

DUCOMMUN INC /DE/
Form DEF 14A
April 01, 2003

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 14a-11(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.

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(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

DUCOMMUN INCORPORATED

111 West Ocean Boulevard, Suite 900

Long Beach, California 90802

(562) 624-0800

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 7, 2003

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 Renaissance Long Beach Hotel, 111 East Ocean Boulevard, Long Beach, California, on Wednesday, May 7, 2003, at the hour of 9:00 o'clock A.M. for the following purposes:

1. To elect one director to serve for a two-year term ending in 2005 and three directors to serve for three-year terms ending in 2006.
2. To transact any other business that may properly be brought before the meeting or any adjournments or postponements thereof.

March 17, 2003 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.

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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, should you so desire, but will help to secure a quorum and will avoid added solicitation costs.

By Order of the Board of Directors

James S. Heiser

Secretary

Long Beach, California

March 28, 2003

DUCOMMUN INCORPORATED

111 West Ocean Boulevard, Suite 900

Long Beach, California 90802

(562) 624-0800

PROXY STATEMENT

This Proxy Statement is being mailed on or about March 28, 2003 to shareholders of Ducommun Incorporated (the Corporation) who are such of record on March 17, 2003, 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 7, 2003, 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 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 \$4,500 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 no instructions are given, the proxies will be voted for the election as directors of the management nominees, and in favor of each of the proposals described herein. 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 17, 2003 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 9,873,419 shares (excluding treasury shares) of Common Stock, \$.01 par value per share (the Common Stock). In the election of directors, each holder of Common Stock will be entitled 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.

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In the election of directors, the four candidates receiving the highest number of votes will be elected to fill the vacancies on the Board of Directors.

The Corporation's 2002 Annual Report to Shareholders is being mailed to shareholders with this Proxy Statement.

1. ELECTION OF DIRECTORS

Four directors (out of a total of nine) are to be elected at the forthcoming Annual Meeting: one director to serve for a two-year term expiring at the Annual Meeting of Shareholders in 2005 and three directors to serve for three-year terms expiring at the Annual Meeting in 2006 and thereafter until their successors are elected and qualified. The nominees for such positions are Robert D. Paulson (for a two-year term), and Joseph C. Berenato, Eugene P. Conese, Jr. and Ralph D. Crosby, Jr. (for three-year terms). 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 directors, but if that should occur the persons 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 2003 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, CONESE, CROSBY AND PAULSON.**

The following information is furnished as of March 17, 2003, with respect to each of the four persons who are nominees for election to the Board of Directors, as well as for the other five directors of the Corporation whose terms of office will continue after the 2003 Annual Meeting.

Name, Principal Occupation and Other Directorships	Age	Director Since	Term Expires
Norman A. Barkeley	73	1987	2004
Chairman Emeritus of the Board of the Corporation			
Joseph C. Berenato	56	1997	2006
Chairman of the Board, Chief Executive Officer and President of the Corporation; Director, SMALLCAP World Fund; Trustee, New Economy Fund of the Capital Research & Management Company			
H. Frederick Christie	69	1985	2004
Consultant; Retired President and Chief Executive Officer, The Mission Group (subsidiary of SCEcorp); Director, Valero, L.P., AECOM Technology Corp., IHOP Corp., Southwest Water Company, Capital Income Builder, Inc., SMALLCAP World Fund, AMCAP Fund, Capital World Growth and Income Fund, Inc., and American Mutual Fund, Inc.; Trustee, American Variable Insurance and New Economy Fund; and Director or Trustee of twelve fixed income funds of the Capital Research & Management Company			
Eugene P. Conese, Jr.	43	2000	2006
President and Chief Executive Officer, Aero Capital LLC (private investment firm); Director, World Air Lease, Inc. and Fast Channel Network, Inc.			
Ralph D. Crosby, Jr.	55	2000	2006
Chairman and Chief Executive Officer, EADS North America			
Robert C. Ducommun	51	1985	2005
Management Consultant; Director, American Metal Bearing Company			
Kevin S. Moore	48	1994	2004
President, The Clark Estates, Inc. (private investment firm); Director, 3D Systems Corporation and National Baseball Hall of Fame & Museum, Inc			
Thomas P. Mullaney	69	1987	2005

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Business Advisor; Director, Lucas Arts Entertainment Company, Lucas Digital Ltd. and New Bristol Farms, Inc.

Robert D. Paulson

57

2003

2005

Chief Executive Officer, Aerostar Capital, LLC (private investment firm); Director, Forgings International LP and Nationwide Health Properties, Inc.

The Board of Directors met five times in 2002. All incumbent directors (except Mr. Paulson who was elected in 2003) attended seventy-five percent or more of the meetings of the Board of Directors and Committees of the Board on which they served during 2002. Each of the persons named above, except for Mr. Paulson, was elected by the shareholders at a prior annual meeting. Mr. Mullaney was previously a director of the Corporation in 1984 and 1985.

Directors who are not employees of the Corporation or a subsidiary are paid an annual retainer of \$12,500 and receive \$1,000 for each Board of Directors meeting, Shareholders meeting or Committee meeting they attend. 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 as a director, at which time the deferred fees will be paid to him with interest. A retiring director will also receive the annual retainer fee in effect at the time of retirement or at the time of payment, whichever is higher, for life or for a period of years equal to his service as a director, whichever is shorter, provided that the director retires after the age of 65, has served as a director for at least five years and is not an employee of the Corporation when he retires (the retirement benefits). In 1997, accrual of additional retirement benefits under the Directors Deferred Income and Retirement Plan was terminated, but existing directors remain eligible for retirement benefits accrued to such date. Directors are also eligible to participate in the Corporation's 1994 Stock Incentive Plan and 2001 Stock Incentive Plan. Directors who are not employees of the Corporation or a subsidiary, following each annual meeting of shareholders, in 2002 were granted stock options to purchase 3,000 shares, and in 2003 will be granted stock options to purchase 3,000 shares, of Common Stock of the Corporation at an exercise price equal to 100% of the closing price of the Corporation's Common Stock on the New York Stock Exchange on the date of grant.

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 Securities and Exchange Commission (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 Robert B. Hahn, president of the Corporation's MechTronics of Arizona Corp. subsidiary during 2002, failed to report five transactions on a timely basis on five Forms 4 that were subsequently reported.

COMMITTEES OF THE BOARD OF DIRECTORS

The Corporation has standing Executive, Audit, Compensation and Nominating Committees. The members of the Executive Committee are Messrs. Berenato, Christie and Mullaney. The Executive Committee, which met formally once during 2002, performs the same function as the Board of Directors, subject to certain limitations, including limitations on the power to amend or repeal the Certificate of Incorporation or Bylaws, adopt an agreement of merger or consolidation, or recommend to the shareholders the sale, lease or exchange of substantially all of the property and assets of the Corporation.

The members of the Audit Committee are Messrs. Christie, Conese and Ducommun. The Audit Committee, which met formally five times during 2002, reviews the scope of audits, audit procedures and the results of audits with the corporate staff and the independent accountants. The Audit Committee is governed by a charter which it has adopted, 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 Sections 303.01(B)(2) and (3) of the New York Stock Exchange's listing standards.

The members of the Compensation Committee are Messrs. Barkeley, Crosby, Moore and Mullaney. The Compensation Committee, which met formally two times during 2002, reviews and recommends compensation for officers, grants stock options and administers stock option programs.

The members of the Nominating Committee were Messrs. Barkeley, Berenato and Conese until May 1, 2002, and thereafter were Messrs. Barkeley, Ducommun and Moore. The Nominating Committee, which did not formally meet during 2002, reviews and recommends to the Board of Directors the nominees for election as directors of the Corporation at the Annual Meeting of Shareholders or otherwise by the Board of Directors. The Nominating Committee may, in its discretion, consider nominees recommended by Shareholders.

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 March 17, 2003. 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 17, 2003. 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

<u>Name and Address of Shareholders</u>	<u>Number of Shares</u>	<u>Percentage of Class</u>
Robert C. Ducommun 1155 Park Avenue New York, NY 10128	829,116(1)	8.4%
The Clark Estates, Inc. One Rockefeller Plaza, 31st Floor New York, NY 10020	1,578,428(2)	16.0%
Kevin S. Moore One Rockefeller Plaza, 31st Floor New York, NY 10020	1,592,678(2)	16.1%
Barclays Global Investors, N.A. and Barclays Global Fund Advisors 45 Fremont Street San Francisco, CA 94105	807,434(3)	8.2%
FMR Corp. 82 Devonshire Street Boston, MA 02109	852,100(4)	8.6%
Goldman Sachs Asset Management 32 Old Slip New York, NY 10005	553,100(5)	5.6%
Royce & Associates, LLC 1414 Avenue of the Americas New York, NY 10019	868,200(6)	8.8%

(1) The number of shares includes (i) 75,148 shares held by a foundation of which Mr. Ducommun is an officer, (ii) 234,818 shares as to which Mr. Ducommun has been granted a proxy to exercise voting power by his sister, Electra D. de Peyster, (iii) 2,900 shares owned by Mr. Ducommun's wife and step-daughters and 3,000 shares owned by his nephews, as to which he disclaims any beneficial interest, (iv) 1,000 shares held in an IRA for the benefit of himself, and (v) 14,250 shares issuable upon exercise of stock options. Mr. Ducommun has sole voting and sole investment power as to 513,250 shares, shared voting power as to 234,818 shares and shared investment power as to 81,048 shares.

(2) The information is based on a Schedule 13D filed with the SEC dated July 29, 1992, an amendment to Schedule 13D filed with the SEC dated March 14, 2002, and other information provided by The Clark Estates, Inc. The Clark Estates, Inc. provides administrative and

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investment services to a number of Clark family accounts which beneficially own an aggregate of 1,578,428 shares, including The Clark Foundation which owns 586,053 shares. Kevin S. Moore, President of The Clark Estates, Inc., has been granted powers of attorney to exercise voting and investment power as to 1,578,428 shares, as to which he disclaims any beneficial interest. The Clark Estates, Inc. and Mr. Moore have shared voting and investment power as to 1,578,428 shares. Mr. Moore's shares include 14,250 shares issuable upon exercise of stock options.

- (3) The information is based on a Schedule 13G filed with the SEC dated February 10, 2003. Barclays Global Investors, N.A. has sole voting and investment power as to 763,616 shares; and Barclays Global Fund Advisors has sole voting and investment power as to 43,818 shares.
- (4) The information is based on a Schedule 13G filed with the SEC dated February 14, 2003. FMR Corp., through the Fidelity Low Priced Stock Fund, has sole investment power as to 852,100 shares.
- (5) The information is based on a Schedule 13G filed with the SEC dated February 10, 2003. Goldman Sachs Asset Management has sole voting power as to 513,076 shares, and sole investment power as to 553,100 shares.
- (6) The information is based on a Schedule 13G filed with the SEC dated February 4, 2003.

Security Ownership of Management

<u>Name</u>	<u>Number of Shares(1)</u>	<u>Percentage of Class</u>
Norman A. Barkeley	14,001	*
Joseph C. Berenato	173,139	1.7%
H. Frederick Christie	18,750	*
Eugene P. Conese, Jr.	14,000	*
Ralph D. Crosby, Jr.	9,000	*
Robert C. Ducommun	829,116(2)	8.4%
Kevin S. Moore	1,592,678(3)	16.1%
Thomas P. Mullaney	15,750	*
Robert D. Paulson	5,000	*
Paul L. Graham	11,500	*
James S. Heiser	11,569	*
Michael W. Williams	8,300	*
Samuel D. Williams	8,833	*
All Directors and Executive Officers as a Group (15 persons)	2,711,636	26.9%

* Less than one percent.

- (1) The number of shares includes the following shares that may be purchased within 60 days after March 17, 2003 by exercise of outstanding stock options: 12,000 by Mr. Barkeley, 78,750 by Mr. Berenato, 11,500 by Mr. Graham, 4,750 by Mr. Heiser, 8,000 by Mr. Michael Williams, 5,750 by Mr. Samuel Williams, 14,250 by each of Messrs. Christie, Ducommun, Moore and Mullaney, 9,000 by each of Messrs. Conese and Crosby, and 195,750 by all directors and executive officers as a group. The number of shares for Mr. Berenato includes 9,750 held in an IRA for the benefit of himself, 9,250 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.
- (3) See the information set forth in Note 2 to the table under Security Ownership of Certain Beneficial Owners.

Equity Compensation Plan Information

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>

Equity compensation plans approved by security holders	667,815	\$	13.94	270,787(1)
Equity compensation plans not approved by security holders	0		0	0
Total	667,815	\$	13.94	270,787(1)

- (1) Awards are not restricted to any specified form or structure and may include, without limitation, sales or bonuses of stock, restricted stock, stock options, reload stock options, stock purchase warrants, other rights to acquire stock, securities convertible into or redeemable for stock, stock appreciation rights, limited stock appreciation rights, phantom stock, dividend equivalents, performance units or performance shares, and an award may consist of one such security or benefit, or two or more of them in tandem or in the alternative.

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

The following table discloses compensation received by the Corporation's chief executive officer and the other four most highly-paid executive officers of the Corporation (including group presidents) for the three fiscal years ended December 31, 2002. Columns have been omitted from the table 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	Annual Compensation			Long-Term Compensation Stock Option Awards(#)	All Other Compensation\$(2)
		Salary(\$)	Bonus(\$)	Other Annual Compensation \$(1)		
Joseph C. Berenato Chairman of the Board, President and Chief Executive Officer	2002	\$ 415,000	\$ 0	\$ 0	0	\$ 4,000
	2001	350,012	210,000	0	60,000	3,400
	2000	350,012	0	0	15,000	3,400
Paul L. Graham President, Ducommun Technologies Group and Ducommun Technologies, Inc.	2002	195,846	30,000	83,171	0	3,799
	2001	176,712	45,000	41,305	26,000	3,400
	2000	178,365	65,000	39,522	2,000	3,400
James S. Heiser Vice President, Chief Financial Officer, General Counsel, Secretary and Treasurer	2002	228,000	0	0	0	4,000
	2001	210,115	135,000	0	30,000	3,400
	2000	191,350	0	0	4,000	3,400
Michael W. Williams Vice President, Corporate	2002	154,885	0	0	0	3,235
	2001					