DUCOMMUN INC /DE/
Form DEF 14A
March 21, 2007

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 x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ PreliminaryProxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Rule 14a11(c)
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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):

x No fee required.

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

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(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) 513-7280

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 2, 2007

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 Ducommun Incorporated, 23301 Wilmington Ave., Carson, California, on Wednesday, May 2, 2007, at the hour of 9:00 o clock A.M. for the following purposes:

1. To elect three directors to serve for three-year terms ending in 2010.

2. To approve the Corporation s 2007 Stock Incentive Plan.

3. To ratify the selection of PricewaterhouseCoopers LLP as the Corporation s independent accountants for the Corporation s fiscal year ending December 31, 2007.

4. To transact any other business that may properly be brought before the meeting or any adjournments or postponements thereof.

March 12, 2007 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, 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

Carson, California

March 26, 2007

DUCOMMUN INCORPORATED

23301 Wilmington Ave.

Carson, California 90745-6209

(310) 513-7280

PROXY STATEMENT

This Proxy Statement is being mailed on or about March 26, 2007 to shareholders of Ducommun Incorporated (the Corporation) who are such of record on March 12, 2007, 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 2, 2007, 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 $5,000 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 no instructions are given, the proxies will be voted for the election as directors of the management nominees, for approval of the 2007 Stock Incentive Plan, for ratification of the selection of PricewaterhouseCoopers LLP as the Corporation s independent accountants for the fiscal year ending December 31, 2007, and in their discretion on such other business as may properly come before the meeting. 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 12, 2007 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 10,313,304 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 approval of the 2007 Stock Incentive Plan and the ratification of PricewaterhouseCoopers LLP as the Corporation s independent accountants for the fiscal year ending December 31, 2007 require approval by the affirmative vote of a majority of the votes cast.

The Corporation s 2006 Annual Report to Shareholders is being mailed to shareholders with this Proxy Statement.

1. ELECTION OF DIRECTORS

Three directors (out of a total of eight) are to be elected at the forthcoming Annual Meeting to serve for three-year terms expiring at the Annual Meeting in 2010 and thereafter until their successors are elected and qualified. The nominees for such positions are H. Frederick Christie, Robert C. Ducommun and Eric K. Shinseki. 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 2007 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 MR. CHRISTIE, MR. DUCOMMUN AND MR. SHINSEKI.**

The following information is furnished as of March 12, 2007, with respect to the 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 2007 Annual Meeting.

Name, Principal Occupation and Other Directorships	Age	Director Since	Term Expires
Joseph C. Berenato	60	1997	2009
Chairman of the Board, President and Chief Executive Officer of the Corporation; Director, SMALLCAP World Fund, Capital Income Builder, Inc., and Capital World Growth and Income Fund, Inc.; Trustee, New Economy Fund, Fundamental Investors and Growth Fund of America of the Capital Research & Management Company			
H. Frederick Christie	73	1985	2010
Consultant; Director, IHOP Corp., Southwest Water Company, Capital Income Builder, Inc., SMALLCAP World Fund, AMCAP Fund, Capital World Growth and Income Fund, Inc., American Funds Target Date Retirement Series and American Mutual Fund, Inc.; Trustee, American Variable Insurance and New Economy Fund; and Director or Trustee of thirteen fixed income funds of the Capital Research & Management Company			
Eugene P. Conese, Jr.	47	2000	2009
President and Chief Executive Officer, Aero Capital LLC (private investment and holding firm); Managing Partner, Gridiron Capital LLC (private equity firm)			
Ralph D. Crosby, Jr.	59	2000	2009
Chairman and Chief Executive Officer, EADS North America (aerospace manufacturer); Director, American Electric Power Company, Inc.			
Robert C. Ducommun	55	1985	2010
Business Advisor; Director, American Metal Bearing Company			
Thomas P. Mullaney	73	1987	2008
Business Advisor; Director, Lucas Film Ltd.			
Robert D. Paulson	61	2003	2008
Chief Executive Officer, Aerostar Capital, LLC (private investment firm); Director, Forgings International, LP, Wesco Aircraft Parts, Inc. and Nationwide Health Properties, Inc.			
Eric K. Shinseki	64	2007	2010
Former Chief of Staff of the United States Army; Director, Honeywell International, Inc., Guardian Life Insurance Company of America, First Hawaiian Bank and Grove Farm Company			

The Board of Directors met eight times in 2006. All incumbent directors attended seventy-five percent or more of the meetings of the Board of Directors and Committees of the Board on which they served during 2006. The Corporation strongly encourages all directors to attend the Annual Meeting of Shareholders, and all seven directors who were serving as directors at the time attended the 2006 Annual Meeting of Shareholders (Mr. Shinseki who was elected in 2007 did not attend). 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 at these executive sessions is the chair of the Corporate Governance and Nominating Committee. Currently, Mr. Paulson is the presiding director.

Each of the persons named above was elected by the shareholders at a prior annual meeting except for Mr. Shinseki who was elected by the Board of Directors in January 2007. Mr. Mullaney was previously a director of the Corporation in 1984 and 1985. The Board of Directors has determined that except for Mr. Berenato, the Corporation s Chief Executive Officer and President, the nominees for election to the Board of Directors and all of the other directors whose terms of office will continue after the 2007 Annual Meeting of Shareholders 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

Prior to July 1, 2006, directors who were not employees of the Corporation or a subsidiary were paid an annual retainer of $17,500 and received $1,000 for each Board of Directors meeting or committee meeting they attended. In addition, the chairman of the Audit Committee was paid an annual retainer of $5,000, the chairman of the Compensation Committee was paid an annual retainer of $3,000, and the chairman of the Corporate Governance and Nominating Committee was paid an annual retainer of $3,000.

Beginning July 1, 2006, directors who are not employees of the Corporation or a subsidiary are paid an annual retainer of $25,000 and receive $1,000 for each Board of Directors meeting or committee meeting they attend. In addition, the chairman of the Audit Committee is paid an annual retainer of $7,500, the chairman of the Compensation Committee is paid an annual retainer of $5,000, and the chairman of the Corporate Governance and Nominating Committee is paid an annual retainer of $5,000.

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. Deferred directors fees may be placed, at the election of the director, in an 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. Christie, Mr. Ducommun and Mr. Mullaney each will 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 prior to 1997 (when the accrual of additional years of service was terminated), whichever is shorter, provided that the director retires after the age of 65, and is not an employee of the Corporation when he retires (the retirement benefits). The value of retirement benefits for each of Mr. Christie, Mr. Ducommun and Mr. Mullaney increased in 2006 principally because of the increase in the annual retainer fee from $17,500 to $25,000.

Directors are also eligible to participate in the Corporation s Stock Incentive Plans. Directors who are not employees of the Corporation or a subsidiary, following each annual meeting of shareholders, in 2006 were granted stock options to purchase 3,000 shares, and in 2007 are expected to 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.

2006 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, 2006.

Name[(1)]	Fees Earned or Paid in Cash ($)	Option Awards ($)[(2)(3)(4)]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	Total ($)
H. Frederick Christie	47,000	36,229	60,154	143,383
Eugene P. Conese, Jr.	36,750	36,229	0	72,979
Ralph D. Crosby, Jr.[(5)]	34,250	36,229	0	70,479
Robert C. Ducommun	41,250	36,229	27,598	105,077
Thomas P. Mullaney	42,750	36,229	60,154	139,133
Robert D. Paulson	43,750	34,140	0	77,890

(1) Mr. Shinseki is not included in the table since he was elected as a director by the Board of Directors on January 31, 2007.

(2) At December 31, 2006, stock options were outstanding as follows: (a) 15,000 shares for each of Messrs. Christie, Conese, Crosby, Ducommun and Mullaney, and (b) 12,000 shares for Mr. Paulson.

(3) The methodology and assumptions used in the valuation of stock option awards are contained in footnote 10 to the Corporation s financial statements included in Form 10-K for the year ended December 31, 2006.

(4) Each director was granted a stock option in 2006 to purchase 3,000 shares of Common Stock which had a fair value of $24,120 on the date of grant.

(5) Mr. Crosby s director s fees were deferred into an account to which 1,675.86 shares of phantom stock were credited, in lieu of cash, in 2006.

COMMITTEES OF THE BOARD OF DIRECTORS

The Corporation has standing Audit, Compensation, and Corporate Governance and Nominating Committees. The members of the Audit Committee are Messrs. Christie, Conese and Ducommun. The Audit Committee, which met formally six times during 2006, 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. Christie, the chairman of the Audit Committee, is an audit committee financial expert as such term is defined under the regulations of the SEC.

The members of the Compensation Committee are Messrs. Crosby, Mullaney and Paulson. The Compensation Committee, which met formally four times during 2006, reviews and recommends compensation for executive officers, grants stock options and administers stock option programs, reviews and recommends retirement plans, 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 members of the Corporate Governance and Nominating Committee are Messrs. Ducommun, Mullaney and Paulson. The Corporate Governance and Nominating Committee, which met formally one time during 2006, 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 2006, 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 2006, 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 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.

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 initially 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 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 Mr. Heiser, Mr. Williams and all directors (except Mr. Berenato and Mr. Shinseki) each failed to report one transaction on a timely basis on one Form 4 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, 2006 (except for Mr. Ducommun who is shown as of March 12, 2007). 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 12, 2007 (except for David H. Dittemore who is no longer an executive officer of the Corporation). 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	632,746(1)	6.1%
The Clark Estates, Inc. One Rockefeller Plaza, 31st Floor New York, NY 10020	919,907(2)	8.9%
Dimensional Fund Advisors, Inc. 1299 Ocean Ave., 11th Floor Santa Monica, CA 90401	815,576(3)	7.9%
FMR Corp. 82 Devonshire Street Boston, MA 02109	1,022,900(3)	9.9%
Royce & Associates, LLC 1414 Avenue of the Americas New York, NY 10019	1,119,300(5)	10.9%

(1) The number of shares includes (i) 50,000 shares held by a foundation of which Mr. Ducommun is an officer, (ii) 162,346 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 3,400 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, and (iv) 12,000 shares issuable upon exercise of stock options. Mr. Ducommun has sole voting and sole investment power as to 414,000 shares, shared voting power as to 162,346 shares and shared investment power as to 56,400 shares.

(2) The information is based on a Schedule 13G filed with the SEC dated February 13, 2007.

(3) The information is based on a Schedule 13G filed with the SEC dated February 1, 2007.

(4) The information is based on a Schedule 13G filed with the SEC dated February 14, 2007. FMR Corp. has sole investment power as to 1,022,900 shares. These shares are held by the Fidelity Low Priced Stock Fund.

(5) The information is based on a Schedule 13G filed with the SEC dated January 19, 2007.

Security Ownership of Directors and Management

Name	Number of Shares(1)	Percentage of Class
Joseph C. Berenato	131,330	1.3%
H. Frederick Christie	23,159	*
Eugene P. Conese, Jr.	18,844	*
Ralph D. Crosby, Jr.	19,111	*
Robert C. Ducommun	632,746	6.1%
Thomas P. Mullaney	16,500	*
Robert D. Paulson	22,000	*
Eric K. Shinseki	0	*
Gregory A. Hann	0	*
James S. Heiser	14,802	*
Anthony J. Reardon	44,514	*
John J. Walsh	13,000	*
Samuel D. Williams	12,500	*
All Directors and Executive Officers as a Group (14 persons)	951,006	9.0%

* Less than one percent.

(1) The number of shares includes the following shares that may be purchased within 60 days after March 12, 2007 by exercise of outstanding stock options: 62,500 by Mr. Berenato, 15,000 by each of Messrs. Crosby and Mullaney, 12,000 by each of Messrs. Christie, Conese, Ducommun and Paulson, 7,500 by Mr. Heiser, 44,500 by Mr. Reardon, 13,000 by Mr. Walsh, 12,500 by Mr. Williams and 220,500 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, 14,700 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.

COMPENSATION OF EXECUTIVE OFFICERS

2006 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 2006, who are listed in the tables below, consists principally of the following:

- Salary paid on a bi-weekly basis,
- Annual cash bonus paid in the first quarter of the following year, and
- Nonqualified stock options which are granted each year and vest over the subsequent four years.

Effective January 1, 2007, executive officers also will be eligible to receive awards of performance stock units.

The Corporation has entered into key executive severance agreements with certain of its executive officers, and all of the executive officers are covered by the Corporation s unwritten severance practices. During 2006, the Corporation entered into a separate agreement with its former president and chief operating officer, pursuant to

which the Corporation agreed to continue to pay his salary, to provide certain benefits and to allow for vesting and exercise of stock options for a period of eighteen (18) months following the termination of his employment.

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.

Each element of compensation of the chief executive officer is approved by the Compensation Committee. Each element of compensation of the other 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 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 executive officers is oriented towards a pay-for-performance approach. Except for salaries, virtually all other compensation of 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, operating income (for subsidiary presidents only) and cash from operations, and on the individual performance of 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 increments over a period of four (4) years. Stock options will have value to the executive officers only to the extent of any increase in the Corporation s stock price.

The Corporation does not target any specific mix of cash versus non-cash compensation or immediate payout versus long-term compensation for its 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.

Salaries

The Corporation pays salaries to its executive officers in consideration of the performance of specific roles and responsibilities. Changes in salaries for executive officers are generally effective as of March 15 of each year. Mr. Berenato s salary was increased on January 1, 2006 for the first time since January 1, 2004, but is expected to be reviewed on an annual basis hereafter.

Increases in salaries are made in recognition of each executive officer s fulfillment of his position s roles and responsibilities, as well as any increase in the scope of an executive officer s responsibilities. The amounts of salary increases for executive officers during 2006 were based on what the Compensation Committee believed to be prevailing competitive market practices and ranged from increases of 3% to 5% per annum.

Mr. Hann was hired as the Corporation s chief financial officer and treasurer in June 2006. Mr. Hann s salary was set in an amount necessary to attract him to the position and consistent with internal pay equity within the Corporation.

Annual Cash Bonuses

Annual cash bonuses are awarded based on the Corporation s actual financial performance compared to targets for net income, operating income (for subsidiary presidents only) and cash from operations, and on the individual performance of executive officers. 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 threshold, target and maximum for 2006 for net income and cash from operations of the Corporation for purposes of funding the 2006 bonus pool were as follows:

		(in $000s)	
	Threshold	**Target**	**Maximum**
Net Income	11,954	14,943	20,920
Cash from Operations	21,137	26,421	36,990

The targets for operating income for the subsidiaries in 2006 would have required each subsidiary to substantially exceed its business plan for the year. The Corporation has established net income, operating income (for subsidiaries) and cash from operations as the financial performance measures under the annual cash bonus plan in order to link executive compensation directly to corporate profitability and the cash flows necessary to support the Corporation s growth.

Annual cash bonuses are targeted at 50% of salary for the chief executive officer, and 30% to 40% of salary for the other executive officers depending upon the particular executive officer involved. Annual cash bonuses can range from zero to an upper range of three times the targeted percentage of salary for each 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 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 2006, the Corporation exceeded the pre-established thresholds for net income and cash from operations, but failed to reach the targets for either of these financial measures. Annual cash bonuses awarded for 2006 to the chief executive officer and the other executive officers, except for the subsidiary presidents, were awarded in amounts generally consistent with the formula under the annual cash bonus plan. With respect to the subsidiary presidents, annual cash bonuses were awarded for 2006 in amounts in excess of the formula-based calculation in order to recognize each of their individual performances during the year.

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. Under those circumstances, the Compensation Committee would evaluate whether adjustments are appropriate based upon the facts and circumstances surrounding the restatement and existing laws.

Stock-Based Compensation

Nonqualified stock options are granted periodically to executive officers to attract, motivate and retain these employees. The Corporation grants stock options to executive officers to encourage 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. Stock options are inherently performance-based since the stock options will have value to the executive officers only to the extent of any increase in the Corporation s stock price.

Stock options are typically granted in late June of each year on a date which is convenient for the Compensation Committee members to meet, 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.

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 increments of 25% of the number of shares granted on the anniversary date of the grant so that the options are fully exercisable four (4) years after the date of grant. However, stock options become fully exercisable immediately in the event of a change in control of the Corporation, as defined in the stock option agreements.

In 2006, nonqualified stock options generally were granted to executive officers in amounts consistent with the Corporation s recent historical pattern of stock option grants, but were reduced to some extent by the limited number of shares available under the Corporation s existing stock incentive plans. Mr. Hann received an initial stock option grant in 2006 in connection with his recruitment as the Corporation s new chief financial officer and treasurer as an inducement to his employment by the Corporation in those roles. Mr. Walsh received a special stock option grant in January 2006 to provide an added long-term incentive. The special stock option grant to Mr. Walsh was in lieu of an annual cash bonus for 2005 (Mr. Walsh received no bonus for 2005).

Effective January 1, 2007, executive officers are expected to receive annual grants of performance stock units which will be earned and become vested based upon the achievement of specific performance targets over a three-year performance period. The performance stock units will serve the same purposes as the nonqualified stock options discussed above. The performance stock units are also intended to provide a tighter link between executive compensation and the long-term financial performance of the Corporation.

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 options granted to all covered employees in the event of a change in control as a matter of fairness to the employees.

Messrs. Berenato, Heiser, Reardon and Williams each are parties to key executive severance agreements entered with the Corporation. The Corporation also has an unwritten severance practice which applies in the event of the termination without cause of an executive officer. Benefits under the unwritten severance practice are in addition to benefits under the key executive severance agreements. Mr. Dittemore resigned as president and chief operating officer of the Corporation on February 8, 2006. On March 8, 2006, the Corporation and Mr. Dittemore entered into a severance agreement. See the discussion below under the caption Potential Payments Upon Termination or Change in Control.

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 unwritten severance practice for 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 unwritten 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 executive officers is not material. The Corporation provides an automobile allowance to executive officers, which partially compensates them for the termination of the company car program approximately three years ago. Medical, dental, life and other insurance benefits, and 401(k) matching contributions, are provided to executive officers on a non-discriminatory basis with other employees of the Corporation. Executive officers may elect to defer certain amounts of salary and bonus (beyond the 401(k) limits). No matching contributions are made with respect to these deferred compensation amounts. Interest is paid by the Corporation on such deferred compensation at the reference rate of Bank of America in effect from time to time. On a multi-year basis, the interest rate paid on deferred compensation does not differ materially from the Corporation s cost of borrowing for similar maturities.

2006 Summary Compensation Table

The Summary Compensation Table and the other tables which follow disclose (in accordance with SEC rules) the compensation for the fiscal year ended December 31, 2006 awarded to, earned by or paid to all individuals serving as the Corporation s chief executive officer during 2006, all individuals serving as the Corporation s chief financial officer during 2006, the other three most highly paid executive officers of the Corporation (including subsidiary presidents) who were serving as executive officers at the end of 2006, and the Corporation s former president and chief operating officer who was not serving as an executive officer at the end of 2006 (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 ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	All Other Compensation ($)	Total ($)
Joseph C. Berenato Chairman, Chief Executive Officer and President	2006	469,414	231,930	175,000	4,369	19,527	900,240
Gregory A. Hann(4) Vice President, Chief Financial Officer and Treasurer	2006	143,231	21,899	45,000	0	8,348	218,478
James S. Heiser(4) Vice President, Chief Financial Officer, Treasurer, General Counsel and Secretary	2006	263,044	105,309	82,000	10,354	17,261	477,968
Anthony J. Reardon President, Ducommun AeroStructures, Inc.	2006	248,027	143,001	90,000	0	18,362	499,390
John J. Walsh President, Ducommun Technologies, Inc.	2006	242,616	95,770	75,000	0	13,940	427,326
Samuel D. Williams Vice President, Controller and Assistant Treasurer	2006	185,044	62,267	46,000	6,226	17,353	316,890
David H. Dittemore(5) Former President and Chief Operating Officer	2006	42,640	177,899	0	0	542,514	763,053

(1) The methodology and assumptions used in the valuation of stock option awards are contained in footnote 10 to the Corporation s financial statements included in Form 10-K for the year ended December 31, 2006.
(2) Non-equity incentive plan compensation was earned for the year ended December 31, 2006 and paid in the first quarter of 2007.
(3) The amounts represent interest on deferred compensation in excess of 120% of the applicable federal long-term interest rate.
(4) Mr. Hann became vice president, chief financial officer and treasurer on June 21, 2006. In addition to his other positions, Mr. Heiser was the chief financial officer and treasurer until June 21, 2006.
(5) Mr. Dittemore s employment as president and chief operating officer terminated on February 8, 2006.

The following table discloses each item included in the All Other Compensation column for 2006 in the Summary Compensation Table above.

Name	Year	Automobile Allowance ($)	Life Insurance Premiums ($)	Company Contributions to 401(k) Plan ($)	Severance Payments/ Accruals ($)[1]	Accrued Vacation Pay-Off	Total ($)
Joseph C. Berenato	2006	12,732	2,395	4,400	0	0	19,527
Gregory A. Hann	2006	6,366	582	1,400	0	0	8,348
James S. Heiser	2006	12,732	129	4,400	0	0	17,261
Anthony J. Reardon	2006	12,732	1,230	4,400	0	0	18,362
John J. Walsh	2006	12,732	1,208	0	0	0	13,940
Samuel D. Williams	2006	12,732	920	3,701	0	0	17,353
David H. Dittemore	2006	2,122	197	1,510	525,445	13,240	542,514

(1) Mr. Dittemore resigned as president and chief operating officer of the Corporation on February 8, 2006. The Corporation and Mr. Dittemore subsequently entered into a Severance Agreement, pursuant to which the Corporation agreed to continue to pay Mr. Dittemore s base salary ($340,000 per year) and to continue to provide certain life insurance, medical insurance and dental insurance benefits until August 10, 2007.

2006 Grants of Plan-Based Awards Table

The 2006 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, 2006. The Corporation s subsidiary presidents are also measured based upon the operating income and cash from operations of their operating units. Annual cash bonuses are targeted at 50% of salary for the chief executive officer, and 30% to 40% of salary for the other executive officers depending on the particular executive officer involved. 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 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. An 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 2006 Bonus Plan. Bonuses under the 2006 Bonus Plan were paid in the first quarter of 2007.

Nonqualified stock options were granted 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 26, 2010. However, the stock options become fully exercisable immediately in the event of a change in control of the Corporation. A change of control of the Corporation is defined in the stock option agreements to mean 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 Exchange Act. Such sale, lease, exchange or transfer of substantially all of the assets of the Corporation, the acquisition by a person or group of 25% (or in certain circumstances by The Clark Estates, Inc., of 30%) or more 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 Corporation. The exercise price for the stock options may be paid by delivery of already owned shares.

The following table provides information on the 2006 Bonus Plan and the grant of nonqualified stock options to the named executive officers during 2006.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)[1]	Maximum ($)[1][2]	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Joseph C. Berenato							
2006 Bonus Plan		0	235,000	705,000			
Non-Qualified Stock Option	6/26/06				20,000	19.05	169,600
Gregory A. Hann[3]							
2006 Bonus Plan		0	59,226	177,678			
Non-Qualified Stock Option	6/26/06				20,000	19.05	169,600
James S. Heiser							
2006 Bonus Plan		0	106,000	318,000			
Non-Qualified Stock Option	6/26/06				10,000	19.05	84,800
Anthony J. Reardon							
2006 Bonus Plan		0	100,000	300,000			
Non-Qualified Stock Option	6/26/06				12,000	19.05	101,760
John J. Walsh							
2006 Bonus Plan		0	98,000	294,000			
Non-Qualified Stock Option	1/31/06				10,000	22.78	99,100
Non-Qualified Stock Option	6/26/06				12,000	19.05	101,760
Samuel D. Williams							
2006 Bonus Plan		0	56,100	168,300			
Non-Qualified Stock Option	6/26/06				5,000	19.05	42,400
David H. Dittemore							

(1) The target and maximum amounts of awards are based on the salary of each of the named executive officers at December 31, 2006.

(2) The Compensation Committee, in its discretion, has the authority to approve payments under the 2006 Bonus Plan in excess of the maximum amounts.

(3) Mr. Hann s target and maximum amounts are prorated for the portion of the year he was employed by the Corporation.

2006 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, 2006.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price ($)	Option Expiration Date
Joseph C. Berenato				
Stock option granted 8/2/01	25,000	0	13.20	8/1/08
Stock option granted 7/17/03	37,500	12,500	15.80	7/16/10
Stock option granted 6/23/04	20,000	20,000	19.90	6/22/11
Stock option granted 6/30/05	5,000	15,000	16.91	6/29/12
Stock option granted 6/26/06	0	20,000	19.05	6/25/13
Gregory A. Hann				
Stock option granted 6/26/06	0	20,000	19.05	6/25/13
James S. Heiser				
Stock option granted 7/17/03	0	6,250	15.80	7/16/10
Stock option granted 6/23/04	7,500	7,500	19.90	6/22/11
Stock option granted 6/30/05	2,500	7,500	16.91	6/29/12
Stock option granted 6/26/06	0	10,000	19.05	6/25/13
Anthony J. Reardon				
Stock option granted 3/25/03	6,250	3,750	10.02	3/24/10
Stock option granted 7/17/03	22,500	7,500	15.80	7/16/10
Stock option granted 6/23/04	9,000	9,000	19.90	6/22/11
Stock option granted 6/30/05	3,000	9,000	16.91	6/29/12
Stock option granted 6/26/06	0	12,000	19.05	6/25/13
John J. Walsh				
Stock option granted 9/14/04	7,500	7,500	21.95	9/13/11
Stock option granted 6/30/05	3,000	9,000	16.91	6/29/12
Stock option granted 1/31/06	0	10,000	22.78	1/30/13
Stock option granted 6/26/06	0	12,000	19.05	6/25/13
Samuel D. Williams				
Stock option granted 7/17/03	11,250	3,750	15.80	7/16/10
Stock option granted 6/23/04	5,000	5,000	19.90	6/22/11
Stock option granted 6/30/05	1,250	3,750	16.91	6/29/12
Stock option granted 6/26/06	0	5,000	19.05	6/25/13
David H. Dittemore				
Stock option granted 9/15/03	12,500	12,500	16.90	9/14/10
Stock option granted 6/23/04	6,250	12,500	19.90	6/22/11
Stock option granted 6/30/05	3,750	11,250	16.91	6/29/12

(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 2003, all become exercisable in 2007, (ii) for stock options granted in 2004 one-half become exercisable in each of 2007 and 2008, (iii) for stock options granted in 2005 one-third become exercisable in each of 2007, 2008 and 2009, and (iv) for stock options granted in 2006 one-fourth become exercisable in each of 2007, 2008, 2009 and 2010. Notwithstanding the foregoing, (a) all of the stock options will become immediately exercisable in the event of a change in control of the Corporation, and (b) further vesting of Mr. Dittemore s stock options will cease on August 10, 2007.

2006 Option Exercises and Stock Vested Table

The following table provides information on the exercise of stock options by the named executive officers during 2006.

	Option Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)
Joseph C. Berenato	35,000	310,000
Gregory A. Hann	0	0
James S. Heiser	14,350	99,699
Anthony J. Reardon	0	0
John J. Walsh	0	0
Samuel D. Williams	11,500	101,736
David H. Dittemore	31,250	125,132

2006 Pension Benefits Table

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

2006 Nonqualified Deferred Compensation Table

Executive officers may elect to defer each year up to a maximum of $30,000 of salary plus 100% of any additional compensation other than salary that is payable to the executive officer. Interest is paid by the Corporation on such deferred compensation 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 or a 5% penalty if paid following a change in control of the Corporation. During 2006, there were no contributions of deferred compensation by any named executive officer, no contributions by the Corporation to deferred compensation of any named executive officer, and no withdrawals or distributions of deferred compensation to any named executive officer.

The following table provides information on the aggregate interest accrued on deferred compensation during 2006 and the aggregate balance of deferred compensation at December 31, 2006 for the named executive officers.

Name	Aggregate Earnings In Last Fiscal Year ($)[1]	Aggregate Balance at Last Fiscal Year-End ($)
Joseph C. Berenato	18,658	253,071
Gregory A. Hann	0	0
James S. Heiser	44,216	599,729
Anthony J. Reardon	0	0
John J. Walsh	0	0
Samuel D. Williams	25,589	360,646
David H. Dittemore	0	0

(1) A portion of the amounts in this column is included in the amounts in the Summary Compensation Table under the heading Change in Pension Value and Nonqualified Deferred Compensation Earnings.

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, key executive severance agreements and the unwritten 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 25% (or in certain circumstances by The Clark Estates, Inc., of 30%) or more 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.

Stock options become fully exercisable immediately in the event of a change in control of the Corporation. The amounts in the table below in the column Change in Control reflect the value of unexercisable stock options as of December 31, 2006, the vesting of which would be accelerated upon a change in control of the Corporation.

Messrs. Berenato, Heiser, Reardon and Williams each are parties to key executive severance agreements entered with the Corporation. 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 or retirement, he shall be entitled to receive the following: (i) if the employment of the executive is terminated within two years following a change in control of the Corporation, then the executive shall be entitled to receive payment of his full salary for a period of two years, 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 two years, or (ii) if the employment of the executive is terminated other than within two years following a change in control of the Corporation, then the executive 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. 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 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 an unwritten severance practice which applies in the event of the termination without cause of an executive officer. The unwritten 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 unwritten 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 unwritten severance practice are in addition to benefits under the key executive severance agreements described above.

The amounts in the table below in the columns Termination Before Change in Control and Termination After Change in Control represent the aggregate amounts payable to each of the named executive officers pursuant to the key executive severance agreements and the unwritten 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 unwritten severance practice. Stock option vesting continuation would apply only in the event of termination before a change in control, since stock options vest immediately in the event of a change in control regardless of whether the employment of an executive is terminated.

		Termination Before Change in Control		**Termination After Change in Control**		**Change in Control**
Name	**Benefit**	**By Corporation w/o Cause ($)**	**By Executive for Good Reason ($)**	**By Corporation w/o Cause ($)**	**By Executive for Good Reason ($)**	**w/o Termination ($)**
Joseph C. Berenato	Salary Continuation(1)	940,000	470,000	1,410,000	940,000	0
	Benefits Continuation	20,693	10,347	31,040	20,693	0
	Stock Option Vesting Continuation(2)	246,100	0	0	0	0
	Stock Option Vesting Acceleration(2)	0	0	0	0	314,250
	Total	1,206,793	480,347	1,441,040	960,693	314,250
Gregory A. Hann	Salary Continuation(1)	280,000	0	280,000	0	0
	Benefits Continuation	9,410	0	9,410	0	0
	Stock Option Vesting Continuation(2)	0	0	0	0	0
	Stock Option Vesting Acceleration(2)	38,300	0	0	0	76,600
	Total	327,710	0	289,410	0	76,600
James S. Heiser	Salary Continuation(1)	530,000	265,000	795,000	530,000	0
	Benefits Continuation	14,968	7,484	22,452	14,968	0
	Stock Option Vesting Continuation(2)	115,600	0	0	0	0
	Stock Option Vesting Acceleration(2)	0	0	0	0	149,675
	Total	660,568	272,484	817,452	544,968	149,675
Anthony J. Reardon	Salary Continuation(1)	500,000	250,000	750,000	500,000	0
	Benefits Continuation	14,710	7,355	22,065	14,710	0
	Stock Option Vesting Continuation(2)	186,945	0	0	0	0
	Stock Option Vesting Acceleration(2)	0	0	0	0	227,835
	Total	701,655	257,355	772,065	514,710	227,835
John J. Walsh	Salary Continuation(1)	245,000	0	245,000	0	0
	Benefits Continuation	9,157	0	9,157	0	0
	Stock Option Vesting Continuation(2)	33,138	0	0	0	0
	Stock Option Vesting Acceleration(2)	0	0	0	0	107,665
	Total	287,295	0	254,157	0	107,665
Samuel D. Williams	Salary Continuation(1)	374,000	187,000	561,000	374,000	0
	Benefits Continuation	13,534	6,767	20,301	13,534	0
	Stock Option Vesting Continuation(2)	65,950	0	0	0	0
	Stock Option Vesting Acceleration(2)	0	0	0	0	82,988

Total	453,484	193,767	581,301	387,534	82,988

(1) The amounts of salary continuation are based on the salary of each of the named executives at December 31, 2006.

(2) These amounts 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 2006 ($22.88) and the exercise prices of the unexercisable stock options held by the named executive officers on December 31, 2006.

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, 2006.