrenched on a number of high growth platforms, including the B787, B737NG, B777, V-22, A350XWB, A380, and the UH-60. We believe we are well positioned to benefit from expected continued growth in our end markets, including strong demand anticipated in the commercial aerospace markets. Through the LaBarge Acquisition we will also benefit from a broadening of our product and end market scope, which will further emphasize our positioning as a diversified provider of systems and services solutions across a multitude of products and platforms.

**Long-term relationships with blue-chip customers.** We serve a broad set of global customers and supply top OEMs such as Boeing, Raytheon and United Technologies, as well as the United States government. We have had a long history with many of our customers, including relationships of thirty years or more with four of our top six customers (based on net sales on a pro forma basis for the twelve months ended April 2, 2011).

**Consistent cash flow generation with a sizeable backlog.** We have generated consistent operating cash flows through various industry cycles as a result of historically relatively stable net sales and profit margins and relatively modest capital expenditure requirements. For the three most recent fiscal years, each of Ducommun's and LaBarge's Adjusted EBITDA margins have ranged from 11% to 13% of net sales on a stand-alone basis while capital expenditures have ranged from 1% to 3% of net sales on a stand-alone basis for Ducommun and 1% to 4% of net sales on a stand-alone basis for LaBarge for the same period. As of April 2, 2011, our backlog on a pro forma basis was approximately \$600 million.

**Management team of industry veterans with a successful track record.** Our operations are managed by an experienced management team with a proven track record of growing our business organically, controlling costs, focusing on customers and integrating acquisitions. The management team includes well-seasoned operators who have had significant experience through a variety of industry cycles and have successfully completed and integrated four acquisitions since 2006. Our executive officers have an average of 28 years of industry experience.

### **Business Strategy**

The following are key elements of our business strategy:

**Focus on integrating combined company operations and realizing identified cost synergy opportunities.** As a results-driven organization, we believe that the realization of the benefits resulting from the LaBarge Acquisition will depend on our ability to successfully and seamlessly integrate LaBarge into our existing operations. Ducommun has devoted considerable time and resources to devising and implementing a framework that we believe will be instrumental in our integration efforts.

**Focus on marketing opportunities to the combined company's customer base.** The LaBarge Acquisition will broaden the aerospace and defense platforms we serve as well as expand our existing customer base. We believe the combination will create substantial marketing opportunities as we capitalize on the technical capabilities and customer relationships of both Ducommun and LaBarge to market to the combined company's customer base.

**Internal and external customer focus.** We are a customer-oriented organization and our key focus is on maintaining and expanding our base of blue chip customers across our various end markets. We believe that our product and services portfolio adds significant value to our customers operations and we will continue to build upon our existing expertise and relationships to further increase the attractiveness of our offerings to existing and new customers.

**Leverage One Ducommun platform.** We believe that sustained profitable growth results from operational excellence and continuing organizational development. Operational excellence is driven by an ongoing focus on improving manufacturing processes, a broadening of capabilities, production efficiencies, capacity control, offshore expansion and supply chain management.

**Build brand equity.** We believe that both Ducommun's and LaBarge's names are well recognized and respected among our respective customers and markets. The preservation and continuous buildup of Ducommun's and LaBarge's brand equity remains a priority for us, and we believe that the retention of the two names for our technologies business, Ducommun LaBarge Technologies, Inc., has significant potential to protect and raise brand value and recognition.

### **Products and Services**

Following the Merger, Ducommun will operate in two business segments, each of which will be a reportable operating segment:

Ducommun LaBarge Technologies (DLT), which will design, engineer and manufacture electromechanical components, interconnect systems and subassemblies, and will provide engineering, technical and program management services (including design, development, integration and test of prototype products) primarily for the aerospace and military and defense markets; and

Ducommun Aerostructures (DAS), which will engineer and manufacture aerospace structural components and subassemblies.

#### ***Ducommun LaBarge Technologies (DLT)***

After the consummation of the Merger, DLT will design and manufacture illuminated push button switches and panels, microwave and millimeterwave switches and filters, fractional horsepower motors and resolvers, cable assemblies, wiring harness and interconnect systems, printed circuit board assemblies and mechanical and electromechanical subassemblies, and will provide engineering, technical and program management services. Components and assemblies will be provided principally for domestic and foreign commercial and military aircraft, helicopter and space programs as well as selected non-aerospace applications for the industrial, natural resources and medical industries. Engineering, technical and program management services will be provided principally for advanced weapons and missile defense systems.

**Panels, Switches and Related Components.** DLT will develop, design and manufacture illuminated switches, switch assemblies, keyboard panels, and edge lit panels, used in many military and commercial aircraft, helicopter, and space programs. DLT will manufacture switches and panels where high reliability is a prerequisite. DLT will also develop, design and manufacture microwave and millimeterwave switches, filters,

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and other components used principally on commercial and military aircraft and satellites. In addition, DLT will develop, design and manufacture high precision actuators, stepper motors, fractional horsepower motors and resolvers principally for space and oil service applications, and microwave and millimeterwave products for certain non-aerospace applications.

*Mechanical and Electromechanical Subassemblies.* DLT will be a manufacturer of mechanical and electromechanical subassemblies for the defense electronics and commercial aircraft markets and for other commercial uses such as industrial automation, satellites, space launch vehicles, oil wells, mine automation equipment and medical devices. DLT will have a fully integrated manufacturing capability, including manufacturing, engineering, fabrication, machining, assembly, electronic integration and related processes. DLT's products will include sophisticated radar enclosures, gyroscopes and indicators, aircraft avionics racks and shipboard communications and control enclosures, printed circuit board assemblies and other high level complex assemblies.

*Engineering, Technical and Program Management Services.* DLT will be a provider of missile and aerospace systems design, development, integration and testing. Engineering, technical and program management services will be provided principally for advanced weapons systems and missile defense primarily for United States defense, space and homeland security programs.

#### ***Ducommun AeroStructures (DAS)***

DAS will provide aluminum stretch-forming, titanium and aluminum hot-forming, machining, composite lay-up, metal bonding, and chemical milling services principally for domestic and foreign commercial and military aircraft, helicopter and space programs.

*Stretch-Forming, Hot-Forming and Machining.* DAS will supply the aerospace industry with engineering and manufacturing of complex components using stretch-forming and hot-forming processes and computer-controlled machining. Stretch-forming is a process for manufacturing large, complex structural shapes primarily from aluminum sheet metal extrusions. DAS will have large and sophisticated stretch-forming presses. Hot-forming is a metal working process conducted at high temperature for manufacturing close-tolerance titanium and aluminum components. DAS will design and manufacture the tooling required for the production of parts in these forming processes. Certain components manufactured by DAS will be machined with precision milling equipment, including three 5-axis gantry profile milling machines and seven 5-axis numerically-controlled routers to provide computer-controlled machining and inspection of complex parts up to 100 feet long.

*Composites and Metal Bonding.* DAS will engineer and manufacture metal, fiberglass and carbon composite aerostructures. DAS will produce helicopter main and tail rotor blades and adhesive bonded assemblies, including spoilers, winglets and fuselage structural panels for aircraft.

*Chemical Milling.* We believe DAS will be a major supplier of close tolerance chemical milling services for the aerospace industry. Chemical milling removes material in specific patterns to reduce weight in areas where full material thickness is not required. This sophisticated etching process will enable DAS to produce lightweight, high-strength designs that would be impractical to produce by conventional means. DAS will offer production-scale chemical milling on aluminum, titanium, steel, nickel-base and super alloys. Jet engine components, wing leading edges and fuselage skins are examples of products that require chemical milling.

#### **Sales and Marketing**

Military components manufactured by Ducommun and its subsidiaries, including LaBarge following the Merger, are employed in many of the country's front-line fighters, bombers, helicopters and support aircraft, as well as sea-based applications. Engineering, technical and program management services are provided principally for United States defense, space and homeland security programs. Our defense business is diversified among a number of military manufacturers and programs. In the space sector, we continue to support various unmanned launch vehicle and satellite programs. Our commercial sales depend substantially on aircraft manufacturers' production rates, which in turn depend on deliveries of new aircraft. Deliveries of new aircraft by aircraft manufacturers are dependent on the financial capacity of the airlines and leasing companies to purchase the aircraft. Sales of commercial aircraft could be affected as a result of changes in new aircraft orders, or the cancellation or deferral by airlines of purchases of ordered aircraft. Our sales for commercial aircraft programs also could be affected by changes in its customers' inventory levels and changes in its customers' aircraft production build rates.

On a stand-alone basis, Ducommun's sales related to military and space programs were approximately 60% of total sales in 2010 and sales related to its commercial business were approximately 40% of total sales in 2010. On a pro forma basis, sales related to military and space, commercial aerospace, and other end markets were approximately 49%, 23% and 28%, respectively, of total sales in 2010. Upon consummation of the Merger, we believe the diversification of LaBarge's existing customer base will help to reduce the impact to the combined company of volatility in any one market sector.

Many of our contracts are fixed price contracts subject to termination at the convenience of the customer (as well as for default). In the event of termination for convenience, the customer generally is required to pay the costs we incurred by us and certain other fees through the date of termination. Larger, long-term government subcontracts may have provisions for milestone payments, progress payments or cash advances for purchase of inventory.

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



## Major Customers

Ducommun has had substantial sales to Boeing, Raytheon, United Technologies and the U.S. Government. During 2010, on a stand-alone basis, sales to Boeing were \$107.5 million, or approximately 26% of total sales; sales to Raytheon were \$48.2 million, or approximately 12% of total sales; sales to the United Technologies were \$30.7 million, or approximately 8% of total sales; and sales to the U.S. Government were \$16.9 million, or approximately 4% of total sales. LaBarge has had substantial sales to Schlumberger Ltd., Owens-Illinois, Inc., American Superconductor and Raytheon. On a pro forma basis, for 2010, sales to Boeing were \$109.6 million, or approximately 15% of total sales; sales to Raytheon were \$70.4 million, or approximately 10% of its total sales; sales to Owens-Illinois were \$47.4 million, or approximately 6% of total sales; sales to United Technologies were \$41.0 million, or approximately 6% of total sales; sales to American Superconductor were \$30.3 million or 4% of total sales; and sales to the U.S. Government were \$22.1 million, or approximately 3% of total sales. Sales to these customers are typically comprised of multiple end products diversified over a number of different programs.

## Information About Foreign and Domestic Operations and Export Sales

In 2010, 2009, and 2008, Ducommun's sales to foreign customers worldwide, on a stand-alone basis, were \$38.0 million, \$32.1 million and \$32.9 million, respectively and on a pro forma basis, were \$74.8 million, \$49.2 million and \$36.1 million, respectively. Ducommun has manufacturing facilities in Thailand and Mexico. LaBarge does not have any foreign facilities. The amounts of net sales, profitability and identifiable assets attributable to foreign sales activity both on a stand-alone and pro forma basis were not material when compared with the net sales, profitability and identifiable assets attributed to United States domestic operations for the corresponding periods. Ducommun, on a stand-alone basis, had no sales to a foreign country greater than 3% of total sales in 2010, 2009 and 2008. The majority of LaBarge's foreign sales are due to a large contract related to wind power generation equipment. We are not subject to any significant foreign currency risks since all sales are made in United States dollars.

## Research and Development

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

## Raw Materials and Components

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

## Competition

The aerospace and EMS industries are highly competitive, and our products and services are affected by varying degrees of competition. We compete worldwide with domestic and international companies in most markets it serves, some of which are substantially larger and have greater financial, sales, technical and personnel resources. Larger competitors offering a wider array of products and services than those offered by us could have a competitive advantage by offering potential customers bundled products and services that we cannot match. In addition, our customers may, in fact, have the ability to produce internally the products contracted to us, but because of cost, capacity, engineering capability or other reasons, outsource production of such products to us. Our ability to compete depends principally upon the quality of our goods and services, competitive pricing, product performance, design and engineering capabilities, new product innovation and the ability to solve specific customer problems.

## Patents and Licenses

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

## Backlog

Backlog is subject to delivery delays or program cancellations, which are beyond our control. As of April 2, 2011, backlog believed to be firm for Ducommun was approximately \$358.6 million, compared to \$328.0 million at December 31, 2009. The increase in backlog is mainly due to higher backlog for 777, Apache and Black Hawk helicopters. Approximately \$209.7 million of total backlog is expected to be delivered during the remainder of 2011. As of April 3, 2011 backlog believed to be firm for LaBarge was approximately \$241.6 million, compared to \$198.7 million at June 27, 2010. The \$42.9 million increase in backlog is primarily attributable to several large defense contracts and partially offset by backlog decreases in the natural resources and industrial sectors of LaBarge. Approximately \$98.0 million of total backlog is expected to be delivered during the remainder of 2011.

Trends in Ducommun's and LaBarge's overall level of backlog may not be indicative of trends in future sales of the combined company because our backlog is affected by timing differences in the placement of customer orders and because Ducommun's and LaBarge's backlog tends to be concentrated in several programs to a greater extent than sales.

## Environmental Matters

Our business, operations and facilities are subject to numerous stringent federal, state and local environmental laws and regulations issued by government agencies, including the Environmental Protection Agency ( *EPA* ). Among other matters, these regulatory authorities impose requirements that regulate the emission, discharge, generation, management, transport and disposal of hazardous materials, pollutants and contaminants. These regulations govern public and private response actions to hazardous or regulated substances that threaten to release, or have been released to the environment, and they require us to obtain and maintain licenses and permits in connection with our operations. We may also be required to investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations. Additionally, this extensive regulatory framework imposes significant compliance burdens and risks on us. We anticipate that capital expenditures will continue to be required for the foreseeable future to upgrade and maintain its environmental compliance efforts. We do not expect to spend a material amount on capital expenditures for environmental compliance during 2011.

The DAS chemical milling business uses various acid and alkaline solutions in the chemical milling process, resulting in potential environmental hazards. Despite existing waste recovery systems and continuing capital expenditures for waste reduction and management, at least for the immediate future, this business will remain dependent upon the availability and cost of remote hazardous waste disposal sites or other alternative methods of disposal.

DAS has been directed by California environmental agencies to investigate and take corrective action for ground water contamination at its facilities located in El Mirage and Monrovia, California. Based on currently available information, Ducommun has established a reserve for its estimated liability for such investigation and corrective action in the approximate amount of \$1.5 million. DAS also faces liability as a potentially responsible party for hazardous waste disposed at two landfills located in Casmalia and West Covina, California. DAS and other companies and government entities have entered into consent decrees with respect to each landfill with the United States Environmental Protection Agency and/or California environmental agencies under which certain investigation, remediation and maintenance activities are being performed. Based upon currently available information, we have established a reserve for its estimated liability in connection with the landfills in the approximate amount of \$1.1 million. Our ultimate liability in connection with these matters will depend upon a number of factors, including changes in existing laws and regulations, the design and cost of construction, operation and maintenance activities, the continued cleanup of the Monrovia site by three other potentially responsible parties and the allocation of liability among potentially responsible parties.

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

## Employees

On a pro forma basis, we will employ approximately 3,400 people. Ducommun's DAS subsidiary is a party to a collective bargaining agreement, expiring July 1, 2012, with labor unions at its Monrovia, California facility covering approximately 250 full-time hourly employees at April 2, 2011. LaBarge is also a party to collective bargaining agreements, expiring January 11, 2016, at its two Joplin, Missouri facilities covering approximately 250 employees. If any of these unionized workers were to engage in a strike or other work stoppage, if we are unable to negotiate acceptable collective bargaining agreements with the unions, or if other employees were to become unionized, we could experience a significant disruption of our operations and higher ongoing labor costs and possible loss of customer contracts, which could have an adverse effect on its business and results of operations. We have not experienced any material labor-related work stoppage and consider our relations with our employees to be good.





## Properties

Ducommun, on a stand-alone basis, occupies approximately 21 facilities with a total office and manufacturing area of approximately 1.5 million square feet, including both owned and leased properties. LaBarge, on a stand-alone basis, occupies approximately 11 facilities with total office and manufacturing area of over 648,800 square feet including both owned and leased properties. At April 2, 2011, facilities of Ducommun and LaBarge which were in excess of 50,000 square feet each were occupied as follows:

Location	Company/Segment	Square Feet	Expiration of Lease
Carson, California	Ducommun AeroStructures	286,000	Owned
Monrovia, California	Ducommun AeroStructures	274,000	Owned
Parsons, Kansas	Ducommun AeroStructures	120,000	Owned
Pittsburgh, Pennsylvania	LaBarge	135,502	2012
Carson, California	Ducommun Technologies	117,000	2013
Phoenix, Arizona	Ducommun Technologies	100,000	2012
Appleton, Wisconsin	LaBarge	76,728	Owned
Orange, California	Ducommun AeroStructures	76,000	Owned
El Mirage, California	Ducommun AeroStructures	74,000	Owned
Huntsville, Arkansas	LaBarge	69,000	2020
Iuka, Mississippi	Ducommun Technologies	66,000	2013
Carson, California	Ducommun AeroStructures	65,000	2014
Coxsackie, New York	Ducommun AeroStructures	65,000	2013
Joplin, Missouri	LaBarge	92,000	2016
Joplin, Missouri	LaBarge	55,000	Owned
Tulsa, Oklahoma	LaBarge	55,000	Owned
Huntsville, Alabama	Ducommun Technologies	52,000	2015
Berryville, Arkansas	LaBarge	52,000	Owned

Our facilities are, for the most part, fully utilized, although excess capacity exists from time to time based on product mix and demand. Management believes these properties are in good condition and suitable for their present use and for the use of the combined company.

## Legal Proceedings

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

### *Ducommun*

Ducommun is a defendant in a lawsuit entitled *United States of America ex rel Taylor Smith, Jeannine Prewitt and James Ailes v. The Boeing Company and Ducommun Inc.*, filed in the United States District Court for the District of Kansas (the "*District Court*"). The lawsuit is a qui tam action brought by three former Boeing employees ( "*Relators*" ) against Boeing and Ducommun on behalf of the United States of America for violations of the United States False Claims Act. The lawsuit alleges that Ducommun sold unapproved parts to the Boeing Commercial Airplane Group-Wichita Division which were installed by Boeing in aircraft ultimately sold to the United States government. The number of Boeing aircraft subject to the lawsuit has been reduced to 21 aircraft following the District Court's granting of partial summary judgment in favor of Boeing and Ducommun. The lawsuit seeks damages, civil penalties and other relief from the defendants for presenting or causing to be presented false claims for payment to the United States government. Although the amount of alleged damages are not specified, the lawsuit seeks damages in an amount equal to three times the amount of damages the United States government sustained because of the defendants actions, plus a civil penalty of \$10,000 for each false claim made on or before September 28, 1999, and \$11,000 for each false claim made on or after September 28, 1999, together with attorneys' fees and costs. One of Relators' experts has opined that the United States government's damages are in the amount of \$833 million. After investigating the allegations, the United States government has declined to intervene in the lawsuit. Ducommun intends to defend itself vigorously against the lawsuit. Ducommun, at this time, is unable to estimate what, if any, liability it may have in connection with the lawsuit.



DAS has been directed by California environmental agencies to investigate and take corrective action for ground water contamination at its facilities located in El Mirage and Monrovia, California. Based on currently available information, Ducommun has established a reserve for its estimated liability for such investigation and corrective action in the approximate amount of \$1,509,000. DAS also faces liability as a potentially responsible party for hazardous waste disposed at two landfills located in Casmalia and West Covina, California. DAS and other companies and government entities have entered into consent decrees with respect to each landfill with the EPA and/or California environmental agencies under which certain investigation, remediation and maintenance activities are being performed. Based upon currently available information, Ducommun has established a reserve for its estimated liability in connection with the landfills in the approximate amount of \$963,000. 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, the continued cleanup of the Monrovia site by three other potentially responsible parties and the allocation of liability among potentially responsible parties.

### ***LaBarge***

On February 10, 2011, LaBarge received a Wells notice from the staff of the SEC indicating that the staff intended to recommend the filing of a civil enforcement action against LaBarge. The SEC staff indicated to LaBarge that any such action would allege violations of securities laws in connection with certain of LaBarge's financial reporting processes during primarily 2006 and 2007. The Wells notice related only to a potential proceeding against LaBarge, and the SEC staff indicated that they did not contemplate that a claim would be made against any individuals or would include an allegation of fraud on the part of LaBarge or any of its directors, officers or employees. The SEC staff has also advised LaBarge that it did not expect to request that LaBarge restate its financial statements for the periods in question.

On March 18, 2011, LaBarge reached an understanding with the regional staff of the SEC regarding the terms of a settlement that the regional staff has agreed to recommend to the SEC. The proposed agreement, under which LaBarge will not admit or deny any wrongdoing, will, if approved by the SEC, fully resolve all claims against LaBarge relating to the formal investigation that the SEC commenced in June, 2009, relating to LaBarge's internal controls regarding its use of estimates of completion costs for certain long-term production contracts. The proposed settlement includes the following principal terms:

LaBarge will agree to a cease and desist order from future violations of the securities laws; and

LaBarge will pay a monetary penalty of \$200,000.

### ***Litigation Relating to the Merger***

Ducommun has been named as a defendant in five putative class actions filed in April, 2011 by purported stockholders of LaBarge against LaBarge, its Board of Directors and Ducommun in connection with the LaBarge Acquisition. Some of these actions also name DLBMS, Inc., a wholly-owned subsidiary of Ducommun formed for the purpose of effecting the LaBarge Acquisition. Two of the stockholder actions (filed by purported class representatives Barry P. Borodkin and Insulators and Asbestos Workers Local No. 14) were filed in the Delaware Chancery Court, and the court consolidated those two actions. The other three stockholder actions (filed by purported class representatives J. M. Foley, Jr., William Wheeler and Doris A. Gastineau) were filed in the Circuit Court of St. Louis County, Missouri, and that court consolidated those three actions.

The consolidated Delaware and Missouri putative class actions generally allege that the individual members of the Board of Directors of LaBarge breached their fiduciary duties to LaBarge stockholders with respect to the proposed merger transaction announced on April 4, 2011. These actions also allege that Ducommun, Merger Sub and LaBarge aided and abetted the breach of fiduciary duties. They seek injunctive relief to prevent the closing of the LaBarge Acquisition, judicial declarations that the Merger Agreement was entered into in breach of the LaBarge directors' fiduciary duties, rescission of the transactions contemplated by the Merger Agreement, and the award of attorneys' fees and expenses for the plaintiffs.

In the Delaware consolidated actions, the parties engaged in expedited discovery in connection with a preliminary injunction hearing scheduled for June 17, 2011. After document discovery and depositions, and before the plaintiffs filed their motion for preliminary injunction, the parties negotiated and signed a memorandum of understanding to settle plaintiffs' claims. The preliminary settlement is subject to a definitive agreement and final approval of the Delaware Chancery Court. There can be no assurance that the parties will ultimately enter into a stipulation of settlement or that the Chancery Court will approve the settlement even if the parties do enter into such stipulation.

In the Missouri consolidated actions, the defendants sought a stay of the Missouri actions from the Missouri court, the plaintiffs opposed that request, and the Missouri court stayed the actions. At a hearing on June 16, 2011, plaintiffs sought reconsideration of the court's stay, and the defendants opposed that request. The Missouri court stated that it would issue an order shortly thereafter.

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Ducommun believes these lawsuits are without merit, and in the event that settlement of these claims is not finalized, intends to defend them vigorously.

### **Risk Factors**

*In addition to the other information included herein, including the matters addressed in the Special Note Regarding Forward-Looking Statements, you should carefully consider the following risks before making an investment in our securities. Additional risks and uncertainties not presently known to us or that are not currently believed to be important also may adversely affect our business following the Transactions.*

*Unless the context indicates otherwise, when we refer to we, us and our for purposes of this section, we are referring to Ducommun and its subsidiaries including LaBarge and its subsidiaries following consummation of the LaBarge Acquisition.*

#### **Risks Related to the Notes**

***Our substantial indebtedness could adversely affect our financial condition, limit our ability to raise additional capital to fund our operations and prevent us from fulfilling our obligations under the notes.***

After the notes offering and the application of the net proceeds therefrom, we will have a significant amount of indebtedness. As of April 2, 2011, on a pro forma basis, we would have had total indebtedness of \$393.3 million, including the notes and the principal amount of our New Term Loan Facility, plus, to the extent necessary, limited borrowings, but no greater than \$10.0 million, under the New Revolving Credit Facility with the remaining portion of such \$60.0 million New Revolving Credit Facility available to be borrowed. Upon the satisfaction of certain conditions including, but not limited to, the agreement of lenders to provide such facilities or commitments, we will also have the option to add one or more incremental term loan facilities or increase commitments under our New Revolving Credit Facility by an aggregate amount of up to \$75.0 million. The Existing Ducommun Credit Facility and Existing LaBarge Credit Facility will be repaid and terminated at closing.

If we do not generate sufficient cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

refinancing or restructuring our debt;

selling assets;

reducing or delaying scheduled expansions and capital investments; or

seeking to raise additional capital.

We cannot assure you that we would be able to enter into these alternative financing plans on commercially reasonable terms or at all. Moreover, any alternative financing plans that we may be required to undertake would still not guarantee that we would be able to meet our debt obligations. Our inability to generate sufficient cash flow to satisfy our debt obligations, including our obligations under the notes, or to obtain alternative financing, could materially and adversely affect our business, results of operations, financial condition and business prospects.

Our high level of debt could have important consequences to us and to the holders of the notes, including:

making it more difficult for us to satisfy our obligations with respect to the notes and our other debt;

the occurrence of an event of default if we fail to satisfy our obligations with respect to the notes or our other indebtedness or fail to comply with the financial and other restrictive covenants contained in the indenture governing the notes or agreements governing other indebtedness, which event of default could result in acceleration of the indebtedness outstanding under the indenture and in a default with respect to, and an acceleration of, our other indebtedness and could permit our lenders to foreclose on any of our assets securing such debt;

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limiting our ability to obtain additional financing to fund future working capital, capital expenditures, investments or acquisitions or other general corporate requirements;

requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, investments or acquisitions or other general corporate purposes;

increasing our vulnerability to adverse changes in general economic, industry and competitive conditions;

exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our New Credit Facilities, bear interest at variable rates, which could further adversely impact our cash flows;

limiting our flexibility in planning for and reacting to changes in our business and the industry in which we compete;

restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

impairing our ability to obtain additional financing in the future;

preventing us from raising the funds necessary to repurchase all notes tendered to us upon the occurrence of certain changes of control, which failure to repurchase would constitute an event of default under the indenture governing the notes;

placing us at a disadvantage compared to other, less leveraged competitors; and

increasing our cost of borrowing.

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

***Despite our current indebtedness levels, we may still be able to incur substantially more debt, which could increase the risks associated with the notes.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, which may be secured. While the indenture governing the notes and our New Credit Facilities will limit our ability and the ability of our subsidiaries to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, thus, notwithstanding these restrictions, we may still be able to incur substantially more debt. See Description of Other Indebtedness. To the extent that we incur additional indebtedness, the risks that we now face related to our substantial indebtedness, including an inability to fulfill our obligations under the notes, could increase.

***We will need to repay or refinance borrowings under our New Credit Facilities prior to maturity of the notes. Failure to do so could have a material adverse effect upon us.***

We expect that our New Term Loan Facility and our New Revolving Credit Facility will mature in June 2017 and June 2016, respectively. As of April 2, 2011, on a pro forma basis, we would have had \$190.0 million of term loan borrowings under the New Term Loan Facility and, to the extent necessary, limited borrowings, but no greater than \$10.0 million, under the New Revolving Credit Facility to finance the LaBarge Acquisition and fees and expenses related to the Transactions, with the remaining portion of such \$60.0 million New Revolving Credit Facility available to be borrowed after the consummation of the Merger.

Consequently, prior to the maturity of the notes, we will need to repay, refinance, replace or otherwise extend the maturity of our New Credit Facilities. Our ability to repay, refinance, replace or otherwise extend will be dependent on, among other things, business conditions, our financial performance and the general condition of the financial markets. If a financial disruption were to occur at the time that we are required to repay indebtedness outstanding under our New Credit Facilities, we could be forced to undertake alternate financings, negotiate for an extension of the maturity of our New Credit Facilities or sell assets and delay capital expenditures in order to generate proceeds that could be used to repay indebtedness under our New Credit Facilities. We cannot assure you that we will be able to consummate any such transaction on terms that are commercially reasonable, on terms acceptable to us or at all. Our failure to repay, refinance, replace or otherwise extend the maturity of our New Credit Facilities could result in an event of default under the indenture governing the notes and our New Credit Facilities, which could lead to an acceleration or repayment of substantially all of our outstanding debt.

***We require a significant amount of cash to service our indebtedness. Our ability to generate cash depends upon many factors beyond our control.***

Our ability to make payments on and to refinance our debt, including the notes, and to fund planned capital expenditures and working capital increases, will depend upon our ability to generate cash in the future. If the Transactions are consummated, our debt service requirements will increase substantially due to the higher principal amount of debt that will be outstanding. Our ability to generate cash is subject to economic, financial, competitive, legislative, regulatory and other factors that may be beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations in an amount sufficient to enable us to pay our debt, including the notes, or to fund our other liquidity needs. Any inability to generate sufficient cash flow could have a material adverse effect on our financial condition or results of operations.





***The notes and the guarantees will be unsecured and effectively subordinated to our and the guarantors' existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, and will be structurally subordinated to the indebtedness of any future non-guarantor subsidiaries.***

The notes and the guarantees will be our senior unsecured obligations ranking effectively junior in right of payment to all of our and the guarantors' existing and future secured indebtedness and that of each guarantor, including indebtedness under our New Credit Facilities, to the extent of the value of the assets securing such indebtedness. Additionally, the indenture governing the notes in certain circumstances will permit us to incur additional secured indebtedness in the future. The notes will also be structurally subordinated to any indebtedness and other liabilities of any future non-guarantor subsidiaries.

In the event that we or a guarantor declares bankruptcy, becomes insolvent or is liquidated or reorganized, holders of our and the guarantors' secured indebtedness will be entitled to be paid in full from our assets or the assets of such guarantor, as applicable, securing such indebtedness before any payment may be made with respect to the notes or the affected guarantee.

Holders of the notes will participate ratably in our remaining assets with all holders of our senior unsecured indebtedness, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor. In any of the foregoing events, there may not be sufficient assets to pay amounts due on the notes. As a result, holders of the notes would likely receive less, ratably, than holders of our secured indebtedness.

As of April 2, 2011, on a pro forma basis, the notes and the guarantees would have been effectively subordinated in right of payment to approximately \$190.0 million of senior secured indebtedness under the New Term Loan Facility and any amounts borrowed under the New Revolving Credit Facility.

***The covenants in our New Credit Facilities and the indenture governing the notes will impose restrictions that may limit our operating and financial flexibility and may limit our ability to make payments on the notes.***

Our New Credit Facilities and the indenture governing the notes will contain a number of significant restrictions and covenants that limit our ability, among other things, to:

create liens;

incur additional debt, guarantee debt and issue preferred stock;

pay dividends;

make redemptions and repurchases of certain capital stock;

make capital expenditures and specified types of investments;

prepay, redeem or repurchase subordinated debt;

sell certain assets or engage in acquisitions, mergers and consolidations;

change the nature of our business;

engage in affiliate transactions; and

restrict dividends or other payments from restricted subsidiaries.

In the event that a certain minimum amount is borrowed and outstanding under the New Revolving Credit Facility, for so long as any such amount is outstanding, we will be required to comply with a total leverage ratio. Furthermore, our consolidated EBITDA as of the end of any fiscal quarter on a trailing four-quarters basis is not permitted to be less than \$50.0 million.

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

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

*In the event of a default, we may have insufficient funds to make any payments due on the notes.*

A default under the indenture governing the notes could lead to a default under existing and future agreements governing our indebtedness, including the credit agreement governing our New Revolving Credit Facility. If, due to a default, the repayment of related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness or the notes.

*A subsidiary guarantee could be voided if it constitutes a fraudulent conveyance under U.S. bankruptcy or similar state law, which would prevent the holders of the notes from relying on that subsidiary to satisfy claims.*

The guarantors' guarantees of the notes may be subject to review under federal bankruptcy law or relevant state fraudulent conveyance laws if a bankruptcy lawsuit is commenced by or on behalf of our or the guarantors' unpaid creditors. Under these laws, if in such a lawsuit a court were to find that, at the time a guarantor incurred debt (including debt represented by the guarantee) or, in some states, when payments become due under the guarantee, such guarantor:

incurred this debt with the intent of hindering, delaying or defrauding current or future creditors; or

received less than reasonably equivalent value or fair consideration for incurring this debt and the guarantor (i) was insolvent or was rendered insolvent by reason of the related Financing Transactions; (ii) was engaged, or about to engage, in a business or transaction for which its remaining assets constituted unreasonably small capital to carry on its business; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay these debts as they mature, as all the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes,

then the court could void the guarantee or subordinate the amounts owing under the guarantee to the guarantors' presently existing or future debt or take other actions detrimental to you.

The measure of insolvency for purposes of the foregoing considerations will vary depending on the law of the jurisdiction that is being applied in any such proceeding. Generally, an entity would be considered insolvent if, at the time it incurred the debt or issued the guarantee:

it could not pay its debts or contingent liabilities as they become due;

the sum of its debts, including contingent liabilities, was greater than its assets, at fair valuation; or

the present fair saleable value of its assets was less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and mature.

If a guarantee is voided as a fraudulent conveyance or found to be unenforceable for any other reason, you will not have a claim against that guarantor and will only be our creditor or that of any guarantor whose obligation was not set aside or found to be unenforceable. In addition, the loss of a guarantee will constitute an event of default under the indenture governing the notes, which event of default could cause all outstanding notes to become immediately due and payable.

The indenture governing the notes will contain a provision intended to limit each subsidiary guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent conveyance. Such provision may not be effective to protect the subsidiary guarantees from being voided as a fraudulent conveyance under applicable law.

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

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

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

***We may enter into transactions that would not constitute a change of control that could affect our ability to satisfy our obligations under the notes.***

The provisions of the indenture governing the notes may allow us to enter into transactions, such as acquisitions, refinancing or recapitalizations, that would not constitute a change of control but may increase our outstanding indebtedness or otherwise affect our ability to satisfy our obligations under the notes. The definition of change of control for purposes of the notes includes a phrase relating to the transfer of all or substantially all of our assets taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, your ability to require us to repurchase notes as a result of a transfer of less than all of our assets to another person may be uncertain.

***We face risks related to rating agency downgrades.***

We expect one or more rating agencies to rate the notes. If such rating agencies either assign the notes a rating lower than the rating expected by the investors or reduce the rating in the future, the market price of the notes would be adversely affected. In addition, if any of our other outstanding debt is rated and subsequently downgraded, raising capital will become more difficult, borrowing costs under our New Revolving Credit Facility and other future borrowings may increase and the market price of the notes may decrease.

***There are restrictions on your ability to transfer or resell your notes.***

We will be relying on an exemption from registration under the Securities Act and state securities laws in offering the notes. Therefore, the notes may be transferred or resold only in transactions registered, or exempt from registration, under the Securities Act and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time.

We and the guarantors will agree pursuant to a registration rights agreement to be entered into on the issue date to, under certain circumstances, use commercially reasonable efforts to offer to exchange the notes for equivalent notes registered under U.S. securities laws or, in certain circumstances, register the reoffer and resale of the notes under the U.S. securities laws. The SEC, however, has broad discretion to declare any registration statement with respect to such an exchange offer effective and may delay, defer or suspend the effectiveness of any such registration statement for a variety of reasons. No assurances can be given that any such registration statement, even if required by the registration rights agreement, will be declared effective by the SEC in a timely manner. Failure to have such a registration statement declared effective by the SEC in a timely manner could delay consummation of any exchange offer required by the registration rights agreement and adversely affect the liquidity and trading price of the notes.

***An active public market may not develop for the notes, which may hinder your ability to liquidate your investment.***

The notes are a new issue of securities with no established trading market, and we do not intend to list them on any securities exchange or to seek approval for quotations through any automated quotation system. The initial purchasers have advised us that they intend to make a market in the notes, but the initial purchasers are not obligated to do so. The initial purchasers may discontinue any market making in the notes at any time, in their sole discretion. We therefore cannot assure you that:

a liquid market for the notes will develop;

you will be able to sell your notes; or

you will receive any specific price upon any sale of the notes.

We also cannot assure you as to the level of liquidity of the trading market for the notes following the issue date of the notes, if one does develop. Historically, the market for senior notes has been subject to disruptions that cause substantial volatility in the prices of securities that

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are similar to the notes. The market, if any, for the notes may not be free from similar disruptions, and any such disruptions may adversely affect the prices at which you may sell your notes. If a public market for the notes does develop, the notes could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes and our financial performance. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all.

***Our credit ratings may not reflect all risks of your investments in the notes.***

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

***We may redeem your notes at our option, which may adversely affect your return.***

We have the right to redeem the notes in whole or in part beginning in \_\_\_\_\_, 2015. We may choose to exercise this redemption right when prevailing interest rates are relatively low. As a result, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes.

***Any disclosure that we may be required to make with the SEC in the future could differ in important ways from the disclosure included in this report.***

In the course of review by the SEC of any filings we may make with the SEC, the SEC may require us to make changes to the description of our business, financial statements and any report other information in those filings that could differ in important ways from the way we disclose similar information in this report. The SEC could also review the presentation, reconciliation or explanation of any non-GAAP financial measures we present in those filings, including Adjusted EBITDA, and require us to change the way we present that information in those filings from the way we present similar information in this report.

***The notes may be issued with original issue discount for United States federal income tax purposes.***

The notes may be issued with original issue discount ( ***OID*** ) for United States federal income tax purposes. If the stated principal amount of the notes exceeds their issue price by more than a *de minimis* amount, the notes will be deemed issued with OID and U.S. holders will be required to include such OID in gross income (as ordinary income) on a constant yield to maturity basis in advance of the receipt of cash payment thereof, regardless of such holders' method of accounting for United States federal income tax purposes.

If the notes are issued with OID and a bankruptcy petition were filed by or against us under the U.S. Bankruptcy Code after the issuance of the notes, the claim by any holder of the notes for the principal amount of the notes may be limited to an amount equal to the sum of:

the original issue price for the notes; and

that portion of the OID (if any) that does not constitute unamortized interest for purposes of the U.S. Bankruptcy Code. Any OID that was not amortized as of the date of the bankruptcy filing would constitute unamortized interest. Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the indenture governing the notes, even if sufficient funds are available.

### **Risks Related to the LaBarge Acquisition**

***The anticipated benefits of the LaBarge Acquisition may not be fully realized and may take longer to realize than expected, which may adversely affect our results of operations.***

The proposed LaBarge Acquisition involves the integration of LaBarge's operations with our existing operations, and there are uncertainties and challenges inherent with the integration of LaBarge's business into our operations which may cause the anticipated benefits of the acquisition not being fully realized or taking longer to realize than expected. We will be required to devote significant management attention and resources to integrating LaBarge's operations into our operations. Delays or unexpected difficulties in the integration process could adversely affect our business, financial results and financial condition. Issues that must be addressed in integrating LaBarge's operations include, among other things:

conforming standards, controls, procedures and policies, business cultures and compensation structures;



consolidating corporate and administrative infrastructures;

consolidating sales and marketing operations;

retaining existing customers and attracting new customers;

retaining key employees;

identifying and eliminating redundant and underperforming operations and assets;

minimizing the diversion of management's attention from ongoing business concerns;

coordinating geographically dispersed organizations; and

managing tax costs or inefficiencies associated with integrating LaBarge's operations into our operations.

Even if we are able to integrate LaBarge's operations successfully, this integration may not result in the realization of the full benefits of synergies, cost savings and operational efficiencies that we expect or the achievement of these benefits within a reasonable period of time. In addition, we may have not discovered during the due diligence process, and we may not discover prior to closing, all known and unknown factors regarding LaBarge that could produce unintended and unexpected consequences for us. Undiscovered factors could result in us incurring financial liabilities, which could be material, and in us not achieving the expected benefits from the LaBarge Acquisition within our desired time frames, if at all.

***LaBarge may have liabilities that are not known, probable or estimable at this time.***

As a result of the Merger, LaBarge will become our wholly-owned subsidiary, and we will effectively assume all of its liabilities, whether or not asserted. There could be unasserted claims or assessments that we failed or were unable to discover or identify in the course of performing due diligence investigations of LaBarge. In addition, there may be liabilities that are neither probable nor estimable at this time which may become probable and estimable in the future. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business. We may learn additional information about LaBarge that adversely affects us, such as unknown, unasserted or contingent liabilities and issues relating to compliance with applicable laws.

***We expect to incur significant costs in connection with the Transactions which may adversely affect our operating results and financial condition.***

We expect to incur approximately \$31.5 million in fees and expenses in connection with the Transactions and may incur a number of other costs associated with integrating LaBarge's operations into our operations, which cannot be estimated accurately at this time. Additional unanticipated costs may also be incurred as we integrate LaBarge's operations in our business. Consequently, we may incur material charges in both the quarter in which the Merger is consummated and in subsequent quarters to reflect additional costs associated with the Merger. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of LaBarge into our operations, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term, or at all. There can be no assurance that we will be successful in our integration efforts. In addition, while we expect to benefit from leveraging distribution channels and brand names across both companies, we cannot assure you that we will achieve such benefits. If the benefits of the Merger do not exceed the costs of integrating the business of LaBarge into our business, our financial results may be adversely affected.

***Our operating results after the Merger may materially differ from the pro forma information presented herein.***

Our operating results after the Merger may be materially different from those shown in the pro forma information, which represents only a combination of our historical results with those of LaBarge. The Merger, financing, integration and transaction costs related to the Merger could be higher or lower than currently estimated, depending on how difficult it will be to integrate LaBarge's business into our business.

***Integrating our business with that of LaBarge may divert our management's attention away from operations.***

Successful integration of our and LaBarge's operations, products and personnel may place a significant burden on our management and other internal resources. The diversion of management's attention and any difficulties encountered in the transition and integration process, could harm our business, financial conditions and operating results.



***Failure to retain key employees could diminish the anticipated benefits of the LaBarge Acquisition.***

The success of the LaBarge Acquisition will depend in part upon the retention of personnel critical to the LaBarge business due to, for example, their technical skills or management expertise. Employees may experience uncertainty about their future roles until clear strategies are announced or executed. Ducommun and LaBarge, while similar, do not have the same corporate cultures, and some LaBarge employees may not want to work for us. In addition, competitors may recruit employees of LaBarge during the integration stage. If we are unable to retain LaBarge personnel that are critical to the successful integration and future operation of our company, we could face disruptions in operations; loss of existing LaBarge customers, key information and expertise or know-how; and unanticipated additional recruiting and training costs. In addition, the loss of key personnel could diminish the benefits of the LaBarge Acquisition actually achieved by us. Although LaBarge has entered into one-year employment agreements with six key LaBarge executive officers that will be effective upon closing of the Merger, there can be no assurances that such executives will stay with the combined company through the term of their agreements or afterwards.

***Legal proceedings in connection with the Merger could delay or prevent the completion of the Merger, may result in significant monetary costs or may otherwise negatively impact the business and operations of Ducommun and LaBarge.***

LaBarge, certain of its directors, Ducommun and Merger Sub are parties to several lawsuits filed by third parties seeking damages and equitable relief, including an injunction against the Merger, and costs and expenses of the litigation, including attorneys' fees, in connection with the Merger Agreement. Additional purported class action lawsuits may also be filed by stockholders and/or third parties challenging the LaBarge Acquisition. One of the conditions to the closing of the Merger is that no governmental authority has enjoined the consummation of the Merger. If a plaintiff is successful in obtaining an injunction prohibiting consummation of the Merger, then the injunction may delay the Merger or prevent the Merger from being completed. Any conclusion of such litigation in a manner adverse to Ducommun or LaBarge could have a material adverse effect on each company's business, financial condition and results of operations. In addition, the cost of defending this litigation, even if resolved favorably, could be substantial. Such litigation could also substantially divert the attention of management and resources in general. Furthermore, uncertainties resulting from the initiation and continuation of any litigation could harm the ability of Ducommun or LaBarge to compete in the marketplace.

***Uncertainty regarding the Merger may cause customers and suppliers to delay or defer decisions concerning us and LaBarge and adversely affect each company's business, financial condition and operating results.***

The Merger will occur only if stated conditions are met, many of which are outside the control of Ducommun and LaBarge, and both parties also have rights to terminate the Merger Agreement under specified circumstances. Accordingly, there may be uncertainty regarding the completion of the Merger. This uncertainty may cause customers and suppliers to delay or defer decisions concerning Ducommun or LaBarge products, which could negatively affect their respective businesses. Customers and suppliers may also seek to change existing agreements with Ducommun or LaBarge as a result of the Merger. Any delay or deferral of those decisions or changes in existing agreements could have a material adverse effect on the respective businesses of Ducommun and LaBarge, regardless of whether the Merger is ultimately completed. Moreover, diversion of management focus and resources from the day-to-day operation of the business to matters relating to the Merger could have a material adverse effect on each company's business, regardless of whether the Merger is completed.

**Risks Related to the Combined Business**

***Aerospace markets are cyclical.***

The aerospace markets in which we sell our products are cyclical and have experienced periodic declines. Our sales are, therefore, unpredictable and tend to fluctuate based on a number of factors, including economic conditions and developments affecting the aerospace industry and the customers served.

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***We depend heavily upon a concentrated base of customers which are subject to unique risks, and a significant reduction in sales to any of our major customers, or the loss of a major customer, could have a material impact on our financial results.***

In fiscal year 2010, approximately 26% of Ducommun's sales were for Boeing commercial and military aircraft programs, 8% of our sales were for United Technologies (Sikorsky Black Hawk helicopter) programs and 12% of our sales were for Raytheon military aircraft programs on a stand-alone basis. In addition, LaBarge depends heavily on a concentrated base of customers with its three largest customers accounting for 14.0% (Owens-Illinois, Inc.), 8.8% (American Superconductor) and 8.2% (Raytheon Company), respectively, of net sales in fiscal year 2010. On a pro forma basis, 2010 sales to Boeing, Raytheon, Owens-Illinois, United Technologies and American Superconductor were 15%, 10%, 6%, 6% and 4%, respectively. Any significant change in production rates by these customers would have a material effect on our results of operations and cash flows. There is no guarantee that our current significant customers will continue to buy products from us at current levels, and that we will retain any or all of our existing customers or LaBarge's customers, following the Merger or that we will be able to form new relationships with customers upon the loss of one or more of our or LaBarge's existing customers. This risk may be further complicated by pricing pressures, intense competition prevalent in our industry and other factors. The loss of a significant customer could have a material adverse effect on us.

For example, on April 5, 2011, American Superconductor announced that its largest customer, Sinovel Wind Group Co. Ltd. (*Sinovel*), which provided 75% of American Superconductor's net sales for the nine months ended December 2010, had refused to accept contracted shipments of electrical components and spare parts in March 2011, and that Sinovel was past due on \$56.0 million of shipments from prior quarters. While American Superconductor has not canceled any orders with LaBarge, it has indicated that it would delay receipt of current orders by 30 to 60 days.

As of April 3, 2011, LaBarge's backlog for its Appleton, Wisconsin facility was \$37.2 million, which includes approximately \$10.6 million relating to orders for electronic systems used in wind power generation equipment with American Superconductor. Based on current estimates, backlog related to American Superconductor is scheduled to ship in the next eight months. As of April 3, 2011, the trade receivables due from American Superconductor were \$2.5 million, of which \$0.1 million was past due. Included in inventory as of April 3, 2011, was \$0.7 million related to American Superconductor. For the nine months ended April 3, 2011, LaBarge recorded \$19.0 million of net sales to this customer, which represent approximately 7.6% of total LaBarge sales and 34.8% of the Appleton operation's net sales.

We will continue to monitor the situation and maintain contact with American Superconductor. If the orders to American Superconductor are canceled, substantially reduced or postponed for a significant period of time, our net sales could be adversely affected and we may be required to record an impairment of the goodwill related to the Appleton operation, which could have a material adverse effect on our financial results.

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

***A significant portion of our business depends upon government spending.***

We derive a significant portion of our business from contracts related to orders for or associated with the U.S. Government. In 2010 approximately 60% of Ducommun's sales were derived from military and space markets. In addition, for the years ended June 27, 2010 and June 28, 2009, approximately 42.0% and 46.3%, respectively, of LaBarge's net sales were derived from subcontracts with OEMs on contracts with the U.S. Government. On a pro forma basis, 2010 sales related to orders for or associated with the U.S. Government were 50%. Accordingly, the success of our business depends upon government spending, which, among other factors, depends upon:

changes in fiscal policies or decreases in available government funding, including budgetary constraints affecting federal government spending generally, or specific departments or agencies in particular;

the adoption of new laws or regulations or changes to existing laws or regulations;

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changes in political or social attitudes with respect to security and defense issues;

changes in federal government programs or requirements, including the increased use of small business providers;

increases in the federal government initiatives related to in-sourcing;

changes in or delays related to government restrictions on the export of defense articles and services, as a result of greater volatility in foreign economic and political environments or otherwise;

federal government shutdowns (such as that which occurred during the federal government's 1996 fiscal year) and other potential delays or changes in the government appropriations process;

general economic conditions; and

delays in the payment of our invoices by government payment offices.

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

Further, certain U.S. Government programs in which we participate may extend for several years; however, these programs are typically funded annually. Changes in the government's strategy and priorities may affect our existing programs and future opportunities. Our government contracts and related orders with the U.S. Government are subject to cancellation, or delay, if appropriations for subsequent performance periods are not made. In addition, we anticipate that the U.S. Department of Defense budget will be under pressure as the current administration is faced with competing national priorities. The termination of funding for existing or new U.S. Government programs could have a material adverse effect on our financial results.

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

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

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

As noted above, we derive a significant portion of our net sales from subcontracts under federal government prime contracts. A portion of our net sales is also derived from direct contracts with the federal government. Federal government contracts contain provisions and are subject to laws and regulations that give the government rights and remedies not typically found in commercial contracts. These provisions may allow the government to:

terminate existing contracts for convenience, as well as for default;

reduce orders under or otherwise modify contracts or subcontracts;

cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;

decline to exercise an option to renew a multi-year contract;

suspend or debar us from doing business with the federal government or with a governmental agency;

prohibit future procurement awards with a particular agency as a result of a finding of an organizational conflict of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors;

subject the award of contracts to protest by competitors, which may require the contracting agency or department to suspend our performance pending the outcome of the protest;

claim rights in products and systems produced by us; and

control or prohibit the export of the products and related services we offer.



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

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

***Misconduct of our employees, agents and business partners, including security breaches, are difficult to detect and deter, could result in reputational damage, could subject us to fines and penalties and could cause us to lose our ability to contract with the U.S. Government.***

Misconduct, fraud or other improper activities by our employees, agents or business partners could have a significant adverse impact on our business and reputation, particularly because we are a U.S. Government contractor. While we have implemented policies prohibiting these activities, our policies may not prevent or deter all misconduct. Such misconduct could include the failure to comply with U.S. Government procurement regulations, regulations regarding the protection of classified information, legislation regarding the pricing of labor and other costs in U.S. Government contracts, regulations on lobbying or similar activities, environmental laws and any other applicable laws or regulations. Misconduct involving data security lapses resulting in the compromise of personal information or the improper use of our customers' sensitive or classified information could result in remediation costs, regulatory sanctions against us and serious harm to our reputation. Other examples of potential misconduct include falsifying time records and violations of the Anti-Kickback Act or the Foreign Corrupt Practices Act. Our failure to comply with applicable laws or regulations or misconduct by any of our employees, agents or business partners could result in reputational damage, could subject us to fines and penalties, suspension or debarment from contracting with the U.S. Government and loss of security clearance, any of which would adversely affect our business, results of operations and financial condition.

***Some of our contracts with the U.S. Government are classified which may limit investor insight into portions of our business.***

We derive a portion of our net sales from programs with the U.S. Government that are subject to security restrictions (classified programs), which preclude the dissemination of information that is classified for national security purposes. We are limited in our ability to provide details about these classified programs, their risks or any disputes or claims relating to such programs. As a result, you might have less insight into our classified programs than our other businesses and therefore less ability to fully evaluate the risks related to our classified business.

***We face risks associated with competitive pricing pressures, which could cause price reductions, reduced profitability and loss of market share.***

The aerospace and EMS industries are highly competitive and competitive pressures may adversely affect us. In both of these industries we compete worldwide with a number of domestic and international companies that have substantially greater manufacturing, purchasing, marketing and financial resources than us. In the EMS industry, many of our customers have the in-house capability to fulfill their manufacturing requirements. Our larger competitors may be able to vie more effectively for very large-scale contracts. Our larger competitors also may be able to provide clients with different or greater capabilities or benefits than we can provide in areas such as technical qualifications, past performance on large-scale contracts, geographic presence, price and availability of key professional personnel. Our competitors may have established relationships among themselves or with third parties, including through mergers and acquisitions, that could increase their ability to address customer needs. They may establish new relationships and new competitors or competitive alliances may emerge. If we are unable to successfully compete for new business, our net sales growth and operating margins may decline.

In addition, we are exposed to the introduction of lower priced competitive capabilities, significant price reductions by competitors or significant pricing pressures from customers. We are experiencing competitive pricing pressures. These pressures have had, and are expected to continue to have, an adverse effect on our financial condition and operating results. Further, there can be no assurance that competition from existing or potential competitors in other segments of our business will not have a material adverse effect on our financial results. If we do not continue to compete effectively and win contracts, our future business, financial condition, results of operations and our ability to meet our financial obligations may be materially compromised.

*We use estimates when bidding on contracts and may not have the ability to control, and may not accurately estimate, costs associated with performing under fixed-price contracts. We therefore face risks of cost overruns and losses on fixed-price contracts. In addition, when determining the cost of sales to be recognized under certain long-term contracts, we are required to estimate total costs to complete the contract.*

We sell many of our products under firm, fixed-price contracts providing for a fixed price for the products regardless of the production costs incurred by us. In many cases, we make multi-year firm, fixed-price commitments to our customers, without assurance that our anticipated production costs will be achieved. Contract bidding and accounting require judgment relative to assessing risks, estimating contract net sales and costs and making assumptions for scheduling and technical issues. For example, assumptions have to be made regarding the length of time to complete the contract, because costs include expected increases in prices for materials and wages, which can be particularly difficult to estimate for contracts with new customers. Similarly, assumptions have to be made regarding the future impact of our efficiency initiatives and cost reduction efforts. In order to realize a profit on these contracts, we must, when we bid these contracts, accurately estimate our costs to complete the contracts. Our failure to accurately estimate these costs can result in cost overruns, which result in reduced or lost profits. Because of the significance of the judgments and estimates involved, it is possible that materially different amounts could be obtained if different assumptions were used or if the underlying circumstances were to change. For example, if we experience manufacturing inefficiencies, start-up costs or increases in the cost of labor, materials, outside processing, overhead and other factors, our production costs may be adversely affected. Therefore, any changes in our underlying assumptions, circumstances or estimates could have a material adverse effect on our financial results.

In addition, we also face the risk of increased costs due to a rise in the prices of raw materials and components used in the manufacture of our products, including aluminum, titanium, steel and carbon fibers. Although these materials are generally available from a number of vendors and are generally in adequate supply, we have, from time to time, experienced increases in lead times for, and deterioration in availability of, aluminum, titanium and certain other materials. Moreover, certain components, supplies and raw materials for our operations are purchased from single sources. In such instances, we strive to develop alternative sources and design modifications to minimize the potential for business interruptions.

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

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

political instability;

local economic conditions;

economic and geopolitical developments and conditions;

foreign currency fluctuations;

foreign government regulatory requirements;

domestic and international government policies, including requirements to expend a portion of program funds locally and governmental industrial cooperation requirements;

delays in placing orders;

the uncertainty of the ability of non-U.S. customers to finance purchases;

uncertainties and restrictions concerning the availability of funding credit or guarantees;

compliance with a variety of international laws, as well as U.S. laws affecting the activities of U.S. companies conducting business abroad, including, but not limited to, the Foreign Corrupt Practices Act;

imposition of taxes, export controls, tariffs, embargoes and other trade restrictions; and

the potentially limited availability of skilled labor in proximity to our facilities.

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

***Our products and processes are subject to risks from changes in technology.***

Our products and processes are subject to risks of obsolescence as a result of changes in technology. The future success of our business will depend in large part upon our and our customers' ability to maintain and enhance technological capabilities, develop and market manufacturing services that meet changing customer needs and successfully anticipate or respond to technological advances in manufacturing processes on a cost-effective and timely basis. To address this risk, we invest in product design and development, and undertake capital expenditures. There can be no guarantee that our product design and development efforts will be successful, or that funds required to be invested in product design and development or incurred as capital expenditures will not increase materially in the future.

***Many of our contracts require innovative design capabilities, are technologically complex, require state-of-the-art manufacturing expertise, or are dependent upon factors beyond our control.***

We manufacture and assist in the design of technologically advanced and innovative products that are applied by our customers in a variety of environments. Problems and delays in development or delivery of our products and services, which could prevent us from meeting our contractual requirements, include changes in our customers' required designs, acceptance of the customers' designs in the marketplace, technology, licensing and patent rights, labor, learning curve assumptions, materials and components, as well as the timing of purchase orders placed or required delivery dates, variation in demand for customers' products, federal government funding, regulatory changes affecting customers' industries, customer efforts to manage their inventory, changes in customers' manufacturing strategies and customers' technical problems or issues. Any such problems or delays could have a material adverse effect on our financial results.

***We face risks associated with acquisitions and dispositions of businesses.***

A key element of our long-term strategy has been growth through acquisitions. We are continuously reviewing and actively pursuing acquisitions outside of our current markets. Acquisitions, including the LaBarge Acquisition, may require us to incur additional indebtedness, resulting in increased leverage. Any significant acquisition, including the LaBarge Acquisition, may result in a material weakening of our financial position and a material increase in our cost of borrowings. Acquisitions also may require us to issue additional equity, resulting in dilution to existing stockholders. This additional financing for acquisitions and capital expenditures may not be available on terms acceptable or favorable to us. Acquired businesses, including LaBarge, if the Merger is consummated, may not achieve anticipated results, which could have a material adverse effect on our financial condition, results of operations and cash flows. We also periodically review our existing businesses to determine if they are consistent with our strategy. We have sold, and may sell in the future, business units and product lines, which may result in either a gain or loss upon disposition.

Our acquisition strategy exposes us to risks. We may not be able to consummate acquisitions on satisfactory terms or, if any acquisitions are consummated, to satisfactorily integrate these acquired businesses. Our ability to grow by acquisition is dependent on, among other factors, the availability of suitable acquisition candidates. Growth by acquisition involves risks that could have a material adverse effect on our business, financial condition and operating results, including difficulties in integrating the operations and personnel of acquired companies, the potential amortization of acquired intangible assets, potential impairment of goodwill and the potential loss of key customers or employees of acquired companies. For specific risks relating to the LaBarge Acquisition, see Risk Factors Risks Related to the LaBarge Acquisition.

***Goodwill and/or other intangible assets could be impaired in the future, resulting in substantial losses and write-downs.***

In assessing the recoverability of goodwill, management is required to make certain critical estimates and assumptions. These estimates and assumptions included improvements in manufacturing efficiency, reductions in operating costs and obtain increases in sales and backlog. Due to many variables inherent in the estimation of a business' s fair value and the relative size of our recorded goodwill, differences in estimates and assumptions may have a material effect on the results of our impairment analysis. If any of these or other estimates and assumptions are not realized in the future, or if market multiples decline, we may be required to record an additional impairment charge for goodwill. Ducommun' s goodwill on a stand-alone basis was \$101.1 million, or 28.3% of Ducommun' s total assets as of April 2, 2011; LaBarge' s goodwill on a stand-alone basis was \$43.4 million, or 20.4% of LaBarge' s total assets as of April 3, 2011. The goodwill for the combined company on a pro forma basis as of April 2, 2011 was \$189.7 million, or 22.3% of the combined company' s total assets.

In addition, as discussed in Risk Factors Risks Related to the Combined Business We depend heavily upon a concentrated base of customers which are subject to unique risks, and a significant reduction in sales to any of our major customers, or the loss of a major customer, could have a material impact on our financial results, we may be required to record an impairment of the goodwill related to our Appleton, Wisconsin operation if American Superconductor orders are canceled, substantially reduced or postponed for a significant period of time. In December 2008, LaBarge acquired the assets of its Appleton operation which included \$19.1 million of goodwill and \$9.7 million of intangible customer list. As of April 3, 2011, the net book value of the customer list was \$6.9 million. As of April 3, 2011, LaBarge's backlog for the Appleton operation was \$37.2 million, which includes approximately \$10.6 million relating to orders at the Appleton facility for electronic systems used in wind power generation equipment with American Superconductor. Based on current estimates, backlog related to American Superconductor is scheduled to ship in the next nine months. As of April 3, 2011, the trade receivables due from this customer were \$2.5 million, of which \$0.1 million was past due. Included in inventory as of April 3, 2011, was \$0.7 million related to this customer. For the nine months ended April 3, 2011, LaBarge has recorded \$19.0 million of sales to this customer, which represent approximately 7.6% of total LaBarge sales and 34.8% of the Appleton operation's sales.

***Significant consolidation in the aerospace and defense industry could adversely affect our business and financial results.***

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

***Our failure to meet the quality or delivery expectations of customers could adversely affect our business and financial results.***

Our ability to deliver our products and services on schedule is dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, internal and supplier produced parts and structures, conversion of raw materials into parts and assemblies and performance of suppliers and others. Our customers expect on-time delivery and quality with respect to our products. In some cases, we do not presently satisfy these customer expectations, particularly with respect to on-time delivery. If we fail to meet the quality or delivery expectations of our customers, this failure could lead to the loss of one or more significant customers.

We rely on numerous third-party suppliers for components used in our production process. Certain of these components are available only from single sources or a limited number of suppliers, or similarly, customers' specifications may require us to obtain components from a single source or certain suppliers. These and other factors, including the loss of a critical supplier, could cause disruptions or cost inefficiencies in our operations compared to our competitors that have greater direct purchasing power, which could have a material adverse effect on our financial results.

In addition, from time to time, we have experienced shortages of some of the components that it uses in production. These shortages can result from strong demand for those components or from problems experienced by suppliers and can result in delays in production, which may prevent us from making scheduled shipments to customers. Our inability to make scheduled shipments could cause us to experience a reduction in sales and an increase in inventory levels and costs, and could adversely affect relationships with existing and prospective customers. Component shortages may also increase our cost of goods sold because we may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute components. As a result, component shortages could have a material adverse effect on our financial results.

***Internal system or service failures could disrupt our business and impair our ability to effectively provide the products and related services we offer to our customers, which could damage our reputation and adversely affect our business, results of operations and financial condition.***

Any system or service disruptions, including those caused by projects to improve our information technology systems, if not anticipated and appropriately mitigated, would have a material adverse effect on our business. We could also be subject to systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, intruders or hackers, computer viruses, natural disasters, power shortages or terrorist attacks. Any such failures could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs, subject us to claims and damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption which would adversely affect our business, results of operations and financial condition.

*Our operating results may fluctuate significantly and fall below expectations, as well as make future results difficult to predict.*

We depend on contract awards from our customers, the size and timing of which vary from period to period. Accordingly, our results of operations have varied historically and may continue to fluctuate significantly from period to period, including on a quarterly basis. Consequently, results of operations in any period should not be considered indicative of the operating results that may be experienced in any future period. Factors that may adversely impact our quarterly and annual results include, but are not limited to, the following:

general economic conditions;

changes in sales mix and volume to customers;

changes in delivery schedules of our customers and their customers;

changes in availability and cost of components used by us in our products and services;

volume of customer orders relative to our production capacity;

market demand and acceptance of our customers' products;

price erosion within the EMS marketplace;

a downturn in the aerospace and defense markets;

the announcement or introduction of new or enhanced services by our competitors; and

capital equipment requirements needed to remain technologically competitive.

*Continued economic uncertainty or a weakening of the global economy may materially adversely affect our business.*

Our sales and gross profits depend significantly upon general economic conditions and the demand for products in the markets in which our customers compete. For example, the recent economic recession and related decline in demand for products and services across certain industries caused certain of our customers, particularly in our industrial and natural resources markets, to reduce their manufacturing and supply chain outsourcing, negatively impacting our capacity utilization levels. In addition, we provide services to companies and industries that have in the past, and may in the future, experience financial difficulty. If our customers experience financial problems, we could have difficulty in recovering amounts owed to us from these customers, or demand for our products and services from these customers could decline. If our suppliers experience financial problems, we could have difficulty sourcing materials necessary to fulfill production requirements and meet scheduled shipments. Continuing economic uncertainty or a weakening of the global economy could affect our customers' and suppliers' access to capital and liquidity. If one or more of our customers were to become insolvent or otherwise unable to pay for the products and services provided by us on a timely basis, or at all, our financial results could be materially adversely affected.

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

Certain of our manufacturing facilities and offices are leased and have lease terms that expire between 2012 and 2020. The majority of these leases provide us with the opportunity to renew the leases at our option and, if renewed, provide that rent will be equal to the fair market rental

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

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

*Our operations are subject to numerous laws, regulations and restrictions, and failure to comply with these laws, regulations and restrictions could subject us to liability for penalties, including termination of our U.S. Government contracts and subcontracts, disqualification from bidding on future U.S. Government contracts and subcontracts, suspension or debarment from U.S. Government contracting and various other fines and penalties.*

Our contracts and operations are subject to various laws and regulations. Prime contracts with various agencies of the U.S. Government, and subcontracts with other prime contractors, are subject to numerous laws and regulations which affect how we do business with our customers and may impose added costs on our business. These laws and regulations include:

the Federal Acquisition Regulation and supplements, which regulate the formation, administration and performance of U.S. Government contracts;

the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with certain contract negotiations;

the Civil False Claims Act, which provides for substantial civil penalties for violations, including for submission, or causing the submission of, a false or fraudulent claim to the U.S. Government for payment or approval;

the U.S. Government Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under certain cost-based U.S. Government contracts and subcontracts;

the Procurement Integrity Act, which requires evaluation of ethical conflicts surrounding procurement activity and establishing certain employment restrictions for individuals who participate in the procurement process; and

the International Traffic in Arms Regulations, promulgated under the Arms Export Control Act, which authorizes the President to control the export and import of defense articles and defense services.

Noncompliance found by any one agency could result in fines, penalties, debarment or suspension from receiving additional contracts with all U.S. Government agencies. Given our dependence on U.S. Government business, suspension or debarment could have a material adverse effect on our financial results.

In addition, the U.S. Government may revise its procurement practices or adopt new contract rules and regulations, at any time. The U.S. Government may also face restrictions or pressure regarding the type and amount of services it may obtain from private contractors. Congressional legislation and initiatives dealing with mitigation of potential conflicts of interest, procurement reform and shifts in the buying practices of U.S. Government agencies resulting from those proposals, such as increased usage of fixed-price contracts which transfer some risks from the U.S. Government to the performing contractors, could have adverse effects on government contractors, including us. Any of these changes could impair our ability to obtain new contracts or subcontracts or renew contracts or subcontracts under which we currently perform when those contracts are put up for recompetition. Any new contracting methods could be costly or administratively difficult for us to implement and could adversely affect our future net sales.

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

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

From time to time, we and our subsidiaries, including LaBarge after the consummation of the Merger, are involved in various legal and other proceedings that are incidental to the conduct of our business. See Business Legal Proceedings. For example, LaBarge received a Wells notice



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from the staff of the SEC alleging violations of securities laws in connection with certain of LaBarge's financial reporting processes during primarily 2006 and 2007. While we believe no current proceedings, if adversely determined, could have a material adverse effect on our financial results, no assurances can be given. Any such claims may divert financial and management resources that would otherwise be used to benefit our operations and could have a material adverse effect on our financial results.

***Environmental liabilities could adversely affect our financial results.***

We are subject to various environmental laws and regulations, including those relating to the use, storage, transport, discharge and disposal of hazardous chemicals used during our manufacturing process. We do not carry insurance for these potential environmental liabilities. Any failure by us to comply with present or future regulations could subject us to future liabilities or the suspension of production, which could have a material adverse effect on our financial results. Moreover, some environmental laws relating to contaminated sites can impose joint and several liability retroactively regardless of fault or the legality of the activities giving rise to the contamination.

The DAS chemical milling business uses various acid and alkaline solutions in the chemical milling process, resulting in potential environmental hazards. Despite existing waste recovery systems and continuing capital expenditures for waste reduction and management, at least for the immediate future, this business will remain dependent upon the availability and cost of remote hazardous waste disposal sites or other alternative methods of disposal.

Our DAS subsidiary has been directed by government environmental agencies to investigate and take corrective action for groundwater contamination at two of its facilities. DAS is also a potentially responsible party at certain sites at which it previously disposed of hazardous wastes. There can be no assurance that future developments, lawsuits and administrative actions and liabilities relating to environmental matters will not have a material adverse effect on our results of operations or cash flows.

In addition, certain of our customers must be in compliance with the European standard, Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS Directive 2002-95-EC), for all products shipped to the European marketplace. The purpose of the directive is to restrict the use of hazardous substances in electrical and electronic equipment and to contribute to the environmentally sound recovery and disposal of electrical and electronic equipment waste. In addition, electronic component manufacturers must produce electronic components that are lead-free. Our Pittsburgh operation has implemented lead-free wave solder and reflow systems. We rely on numerous third-party suppliers for components used in our production process and there can be no assurances these suppliers will comply with this standard. Noncompliance could have a material adverse effect on our financial results.

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

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

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

We have operations located in regions of the U.S. that may be exposed to damaging storms, earthquakes and other natural disasters. Although we maintain standard property casualty insurance covering our properties and may be able to recover costs associated with certain natural disasters through insurance, we do not carry any earthquake insurance because of the cost of such insurance. Many of our properties are located in Southern California, an area subject to earthquake activity. Our California facilities generated \$231.7 million in net sales during fiscal year 2010. Even if covered by insurance, any significant damage or destruction of our facilities due to storms, earthquakes or other natural disasters could result in the inability to meet customer delivery schedules and may result in the loss of customers and significant additional costs to us. Thus, any significant damage or destruction of our properties could have a material adverse effect on our business, financial condition or results of operations.

***If we are unable to manage our growth, our business could be adversely affected.***

Sustaining our growth has placed significant demands on our management, as well as on our administrative, operational and financial resources. To continue to manage our growth, we must continue to improve our operational, financial and management information systems and expand, motivate and manage our workforce. If we are unable to successfully manage our growth without compromising our quality of service and our profit margins, or if new systems we implement to assist in managing our growth do not produce the expected benefits, our business, prospects, financial condition, operating results or our ability to meet our financial obligations could be materially and adversely affected. If we expand our business too rapidly in anticipation of increased customer demand that does not materialize, or in order to compete for contractual procurement vehicles that we are not awarded, the increase in our operating expenses could exceed our net sales growth and decrease our net income. If we are unable to manage our growth, our business, results of operations or financial condition could be adversely affected.

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

Our success depends in part upon our ability to attract and retain key engineering, technical and managerial personnel (both at the executive and at the plant) level. We face competition for management, engineering and technical personnel from other companies and organizations. Therefore, we may not be able to retain our existing management and other key personnel, or be able to fill new management, engineering and technical positions created as a result of expansion or turnover of existing personnel. The continued growth and expansion of our contract manufacturing business will require us to identify, hire, train and retain additional skilled and experienced personnel. Also, critical to ongoing operations at one of our facilities is the successful negotiation of collective bargaining agreements and the avoidance of organized work stoppages. The loss of members of our senior management group, or key engineering and technical personnel, the failure to meet recruitment and retention objectives or the inability to efficiently and successfully negotiate collective bargaining agreements could negatively impact our ability to grow and remain competitive in the future and could have a material adverse effect on our financial results.

***Labor disruptions by our employees could adversely affect our business.***

Following the LaBarge Acquisition, we will employ approximately 3,400 people. Our DAS subsidiary is a party to a collective bargaining agreement, expiring July 1, 2012, with labor unions at its Monrovia, California facility covering 247 full-time hourly employees at year end 2010. LaBarge is party to collective bargaining agreements, expiring January 11, 2016, at its two Joplin, Missouri facilities. Although we have not experienced any material labor-related work stoppage and consider our relations with our employees to be good, labor stoppages may occur in the future. If the unionized workers were to engage in a strike or other work stoppage, we are unable to negotiate acceptable collective bargaining agreements with the unions or if other employees were to become unionized, we could experience a significant disruption of our operations, higher ongoing labor costs and possible loss of customer contracts, which could have an adverse effect on our business and results of operations.

***We are subject to the risk of increased income taxes.***

We and our subsidiaries are subject to tax return audits and examinations by various taxing jurisdictions. In determining the adequacy of our provision for income taxes, we regularly assess the likelihood of adverse outcomes resulting from tax examinations. While it is often difficult to predict the final outcome or the timing of the resolution of a tax examination, we believe our tax reserves reflect the outcome of tax positions that are more likely than not to occur. However, we cannot provide complete assurance that the final determination of any tax examinations will not be materially different than that which is reflected in our current income tax provisions. Should additional taxes be assessed as a result of a current or future examination, this could have a material adverse effect on our financial results in the period or periods during which such determination is made.

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

In recent years, there have been several changes in laws, rules, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the ***Dodd-Frank Act***), the Sarbanes-Oxley Act of 2002 and various other new regulations promulgated by the SEC and rules promulgated by the national securities exchanges.

The Dodd-Frank Act, enacted in July 2010, expands federal regulation of corporate governance matters and imposes requirements on publicly-held companies, including us, to, among other things, provide stockholders with a periodic advisory vote on executive compensation and also adds compensation committee reforms and enhanced pay-for-performance disclosures. While some provisions of the Dodd-Frank Act are effective upon enactment, others will be implemented upon the SEC's adoption of related rules and regulations. The scope and timing of the adoption of such rules and regulations is uncertain and accordingly, the cost of compliance with the Dodd-Frank Act is also uncertain.

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

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## The Transactions

### The Merger

On April 3, 2011, Ducommun and Merger Sub entered into a Merger Agreement with LaBarge. Pursuant to the Merger Agreement, Ducommun will cause Merger Sub to be merged with and into LaBarge, with LaBarge continuing as the surviving corporation. As a result of the Merger, LaBarge, which will be renamed Ducommun LaBarge Technologies, Inc., will become a wholly-owned subsidiary of Ducommun.

At the Effective Time of the Merger, each outstanding share of LaBarge Common Stock, including each outstanding share of restricted stock and any associated preferred stock purchase rights granted pursuant to the Rights Agreement, dated November 8, 2001 between LaBarge and Registrar and Transfer Company (as successor rights agent to UMB Bank, N.A.), as amended, other than shares held by LaBarge or its subsidiaries, owned by Ducommun or its subsidiaries or owned by stockholders who have not consented to the Merger and who have properly demanded appraisal for their shares under Delaware law, will be cancelled and converted into the right to receive \$19.25 in cash, without interest. At the Effective Time, each outstanding option will be cancelled and converted into the right to receive cash, without interest and less applicable withholding taxes, in an amount equal to the product of the excess, if any, of \$19.25 over the exercise price per share of LaBarge Common Stock for such option multiplied by the total number of shares of LaBarge Common Stock then subject to such option immediately prior to the Effective Time. In connection with the Merger, we expect to pay a total purchase price of \$338.1 million comprised of approximately \$310.3 million to LaBarge's stockholders and holders of other equity-based interests in LaBarge and \$27.8 million of outstanding LaBarge debt which will be repaid at closing of the Merger. Consummation of the Merger is subject to the affirmative vote of at least two-thirds of the shares of LaBarge Common Stock entitled to vote thereon, the staff of the SEC not having rejected or expressly disapproved any of the material terms or conditions of that certain Offer of Settlement of LaBarge executed by LaBarge on March 18, 2011 (the *Offer of Settlement*) with the SEC (see Business Legal Proceedings LaBarge), compliance with the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (*HSR Act*) and other customary closing conditions as set forth in the Merger Agreement. The LaBarge stockholder meeting is scheduled for June 23, 2011, and the applicable waiting period for consummation of the Merger under the HSR Act expired at 11:59 p.m. on May 16, 2011.

### Financing Transactions

Concurrently with, and subject to, the consummation of the Merger, we expect to enter into the following Financing Transactions:

the borrowing of \$190.0 million under a New Term Loan Facility;

a New Revolving Credit Facility in an aggregate principal amount of up to \$60.0 million; and

the issuance of \$200.0 million of senior notes.

Upon the satisfaction of certain conditions, if we obtain the necessary commitments, we will have the option to add one or more incremental term loan facilities or increase commitments under our New Revolving Credit Facility by an aggregate amount of up to \$75.0 million. See Description of Other Indebtedness.

The borrowings under the New Term Loan Facility and the proceeds from the notes offering, and, to the extent necessary, a limited portion (but no greater than \$10.0 million) of the New Revolving Credit Facility, will be used to finance the LaBarge Acquisition, repay the Existing Ducommun Credit Facility, repay the Existing LaBarge Credit Facility and pay fees and expenses in connection therewith. See Use of Proceeds. We estimate that the total amount of funds necessary to complete the Merger and the Financing Transactions including related fees and expenses is approximately \$390.0 million, which includes approximately \$310.3 million to be paid to LaBarge's stockholders and holders of other equity-based interests in LaBarge, with the remaining funds being used to repay the Existing Ducommun Credit Facility, repay the Existing LaBarge Credit Facility, to pay customary fees and expenses in connection with the Merger and the Financing Transactions and to add new cash to our balance sheet.

### LaBarge Management Employment Agreements

In connection with the Merger, on April 3, 2011, LaBarge entered into new employment agreements (the *Employment Agreements*) with six executive officers of LaBarge, Craig E. LaBarge, Donald H. Nonnenkamp, Randy L. Buschling, Teresa K. Huber, William D. Bitner and John R. Parmley (collectively, the *Executives*), each of which will become effective only upon consummation of the Merger. The Employment

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Agreements provide that upon a termination of employment without cause (as defined in the Employment Agreements) or resignation for good reason (as defined in the Employment Agreements), each Executive will be entitled to receive, as severance compensation, base salary, guaranteed bonus and employee benefits that the Executive would have otherwise been entitled to had he or she remained employed through the end of the one year term.

### Use of Proceeds

The following table summarizes the estimated sources and uses of proceeds in connection with the Transactions. The actual amounts set forth in the table below and in the accompanying footnotes are subject to change and may differ at the time of the consummation of the Transactions depending upon several factors, including differences from our estimation of fees and expenses and changes in the outstanding indebtedness of Ducommun from April 2, 2011 and LaBarge from April 3, 2011 to the consummation of the Transactions. You should read the following together with the information included under the headings "The Transactions" and "Unaudited Pro Forma Condensed Combined Financial Data" included elsewhere in this report.

Sources	(In millions)		Uses
New Credit Facilities(1)		Purchase price of equity(4)	\$ 310.3
New Revolving Credit Facility(2)		Repayment of existing LaBarge debt(5)	27.8
New Term Loan Facility	\$ 190.0	Repayment of existing Ducommun debt(6)	18.5
Senior notes(3)	200.0	New cash on balance sheet	1.9
		Transaction fees and expenses(7)	31.5
Total sources	\$ 390.0	Total uses	\$ 390.0

- (1) The New Credit Facilities will consist of (i) a \$190.0 million New Term Loan Facility, maturing in June 2017 and (ii) up to a \$60.0 million New Revolving Credit Facility, maturing in June 2016. Upon the satisfaction of certain conditions, we will, if we obtain the necessary commitments, have the option to add one or more incremental term loan facilities or increase commitments under our New Revolving Credit Facility by an aggregate amount of up to \$75.0 million. See "Description of Other Indebtedness."
- (2) To the extent necessary, a limited portion of the New Revolving Credit Facility (but no greater than \$10.0 million) may be drawn to finance the LaBarge Acquisition and fees and expenses related to the Transactions, with the remaining portion of such \$60.0 million New Revolving Credit Facility available to be borrowed after the consummation of the Merger.
- (3) Represents the principal amount of the notes assuming no OID.
- (4) Reflects the total consideration to be paid to holders of all the issued and outstanding shares of LaBarge Common Stock and the settlement of stock options, performance units and restricted stock to be paid pursuant to the Merger Agreement at the closing of the LaBarge Acquisition.
- (5) Consists of outstanding amounts, including accrued and unpaid interest, due on the Existing LaBarge Credit Facility which matures as of December 22, 2011 and bears interest at a rate of either (i) the base rate plus a spread of 0.5% to 1.25% per annum based on the leverage ratio of the company or (ii) the LIBOR rate for the applicable interest period plus a spread of 2.0% to 2.75% per annum based on the leverage ratio of the company. There is no prepayment penalty in connection with this repayment.
- (6) Consists of outstanding amounts due on the Existing Ducommun Credit Facility which matures as of June 30, 2014 and bears interest at a rate of (i) the base rate plus a spread of 1.5% to 2.0% per annum based on the leverage ratio of the company or (ii) the LIBOR rate for the applicable interest period plus a spread of 2.5% to 3.0% per annum based on the leverage ratio of the company. There is no prepayment penalty in connection with this repayment.
- (7) Reflects our estimate of fees and expenses associated with the Transactions including placement, initial purchasers' discount, estimated legal fees, financing fees, accounting fees, advisory fees and other transaction costs.

### Capitalization

The following table sets forth our cash and cash equivalents and our capitalization:

on an actual basis for Ducommun as of April 2, 2011;

on an actual basis for LaBarge as of April 3, 2011; and

on a pro forma basis as of April 2, 2011.

The information in this table is presented and should be read in conjunction with the information under The Transactions, Use of Proceeds, Unaudited Pro Forma Condensed Combined Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Description of Other Indebtedness and the historical consolidated financial statements of Ducommun and LaBarge, together with the related notes filed with the SEC.

	Ducommun as of April 2, 2011	LaBarge as of April 3, 2011	Transaction Adjustments (In thousands)	Pro forma for the Transactions as of April 2, 2011
Cash and cash equivalents	\$ 1,069	\$ 6,219	\$ 1,944	\$ 9,232
Indebtedness:				
New Revolving Credit Facility(1)				
New Term Loan Facility			190,000	190,000
Notes			200,000	200,000
Other Debt(2)	3,269			3,269
Existing Ducommun Credit Facility	18,500		(18,500)	
Existing LaBarge Credit Facility		27,761	(27,761)	
Total indebtedness	21,769	27,761	343,739	393,269
Total shareholders' equity	257,207	129,335	(129,335)	257,207
Total capitalization	\$ 278,976	\$ 157,096	\$ 214,404	\$ 650,476

- (1) Upon consummation of the LaBarge Acquisition, Ducommun will enter into a \$60.0 million New Revolving Credit Facility. To the extent necessary, a limited portion (but no greater than \$10.0 million) of the New Revolving Credit Facility may be drawn to finance the LaBarge Acquisition, repay the Existing Ducommun Credit Facility, repay the Existing LaBarge Credit Facility and pay fees and expenses in connection therewith, with the remaining portion of such New Revolving Credit Facility available to be borrowed after the consummation of the Merger.
- (2) Reflects notes and other liabilities associated with prior Ducommun acquisitions.

**Unaudited Pro Forma Condensed Combined Financial Data**

The following unaudited pro forma condensed combined financial statements have been prepared by our management and have been developed by applying pro forma adjustments to the historical audited and unaudited consolidated financial statements of Ducommun and LaBarge filed with the SEC. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with these unaudited pro forma condensed combined financial statements. Our unaudited pro forma condensed combined financial statements give effect to the following:

the LaBarge Acquisition;

the offering of the notes;

the entry into the New Credit Facilities;

the repayment of the Existing Ducommun Credit Facility; and

the repayment of the Existing LaBarge Credit Facility.

The unaudited pro forma condensed combined balance sheet is presented as if the Transactions had occurred as of April 2, 2011, the date of Ducommun's most recent quarter end balance sheet. The unaudited pro forma condensed combined statements of operations are presented as if the Transactions had occurred on January 1, 2010, the first day of Ducommun's 2010 fiscal year.

Due to the fact that the end dates of Ducommun's and LaBarge's fiscal periods differ, and in order to present pro forma results for comparable periods,

the unaudited pro forma condensed combined balance sheet as of April 2, 2011 is presented based on Ducommun's balance sheet as of April 2, 2011 and LaBarge's balance sheet as of April 3, 2011;

the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 is presented based on Ducommun's audited results for the fiscal year ended December 31, 2010 and LaBarge's combined results for its four quarters ended January 2, 2011 (LaBarge's fiscal year end was June 27, 2010);

the unaudited pro forma condensed combined statement of operations for the twelve months ended April 2, 2011 is presented based on Ducommun's combined results for its four quarters ended April 2, 2011 and LaBarge's combined results for its four quarters ended April 3, 2011; and

the unaudited pro forma condensed combined statement of operations for the quarter ended April 2, 2011 is presented based on Ducommun's first quarter ended April 2, 2011 and LaBarge's third quarter ended April 3, 2011.

The Merger will be accounted for under the acquisition method of accounting, which requires the total acquisition cost (purchase price payable in the Merger plus fair value of assumed liabilities of LaBarge) to be allocated to the tangible and intangible assets acquired based on their estimated fair values. The excess of the acquisition cost over the amounts allocated to LaBarge's assets will be recognized as goodwill.

The process of valuing LaBarge's tangible and intangible assets and liabilities, as well as evaluating accounting policies for conformity, is still in the preliminary stages. Accordingly, the purchase price allocation adjustments included in the unaudited pro forma condensed combined financial statements are preliminary and have been made solely for the purpose of preparing these unaudited pro forma condensed combined financial statements. A final determination of fair values, which cannot be made prior to the completion of the Merger, will include



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consideration of a final valuation. This final valuation will be based on the actual net tangible and intangible assets of LaBarge that exist as of the date of completion of the Merger. Ducommun currently expects that the process of determining fair value of the tangible and intangible assets acquired and liabilities assumed will be completed within one year of the consummation of the Merger. Material revisions to these preliminary estimates may be necessary as more information becomes available through the completion of this final determination, and thus the actual amounts recorded following the completion of the Merger may be materially different from the information presented in these unaudited pro forma condensed combined financial statements due to a number of factors, including:

timing of completion of the Merger;

changes in the net assets of LaBarge;

changes in market conditions and financial results that may impact cash flow projections in the preliminary valuations; and

other changes in market conditions that may impact the fair value of LaBarge's net assets.

These estimated pro forma adjustments only give effect to events that are (i) directly attributable to the Transactions, (ii) factually supportable, and (iii) with respect to the unaudited pro forma statement of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial statements do not reflect any net sales enhancements, cost savings from operating efficiencies, synergies or other benefits that could result from the Merger, or the costs and related liabilities that would be incurred to achieve them.

The unaudited pro forma condensed combined financial statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Ducommun would have been had the Transactions occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or the financial position of Ducommun.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the information included under the headings The Transactions, Use of Proceeds, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements of Ducommun and LaBarge and related notes filed with the SEC. All pro forma adjustments and their underlying assumptions are described more fully in the notes to our unaudited pro forma condensed combined financial statements.

## Pro Forma Condensed Combined Balance Sheets

(In thousands)

(Unaudited)

	Ducommun April 2, 2011	LaBarge April 3, 2011	Pro Forma Adjustments	Ducommun and LaBarge Combined
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,069	\$ 6,219	\$ 32,373(a)	\$ 39,661
Accounts Receivable, Net	56,938	42,746		99,684
Unbilled Receivables	5,083			5,083
Inventories	81,115	74,962	2,100(b)	158,177
Production Cost of Contracts	17,509			17,509
Deferred Income Taxes	6,026	3,551		9,577
Other Current Assets	6,194	1,577	(279)(c)	7,492
<b>Total Current Assets</b>	<b>173,934</b>	<b>129,055</b>	<b>34,194</b>	<b>337,183</b>
Property and Equipment, Net	58,976	27,696	8,000(d)	94,672
Goodwill	101,090	43,424	45,210(e)	189,724
Other Assets	23,510	12,891	159,000(f)	230,401
			29,000(g)	
			(7,725)(c)	
			13,725(h)	
<b>Total Assets</b>	<b>\$ 357,510</b>	<b>\$ 213,066</b>	<b>\$ 281,404</b>	<b>\$ 851,980</b>
<b>Liabilities and Stockholders Equity:</b>				
<b>Current Liabilities:</b>				
Current portion of long-term debt	\$ 180	\$ 10,461	\$ (10,461)(i)	\$ 180
Accounts payable	35,060	24,928		59,988
Accrued liabilities	26,187	27,135		53,322
<b>Total Current Liabilities</b>	<b>61,427</b>	<b>62,524</b>	<b>(10,461)</b>	<b>113,490</b>
Long-Term Debt	21,589	17,300	(18,500)(i)	393,089
			(17,300)(i)	
			390,000(j)	
Deferred Income Taxes	7,971	2,981	67,000(k)	77,952
Other Long-Term Liabilities	9,316	926		10,242
<b>Total Liabilities</b>	<b>100,303</b>	<b>83,731</b>	<b>410,739</b>	<b>594,773</b>