

DUCOMMUN INC /DE/
Form DEF 14A
March 29, 2011

SCHEDULE 14A INFORMATION

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a11(c) or Rule 14a-12

DUCOMMUN INCORPORATED

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

DUCOMMUN INCORPORATED

23301 Wilmington Ave.

Carson, California 90745-6209

(310) 513-7200

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 4, 2011

To the Shareholders of

Ducommun Incorporated:

Notice is hereby given that the Annual Meeting of Shareholders of Ducommun Incorporated, a Delaware corporation (the Corporation), will be held at the Long Beach Hilton, 701 W. Ocean Blvd., Long Beach, California, on Wednesday, May 4, 2011, at the hour of 9:00 o'clock A.M. for the following purposes:

1. To elect two directors to serve for three-year terms ending in 2014.
2. To provide an advisory vote on named executive officer compensation.
3. To provide an advisory vote on the frequency of future advisory votes on named executive officer compensation.
4. To ratify the selection of PricewaterhouseCoopers LLP as the Corporation's independent accountants for the Corporation's fiscal year ending December 31, 2011.
5. To transact any other business that may properly be brought before the meeting or any adjournments or postponements thereof.

March 14, 2011 has been established as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. All shareholders are cordially invited to attend the meeting in person.

To insure your representation at the meeting, please complete and mail your Proxy Card in the return envelope provided, as soon as possible. This will not prevent you from voting in person by completing a ballot at the meeting should you so desire, but will help to secure a quorum and will avoid added solicitation costs. Directions to the Annual Meeting of Shareholders may be obtained by calling the telephone number listed above.

By Order of the Board of Directors

James S. Heiser

Secretary

Carson, California

April 1, 2011

DUCOMMUN INCORPORATED

23301 Wilmington Ave.

Carson, California 90745-6209

(310) 513-7200

PROXY STATEMENT

This Proxy Statement and the 2010 Annual Report to Shareholders are being mailed on or about April 1, 2011 to shareholders of Ducommun Incorporated (the Corporation) who are such of record on March 14, 2011, in connection with the solicitation of proxies for use at the Corporation's Annual Meeting of Shareholders to be held at 9:00 o'clock A.M. on May 4, 2011, or at any adjournments or postponements thereof (the Annual Meeting), for the purposes set forth herein and in the accompanying Notice of Annual Meeting. The accompanying proxy is solicited by the Board of Directors (the Board) of the Corporation. Solicitation will be made by mail, interview, telephone, facsimile and internet. D. F. King & Co., Inc. has been retained to assist in the solicitation of proxies for which it will be paid a fee of \$6,000 plus reimbursement of out-of-pocket expenses. Brokers, nominees, banks and other custodians will be reimbursed for their costs incurred in forwarding solicitation material to beneficial owners. All expenses incident to the proxy solicitation will be paid by the Corporation.

Proxies in the accompanying form will be voted in accordance with the instructions given therein. If the proxy is completed and submitted (and not revoked) prior to the Annual Meeting, but no instructions are given, the proxies will be voted for the election as directors of the management nominees, for approval of the advisory resolution on executive compensation, for ratification of the selection of PricewaterhouseCoopers LLP as the Corporation's independent accountants for the fiscal year ending December 31, 2011, and in their discretion on such other business as may properly come before the meeting. If no instructions are given with respect to the future advisory votes on executive compensation, those proxies will be treated as abstaining from that vote. Any shareholder may revoke his proxy at any time prior to its use by filing with the Secretary of the Corporation a written notice of revocation or a duly executed proxy bearing a later date or by voting in person at the Annual Meeting.

The close of business on March 14, 2011 has been fixed as the record date (the Record Date) for the determination of holders of shares of Common Stock entitled to notice of, and to vote at, the Annual Meeting. At the close of business on the Record Date, the Corporation had outstanding 10,530,866 shares (excluding treasury shares) of Common Stock, \$.01 par value per share (the Common Stock). In the election of directors, holders of Common Stock have cumulative voting rights. Cumulative voting rights entitle a shareholder to a number of votes equal to the number of directors to be elected multiplied by the number of shares held. The votes so determined may be cast for one candidate or distributed among one or more candidates. Votes may not be cast, however, for a greater number of candidates than the number of nominees named herein. On all other matters to come before the Annual Meeting, each holder of Common Stock will be entitled to one vote for each share owned.

A majority of the outstanding shares of Common Stock will constitute a quorum at the Annual Meeting. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum has been obtained. In the election of directors, abstentions and broker non-votes will not be counted. On all other matters, abstentions will be counted, but broker non-votes will not be counted, for purposes of determining whether a proposal has been approved.

In the election of directors, the candidates receiving the highest number of votes will be elected to fill the vacancies on the Board of Directors. The ratification of PricewaterhouseCoopers LLP as the Corporation's independent accountants for the fiscal year ending December 31, 2011 requires approval by the affirmative vote of a majority of the votes cast.

Important Notice Regarding the Availability of Proxy Materials for the

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Shareholder Meeting to be Held on May 4, 2011

This Proxy Statement and the 2010 Annual Report to Shareholders are available at

<http://bnymellon.mobular.net/bnymellon/dco>.

ITEM 1: ELECTION OF DIRECTORS

Two directors (out of a total of eight) are to be elected at the forthcoming Annual Meeting to serve for a three-year term expiring at the Annual Meeting in 2014 and thereafter until their successors are elected and qualified. The nominees for such positions are Joseph C. Berenato and Robert D. Paulson. In the absence of a contrary direction, proxies in the accompanying form will be voted for the election of the foregoing nominees. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur the person designated in the proxies will cast votes for other persons in accordance with their best judgment. In the event that any person other than the nominees named herein should be nominated for election as a director, the proxy holders may vote for less than all of the nominees and in their discretion may cumulate votes. Should any of the directors whose terms continue past the 2011 Annual Meeting cease to serve as directors prior to the Annual Meeting, the authorized number of directors will be reduced accordingly. **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR MESSRS. BERENATO AND PAULSON.**

Directors Qualifications

The Board of Directors believes that the Board of Directors, as a whole, should possess a combination of skills, professional experience, and backgrounds necessary to oversee the Corporation's business. In addition, the Board of Directors believes that there are certain attributes that every director should possess, as reflected in the Board's membership criteria. Accordingly, the Board of Directors and its Corporate Governance and Nominating Committee consider the qualifications of directors and director candidates individually and in the broader context of the Board of Directors' overall composition and the Corporation's current and future needs.

The Corporate Governance and Nominating Committee is responsible for developing and recommending Board of Director membership criteria to the Board for approval. The criteria, which are set forth in the Corporation's Corporate Governance Guidelines, include independent and sound judgment, integrity, the ability to commit sufficient time and attention to Board of Director activities, and the absence of potential conflicts with the Corporation's interests. In addition, the Corporate Governance and Nominating Committee periodically evaluates the composition of the Board of Directors to assess the skills and experience that are currently represented on the Board of Directors as well as the skills and experience that the Board of Directors will find valuable in the future, given the Corporation's current situation and strategic plans. While the Corporate Governance and Nominating Committee does not have an explicit policy with respect to diversity, it carefully considers the Board's diversity of qualifications in terms of industry experience, functional skills, age, governance service on other boards, prior work experience, educational background, and other important considerations. The Corporate Governance and Nominating Committee believes that it is important that Board of Director members represent diverse viewpoints and perspectives in their application of judgment to company matters.

In evaluating director candidates, and considering incumbent directors for renomination to the Board of Directors, the Corporate Governance and Nominating Committee has considered a variety of factors. These include each nominee's independence, financial literacy, personal and professional accomplishments and experience.

The following information is furnished as of March 14, 2011, with respect to the persons who are nominees for election to the Board of Directors, as well as for the other six directors of the Corporation whose terms of office will continue after the 2011 Annual Meeting.

| | | | |
|---------------------------|--------|---------------------|-------------------|
| Joseph C. Berenato | Age 64 | Director Since 1997 | Term Expires 2014 |
|---------------------------|--------|---------------------|-------------------|

Chairman of the Board

Mr. Berenato has been Chairman of the Board since 1999. Mr. Berenato was Chief Executive Officer from 1997 to 2009, President from 1997 to 2007, and Chief Financial Officer from 1991 to 1996. Mr. Berenato

presently is a Director or Trustee of six mutual funds in the American Funds Family managed by Capital Research & Management Company. As the former Chief Executive Officer of the Corporation, Mr. Berenato provides the Board with a thorough understanding of the strategic direction of the Corporation and has experience in all aspects of the Corporation's business.

Anthony J. Reardon Age 60 Director Since 2010 Term Expires 2012
 President and Chief Executive Officer

Mr. Reardon has been Chief Executive Officer since 2010 and President since 2008. Mr. Reardon was President of Ducommun AeroStructures, Inc. from 2002 to 2007, and Senior Vice President Business Management of Ducommun AeroStructures, Inc. from 2001 to 2002. As the current Chief Executive Officer of the Corporation, Mr. Reardon provides management's perspective in Board discussions about the business and strategic direction of the Corporation, and has detailed knowledge of all aspects of the Corporation's current operations and business.

Eugene P. Conese, Jr. Age 51 Director Since 2000 Term Expires 2012
 Managing Director, Gridiron Capital LLC

Mr. Conese is a Managing Director of Gridiron Capital LLC, a private equity firm and is on the Board of four of its portfolio companies. Mr. Conese was previously President of Greenwich Air Services, Inc., a company providing maintenance, repair and overhaul services for gas turbine engines for commercial and military aerospace markets. As the former President and a member of the Board of Directors of a public aerospace company, Mr. Conese provides the Board with significant operational expertise, as well as experience in acquisitions of businesses.

Board Committees: Corporate Governance and Nominating

Ralph D. Crosby, Jr. Age 63 Director Since 2000 Term Expires 2012
 Chairman, EADS North America, Inc.

Mr. Crosby is the Chairman of EADS North America, Inc. Mr. Crosby was previously Chief Executive Officer of EADS North America, Inc. and Corporate Vice President and President, Integrated Systems Sector of Northrop Grumman Corporation. As a former senior executive in two of the world's largest aerospace companies, Mr. Crosby provides the Board with a global perspective and significant operational experience, including in particular with respect to the aerostructures segment of the Corporation's business.

Board Committees: Compensation (Chairman)

Robert C. Ducommun Age 59 Director Since 1985 Term Expires 2013

Business Advisor

Mr. Ducommun is a Business Advisor. Mr. Ducommun was previously the Chief Financial Officer for several private companies and a management consultant with McKinsey & Company. As a former management consultant and Chief Financial Officer, Mr. Ducommun brings to the Board substantial financial acumen and leadership in setting the strategic direction for the Corporation.

Board Committees: Corporate Governance and Nominating (Chairman) and Audit

Dean M. Flatt Age 60 Director Since 2009 Term Expires 2013
 Retired President, Defense & Space, Honeywell International, Inc.

Mr. Flatt is the retired President, Defense & Space of Honeywell International, Inc. Mr. Flatt was previously President, Aerospace Electronic Systems and President, Performance Materials of Honeywell International, Inc. As the former President of several divisions of one of the world's largest avionics manufacturers, Mr. Flatt

contributes to the Board diverse operational experience and understanding of technologies relevant to the Corporation's business.

Board Committees: Audit

Jay L. Haberland Age 60 Director Since 2009 Term Expires 2013

Retired Vice President, United Technologies Corporation

Mr. Haberland is the retired Vice President, Business Controls of United Technologies Corporation. Mr. Haberland was previously the Chief Financial Officer of Sikorsky Aircraft Corporation, a subsidiary of United Technologies Corporation, and Vice President, Controller and Chief Accounting Officer of United Technologies Corporation. As the former Chief Financial Officer of one of the world's largest helicopter manufacturers and the Chief Accounting Officer of a world-wide diversified manufacturer, Mr. Haberland is a certified public accountant and provides the Board with significant expertise in financial and accounting matters, as well as substantial international experience.

Board Committees: Audit (Chairman)

Robert D. Paulson Age 65 Director Since 2003 Term Expires 2014

Chief Executive Officer, Aerostar Capital LLC

Mr. Paulson is the Chief Executive Officer of Aerostar Capital LLC, a private equity firm. Mr. Paulson has been a management consultant for the aerospace industry for over 30 years, and was previously a senior partner with McKinsey & Company. Mr. Paulson is a Director of Nationwide Health Properties, Inc. As a long-time consultant and investor in the aerospace industry, Mr. Paulson contributes to the Board substantial experience in developing and executing business strategies, as well as experience in the acquisition of businesses.

Board Committees: Compensation and Corporate Governance and Nominating

Lead Director

H. Frederick Christie was in 2010 and currently is a member of the Board of Directors, the Audit Committee and the Compensation Committee. Mr. Christie is expected to retire at the 2011 Annual Meeting, and the Board of Directors expects to select a replacement for Mr. Christie on the Compensation Committee at that time.

The Board of Directors met five times in 2010. All incumbent directors attended seventy-five percent or more of the meetings of the Board of Directors and Committees of the Board which were held while they were a director during 2010. The Corporation strongly encourages all directors to attend the Annual Meeting of Shareholders, and all of the directors attended the 2010 Annual Meeting of Shareholders. The Corporation has instituted a policy of holding regularly scheduled executive sessions of non-management directors to follow each regularly scheduled meeting of the full Board of Directors. Additional executive sessions of non-management directors may be held from time to time as required. The director serving as the presiding director during executive sessions currently is Mr. Paulson, the lead director of the Board of Directors.

Each of the persons named above was elected by the shareholders at a prior annual meeting. The Board of Directors has determined that Messrs. Conese, Crosby, Ducommun, Flatt, Haberland and Paulson do not have any relationship with the Corporation other than in connection with their service as directors and meet the independence standards of the New York Stock Exchange's listing standards.

COMPENSATION OF DIRECTORS

Description of Director Compensation

Directors who are not employees of the Corporation or a subsidiary are paid an annual retainer of \$45,000 and receive \$1,000 for each meeting of a committee of the Board of Directors they attend. The chairman of each of the Audit Committee, Compensation Committee and the Corporate Governance and Nominating Committee are paid an additional annual retainer fee of \$7,500. The presiding director is paid an additional annual retainer of \$15,000. Directors also are granted, following the Annual Meeting of Shareholders, restricted stock units for a number of shares (rounded to the nearest 100 shares) equal to \$50,000 divided by the average closing price of the Corporation's Common Stock on the New York Stock Exchange on the five trading days immediately preceding the date of grant.

Under the Directors Deferred Income and Retirement Plan, a director may elect to defer payment of all or part of his fees for service as a director until he retires from service on the Board of Directors. Deferred directors' fees may be placed, at the election of the director, in a fixed interest account or a phantom stock account which tracks the Common Stock of the Corporation with dividends (if any), and will be paid with earnings thereon following the retirement of the director. Upon retirement, Mr. Ducommun will receive the annual retainer fee of \$25,000, which was in effect in 2009, for life or for a period of years equal to his service as a director prior to 1997 (when the accrual of additional years of service was terminated), whichever is shorter, provided that he retires after the age of 65, and is not an employee of the Corporation when he retires.

2010 Director Compensation Table

The following table presents the compensation earned or paid by the Corporation to the non-employee directors for the fiscal year ended December 31, 2010.

| | Fees Earned or Paid in Cash (\$) | Stock Awards (\$) ⁽¹⁾⁽²⁾⁽³⁾ | Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) | Total (\$) |
|---------------------------------------|--|---|---|------------|
| H. Frederick Christie. | 58,750 | 45,801 | (2,230) | 102,321 |
| Eugene P. Conese, Jr. | 46,000 | 45,801 | 0 | 91,801 |
| Ralph D. Crosby, Jr. ⁽⁴⁾ . | 57,500 | 45,801 | 0 | 103,301 |
| Robert C. Ducommun | 57,500 | 45,801 | 8,246 | 111,547 |
| Dean M. Flatt | 49,000 | 45,801 | 0 | 94,801 |
| Jay L. Haberland | 52,750 | 45,801 | 0 | 98,551 |
| Robert D. Paulson | 67,000 | 45,801 | 0 | 112,801 |

- (1) At December 31, 2010, 2,100 restricted stock units were outstanding for each director and stock options were outstanding as follows: (a) 12,000 shares for each of Messrs. Christie, Conese, Crosby, Ducommun, and Paulson, and (b) 3,000 shares for Mr. Haberland.
- (2) These amounts represent the aggregate grant date fair value of stock awards granted in 2010 as calculated pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718. The methodology and assumptions used in the valuation of stock awards are contained in footnote 9 to the Corporation's financial statements included in Form 10-K for the year ended December 31, 2010.
- (3) In 2010, each director was granted restricted stock units for 2,100 shares of Common Stock.
- (4) Mr. Crosby's director's fees were deferred into an account to which 2,992.15 shares of phantom stock were credited, in lieu of cash, in 2010.

Director Stock Ownership Policy

In early 2011, the Board of Directors adopted a stock ownership policy covering all non-employee directors. Under the policy, non-employee directors must acquire and hold shares of the Corporation's common stock equal in value to at least three times the annual cash and stock retainer paid to all non-employee directors. Non-employee directors have five years from the later of the adoption of the policy or their initial election to meet this stock ownership guideline.

BOARD LEADERSHIP STRUCTURE

The Corporation's Chief Executive Officer is Anthony J. Reardon and the Chairman of the Board is Joseph C. Berenato, the Corporation's former Chief Executive Officer. Since January 1, 2010, the roles of Chairman of the Board and Chief Executive Officer have been divided in order to provide a transition in leadership. Mr. Berenato, who had been Chairman of the Board and Chief Executive Officer, retired as an executive officer of the Corporation effective January 1, 2010 but continues to work full time as the Chairman of the Board. Mr. Reardon was elected Chief Executive Officer effective January 1, 2010 following the retirement of Mr. Berenato.

The Board of Directors believes that strong, independent leadership and oversight of management is an important component of an effective Board of Directors. In this regard, the Board has elected Robert D. Paulson as the independent lead director with leadership authority and responsibilities. Mr. Paulson, together with the other members of the Board of Directors, review the agenda for all Board meetings, and Mr. Paulson sets the agenda for and leads all executive sessions of the independent directors and provides consolidated feedback from those meetings to the Chairman and the Chief Executive Officer. The Board of Directors regularly meets in

executive session without management present following each Board meeting and outside of regularly scheduled Board meetings on key issues as required. The lead director's responsibilities and authority include:

coordinating the activities of the independent directors;

presiding at meetings of the Board of Directors at which the Chairman and the CEO are not present, including executive sessions of the independent directors;

setting the agenda for and leading non-management and independent director sessions held by the Board regularly, and briefing the Chairman and the CEO on any issues arising from those sessions;

having the authority to call executive sessions of the independent directors;

servicing as a liaison between the Chairman and the CEO and the independent directors;

advising on the flow of information sent to the Board of Directors, and reviewing the agenda, materials and schedule for Board meetings; and

being available for consultation and communication with major shareholders as appropriate.

The independent members of the Board of Directors have determined that having a separate Chairman and Chief Executive Officer will be the most effective in assuring an efficient transition of the duties of the Chief Executive Officer and is the most appropriate leadership structure for the Board of Directors at this time. However, the roles of Chairman and CEO may be filled by the same or different individuals. This allows the Board of Directors flexibility to determine whether the two roles should be combined in the future based upon the Corporation's needs and the Board of Directors' assessment of the Corporation's leadership from time to time. The Board of Directors periodically reviews the structure of Board and Corporation leadership as part of the succession planning process.

THE BOARD'S ROLE IN RISK OVERSIGHT

The Board of Directors oversees risk management as a whole and through its Committees. The Board regularly reviews information regarding, and risks associated with, the Corporation's operations and liquidity.

While the full Board of Directors has the ultimate oversight responsibility for the risk management process, various Board Committees also have responsibilities for risk management in certain areas. In particular, the Audit Committee reviews risks related to financial reporting and internal controls. The Audit Committee also, at least annually, reviews and assesses enterprise-wide risks and risk mitigation plans implemented by management. Management regularly reports on each such risk to the Audit Committee or the full Board of Directors, as appropriate, and additional review or reporting on enterprise risks is conducted as needed or as requested by the Board of Directors or the Audit Committee. The Compensation Committee reviews the Corporation's overall compensation programs and their effectiveness aligning executive pay with performance in the interests of shareholders. The Corporate Governance and Nominating Committee reviews and makes recommendations to the Board concerning the Corporation's leadership structure and director independence.

The Compensation Committee reviews the risks associated with the Corporation's compensation policies and practices for executive officers and employees generally. The Compensation Committee did not identify any risks arising from these policies and practices which are reasonably likely to have a material adverse effect on the Corporation. In the course of its review, the Compensation Committee considered various features of the compensation policies and practices that discourage excessive risk taking, including, but not limited to, the following:

An appropriate compensation philosophy based on peer group and other market compensation data,

An effective balance between cash and equity-based compensation,

An appropriate mix of short and longer-term performance measures, and

Financial and non-financial performance measurements, together with Compensation Committee and management discretion to adjust compensation appropriately.

COMMITTEES OF THE BOARD OF DIRECTORS

The Corporation has standing Audit, Compensation, and Corporate Governance and Nominating Committees. The members of each of the Committees are listed above under Directors Qualifications.

The Audit Committee, which met formally four times during 2010, oversees the integrity of the Corporation's financial statements, the Corporation's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and the performance of the Corporation's internal audit function and the Corporation's independent auditor. The Audit Committee is governed by a charter which was adopted by the Board of Directors, and which is attached to this Proxy Statement as Appendix A. The Corporation's securities are listed on the New York Stock Exchange and are governed by its listing standards. All of the members of the Audit Committee meet the independence standards of the New York Stock Exchange's listing standards. The Board of Directors has determined that Mr. Haberland, the chairman of the Audit Committee, is an audit committee financial expert as such term is defined under the regulations of the Securities and Exchange Commission (SEC).

The Compensation Committee, which met formally six times during 2010, reviews and approves compensation for executive officers, grants stock options and other stock-based awards, administers stock option and stock-based award programs, reviews and recommends retirement plans, reviews and approves employment agreements and severance arrangements for executive officers, and oversees the evaluation of management of the Corporation. All of the members of the Compensation Committee meet the independence standards of the New York Stock Exchange's listing standards.

The Corporate Governance and Nominating Committee, which met formally one time during 2010, reviews and recommends to the Board of Directors the nominees for election as directors of the Corporation and oversees the corporate governance of the Corporation. All of the members of the Corporate Governance and Nominating Committee meet the independence standards of the New York Stock Exchange's listing standards.

The charters of each of the committees of the Board of Directors and the Corporation's Corporate Governance Guidelines are available on the Corporation's website at www.ducommun.com and are available in writing upon the written request of any shareholder of the Corporation. Such requests should be addressed to Ducommun Incorporated, 23301 Wilmington Ave., Carson, CA 90745-6209, Attn: James S. Heiser, Secretary.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2010, no member of the Compensation Committee of the Board of Directors was or had been an officer or employee of the Corporation, or had any relationship requiring disclosure hereunder. During 2010, no executive officer of the Corporation served as a member of the Compensation Committee or as a director of another entity, one of whose executive officers served on the Compensation Committee of the Board of Directors or as a director of the Corporation.

NOMINATING PROCESS

The Corporate Governance and Nominating Committee will consider director candidates recommended by security holders of the Corporation, provided that any security holder recommending a director candidate must have beneficially owned more than five percent (5%) of the Corporation's voting common stock continuously for at least one (1) year as of the date the recommendation is made and any such security holder may submit the name of only one person each year for consideration as a director candidate. All such security holders' recommendations of director candidates must be submitted to the Secretary of the Corporation in writing no later than October 31 of the year preceding the annual meeting of shareholders, and must include (i) the full name, address and Social Security number of the director candidate recommended, (ii) the full name, address and taxpayer identification number of each of the security holders, and (iii) an affidavit of each of the security holders that they satisfy the minimum beneficial ownership of common stock requirements set forth above. The Corporate Governance and Nominating Committee considers and evaluates candidates recommended by security holders in the same manner that it considers and evaluates other director candidates.

The Corporate Governance and Nominating Committee believes that all Committee-recommended nominees for election as a director of the Corporation must, at a minimum, have (i) diverse expertise, business experience, sound judgment and a record of accomplishment in areas relevant to the Corporation's business activities, (ii) unquestionable integrity, (iii) commitment to representing the interests of the Corporation's shareholders, (iv) willingness to devote sufficient time, energy and attention to carrying out their duties and responsibilities effectively, and (v) willingness to serve on the Board for an extended period of time. In identifying candidates to serve on the Board of Directors, the Corporate Governance and Nominating Committee first determines the evolving needs of the Board of Directors, taking into account such factors as it deems appropriate, including the current composition of the Board of Directors, the range of talents, experiences and skills that would best complement those already represented on the Board of Directors, the balance of management and independent directors and the need for financial or other specialized expertise, as discussed in greater detail above under Directors' Qualifications.

The Corporate Governance and Nominating Committee also believes that at least a majority, and preferably two-thirds, of the Corporation's directors must be independent under the NYSE rules, and that at least one member of the Board of Directors must be an audit committee financial expert as defined by SEC rules. All persons to be considered for nomination as a director of the Corporation by the Corporate Governance and Nominating Committee must complete a questionnaire, provide such additional information as the Corporate Governance and Nominating Committee may request, and meet in person with directors of the Corporation.

SECURITY HOLDERS AND OTHER INTERESTED PARTIES

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Security holders and other interested parties may communicate with the Corporation's Board of Directors in writing by mail, addressed to Board of Directors, Ducommun Incorporated, 23301 Wilmington Ave., Carson, CA 90745-6209. Persons wishing to communicate with the Board of Directors should include their full name and address. Security holders and other interested parties wishing to communicate with the Board of Directors should also include the number of shares of common stock beneficially owned, and the name of the record holder of the common stock if different from themselves (e.g., the name of any broker or bank holding the stock). The Corporation intends to forward all communications from security holders and other interested parties in the manner described above to the Corporate Governance and Nominating Committee members, who will then determine whether the communications should be distributed to the entire Board of Directors of the Corporation. If the Board of Directors of the Corporation receives a substantial number of communications from security holders and other interested parties, the Corporate Governance and Nominating Committee may delegate to the general counsel of the Corporation the screening of these communications to remove solicitations and communications unrelated to the Corporation's business. Should shareholders or other interested parties desire to

communicate with the Corporation's presiding director or non-management directors as a group, such communications should be addressed to either the presiding director or the non-management directors at the address set forth above.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires the Corporation's officers and directors, and persons who own more than 10% of the Corporation's equity securities, to file reports of ownership and changes in ownership with the SEC and to furnish copies of such forms to the Corporation. Based solely on a review of the copies of such forms furnished to the Corporation, and on written representations that no Forms 5 were required, the Corporation believes that during its past fiscal year all of its officers, directors and greater than 10% owners complied with the filing requirements of Section 16(a) except that Mr. Reardon failed to report one transaction on a timely basis on one Form 4 that was subsequently filed and Michael Pollack, the Corporation's vice president of sales and marketing, failed to file on a timely basis a Form 3 that was subsequently filed.

CODE OF ETHICS

The Corporation has adopted a Code of Ethics for Senior Financial Officers and a Code of Business Conduct and Ethics, the text of each of which is posted on the Corporation's website at www.ducommun.com and is available in writing upon the written request of any shareholder of the Corporation. Such requests should be addressed to Ducommun Incorporated, 23301 Wilmington Ave., Carson, CA 90745-6209, Attn: James S. Heiser, Secretary.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The tables below show the name and address of the beneficial owners, amount and nature of beneficial ownership and percentage ownership of persons or groups known by the Corporation to be the beneficial owners of 5% or more of the outstanding shares of Common Stock as of December 31, 2010 except for Mr. Ducommun who is shown as of March 14, 2011. The tables below also show the name, amount and nature of beneficial ownership and percentage ownership of each director and nominee for director, each executive officer named in the Summary Compensation Table contained in this Proxy Statement, and all directors and executive officers as a group as of March 14, 2011. Unless otherwise indicated, such shareholders have sole voting and investment power (or share such power with their spouse) with respect to the shares set forth in the tables. The Corporation knows of no contractual arrangements which may at a subsequent date result in a change in control of the Corporation.

For the purposes of the tables, beneficial ownership of shares has been determined in accordance with Rule 13d-3 of the SEC, under which a person is deemed to be the beneficial owner of securities if he or she has or shares voting or investment power with respect to such securities or has the right to acquire ownership thereof within 60 days. Accordingly, the amounts shown in the tables do not purport to represent beneficial ownership for any purpose other than compliance with SEC reporting requirements.

Security Ownership of Certain Beneficial Owners

| Name and Address of Shareholders | Number of Shares | Percentage of Class |
|---|------------------------|---------------------|
| Robert C. Ducommun 1155 Park Avenue New York, NY 10128 | 584,988 ⁽¹⁾ | 5.5% |
| BlackRock, Inc. 40 East 52 nd Street New York, NY 10022 | 721,666 ⁽²⁾ | 6.9% |
| Dimensional Fund Advisors LP. Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746 | 845,481 ⁽²⁾ | 8.0% |
| Royce & Associates, Inc. 745 Fifth Avenue New York, NY 10151 | 581,600 ⁽⁴⁾ | 5.5% |

- (1) The number of shares includes (i) 50,000 shares held by a foundation of which Mr. Ducommun is an officer, as to which he disclaims any beneficial interest, (ii) 103,438 shares as to which Mr. Ducommun has been granted a proxy to exercise voting power by his sister, Electra D. de Peyster, (iii) a total of 5,050 shares owned by Mr. Ducommun's wife, daughter and step-daughters and 3,000 shares owned by his nephews, as to which he disclaims any beneficial interest, (iv) 3,500 shares held in an IRA for the benefit of himself, and (v) 12,000 shares issuable upon exercise of stock options. Mr. Ducommun has sole voting and sole investment power as to 423,500 shares, shared voting power as to 103,438 shares and shared investment power as to 58,050 shares.
- (2) The information is based on a Schedule 13G filed with the SEC dated January 21, 2011.
- (3) The information is based on a Schedule 13G filed with the SEC dated February 11, 2011. Dimensional Fund Advisors LP has sole voting power as to 824,383 shares and sole investment power as to 845,481 shares.
- (4) The information is based on a Schedule 13G filed with the SEC dated January 12, 2011.

Security Ownership of Directors and Management

| Name | Number of Shares ⁽¹⁾⁽²⁾ | Percentage of Class |
|--|------------------------------------|---------------------|
| Joseph C. Berenato | 160,724 | 1.5% |
| H. Frederick Christie | 23,386 | * |
| Eugene P. Conese, Jr. | 18,949 | * |
| Ralph D. Crosby, Jr. | 18,974 | * |
| Robert C. Ducommun | 584,988 | 5.5% |
| Dean M. Flatt | 0 | * |
| Jay L. Haberland | 3,000 | * |
| Robert D. Paulson | 25,767 | * |
| Anthony J. Reardon | 65,318 | * |
| Joseph P. Bellino | 12,500 | * |
| James S. Heiser | 33,880 | * |
| Samuel D. Williams | 17,659 | * |
| All Directors and Executive Officers as a Group (16 persons) | 1,005,045 | 9.3% |

* Less than one percent.

- (1) The number of shares includes the following shares that may be purchased within 60 days after March 14, 2011 by exercise of outstanding stock options: 90,000 by Mr. Berenato, 12,000 by each of Messrs. Christie, Conese, Crosby, Ducommun and Paulson, 3,000 by Mr. Haberland, 57,000 by Mr. Reardon, 12,500 by Mr. Bellino, 31,250 by Mr. Heiser, 16,250 by Mr. Williams and 309,850 by all directors and executive officers as a group. The number of shares for Mr. Berenato includes 11,750 held in an IRA for the benefit of himself, 6,950 held in trust for the benefit of his children, and 425 held in an IRA for the benefit of his wife.
- (2) See the information set forth in Note 1 to the table under Security Ownership of Certain Beneficial Owners.

ITEM 2: ADVISORY RESOLUTION ON NAMED EXECUTIVE COMPENSATION

We are asking shareholders to approve an advisory resolution on the Corporation's named executive compensation as reported in this proxy statement. As described below in the Compensation Discussion and Analysis section of this proxy statement, the Compensation Committee has structured our executive compensation program to achieve the following key objectives:

Provide competitive levels of compensation that relate pay to the achievement of the Corporation's financial goals;

Recognize individual initiative and performance;

Assist the Corporation in attracting and retaining qualified executives; and

Create a pay-for-performance compensation approach to align executive interests with shareholder interests.

Our pay-for-performance compensation approach consists of a mix of shorter-term and longer-term incentive compensation, including annual cash bonuses, stock options vesting in annual increments over four years, and performance stock units vesting at the end of three-year performance periods. As a result of the emphasis on pay-for-performance, as reflected in the Summary Compensation Table in 2010:

Over 60% of total compensation for the chief executive officer was based on performance; and

Over 50% of the total compensation of the other named executive officers was based on performance.

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We urge shareholders to read the Compensation Discussion and Analysis below, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our

compensation objectives, as well as the Summary Compensation Table and related compensation tables and narrative, appearing on pages 14 through 30, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and the Board of Directors believe that the policies and procedures articulated in the Compensation Discussion and Analysis are effective in achieving our goals and that the compensation of our executive officers reported in this proxy statement has supported and contributed to the Corporation's success.

In accordance with recently adopted Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act), and as a matter of good corporate governance, we are asking shareholders to approve the following advisory resolution at the 2011 Annual Meeting of Shareholders:

RESOLVED, that the shareholders of Ducommun Incorporated (the Corporation) approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement for the Company's 2011 Annual Meeting of Shareholders.

This advisory resolution, commonly referred to as a say-on-pay resolution, is non-binding on the Board of Directors. Although non-binding, the Board of Directors and the Compensation Committee will carefully review and consider the voting results when evaluating our executive compensation program.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF ITEM 2.

ITEM 3: ADVISORY VOTE ON THE FREQUENCY OF THE FUTURE

ADVISORY VOTES ON NAMED EXECUTIVE COMPENSATION

In Item 2 above, we are asking shareholders to vote on an advisory resolution on executive compensation, and we will provide this type of advisory vote at least once every three years. Pursuant to recently adopted Section 14A of the Exchange Act, in this Item 3 we are asking shareholders to vote on whether future advisory votes on named executive compensation should occur every year, every two years or every three years.

We understand that our shareholders may have different views as to what is an appropriate frequency for advisory votes on executive compensation, and we will carefully review the voting results. Shareholders will be able to specify one of four choices for this proposal on the proxy card: three years, two years, one year or abstain. This advisory vote on the frequency of future advisory votes on named executive compensation is non-binding on the Board of Directors. Notwithstanding the outcome of the shareholder vote, the Board may in the future decide to conduct advisory votes on a more or less frequent basis and may vary its practice based on factors such as discussions with shareholders and the adoption of material changes to compensation programs.

The Board acknowledges that there are a number of points of view regarding the relative benefits of triennial and more frequent say-on-pay votes. Accordingly, the Board is not recommending that shareholders support any specific view because it has decided to consider the views of shareholders before making a determination.

COMPENSATION OF EXECUTIVE OFFICERS
2011 Compensation Discussion and Analysis**Overview**

Decisions relating to compensation of the Corporation's executive officers generally are made by the Compensation Committee of the Board of Directors. Each member of the Compensation Committee is an independent director of the Corporation.

Compensation awarded to, earned by, or paid to the Corporation's executive officers during 2010, who are listed in the tables below (the named executive officers), consists principally of the following:

Salary paid on a bi-weekly basis,

Annual cash bonus paid in the first quarter of the following year,

Nonqualified stock options which are granted each year and vest over the subsequent four years, and

Performance stock units which are granted each year and vest based on the Corporation's performance over the subsequent three-year performance period.

The Corporation's financial performance was a significant factor affecting compensation of the named executive officers in 2010 as follows:

Annual cash bonuses were awarded in amounts consistent with the formula under the 2010 Bonus Plan and were in excess of the bonus targets since the Corporation exceeded both the net income and cash flow from operations targets under the 2010 Bonus Plan as follows:

| | 2010 Bonus Plan | |
|----------------------|------------------------|---------------|
| | (in \$000s) | |
| | Target | Actual |
| Net Income | 19,400 | 19,808 |
| Cash from Operations | 18,000 | 26,471 |

No performance stock units vested with respect to the three-year performance period from January 1, 2008 to December 31, 2010 because the Corporation did not achieve the minimum threshold for either the cumulative diluted earnings per share or the relative total shareholder return performance metrics during the three-year period. The Corporation's performance during the three-year performance period ended December 31, 2010 compared to the minimum thresholds was as follows:

| | 2008-2010 Performance | |
|--|------------------------------|---------------|
| | Stock Units | |
| | Threshold | Actual |
| Cumulative Diluted EPS (as adjusted) | \$ 6.41 | \$ 5.70 |
| Relative Total Annual Shareholder Return | - 5.0% | - 8.4% |

The Corporation has entered into key executive severance agreements with each of the named executive officers, and all of the executive officers are covered by the Corporation's severance practices. Other compensation paid to executive officers is not material. The Corporation generally does not provide any pension, profit sharing or other similar retirement benefits, or many of the executive perquisites typically provided by other companies to their senior executives.

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Each element of compensation of the chief executive officer is set by the Compensation Committee. Each element of compensation of the other named executive officers is recommended by the chief executive officer and approved by the Compensation Committee.

Compensation Objectives

The Corporation's compensation programs are designed to provide competitive levels of compensation that relate pay to the achievement of the Corporation's financial goals, recognize individual initiative and performance, and assist the Corporation in attracting and retaining qualified executives. The Corporation intends for overall compensation of the named executive officers to be at levels that are broadly competitive with other companies of similar size.

The Corporation's philosophy in the compensation of its named executive officers is oriented towards a pay-for-performance approach. Except for salaries, virtually all other compensation of the named executive officers is performance based as follows:

Annual cash bonuses are designed to reward the achievement of annual financial goals. In particular, annual cash bonuses are based on the Corporation's actual financial performance compared to targets for net income and cash from operations, and on the individual performance of the named executive officers.

Nonqualified stock options are designed to reward the achievement of long-term growth in the Corporation's stock price. Nonqualified stock options are granted at 100% of the closing price of the Corporation's stock on the New York Stock Exchange on the date of grant, and vest in annual increments over a period of four (4) years. Stock options will have value to the named executive officers only to the extent of any increase in the Corporation's stock price over the price on the date of grant.

Performance stock units are designed to reward the achievement of long-term growth in the Corporation's diluted earnings per share and stock price relative to an industry index. Performance stock units generally vest at the end of the three-year performance period depending on the Corporation's performance relative to the performance metrics.

The Corporation does not target any specific mix of cash versus non-cash compensation or immediate payout versus long-term compensation for its named executive officers. Instead, each element of compensation (salary, annual cash bonus and stock-based compensation) is paid or awarded in amounts which are each intended to be market competitive and consistent with the principles described above and internal pay equity within the Corporation.

Compensation Benchmarking

The Compensation Committee retained Deloitte Consulting LLP (Deloitte) in 2010 as an independent compensation consultant directly reporting to the Compensation Committee. The Compensation Committee retained Deloitte to assess the Corporation's executive compensation compared to a peer group and published compensation survey data, and to make recommendations as appropriate for changes in the Corporation's executive compensation. The peer group consisted of thirteen smaller aerospace and defense companies and five technology companies selected by Deloitte that are located in California. The peer group companies had annual sales for their 2010 fiscal years of between approximately \$200,000,000 and \$2,000,000,000 and, with respect to the aerospace and defense companies, competed within one or more markets served by the Corporation. The peer group consisted specifically of the following:

Astronics Corporation

Coherent, Inc.

Curtiss-Wright Corporation

Dynamics Research Corporation

Esterline Technologies Corporation

LaBarge, Inc.

Ladish Co., Inc.

LMI Aerospace, Inc.

Multi-Fineline Electronix, Inc.

Moog Inc.

Heico Corporation
 Herley Industries, Inc.
 Hexcel Corporation
 Kaman Corporation

Newport Corporation
 Triumph Group, Inc.
 TTM Technologies, Inc.
 Universal Electronics Inc.

In addition, Deloitte compared the Corporation's executive compensation to the compensation survey data for California manufacturers supplied by the Economic Research Institute. The company did not review or have access to the names of the companies in the survey data. With respect to the Chief Executive Officer and the Chief Financial Officer, the Compensation Committee reviewed both the peer group data and the compensation survey data. With respect to the other executive officers, the number of positions in the peer group data was considered insufficient and the Compensation Committee relied to a greater extent on the compensation survey data. In reviewing the peer group data and the compensation survey data, the Compensation Committee evaluated the relative percentile ranking of the Chief Executive Officer, the Chief Financial Officer and the other executive officers with respect to salary, total cash compensation, and total compensation. In connection with this evaluation, the Compensation Committee determined the appropriate levels of salary, total cash compensation and total compensation with a view that the Corporation's compensation levels should not be materially different from the 50 percentile rank unless such difference results from either superior or inferior financial performance of the Corporation or individual performance of an executive officer.

As a result of this compensation evaluation, and a change in the chief executive officer of the Corporation, the Compensation Committee took the following actions which were effective January 1, 2010:

Mr. Reardon's salary was increased to \$500,000 per year as a result of his promotion to Chief Executive Officer of the Corporation,

Mr. Reardon's annual cash bonus target was increased to 60% of salary (for a range of 0-180% of salary) since the prior target bonus of 50% of salary for the Chief Executive Officer was meaningfully below the median both for the peer group and the compensation survey data, and

Mr. Berenato's salary was reduced to \$450,000 as a result of a reduction in his duties following the promotion of Mr. Reardon to Chief Executive Officer.

Salaries

The Corporation pays salaries to its named executive officers in consideration of the performance of specific roles and responsibilities. In 2010, the salaries of the named executive officers, other than Mr. Reardon and Mr. Berenato, were increased by 3-4%. This increase in salaries was the first increase since 2008 (executive salaries were frozen in 2009).

Annual Cash Bonuses

Annual cash bonuses are awarded based on the Corporation's actual financial performance compared to targets (weighted equally) for net income and cash from operations (each excluding goodwill impairment), and on the individual performance of named executive officers. The Compensation Committee chose net income and cash from operations as the performance targets because it believes that growth in net income and cash from operations are essential to the Corporation's objective to provide superior long-term total shareholder return. The Compensation Committee approves at the beginning of the year the thresholds, targets and maximums for the financial performance measures and the formula for funding the bonus pool. The thresholds, targets and maximums for 2010 for net income and cash from operations of the Corporation for purposes of funding the 2010 bonus pool were as follows:

| | Threshold | (in \$000s) Target | Maximum |
|----------------------|-----------|-----------------------|---------|
| Net Income | 15,500 | 19,400 | 24,500 |
| Cash from Operations | 14,400 | 18,000 | 32,800 |

Annual cash bonuses were targeted at 60% of salary for the chief executive officer and president, 50% of salary for the Chairman of the Board, and 40% of salary for the other named executive officers. The Compensation Committee established the bonus targets as a percent of salary (the bonus targets) of each of the named executive officers with the view of achieving a competitive compensation level focused on pay-for-performance by (i) setting the bonus targets at approximately the 50th percentile ranking (based on the peer group data supplied by Deloitte), and (ii) providing an above average upside potential bonus award based on the Corporation's financial performance. Annual cash bonuses can range from zero to an upper range of three times the targeted percentage of salary for each named executive officer. Although the annual cash bonus plan is formula-based, the Compensation Committee has the discretion to award bonuses which differ from the formula-based amounts, including awarding bonuses in excess of the maximum amounts based upon the subjective overall qualitative assessment of an individual's performance and contributions during the year, the importance of the individual's position within the Corporation, internal pay equity and retention considerations.

In 2010, the Corporation's net income and cash from operations (each excluding goodwill impairment) were as follows:

| | (in \$000s) Actual |
|----------------------|-----------------------|
| Net Income | 19,808 |
| Cash from Operations | 26,471 |

As a result, in 2010 the Corporation's net income was more than the pre-established target, and cash flow from operations substantially exceeded the pre-established target. Annual cash bonuses awarded to the named executive officers for 2010 were awarded in amounts generally consistent with the formula under the annual cash bonus plan.

The Corporation does not currently have a policy requiring a specific course of action with respect to compensation adjustments following later restatements of financial results. The Corporation expects to adopt such a policy once the SEC has finalized regulations concerning compensation clawbacks.

Stock-Based Compensation

Stock-based compensation awards are granted periodically to the named executive officers to attract, motivate and retain these employees. Stock options are performance-based since the stock options will have value to the named executive officers only to the extent of any increase in the Corporation's stock price. Performance stock units are performance-based since the performance stock units vest only if the Corporation

achieves the specified performance metrics. Restricted stock units, which are not performance-based, are used only selectively where there is a need to provide a long-term incentive for a particular named executive officer to remain in the employment of the Corporation.

Stock options are typically granted in late June of each year, but stock options may be granted at other times in the event of the new hire of an executive officer or the special award of a stock option to recognize individual performance. The Compensation Committee establishes the meeting dates and grant dates for stock options and does not determine these dates based on knowledge of material nonpublic information or in response to the Corporation's stock price.

In 2010, nonqualified stock options generally were granted to the named executive officers in amounts consistent with the Corporation's recent historical pattern of stock option grants. The Corporation granted stock options to the named executive officers in 2010 to encourage the named executive officers to work with a long-term view in the interest of shareholders and to reward the achievement of long-term growth in the Corporation's stock price.

Effective January 1, 2010, performance stock units were awarded which will be earned and become vested based upon the achievement of specific performance targets over a three-year performance period (from January 1, 2010 to December 31, 2012). The performance stock units generally will vest at the end of the three-year performance period in amounts from 0% to 200% of the target units depending on the Corporation's performance relative to two performance metrics during the performance period. However, performance stock units become fully vested immediately at the target number of shares (subject to the discretion of the Compensation Committee to increase, but not decrease, the number of shares) in the event of a change in control of the Corporation, as defined in the performance stock unit agreements. The performance metrics, which are equally weighted, that are used in the performance stock units are: (i) the adjusted cumulative diluted earnings per share of the Corporation during the performance period, and (ii) the relative total shareholder return of the Corporation's Common Stock compared to the SPADE Defense Index during the performance period. The number of performance stock units that vest based on the Corporation's performance over the three-year performance period is equal to the sum of (i) the vesting percentage determined by reference to the table below with respect to the Corporation's adjusted cumulative diluted earnings per share over the performance period multiplied by the number of target performance stock units, plus (ii) the vesting percentage determined by reference to the table below with respect to the relative total shareholder return of the Corporation's Common Stock compared to the SPADE Defense Index during the performance period multiplied by the target number of performance stock units. The performance metrics for performance stock units awarded in 2010 are as follows:

| Adjusted Cumulative Diluted Earnings Per Share | Vesting Percentage of Target Units | Relative Total Annual Shareholder Return | Vesting Percentage of Target Units |
|---|---|---|---|
| \$5.91 | 15% | -5.0% | 15% |
| \$6.25 | 33% | -2.5% | 33% |
| \$6.61 | 50% | 0% | 50% |
| \$6.99 | 67% | 2.5% | 67% |
| \$7.38 | 83% | 5.0% | 83% |
| \$7.78 | 100% | 7.5% | 100% |

In the event that the Corporation's performance relative to the performance metrics falls between two of the data points listed in the table above, the percentage of target performance stock units that vest will be determined by linear interpolation between the two data points. The adjusted cumulative diluted earnings per share represents the sum of the diluted earnings per share of the Corporation for the years ended December 31, 2010, 2011 and 2012, adjusted, as determined by the Compensation Committee, for changes in accounting, discontinued operations, to exclude gain or loss on the sale of any business or product line, to exclude any asset impairment

write-offs or charges (whether of goodwill, intangible or tangible assets), and to exclude expenses for any restricted stock or restricted stock unit awards.

The performance stock units serve the same purposes as the nonqualified stock options discussed above. The Compensation Committee decided to award performance stock units in 2010 to complement stock options and provide a tighter link between executive compensation and the long-term financial performance of the Corporation. The Compensation Committee chose cumulative diluted earnings per share as one of the performance metrics in order to tie executive compensation directly to the long-term growth in the earnings of the Corporation. The Compensation Committee chose relative total shareholder return as the other performance metric in order to tie executive compensation directly to superior total shareholder return relative to a recognized industry index. The performance stock units were awarded in 2010 in amounts roughly half in number at target relative to stock option awards so that the value of such performance stock unit awards at target would be approximately equal to the value of stock option awards for each of the named executive officers.

The three-year performance period for performance stock units awarded in 2008 ended on December 31, 2010. None of these performance stock units vested since the Corporation did not achieve the threshold for either of the performance metrics over the performance period.

The performance metrics for performance stock units awarded in 2008 were as follows:

| Adjusted | | Cumulative | |
|------------------|------------------------------------|--|------------------------------------|
| Diluted Earnings | Vesting Percentage of Target Units | Relative Total Annual Shareholder Return | Vesting Percentage of Target Units |
| Per Share | | | |
| \$6.41 | 15% | -5.0% | 15% |
| \$6.79 | 33% | -2.5% | 33% |
| \$7.18 | 50% | 0% | 50% |
| \$7.59 | 67% | 2.5% | 67% |
| \$8.01 | 83% | 5.0% | 83% |
| \$8.45 | 100% | 7.5% | 100% |

For the three-year performance period ended December 31, 2010, the Corporation's cumulative diluted earnings per share (as adjusted pursuant to the terms of the performance stock unit agreements) was \$5.70, and the Corporation's relative total annual shareholder return was -8.4%.

Severance and Change in Control Agreements and Practices

As described above, stock-based compensation vests immediately in the event of a change in control of the Corporation. All of the Corporation's stock-based compensation programs have provided, for many years, for immediate vesting of stock-based awards in the event of a change in control as a matter of fairness to the employees.

Messrs. Berenato, Bellino, Heiser, Reardon and Williams each are parties to key executive severance agreements entered with the Corporation. The Corporation also has a severance practice, which applies in the event of the termination without cause of an executive officer. Benefits under the severance practice are in addition to benefits under the key executive severance agreements.

Key executive severance agreements are considered to be a necessary part of the process in the recruitment and retention of qualified executives. The Corporation's severance practice for the named executive officers is a part of the Corporation's broader severance practices which apply to all employees (except union employees), although the amount of severance eligibility will vary from employee to employee depending on position, length of service, the business reasons for the termination and other factors. The key executive severance agreements

and severance practice are used by the Corporation to allow its executives to focus on shareholder interests in considering strategic alternatives and to provide income protection for executives in the event of an involuntary termination of employment.

Other Compensation

Other compensation and personal benefits paid or made available to the named executive officers is not material. The Corporation provides an automobile allowance to the named executive officers, which partially compensates them for the termination of the company car program a number of years ago. Medical, dental, life and other insurance benefits, and 401(k) matching contributions are provided to the named executive officers on a non-discriminatory basis with other employees of the Corporation. Prior to 2007, the named executive officers could elect to defer certain amounts of salary and bonus (beyond the 401(k) limits). In 2010, no compensation was deferred and no matching contributions were made with respect to deferred compensation amounts. Interest continues to be paid by the Corporation on previously deferred compensation at the reference rate of Bank of America in effect from time to time.

Executive Officer Stock Ownership Policy

In early 2011, the Board of Directors adopted a stock ownership policy covering certain executive officers of the Corporation. Under the policy, certain executive officers must acquire and hold shares of the Corporation's stock equal in value to a multiple of their annual salary as follows:

| | Multiple of Salary |
|---|---------------------------|
| Chairman of the Board (if an employee) | 3X |
| President and Chief Executive Officer | 3X |
| Chief Financial Officer and General Counsel | 1.5X |
| Senior Officer at Each Key Business Unit | 1X |

Executive officers have five years from the later of the adoption of the policy or their initial election to meet this stock ownership guideline.

Tax Deductibility and Gross-Ups

Section 162(m) of the Internal Revenue Code places a limit of \$1 million on the amount of compensation that a publicly held corporation may deduct in any one year with respect to its chief executive officer and each of the next three most highly compensated executive officers (other than its chief financial officer). In general, certain performance-based compensation approved by stockholders is not subject to this deduction limit. The Compensation Committee generally seeks to qualify certain compensation paid to our named executive officers for an exemption from the deductibility limitations of Section 162(m). However, the Compensation Committee may authorize compensation payments from time to time that do not comply with the exemptions in Section 162(m).

In addition, the change in control provisions described in the section entitled *Severance and Change in Control Agreements and Practices* could subject an executive to an excise tax on an excess parachute payment under Internal Revenue Code Section 4999. The Corporation does not provide any gross-up to its executives for any excise tax due under this section of the Internal Revenue Code.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with management. Based on these reviews and discussions, the Compensation Committee recommended to the Board of Directors of the Corporation that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Corporation's annual report on Form 10-K for the year ended December 31, 2010.

Submitted by the Compensation Committee,

Ralph D. Crosby, Jr. Chairman

H. Frederick Christie

Robert D. Paulson

2010 Summary Compensation Table

The Summary Compensation Table and the other tables which follow disclose (in accordance with SEC rules) the compensation for the fiscal years ended December 31, 2010, 2009 and 2008 awarded to, earned by or paid to all individuals serving as the Corporation's chief executive officer and chief financial officer during 2010 and the other three most highly paid executive officers of the Corporation during 2010 (collectively, the named executive officers). Columns have been omitted from the tables when there has been no compensation awarded to, earned by or paid to any of the named executive officers required to be reported in that column in any fiscal year covered by the table.

| Name and Principal Position | Year | Salary (\$) ⁽¹⁾ | Stock Awards (\$) ⁽²⁾⁽³⁾ | Option Awards (\$) ⁽²⁾ | Non-Equity Incentive Plan | All Other | Total (\$) |
|--|------|-------------------------------|---|---|-------------------------------------|-------------------------------------|---------------|
| | | | | | Compensation (\$) ⁽⁴⁾ | Compensation (\$) ⁽⁵⁾ | |
| Joseph C. Berenato Chairman of the Board | 2010 | 450,000 | 87,800 | 96,450 | 365,000 | 23,993 | 1,023,243 |
| | 2009 | 545,217 | 140,475 | 139,200 | 420,000 | 23,888 | 1,268,780 |
| | 2008 | 525,000 | 1,543,850 | 213,200 | 590,000 | 23,052 | 2,895,102 |
| Anthony J. Reardon President and Chief Executive Officer | 2010 | 500,000 | 175,600 | 141,460 | 490,000 | 24,248 | 1,331,308 |
| | 2009 | 363,487 | 140,475 | 147,400 | 300,000 | 23,186 | 974,548 |
| | 2008 | 346,923 | 147,900 | 213,200 | 400,000 | 22,263 | 1,130,286 |
| Joseph P. Bellino Vice President and Chief Financial Officer | 2010 | 335,500 | 87,800 | 102,880 | 225,000 | 23,408 | 774,588 |
| | 2009 | 337,025 | 93,650 | 73,700 | 215,000 | 22,986 | 742,361 |
| | 2008 | 87,500 | 0 | 178,200 | 70,000 | 5,004 | 340,704 |
| James S. Heiser Vice President, General Counsel and Secretary | 2010 | 298,077 | 87,800 | 70,730 | 195,000 | 20,940 | 672,547 |
| | 2009 | 301,179 | 93,650 | 73,700 | 195,000 | 21,270 | 684,799 |
| | 2008 | 286,534 | 147,900 | 106,600 | 250,000 | 20,412 | 811,446 |
| Samuel D. Williams Vice President and Controller | 2010 | 232,269 | 87,800 | 32,150 | 155,000 | 22,108 | 529,327 |
| | 2009 | 233,679 | 46,825 | 36,850 | 150,000 | 22,121 | 489,475 |
| | 2008 | 223,846 | 73,950 | 53,300 | 180,000 | 21,409 | 552,505 |

(1) Salary in 2010 included 27 bi-weekly payroll periods (54 weeks of salary).

(2) These columns show the grant date fair value of awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. The methodology and assumptions used in the valuation of stock option awards, performance stock units (PSUs) and restricted stock units (RSUs) are contained in footnote 9 to the Corporation's financial statements included in Form 10-K for the year ended December 31, 2010.

- (3) Stock awards consist of RSUs awarded to Mr. Berenato in 2008 and PSUs awarded to all of the named executive officers. The value of PSUs, which are subject to performance conditions, are shown in the table above based on the probable outcome of the performance conditions as of the grant date for the award. The following table shows the maximum values for the PSUs as of the grant date of the award:

| Name | Year of Award | Maximum Performance Stock Unit Grant Date Fair Value (\$) |
|--------------------|---------------|---|
| Joseph C. Berenato | 2010 | 175,600 |
| | 2009 | 280,950 |
| | 2008 | 443,700 |
| Anthony J. Reardon | 2010 | 351,200 |
| | 2009 | 280,950 |
| | 2008 | 295,800 |
| Joseph P. Bellino | 2010 | 175,600 |
| | 2009 | 187,300 |
| James S. Heiser | 2010 | 175,600 |
| | 2009 | 187,300 |
| | 2008 | 295,800 |
| Samuel D. Williams | 2010 | 175,600 |
| | 2009 | 93,650 |
| | 2008 | 147,900 |

- (4) Non-equity incentive plan compensation was earned for each of the years ended December 31, 2010, 2009 and 2008 and paid in the first quarter of the following year.

- (5) The following table discloses each item included in the All Other Compensation column for 2010:

| Name | Automobile Allowance (\$) | Life Insurance Premiums (\$) | Company Contributions to 401(k) Plan (\$) | Total (\$) |
|--------------------|---------------------------|------------------------------|---|------------|
| Joseph C. Berenato | 14,340 | 2,303 | 7,350 | 23,993 |
| Anthony J. Reardon | 14,340 | 2,558 | 7,350 | 24,248 |
| Joseph P. Bellino | 14,340 | 1,718 | 7,350 | 23,408 |
| James S. Heiser | 14,340 | 0 | 6,600 | 20,940 |
| Samuel D. Williams | 14,340 | 1,190 | 6,578 | 22,108 |

2010 Grants of Plan-Based Awards Table

The following table provides information on the 2010 Bonus Plan, the grant of nonqualified stock options and the award of performance stock units to the named executive officers during 2010.

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (\$ ⁽³⁾) |
|----------------------------|------------|---|-----------------------------|---------------------------------|---|------------|-------------|--|---|---|
| | | Threshold (\$) | Target (\$ ⁽¹⁾) | Maximum (\$ ⁽¹⁾⁽²⁾) | Threshold (#) | Target (#) | Maximum (#) | | | |
| Joseph C. Berenato | | | | | | | | | | |
| 2010 Bonus Plan | | 0 | 225,500 | 675,500 | | | | | | |
| Non-Qualified Stock Option | 6/23/10 | | | | | | 15,000 | 18.04 | 96,450 | |
| Performance Stock Units | 2/25/10 | | | | 0 | 5,000 | 10,000 | | 87,800 | |
| Anthony J. Reardon | | | | | | | | | | |
| 2010 Bonus Plan | | 0 | 300,000 | 900,000 | | | | | | |
| Non-Qualified Stock Option | 6/23/10 | | | | | | 22,000 | 18.04 | 141,460 | |
| Performance Stock Units | 2/25/10 | | | | 0 | 10,000 | 20,000 | | 175,600 | |
| Joseph P. Bellino | | | | | | | | | | |
| 2010 Bonus Plan | | 0 | 135,200 | 405,600 | | | | | | |
| Non-Qualified Stock Option | 6/23/10 | | | | | | 16,000 | 18.04 | 102,880 | |
| Performance Stock Units | 2/25/10 | | | | 0 | 5,000 | 10,000 | | 87,800 | |
| James S. Heiser | | | | | | | | | | |
| 2010 Bonus Plan | | 0 | 120,000 | 360,000 | | | | | | |
| Non-Qualified Stock Option | 6/23/10 | | | | | | 11,000 | 18.04 | 70,730 | |
| Performance Stock Units | 2/25/10 | | | | 0 | 5,000 | 10,000 | | 87,800 | |
| Samuel D. Williams | | | | | | | | | | |
| 2010 Bonus Plan | | 0 | 93,600 | 280,800 | | | | | | |
| Non-Qualified Stock Option | 6/23/10 | | | | | | 6,000 | 18.04 | 32,150 | |
| Performance Stock Units | 2/25/10 | | | | 0 | 5,000 | 10,000 | | 87,800 | |

(1) The target and maximum amounts of awards are based on the salary of each of the named executive officers at December 31, 2010.

(2) The Compensation Committee, in its discretion, has the authority to approve payments under the 2010 Bonus Plan in excess of the maximum amounts.

(3) The value of the performance stock units are shown based on the probable outcome of the performance condition as of the date of grant for the awards.

Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table

The 2010 Bonus Plan. The 2010 Bonus Plan provides for annual cash bonus awards to be determined by the Compensation Committee with consideration given to the Corporation achieving pre-established levels of net income and cash from operations, and on the individual performance of executive officers during the year ended December 31, 2010. Annual cash bonuses are targeted at 60% of salary for the chief executive officer and president, 50% of salary for the Chairman of the Board, and at 40% of salary for the other named executive officers. Annual cash bonuses can range from zero to an upper range of annual bonus eligibility of three times the targeted percentage of salary for each named executive officer. Although the annual cash bonus plan is formula-based, the Compensation Committee has the discretion to award bonuses which differ from the formula-based amounts, including awarding bonuses in excess of the maximum amounts. A named executive officer must be

employed by the Corporation or a subsidiary at the time of payment in order to be eligible to receive a bonus under the 2010 Bonus Plan. Bonuses under the 2010 Bonus Plan were paid in the first quarter of 2011.

Nonqualified Stock Options. Nonqualified stock options were granted to the named executive officers in 2010 at an exercise price equal to 100% of the closing price of the Corporation's common stock on the date of grant. The stock options become exercisable in increments of 25% of the number of shares granted on the anniversary date of the date of grant so that the options are fully exercisable on and after June 23, 2014. However, the stock options become fully exercisable immediately in the event of a change in control of the Corporation. The exercise price for the stock options may be paid by withholding of shares issuable under the option or delivery of already owned shares.

Performance Stock Units. Performance stock units were awarded to the named executive officers in 2010. The performance stock units generally vest at the end of the three-year performance period from January 1, 2010 to December 31, 2012 (the Performance Period) in amounts from 0% to 200% of the target units depending on the Corporation's performance relative to two performance metrics during the Performance Period. The performance metrics, which are equally weighted, are: (i) the cumulative diluted earnings per share of the Corporation during the Performance Period; and (ii) the relative total shareholder return of the Corporation's Common Stock compared to the SPADE Defense Index during the Performance Period. Upon vesting, one share of Common Stock of the Company will be issued for each vested performance stock unit. In the event of a change in control of the Corporation, the target performance stock units will be deemed to have become fully vested immediately, provided, however, that the Compensation Committee may, in its discretion, increase (but not decrease) the number of performance stock units that are deemed to vest in the event of a change in control up to a maximum of 200% of the target performance stock units.

2010 Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information on unexercised stock options granted to the named executive officers that were outstanding on December 31, 2010.

| Name | Option Awards | | | | Stock Awards | | | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Other Rights That Have Not Vested (\$) |
|---|---|---|----------------------------|------------------------|--|--|--|---|
| | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) ⁽²⁾ | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Shares, Other Rights That Have Not Vested (#) ⁽³⁾ | |
| Joseph C. Berenato | 40,000 | 0 | 19.90 | 6/22/11 | | | | |
| | 20,000 | | 16.91 | 6/29/12 | | | | |
| Stock option granted 6/23/04 | 20,000 | 0 | 19.05 | 6/25/13 | | | | |
| | 15,000 | | 25.82 | 6/25/14 | | | | |
| Stock option granted 6/30/05 | 10,000 | | 24.34 | 6/17/15 | | | | |
| | 5,000 | 0 | 17.46 | 7/29/16 | | | | |
| | 0 | 5,000 | 18.04 | 6/22/17 | | | | |
| Stock option granted 6/26/06 | | 10,000 | | | | | | |
| | | 15,000 | | | | | | |
| Stock option granted 6/26/07 | | 15,000 | | | | | | |
| Stock option granted 6/18/08 | | | | | | | | |
| Stock option granted 7/30/09 | | | | | | | | |
| Stock option granted 6/23/10 | | | | | | | | |
| Performance stock units granted 1/30/08 | | | | | | | | |
| Performance stock units granted 2/2/09 | | | | | | | | |
| Performance stock units granted 2/25/10 | | | | | | | 7,500 | 163,350 |
| | | | | | | | 7,500 | 163,350 |
| Restricted stock units granted 3/14/08 | | | | | 16,668 | 363,029 | 5,000 | 108,900 |
| Anthony J. Reardon | 9,000 | 0 | 19.90 | 6/22/11 | 35,000 | 762,300 | 5,000 | 108,900 |
| | 12,000 | | 16.91 | 6/29/12 | | | 7,500 | 163,350 |
| Stock option granted 6/23/04 | 12,000 | 0 | 19.05 | 6/25/13 | | | 10,000 | 217,800 |
| | 9,000 | | 25.82 | 6/25/14 | | | | |
| Stock option granted 6/30/05 | 10,000 | | 24.34 | 6/17/15 | | | | |
| | 5,000 | 0 | 18.23 | 6/28/16 | | | | |
| | 0 | 3,000 | 18.04 | 6/22/17 | | | | |
| Stock option granted 6/26/06 | | 10,000 | | | | | | |
| | | 15,000 | | | | | | |
| Stock option granted 6/26/07 | | 22,000 | | | | | | |
| Stock option granted 6/18/08 | | | | | | | | |

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Stock option granted 6/29/09

Stock option granted 6/23/10

Performance stock units granted 1/30/08

Performance stock units granted 2/2/09

Performance stock units granted 2/25/10

Restricted stock units granted 5/2/07

| | | | | | | |
|---|--------|--------|-------|----------|-------|---------|
| Joseph P. Bellino | 10,000 | 10,000 | 19.59 | 10/28/15 | | |
| | 2,500 | 7,500 | 18.23 | 6/28/16 | | |
| Stock option granted 10/29/08 | 0 | 16,000 | 18.04 | 6/22/17 | | |
| Stock option granted 6/29/09 | | | | | | |
| Stock option granted 6/23/10 | | | | | | |
| Performance stock units granted 2/2/09 | | | | | | |
| | | | | | 5,000 | 108,900 |
| Performance stock units granted 2/25/10 | | | | | 5,000 | 108,900 |

| | | | | | | |
|------------------------------|-------|--------|-------|---------|--|--|
| James S. Heiser | 3,750 | 0 | 19.90 | 6/22/11 | | |
| | 5,000 | | 16.91 | 6/29/12 | | |
| Stock option granted 6/23/04 | 7,500 | 0 | 19.05 | 6/25/13 | | |
| | 7,500 | | 25.82 | 6/25/14 | | |
| Stock option granted 6/30/05 | 5,000 | | 24.34 | 6/17/15 | | |
| | 2,500 | 0 | 18.23 | 6/28/16 | | |
| | 0 | 2,500 | 18.04 | 6/22/17 | | |
| Stock option granted 6/26/06 | | 5,000 | | | | |
| | | 7,500 | | | | |
| Stock option granted 6/26/07 | | 11,000 | | | | |

Stock option granted 6/18/08

Stock option granted 6/29/09

Stock option granted 6/23/10

Performance stock units granted 1/30/08

Performance stock units granted 2/2/09

5,000 108,900

5,000 108,900

Performance stock units granted 2/25/10

5,000 108,900

| | | | | | | |
|------------------------------|-------|-------|-------|---------|-------|---------|
| Samuel D. Williams | 2,500 | 0 | 19.90 | 6/22/11 | 2,500 | 54,450 |
| | 2,500 | | 16.91 | 6/29/12 | 2,500 | 54,450 |
| Stock option granted 6/23/04 | 3,750 | 0 | 19.05 | 6/25/13 | 5,000 | 108,800 |
| | 3,750 | | 25.82 | 6/25/14 | | |
| Stock option granted 6/30/05 | 2,500 | | 24.34 | 6/17/15 | | |
| | 1,250 | 0 | 18.23 | 6/28/16 | | |
| | 0 | 1,250 | 18.04 | 6/22/17 | | |
| Stock option granted 6/26/06 | | 2,500 | | | | |
| | | 3,750 | | | | |
| Stock option granted 6/26/07 | | 6,000 | | | | |

Stock option granted 6/18/08

Stock option granted 6/29/09

Stock option granted 6/23/10

Performance stock units granted 1/30/08

Performance stock units granted 2/2/09

Performance stock units granted 2/25/10

- (1) The unexercisable stock options become exercisable in increments on the anniversary date of the date of grant as follows: (i) for stock options granted in 2007, all become exercisable in 2011, (ii) for stock options granted in 2008 one-half become exercisable in each of 2011 and 2012, (iii) for stock options granted in 2009 one-third become exercisable in each of 2011, 2012 and 2013, and (iv) for stock options granted in 2010 one-fourth become exercisable in each of 2011, 2012, 2013 and 2014, in each case, on the anniversary of the grant date thereof. Notwithstanding the foregoing, all of the stock options will become immediately exercisable in the event of a change in control of the Corporation.
- (2) The unvested restricted stock units vest as follows: (i) for Mr. Berenato 16,668 shares on January 1, 2011 and (ii) for Mr. Reardon 35,000 shares on May 2, 2012.
- (3) Performance stock units are shown at the target number of shares and will vest if the performance conditions are met as follows: (i) grants in 2008 vest in the first quarter of 2011, (ii) grants in 2009 vest in the first quarter of 2012, and (iii) grants in 2010 vest in the first quarter of 2013.

2010 Option Exercises and Stock Vested Table

The following table provides information on the exercise of stock options and vesting of stock for the named executive officers during 2010.

| Name | Option Awards | | Stock Awards | |
|--------------------|---|---------------------------------|--|--------------------------------|
| | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Joseph C. Berenato | | | 16,666 | 311,820 |
| Anthony J. Reardon | 15,000 | 39,640 | | |
| Joseph P. Bellino | | | | |
| James S. Heiser | | | | |
| Samuel D. Williams | | | | |

2010 Pension Benefits Table

The Corporation does not provide pension benefits to any of its named executive officers.

2010 Nonqualified Deferred Compensation Table

The following table provides information on the aggregate interest accrued on deferred compensation during 2010 and the aggregate balance of deferred compensation at December 31, 2010 for the named executive officers.

| Name | Aggregate Earnings In Last Fiscal Year (\$) | Aggregate Withdrawals/ Distributions (\$) | Aggregate Balance at Last Fiscal Year-End (\$) |
|--------------------|---|---|--|
| Joseph C. Berenato | | | |
| Anthony J. Reardon | | | |
| Joseph P. Bellino | | | |
| James S. Heiser | 6,084 | | 193,286 |
| Samuel D. Williams | 7,201 | 100,000 | 226,864 |

In 2007, the deferral of compensation by executive officers was suspended. Interest continues to be paid by the Corporation on compensation deferred in prior years at the reference rate of Bank of America in effect from time to time. Deferred compensation is generally payable in the event of death, disability, retirement, or other termination of employment, or upon a finding of financial hardship in the sole discretion of the Compensation Committee of the Board of Directors. An executive officer may elect to receive payment of deferred compensation at any time (other than following the events specified in the preceding sentence), but in such circumstance the amount of deferred compensation paid is subject to a 10% penalty if paid prior to a change in control of the Corporation (except for elections made in 2008 for payment in 2009 or later which are not subject to a penalty) or a 5% penalty if paid following a change in control of the Corporation. During 2010, there were no contributions of deferred compensation by any named executive officer and no contributions by the Corporation to deferred compensation of any named executive officer.

Potential Payments Upon Termination or Change in Control

Payments and compensation may be made to the named executive officers upon termination of employment or following a change in control of the Corporation under stock option agreements, performance stock unit agreements, restricted stock unit agreements, key executive severance agreements and the severance practice of the Corporation. As used herein, a change in control of the Corporation means a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934. Such a change in control is deemed conclusively to have occurred in the event of certain tender offers, mergers or consolidations, the sale, exchange or transfer of substantially all of the assets of the Corporation, the acquisition by a person or group of certain percentages of the outstanding voting securities of the Corporation, the approval by the shareholders of a plan of liquidation or dissolution of the Corporation, or certain changes in the members of the Board of Directors of the Company. The precise definition of a change in control is set forth in each of the stock option agreements, performance stock unit agreements, restricted stock unit agreements, and key executive severance agreements which are included as exhibits to the Corporation's 2010 Annual Report on Form 10-K.

In the event of a change in control of the Corporation (i) stock options become fully exercisable immediately, (ii) performance stock units become vested immediately at the target number of shares (although the Compensation Committee of the Board of Directors has discretion to increase, but not decrease, the number of performance stock units that vest on a change in control), and (iii) restricted stock units vest immediately. The amounts in the table below in the column "Change in Control" reflect the value of unexercisable stock options, unvested performance stock units at target, and unvested restricted stock units as of December 31, 2010 (except for Mr. Berenato's restricted stock units which fully vested on January 1, 2011), the vesting of which would be accelerated upon a change in control of the Corporation.

Messrs. Berenato, Bellino, Heiser, Reardon and Williams each are parties to key executive severance agreements entered with the Corporation. The key executive severance agreements provide that if a change in control of the Corporation shall have occurred while an executive officer is an employee of the Corporation or its subsidiaries, the executive officer shall be entitled to receive payment in a single lump sum of an amount equal to two times the annual base salary of the executive officer immediately prior to the change in control and two times the target annual bonus of the executive officer under the Corporation's bonus plan in effect during the year prior to the change in control.

Further, the key executive severance agreements provide that if the employment of an executive officer is terminated without cause (as defined in the agreements), except in the event of disability, retirement or within ninety (90) days following a change in control of the Corporation, the executive officer shall be entitled to receive payment of his full salary for a period of one year, payment of the amount of any bonus for a past fiscal year which has not yet been awarded or paid and continuation of benefits for a period of one year. Termination for cause is defined in the key executive severance agreements as termination of an executive's employment by the Corporation upon (i) the willful and continued failure by the executive to substantially perform his duties with the Corporation other than any such failure resulting from his incapacity due to physical or mental illness, after a demand for substantial performance is delivered to the executive by the chief executive officer or the Compensation Committee which specifically identifies the manner in which the executive has not substantially performed his duties, or (ii) the willful engaging by the executive in misconduct which is materially injurious to the Company, monetarily or otherwise, and that constitutes on the part of the executive common law fraud or a felony. For purposes of this definition, no act or failure to act, on the executive's part, is considered willful unless done, or omitted to be done, by the executive not in good faith and without reasonable belief that the action or omission was in the best interest of the Corporation.

In the event of a change in the executive's position or duties, a reduction in the executive's salary as increased from time to time, a removal from eligibility to participate in the Corporation's bonus plan and other events as described in the key executive severance agreements, then the executive shall have the right to treat such event as a termination of his employment by the Corporation without cause and to receive the payments and benefits described above. The events described in the preceding sentence are referred to as a Termination by the Executive for Good Reason in the table below.

The Corporation also has a severance practice which applies in the event of the termination without cause of an executive officer. The severance practice provides for salary continuation, certain benefits continuation and continuation of stock option vesting and exercisability for a period from three (3) to twelve (12) months following termination depending on the length of service of the executive officer and the business reasons for the termination. Under the severance practice, an executive officer must agree to release the Corporation from liability and to certain limitations on solicitation of employees and customers during the period of salary continuation. Benefits under the severance practice are in addition to benefits under the key executive severance agreements described above.

The amounts in the table below in the columns under Termination of Employment represent the aggregate amounts payable to each of the named executive officers following termination of employment pursuant to the key executive severance agreements and the severance practice combined. For purposes of the table, it has been assumed that twelve (12) months of salary, benefits and stock option vesting continuation would be provided to each of the named executive officers under the Corporation's severance practice.

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If a change in control of the Corporation were to occur and subsequently a named executive officer's employment were to be terminated by the Corporation (other than within 90 days following the change in control), the named executive officer would receive both (i) the amounts in the table below in the column "Change in Control" and (ii) the amounts in the table below in the columns "Termination of Employment" depending on whether the termination of employment was by the Company without cause or by the named executive officer for good reason.

| Name | Benefit | Change in Control (\$) | Termination of Employment | |
|--------------------|--|------------------------|--|-----------------------------------|
| | | | By Corporation w/o Cause (\$) ⁽⁵⁾ | By Executive for Good Reason (\$) |
| Joseph C. Berenato | Salary ⁽¹⁾ | 900,000 | 900,000 | 450,000 |
| | Bonus | 450,000 | 0 | 0 |
| | Benefits | 0 | 9,471 | 9,471 |
| | Stock Options ⁽²⁾ | 120,900 | 35,625 | 0 |
| | Performance Stock Units ⁽³⁾ | 435,600 | 0 | 0 |
| | Total | 1,906,500 | 945,096 | 459,471 |
| Anthony J. Reardon | Salary ⁽¹⁾ | 1,000,000 | 1,000,000 | 500,000 |
| | Bonus | 600,000 | 0 | 0 |
| | Benefits | 0 | 6,535 | 6,535 |
| | Stock Options ⁽²⁾ | 128,050 | 36,450 | 0 |
| | Performance Stock Units ⁽³⁾ Restricted Stock Units ⁽⁴⁾ | 490,050 | 0 | 0 |
| | | 762,300 | 0 | 0 |
| | Total | 2,980,400 | 1,042,985 | 506,535 |
| Joseph P. Bellino | Salary ⁽¹⁾ | 676,000 | 676,000 | 338,000 |
| | Bonus | 270,400 | 0 | 0 |
| | Benefits | 0 | 9,471 | 9,471 |
| | Stock Options ⁽²⁾ | 108,665 | 34,935 | 0 |
| | Performance Stock Units ⁽³⁾ | 217,800 | 0 | 0 |
| | Total | 1,272,865 | 720,406 | 347,471 |
| James S. Heiser | Salary ⁽¹⁾ | 600,000 | 600,000 | 300,000 |
| | Bonus | 240,000 | 0 | 0 |
| | Benefits | 0 | 6,905 | 6,905 |

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| | | | | |
|--------------------|--|-----------|---------|---------|
| | Stock Options ⁽²⁾ | 67,765 | 19,160 | 0 |
| | Performance Stock Units ⁽³⁾ | 326,700 | 0 | 0 |
| | Total | 1,234,465 | 626,065 | 306,905 |
| Samuel D. Williams | Salary ⁽¹⁾ | 468,000 | 468,000 | 234,000 |
| | Bonus | 187,200 | 0 | 0 |
| | Benefits | 0 | 178 | 178 |
| | Stock Options ⁽²⁾ | 35,753 | 10,408 | 0 |
| | Performance Stock Units ⁽³⁾ | 217,800 | 0 | 0 |
| | Total | 908,753 | 478,226 | 234,178 |

- (1) The amounts of salary continuation are based on the salary of each of the named executives at December 31, 2010.
- (2) The amounts for stock options are calculated based on the difference between the closing price of the Corporation's common stock on the New York Stock Exchange on the last trading day of 2010 (\$21.78) and the exercise prices of the unexercisable stock options held by the named executive officers on December 31, 2010.
- (3) The amounts for performance stock units are based on the target number of performance stock units and the closing price of the Corporation's common stock on the New York Stock Exchange on the last trading day of 2010 (\$21.78).

- (4) The amounts for restricted stock units are based on the closing price of the Corporation's common stock on the New York Stock Exchange on the last trading day of 2010 (\$21.78).
- (5) Based on the maximum under the Corporation's severance practice.

AUDIT COMMITTEE REPORT

The Audit Committee reviews the Corporation's financial statements and internal control over financial reporting on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the internal control over financial reporting. The Corporation's independent auditors are responsible for expressing opinions on the conformity of the audited financial statements to generally accepted accounting principles and on the Corporation's internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed with management and the independent auditors the audited financial statements and the Corporation's internal control over financial reporting. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board. In addition, the Audit Committee has received from the independent auditors the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence and has discussed with them their independence from the Corporation and its management. The Audit Committee has considered whether the independent auditor's provision of information technology services and other non-audit services to the Corporation is compatible with the auditor's independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Corporation's Annual Report on SEC Form 10-K for the year ended December 31, 2010, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee,

Jay L. Haberland Chairman

H. Frederick Christie

Robert C. Ducommun

Dean M. Flatt

The above report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Corporation specifically incorporates this information by reference, and shall not be deemed filed under such Acts.

REPORTS

The Annual Report of the Corporation for the fiscal year ended December 31, 2010, describing the Corporation's operations and including audited financial statements and information about the executive officers of the Corporation, has been mailed prior to or concurrently with this Proxy Statement. **The Corporation will provide a copy of its most recent report to the SEC on Form 10-K upon the written request of any beneficial owner of the Corporation's securities as of the Record Date for the Annual Meeting of Shareholders without charge except for the cost of reproducing Exhibits. Such request should be addressed to Ducommun Incorporated, 23301 Wilmington Ave., Carson, California 90745-6209, Attn: James S. Heiser, Secretary.**

Only one Annual Report and Proxy Statement is being delivered to multiple shareholders sharing an address unless the Corporation has received contrary instructions from one or more of the shareholders. The Corporation will deliver promptly upon a written or oral request a separate copy of the Annual Report and Proxy Statement to a shareholder at a shared address to which a single copy of the documents was delivered. Such request should be addressed to Ducommun Incorporated, 23301 Wilmington Ave., Carson, California 90745-6209, Attn: James S. Heiser, Secretary, or by telephone at (310) 513-7200. Shareholders sharing an address who prefer to receive separate copies of the Annual Report and Proxy Statement in the future should notify the Corporation at the address listed above. Shareholders sharing an address also may request delivery of a single copy of Annual Reports and/or Proxy Statements if they are receiving multiple copies of Annual Reports and/or Proxy Statements by notifying the Corporation at the address listed above.

INDEPENDENT ACCOUNTANTS

The Corporation's independent accountants selected for the current fiscal year, as well as for the fiscal year ended December 31, 2010, are PricewaterhouseCoopers LLP.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

For the fiscal years ended December 31, 2010 and December 31, 2009, PricewaterhouseCoopers LLP, the Corporation's independent public accountants, billed the Corporation for the following professional services rendered:

Audit Fees

For professional services rendered for the audit of the Corporation's annual financial statements, review of the financial statements included in the Corporation's Form 10-Q, and services normally provided by the accountant in connection with statutory and regulatory filings for these years, PricewaterhouseCoopers LLP billed the Corporation an aggregate of \$893,855 and \$999,448, respectively, for the fiscal years ended December 31, 2010 and December 31, 2009, respectively.

Audit-Related Fees

For the fiscal years ended December 31, 2010 and December 31, 2009, PricewaterhouseCoopers LLP billed the Corporation an aggregate of \$15,211 and \$20,403, respectively, for professional services rendered for audit-related services related to financial assurance procedures for certain environmental matters.

Tax Fees

For the fiscal years ended December 31, 2010 and December 31, 2009, PricewaterhouseCoopers LLP billed the Corporation an aggregate of \$212,830 and \$206,027, respectively, for professional services rendered for reviews of federal and state tax returns, and tax planning primarily related to research and development tax credits, foreign sales and sales and use tax.

All Other Fees

For the fiscal years ended December 31, 2010 and December 31, 2009, PricewaterhouseCoopers LLP did not bill the Corporation for any other fees not described above under the captions Audit Fees, Audit-Related Fees and Tax Fees.

Policy for Pre-Approval of Independent Accountant Services

For audit services, the independent accountant provides the Audit Committee with an engagement letter outlining the scope of audit services to be performed in connection with the year-end audit, the quarterly financial statement reviews for the three quarters of the following year, and other audit-related services (which are services that are reasonably related to the performance of the audit or review of the Corporation's financial statements) and the proposed audit service fees related thereto. If approved by the Audit Committee, this engagement letter is formally signed by the chairman of the Audit Committee acting on behalf of the Audit Committee.

For non-audit services, Corporation management submits to the Audit Committee for approval in the fourth quarter of each year a schedule of non-audit services that it recommends the Audit Committee engage the independent accountant to provide in connection with the year-end audit and during the following year. The schedule includes a description of the planned non-audit services and an estimated budget for such services. To ensure the prompt handling of unexpected requirements, the Audit Committee has delegated to the chairman of the Audit Committee the authority to amend, supplement or modify the schedule of approved permissible non-audit services. The chairman of the Audit Committee reports any such actions taken to the Audit Committee at the next Audit Committee meeting.

The Audit Committee pre-approved 100% of the aggregate fees of the independent accountant for 2010 and 2009.

ITEM 4: RATIFICATION OF THE SELECTION OF INDEPENDENT ACCOUNTANTS

The Audit Committee has selected PricewaterhouseCoopers LLP as the Corporation's independent accountants for the fiscal year ending December 31, 2011. The Board of Directors urges you to vote for ratification of that appointment. A representative of PricewaterhouseCoopers LLP plans to be present at the Annual Meeting, will be given an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from shareholders. **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT ACCOUNTANTS.**

SHAREHOLDER PROPOSALS

From time to time individual shareholders of the Corporation may submit proposals which they believe should be voted upon by the shareholders. The SEC has adopted regulations which govern the inclusion of such proposals in the Corporation's annual proxy materials. All such written proposals must be received by the Secretary of the Corporation no later than November 25, 2011 and must comply with the SEC regulations, in order to be considered for inclusion in the Corporation's 2012 proxy materials.

For business to be considered at the Corporation's 2011 Annual Meeting of Shareholders, written proposals must be received by the Secretary of the Corporation no later than February 7, 2012.

OTHER BUSINESS

The Board of Directors does not know of any other business which will be presented for consideration at the Annual Meeting. If any other business properly comes before the Annual Meeting, or any adjournment or postponement thereof, the proxy holders will vote in regard thereto according to their discretion insofar as such proxies are not limited to the contrary.

By Order of the Board of Directors

James S. Heiser
Secretary

Carson, California

April 1, 2011

DUCOMMUN INCORPORATED

BOARD OF DIRECTORS

AUDIT COMMITTEE CHARTER

1. *Members.* The Board of Directors (the Board) of Ducommun Incorporated (the Company) shall appoint an Audit Committee of at least three members, consisting entirely of independent directors, and will designate one member as chairperson. Members of the Audit Committee are appointed by the Board upon the recommendation of the Corporate Governance and Nominating Committee. For purposes hereof, an independent director is a director who meets the New York Stock Exchange (NYSE) and Securities and Exchange Commission (SEC) definition of independence, as determined by the Board. Members of the Audit Committee may be removed at any time by the Board.

Each member of the Audit Committee must be financially literate and at least one member must have accounting or related financial management expertise, as determined by the Board. In addition, at least one member of the Audit Committee shall be an audit committee financial expert, as determined by the Board in accordance with SEC rules. Members of the Audit Committee may not simultaneously serve on the audit committees of more than two other public companies (in addition to the Company).

2. *Purposes, Duties, and Responsibilities.* The purposes of the Audit Committee shall be to represent and assist the Board in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence, and (iv) the performance of the Company's internal audit function and the Company's independent auditor. In addition, the Audit Committee shall prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement filed with the SEC.

The specific duties and responsibilities of the Audit Committee will be to:

- (a) Be directly responsible, in its capacity as a Committee of the Board, for the appointment, compensation, retention and oversight of the work of the independent auditor. In this regard, the Audit Committee shall appoint and retain, compensate, evaluate, and terminate, when appropriate, the independent auditor, which shall report directly to the Audit Committee.
- (b) Obtain and review, at least annually, a report by the independent auditor describing: the independent auditor's internal quality-control procedures; and any material issues raised by the most recent internal quality-control review, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditing firm, and any steps taken to deal with any such issues.
- (c) Approve in advance all audit services to be provided by the independent auditor. (By approving the audit engagement, an audit service within the scope of the engagement shall be deemed to have been pre-approved).
- (d) Establish policies and procedures for the engagement of the independent auditor to provide audit and permissible non-audit services, which shall include pre-approval of all permissible non-audit services to be provided by the independent auditor.
- (e) Consider, at least annually, the independence of the independent auditor, including whether the independent auditor's performance of permissible non-audit services is compatible with the auditor's independence, and obtain and review a report by the independent auditor describing any relationships between the independent auditor and the Company or any other relationships that may adversely affect the independence of the auditor.

(f) Review and discuss with the independent auditor: (i) the scope of the audit, the results of the annual audit examination by the auditor, and any difficulties the auditor encountered in the course of their audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management, and (ii) any reports of the independent auditor with respect to interim periods.

(g) Review and discuss with management and the independent auditor the annual audited and quarterly financial statements of the Company, including: (i) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, (ii) the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, including accounting policies that may be regarded as critical, and (iii) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations; and receive reports from the independent auditor as required by SEC rules.

(h) Recommend to the Board based on the review and discussion described in paragraphs (e) - (g) above, whether the financial statements should be included in the Annual Report on Form 10-K.

(i) Review and discuss the adequacy and effectiveness of the Company's internal controls, including any significant deficiencies in internal controls and significant changes in such controls reported to the Audit Committee by the independent auditor or management.

(j) Review and discuss with the principal internal auditor of the Company the scope and results of the internal audit program.

(k) Review and discuss corporate policies with respect to earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies. Such review and discussion may be done generally, and the Audit Committee need not review and discuss each earnings press release or each instance of earnings guidance.

(l) Oversee the Company's policies and practices with respect to risk assessment and risk management.

(m) Establish procedures for receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.

(n) Establish policies for the hiring of employees and former employees of the independent auditor.

(o) Annually evaluate the performance of the Audit Committee and the adequacy of the Committee's charter.

(p) Produce an Audit Committee report as required by the SEC to be included in the Company's annual proxy statement filed with the SEC.

3. *Outside Advisors.* The Audit Committee will have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist it in the full performance of its functions and shall receive appropriate funding, as determined by the Audit Committee, from the Company for payment of compensation to any such advisors.

4. *Meetings.* The Audit Committee shall meet at least four times per year, either in person or telephonically, and at such times and places as the Audit Committee shall determine. The Audit Committee shall meet separately in executive session, periodically, with each of management, the principal internal auditor of the Company and the independent auditor. The majority of the members of the Audit Committee constitutes a quorum. The Audit Committee shall report regularly to the full Board with respect to its meetings.

ADOPTED BY THE BOARD OF DIRECTORS ON MARCH 24, 2011.

DUCOMMUN INCORPORATED

BOARD OF DIRECTORS

COMPENSATION COMMITTEE CHARTER

1. *Members.* The Board of Directors (the Board) of Ducommun Incorporated (the Company) shall appoint a Compensation Committee of at least three members, consisting entirely of independent directors, and will designate one member as chairperson. Members of the Compensation Committee are appointed by the Board upon the recommendation of the Corporate Governance and Nominating Committee. For purposes hereof, an independent director is a director who meets the New York Stock Exchange definition of independence, as determined by the Board. Additionally, members of the Compensation Committee must qualify as nonemployee directors for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and as outside directors for purposes of Section 162(m) of the Internal Revenue Code.

2. *Purpose, Duties, and Responsibilities.* The purpose, duties and responsibilities of the Compensation Committee will be to:

(a) Review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer (CEO), evaluate the CEO's performance in light of those goals and objectives, and either as a Committee or together with the other independent directors (as directed by the Board), determine and approve the CEO's compensation level (including perquisites) based on this evaluation.

(b) Consider and approve the compensation (including perquisites) of other senior executive officers based upon the recommendation of the CEO.

(c) Consider and approve the Company's incentive-compensation plans for senior executive officers.

(d) Administer and make recommendations to the Board with respect to the Company's equity-based compensation plans.

(e) Approve stock option and other stock incentive awards.

(f) Review and approve the design of any pension, deferred compensation and other retirement benefit plans pertaining to senior executive officers.

(g) Review and approve employment agreements and severance arrangements for senior executive officers, including change-in-control provisions, plans or agreements.

(h) In collaboration with the Corporate Governance and Nominating Committee, oversee the evaluation of management of the Company.

(i) Review the Company's compensation programs for employees generally.

(j) Review the Company's employee development process.

(k) Annually evaluate the performance of the Compensation Committee and the adequacy of the Committee's charter.

(l) Produce a Compensation Committee report on executive compensation as required by the Securities and Exchange Commission (the SEC) to be included in the Company's annual proxy statement filed with the SEC.

3. *Outside Advisors.* The Compensation Committee will have the authority to retain such outside counsel, experts, and other advisors as it determines appropriate to assist it in the full performance of its functions, including sole authority to retain and terminate any compensation consultant used to assist the Committee in the evaluation of director, CEO or senior executive compensation, and to approve the consultant's fees and other retention terms.

4. *Meetings.* The Compensation Committee will meet as often as may be deemed necessary or appropriate, in its judgment, either in person or telephonically, and at such times and places as the Compensation Committee determines. The majority of the members of the Compensation Committee constitutes a quorum. The Compensation Committee shall report regularly to the full board with respect to its meetings.

ADOPTED BY THE BOARD OF DIRECTORS ON FEBRUARY 3, 2009.

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