

CH ENERGY GROUP INC

Form SC 13D/A

April 17, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934 (Amendment No. 12)

CH Energy Group, Inc.
(Name of Issuer)

Common Stock \$0.10 Par Value Per Share
(Title of Class of Securities)

_____12541M102_____

(CUSIP Number)

Peter D. Goldstein
GAMCO Investors, Inc.
One Corporate Center
Rye, New York 10580-1435
(914) 921-7732

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

_____April 16, 2009_____

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

CUSIP No. 12541M102

1 Names of reporting persons
 I.R.S. identification nos. of above persons (entities only)
 Gabelli Funds, LLC

I.D. No. 13-4044523

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS)

(a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
 00-Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
 New York

Number Of	: 7	Sole voting power
	:	
Shares	:	551,000 (Item 5)
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	:	None
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	:	551,000 (Item 5)
	:	
Person	:10	Shared dispositive power
	:	
With	:	None
	:	

11 Aggregate amount beneficially owned by each reporting person

551,000 (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares (SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

3.49%

14 Type of reporting person (SEE INSTRUCTIONS)
IA

2

CUSIP No. 12541M102

1 Names of reporting persons
 I.R.S. identification nos. of above persons (entities only)
 GAMCO Asset Management Inc. I.D. No. 13-4044521

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
 00-Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
 New York

Number Of	: 7	Sole voting power
	:	
Shares	:	687,652 (Item 5)
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	:	None
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	:	718,777 (Item 5)
	:	
Person	:10	Shared dispositive power
	:	
With	:	None
	:	

11 Aggregate amount beneficially owned by each reporting person
 718,777 (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares (SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)
 4.55%

14 Type of reporting person (SEE INSTRUCTIONS)
 IA, CO

CUSIP No. 12541M102

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
GGCP, Inc.

I.D. No. 13-3056041

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS)

(a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
None

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
New York

Number Of	: 7	Sole voting power
	:	
Shares	:	None
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	:	None
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	:	None
	:	
Person	:10	Shared dispositive power
	:	
With	:	None
	:	

11 Aggregate amount beneficially owned by each reporting person

None

12 Check box if the aggregate amount in row (11) excludes certain shares (SEE INSTRUCTIONS) X

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)
HC, CO

CUSIP No. 12541M102

- 1 Names of reporting persons
 I.R.S. identification nos. of above persons (entities only)
 GAMCO Investors, Inc. I.D.
 No. 13-4007862
- 2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

- 3 Sec use only
- 4 Source of funds (SEE INSTRUCTIONS)
 None
- 5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

- 6 Citizenship or place of organization
 New York

Number Of	: 7	Sole voting power
	:	
Shares	:	None
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	:	None
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	:	None
	:	
Person	:10	Shared dispositive power
	:	
With	:	None
	:	

- 11 Aggregate amount beneficially owned by each reporting person
 None

- 12 Check box if the aggregate amount in row (11) excludes certain shares (SEE INSTRUCTIONS) X

- 13 Percent of class represented by amount in row (11)
 0.00%

- 14 Type of reporting person (SEE INSTRUCTIONS)

HC, CO

CUSIP No. 12541M102

- 1 Names of reporting persons
 I.R.S. identification nos. of above persons (entities only)
 Mario J. Gabelli
- 2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS)

(a)

(b)

- 3 Sec use only
- 4 Source of funds (SEE INSTRUCTIONS)
 00 – Funds of a Private Entity
- 5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)
- 6 Citizenship or place of organization
 USA

Number Of	: 7	Sole voting power
	:	
Shares	:	500 (Item 5)
	:	
Beneficially	: 8	Shared voting power
	:	
Owned	:	None
	:	
By Each	: 9	Sole dispositive power
	:	
Reporting	:	500 (Item 5)
	:	
Person	: 10	Shared dispositive power
	:	
With	:	None
	:	

- 11 Aggregate amount beneficially owned by each reporting person
 500 (Item 5)

- 12 Check box if the aggregate amount in row (11) excludes certain shares
 (SEE INSTRUCTIONS) X

13

(28,691)

\$							
	\$	17,722	\$	14,747	\$	(22,033)	\$ (477) \$ 9,809

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Net income (loss)						
Per Common Share:						
Income (loss) before cumulative effect of a change in accounting principle:						
Basic	\$	1.18	\$ 1.01	\$ 0.46	\$ (0.03)	\$ 0.62
Diluted	\$	1.16	\$ 0.99	\$ 0.45	\$ (0.03)	\$ 0.62
Cumulative effect of a change in accounting principle (net of tax):						
Basic				\$ (1.98)		
Diluted				\$ (1.93)		
Net income (loss) per share:						
Basic	\$	1.18	\$ 1.01	\$ (1.52)	\$ (.03)	\$ 0.62
Diluted	\$	1.16	\$.99	\$ (1.48)	\$ (.03)	\$ 0.62
Weighted average common shares outstanding:						
Basic		14,998	14,635	14,467	14,420	15,899
Diluted		15,266	14,968	14,876	14,420	15,917
Consolidated Balance Sheet Data:						
Working capital	\$	122,859	\$ 107,079	\$ 95,384	\$ 88,393	\$ 86,152
Total assets		215,913	191,809	159,686	183,756	183,817
Total current liabilities		43,075	47,943	31,385	35,283	31,869
Long-term debt, less current maturities				14	49	68
Shareholders equity		171,527	141,642	126,314	145,941	150,195

(1) Fiscal 2000 contained 53 weeks; all other periods contained 52 weeks.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is qualified in its entirety by, and should be read in conjunction with, the Selected Consolidated Financial Data as set forth in Item 6 above and the financial statements and notes thereto included in Item 8 below. Except for the historical information contained herein, the matters addressed herein constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements, such as statements of the Company's strategies, plans, objectives, expectations and intentions, are subject to a variety of risks and uncertainties that could cause the Company's actual results to differ materially from those anticipated in these forward-looking statements. The Cautionary Statements set forth in Item 1 above should be read as being applicable to all related forward-looking statements wherever they appear herein.

Overview

The Company is the leading distributor of aftermarket collision parts used in the repair of automobiles and light trucks in North America with 125 locations throughout the United States and Canada. These product offerings, consisting of more than 19,000 stock keeping units, are manufactured by independent manufacturers and are sold primarily to collision repair shops. Approximately, 85% of all of the collision repair work is paid for in part through insurance claims. As a consequence, the Company is dependent upon the acceptance of its products in the first instance by insurance companies and then by the collision repair shop performing the repairs.

Before 1980, substantially all collision replacements parts were manufactured by original equipment manufacturers (OEMs). Since then, aftermarket parts, which generally sell for between 20% and 40% less than comparable OEM parts, have provided a lower cost alternative to insurance companies seeking to contain the escalating cost of collision repairs. However, aftermarket collision parts still only account for approximately 13% of the collision parts market, which is still dominated by the OEMs.

Because of the Company's dependence on the acceptance of its products by insurance companies, its business is vulnerable to actions which impact the insurance industry. During the past five years, the Company's sales and profits have been adversely impacted by class action litigation against insurance companies for specifying aftermarket parts and a concerted effort, generally led by the OEMs, their dealer network and some collision repair shops, to have legislation passed at the state level restricting or eliminating the use of aftermarket parts in the repair of damaged vehicles. See Item 1. Business-Cautionary Statements above.

Other important risks which may impact the Company's financial results, include the fact that (i) because the Company's business is dependent on a continued source of supply of many automotive body parts which at present are only available from Taiwan, it is vulnerable to any disruptions in shipping, increased shipping costs and the relationship of the U.S. dollar to the New Taiwan dollar; and (ii) the Company is currently in the process of implementing new enterprise-wide management information systems with all the complications and expense that such an implementation involves. See Item 1. Business-Cautionary Statements above.

Growth opportunities for the Company include expanding its geographical coverage and increasing its penetration of existing markets through acquisitions, as well as greenfield openings, internal growth and expanding into new product markets, such as retail sales through retail parts distributors and offering the Company's products on the web. For example, the Company recently completed two acquisitions in Canada expanding its operations from Vancouver, Canada into the Toronto, Montreal and Ottawa areas of Canada.

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Challenges currently facing the Company include managing its growth, integrating its acquisitions, controlling costs and completing the implementation of its enterprise-wide software systems. Escalating costs of audits, Sarbanes-Oxley compliance, health care and commercial insurance are also challenges for the Company at this time.

The Company's financial position remains strong as evidenced by a current ratio (current assets to current liabilities) of 3.85:1 and by the generation of substantial cash flows from operations. The Company remains dependent on its bank line of credit to finance its current level of acquisition activity.

Fiscal 2000 contained 53 weeks as compared to 52 weeks for the other fiscal years set forth in Item 6 above. Consequently, comparisons of certain results may not be meaningful. Fiscal 2005 will also be a 53-week fiscal year.

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Critical Accounting Policies

General. The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, intangible assets, income taxes, insurance, pensions and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Inventory. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and its estimated market value based upon assumptions about future demand and market conditions. If demand is less favorable than anticipated for certain parts, additional inventory write-downs may be required.

Bad Debt. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company adjusts its allowance monthly based upon a formula relating to the aging of its receivables.

Deferred Taxes. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Insurance. The Company's main insurance programs (medical, workers' compensation and vehicle) are designed as large deductible programs. Through these programs the Company self-insures losses up to a deductible limit and purchases stop-loss insurance to protect against losses that are over the deductible. The stop-loss insurance is purchased on an individual and aggregate basis. The amount of the deductible has risen significantly in the last two years resulting in a shift of risk from the insurance carrier to the Company. The Company estimates its cost for these programs and maintains reserves for incurred, but not reported, losses. If the Company were to experience an increase in claims activity over anticipated amounts, and its reserves are not sufficient, additional reserves may be required, which could have a material adverse impact on future earnings.

Off-Balance Sheet Arrangements

As of March 26, 2004, the Company did not have any off-balance sheet transactions, arrangements or obligations (including contingent obligations) that have, or are reasonably likely to have a current or future material effect on the Company's financial condition, changes in the

financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Acquisitions

During fiscal 2004, 2003 and 2002, the Company completed six, three and four acquisitions, respectively. All of these acquisitions were accounted for under the purchase method of accounting and the consolidated

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financial statements include the results of operations for each acquired business for all periods subsequent to the applicable purchase date.

During fiscal 2004, the Company acquired certain assets of the following businesses: Landmark Auto Parts, a distributor of aftermarket collision replacement parts in Newport News, Virginia in May 2003; U.S. Crash Parts, a distributor of aftermarket collision parts in Lexington, Kentucky in June 2003; Kansas Bumper/MOKAN, a distributor of aftermarket collision replacement parts in Kansas City, Lawrence, Topeka, Manhattan, Wichita and Liberal, Kansas in September 2003; and Sam's Nu-Chrome Bumper, a distributor of bumpers in New Orleans, Louisiana in December 2003. In addition, the Company acquired all of the outstanding capital stock of two Canadian distributors of aftermarket collision replacement parts. The Company acquired MultiPro in August 2003, with locations in Drummondville, Montreal, Quebec, Ottawa and Sherbrooke, Canada and Quinte in January 2004, with locations in Trenton, Toronto, Ottawa and Montreal, Canada.

During fiscal 2003, the Company acquired certain assets of the following businesses: Perfect Cooling Industries, Inc., a distributor of radiators and condensers for automobiles and trucks with operations in Carson, California, Norcross, Georgia, Bensalem Township, Pennsylvania and Chicago, Illinois, in April 2002; Arizona Plating, a distributor of recycled bumpers in Phoenix, Arizona, in April 2002; and Advance Plating Company, a distributor of aftermarket collision replacement parts located in Republic, Missouri, in January 2003.

During fiscal 2002, the Company acquired certain assets of the following businesses: After Crash, Inc., a distributor of aftermarket collision replacement parts in Baton Rouge, Louisiana, in July 2001; I.W.C. International, Inc., a distributor of aftermarket wheel covers and center caps for automobiles and light trucks, with operations in Tampa, Florida, Hanover, Massachusetts, Haltom City, Texas, Hayward, California and Quincy, Illinois, in January 2002; and Indiana Distributors incorporated, a distributor of aftermarket collision replacement parts in Elkhart, Indiana, in January 2002. In addition, the Company acquired all of the outstanding capital stock of P-G Products, Inc., a distributor of aftermarket collision replacement parts in Cincinnati, Ohio, in January 2002.

Results of Operations

The following table sets forth, for the periods indicated, certain selected statement of operations items as a percentage of net sales.

	Fiscal Year Ended		
	March 26, 2004	March 28, 2003	March 29, 2002
Net sales	100.0%	100.0%	100.0%
Cost of sales	56.3	56.5	57.2
Gross profit	43.7	43.5	42.8
Selling and distribution expenses	29.6	29.6	29.9
General and administrative expenses	8.7	8.7	8.6
Non-recurring expenses			1.7
Operating income	5.4	5.2	2.6
Other income	0.4	0.4	0.5
Interest expense	(0.1)	(0.1)	(0.2)

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Income before income taxes and cumulative effect of a change in accounting principle	5.7	5.5	2.9
Income taxes	2.2	2.1	1.2
	<u> </u>	<u> </u>	<u> </u>
Net income before cumulative effect of a change in accounting principle	3.5	3.4	1.7
Cumulative effect of a change in accounting principle, net of tax			(7.5)
	<u> </u>	<u> </u>	<u> </u>
Net income (loss)	3.5%	3.4%	(5.8)%
	<u> </u>	<u> </u>	<u> </u>

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The following table sets forth, for the periods indicated, net sales by product category.

	Fiscal Year Ended		
	March 26, 2004	March 28, 2003	March 29, 2002
	(in millions)		
Automotive body parts(1)	\$ 255.2	\$ 216.6	\$ 176.9
Bumpers	147.2	127.8	112.2
Paint and related materials	58.9	56.0	59.0
Wheels and related products	39.6	35.8	29.0
Other	.2	2.9	5.2
Total Sales	\$ 501.1	\$ 439.1	\$ 382.3

(1) Consists primarily of fenders, hoods, headlight and taillight assemblies, radiators, condensers and grilles.

Fiscal 2004 Compared to Fiscal 2003

Net sales were \$501.1 million in fiscal 2004 compared to \$439.1 million in fiscal 2003, an increase of \$62.0 million, or 14.1%. This increase was due primarily to increases of \$38.6 million in sales of automotive body parts, \$19.4 million in sales of new and recycled bumpers and \$2.9 million in sales of paint and related materials, which represent increases of approximately 17.8%, 15.2% and 5.2%, respectively, compared to fiscal 2003. In addition, the Company sold \$39.6 million of wheels and related products in fiscal 2004 compared to \$35.8 million in the prior fiscal year, an increase of 10.6%.

On a same store sales basis, sales were up approximately 9.4% for the year, primarily as a result of the fact that certain insurance companies were continuing to increase the specification of aftermarket parts in the repair of insured vehicles and price increases.

Gross profit increased to \$219.0 million (43.7% of net sales) in fiscal 2004 from \$191.2 million (43.5% of net sales) in fiscal 2003, an increase of 14.5%, primarily as a result of the increase in net sales. The Company's gross profit margin increased, primarily as a result of product mix and pricing. The Company's gross profit margin has fluctuated, and is expected to continue to fluctuate, depending on a number of factors, including changes in product mix, competition and the strength of the United States dollar relative to the Taiwanese dollar. While increasing steel prices have not yet been reflected in increased prices from the Company's suppliers, there can be no assurance that such prices will not increase and if so the Company may not be able to pass on these increases to its customers.

Selling and distribution expenses increased to \$148.4 million (29.6% of net sales) in fiscal 2004 from \$129.8 million (29.6% of net sales) in fiscal 2003, an increase of 14.3%. These expenses as a percentage of net sales remained constant on a comparative basis notwithstanding

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increased sales primarily as a result of moving and consolidation expenses at various locations, increased fuel costs and additional employee overtime wages at the location level, in part related to the installation of the new management information system.

General and administrative expenses increased to \$43.3 million (8.7% of net sales) in fiscal 2004 from \$38.4 million (8.7% of net sales) in fiscal 2003, an increase of 12.8%. These expenses as a percentage of net sales did not change even with the increase in sales. The increase in dollars is primarily as a result of additional costs from acquisitions, expenses from the management information system implementation relating to training and system depreciation and the payment of an executive search consulting fee.

As a result of the above factors, the Company experienced an increase in net income in fiscal 2004 to \$17.7 million, as compared to net income of \$14.7 million in fiscal 2003.

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Fiscal 2003 Compared to Fiscal 2002

Net sales were \$439.1 million in fiscal 2003 compared to \$382.3 million in fiscal 2002, an increase of \$56.8 million, or 14.9%. This increase was due primarily to increases of \$39.7 million in sales of automotive body parts and \$15.6 million in sales of new and recycled bumpers, which represent increases of approximately 22.4%, and 13.9%, respectively, compared to fiscal 2002, offset in part by a decrease of \$3.0 million in sales of paint and related materials, which represents a decrease of 5.1%. In addition, the Company sold \$35.8 million of wheels and related products in fiscal 2003 compared to \$29.0 million in the prior fiscal year, an increase of 23.4%.

On a same store sales basis, sales were up approximately 9.3% for the year, primarily as a result of the fact that certain insurance companies were continuing to increase the specification of aftermarket parts in the repair of insured vehicles.

Gross profit increased to \$191.2 million (43.5% of net sales) in fiscal 2003 from \$163.8 million (42.8% of net sales) in fiscal 2002, an increase of 16.7%, primarily as a result of the increase in net sales. The Company's gross profit margin increased, primarily as a result of product mix and pricing. The Company's gross profit margin has fluctuated, and is expected to continue to fluctuate, depending on a number of factors, including changes in product mix, competition and the strength of the United States dollar relative to the Taiwanese dollar.

Selling and distribution expenses increased to \$129.8 million (29.6% of net sales) in fiscal 2003 from \$114.3 million (29.9% of net sales) in fiscal 2002, an increase of 13.6%. The decrease in these expenses in fiscal 2003 as a percentage of net sales was generally the result of increased revenue across the entire organization.

General and administrative expenses increased to \$38.4 million (8.7% of net sales) in fiscal 2003 from \$32.8 million (8.6% of net sales) in fiscal 2002, an increase of 17.1%. The increase is primarily as a result of additional costs from acquisitions and expenses from the management information system implementation.

During fiscal 2002, the Company recognized approximately \$6.8 million of nonrecurring expenses, and had no such recognition in fiscal 2003. In fiscal 2002, these expenses were the result of a write off of previously capitalized software development costs with respect to the Company's licensor notifying the Company that it was ceasing all development for the software being licensed.

The tax provision in fiscal 2003 was approximately 39.1% of income before income taxes and the tax provision in fiscal 2002 was approximately 40.1%. The decrease is primarily the result of a reorganization within the Company to obtain certain operating efficiencies and that created certain tax savings.

The loss recorded in fiscal 2002 as a cumulative effect of change in accounting principle (net of tax) retroactive to the first quarter of fiscal 2002, relates to the Company's early adoption of Statement of Financial Accounting Standards (SFAS) No. 142 Goodwill and Other Intangible Assets, effective March 31, 2001. SFAS No. 142 requires that the Company test its goodwill and indefinite-lived intangibles for impairment. As a result of the test, completed in the fourth quarter of fiscal 2002, the Company recorded a non-cash, impairment charge of \$33.5 million, net of taxes of \$4.8 million.

As a result of the above factors, the Company experienced an increase in net income in fiscal 2003 to \$14.7 million, as compared to a loss of \$22.0 million in fiscal 2002.

Variability of Quarterly Results and Seasonality

The Company has experienced, and expects to continue to experience, variations in its sales and profitability from quarter to quarter due, in part, to the timing and integration of acquisitions and the seasonal nature of Keystone's business. The number of collision repairs is directly impacted by the weather. Accordingly, the

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Company's sales generally are highest during the five-month period from December to April. The impact of seasonality has declined somewhat as Keystone has become more geographically diversified. Other factors which influence quarterly variations include the number of business days during the holiday seasons, the timing of the introduction of new products, the level of consumer acceptance of new products, general economic conditions that affect consumer spending, the timing of supplier price changes and the timing of expenditures in anticipation of increased sales and customer delivery requirements.

Liquidity and Capital Resources

The Company's primary use of funds over the past two years has been for acquisitions, the development and implementation of an enterprise-wide management information system and the paydown of bank borrowings. At March 26, 2004, working capital was \$122.9 million compared to \$107.1 million at March 28, 2003. The increase in working capital is primarily the result of cash generated from operations. The Company financed its working capital requirements and the acquisitions completed during fiscal 2004 primarily from cash flow from operations.

During the year ended March 26, 2004, the Company's cash and cash equivalents decreased by \$482,000. This decrease is the result of (i) cash provided by operating activities of \$25.7 million and cash provided by financing activities of \$1.4 million, more than offset by (ii) cash used in investing activities of \$27.6 million, primarily as a result of cash used to purchase property and equipment primarily related to the implementation of the Company's enterprise software package and cash paid for acquisitions. The cash provided by operating activities resulted from net income of \$17.7 million increased by \$12.0 million of non-cash expenses and partially offset by a \$4.1 million decrease in cash from changes in working capital components. The working capital component change primarily reflects an increase in inventories, accounts receivable and prepaid expenses and other assets of \$1.5 million, \$2.3 million and 2.9 million, respectively, offset by an increase in accounts payable of \$2.0 million. The most significant non-cash expenses were depreciation and amortization of \$6.5 million and a \$2.2 million provision for a write-down of inventories and losses on uncollectible accounts receivable. The cash provided by financing activities was as a result of cash provided from the exercise of stock options of \$8.0 million, offset in part by a paydown under the Company's bank credit facility of \$6.6 million.

The Company has in place a revolving line of credit with a commercial lender that provides for a \$40.0 million secured credit facility which balance is due on June 1, 2005. Advances under the revolving line of credit bear interest either at LIBOR plus 1.0% or at the lender's prime rate. At March 26, 2004, \$10.0 million had been drawn down under the line of credit and, of this amount, \$5.0 million was at 2.2% interest and \$5.0 million was at 2.1% interest. The line of credit is subject to certain restrictive covenants set forth in the loan agreement, which requires that the Company maintain certain financial ratios. The Company was not in compliance with all such covenants at March 26, 2004, but had obtained a waiver from its commercial lender prior to the filing of this Annual Report. At June 1, 2004, the Company had drawn down \$10.0 million under the line of credit. In December 2003, the Company caused its commercial lender to renew a \$4.3 million letter of credit and in March 2004 issued an additional letter of credit for \$3.1 million to the Company's primary insurers to secure the Company's deductible reimbursement obligations. The amount of these letters of credit reduces the funds available under the Company's credit facility. At June 1, 2004, \$22.6 million was available to the Company under the line of credit.

The Company believes that its existing working capital, anticipated cash flow from operations and funds anticipated to be available under its line of credit will enable it to finance its operations, including the costs related to the installation of the new enterprise-wide management information system (see Business Management Information Systems) and possible acquisitions for at least the next 12 months. However, the Company's liquidity expectations are subject to numerous factors, many of which are beyond the Company's control. Anticipated cash flow from operations are subject to the risks of the business, the most significant of which are discussed under Business Cautionary Statements above. Especially important are the risks discussed under Item 1. Business Cautionary Statements Litigation Impacting Aftermarket Collision

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Replacement Parts and Federal and State Action, above. Since the Company's product sales are so dependent upon the acceptance of aftermarket parts by insurance companies, adverse verdicts or restrictive legislation could reduce sales and negatively impact cash flow from operations. The availability of funds under the Company's line of credit could also be restricted or eliminated in the event that the Company does not maintain the financial ratios required under the Credit Agreement. These ratios include such items as amount of indebtedness, earnings before interest, taxes and depreciation and amortization, net worth and the current ratio. In the event that the Company's operations do not meet expectations it is possible that needed liquidity will not be available under the credit facility.

The Company has no long-term purchase commitments. The following table summarizes total contractual obligations as of March 26, 2004.

Table of Contractual Obligations

Contractual Obligations	Payments due by period (in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit facility outstanding (1)	\$ 10,000	\$	\$ 10,000	\$	\$
Other long-term liabilities	1,311		1,311		
Operating lease obligations	71,616	16,996	27,428	13,826	13,366
Total	\$ 82,927	\$ 16,996	\$ 37,739	\$ 13,826	\$ 13,366

(1) The total revolving line of credit commitment under the Company's credit facility is \$40.0 million, which expires on June 1, 2005 as of March 26, 2004, there were standby letters of credit outstanding under the credit facility of \$7.4 million, which expire in December 2004.

Inflation

The Company does not believe that the relatively moderate rates of inflation over the past three years have had a significant effect on its net sales or its income from operations.

Long-Lived Assets

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to \$9.7 million at March 26, 2004, or approximately 4.5% of total assets or 5.6% of consolidated shareholders' equity. Goodwill amounted to \$3.0 million at March 28, 2003, or approximately 1.6% of total assets or 2.1% of consolidated shareholders' equity. At March 30, 2001, goodwill, net of amortization, was \$33.5 million. In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and broadens the criteria for recording intangible assets apart from goodwill. The Company continues to review the impairment of goodwill under SFAS No. 142. Goodwill and intangible assets that have indefinite useful lives are no longer amortized but are

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tested at least annually for impairment. Intangible assets with finite useful lives will continue to be amortized over their useful lives. Other intangible assets, consisting primarily of covenants not to compete obtained in acquisitions, which have finite lives, will continue to be amortized over the finite life. As of March 26, 2004, other intangible assets amounted to \$1.3 million. For the year ended March 26, 2004, amortization of other intangible assets was approximately \$0.5 million, as compared to \$0.5 million for the year ended March 28, 2003. Other intangible assets will continue to be evaluated under SFAS No. 142. See Note 3 of Notes to Consolidated Financial Statements. The Company believes that the recorded amounts for goodwill are recoverable and that no impairment currently exists.

As a result of the early adoption of SFAS Nos. 141 and 142 effective March 31, 2001, the Company tested its goodwill for impairment and recorded a charge of \$28.7 million, net of tax, retroactive to the first quarter of fiscal 2002, accounted for as the cumulative effect of a change in accounting principle. The decrease in goodwill

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at the end of fiscal 2002, compared to fiscal 2001, reflects this charge. With SFAS No. 142, effective March 31, 2001, the Company ceased amortizing goodwill. Goodwill amortization was \$1.8 million for fiscal 2001.

The Company reviews the recoverability of its long-lived assets as required by SFAS No. 144 and makes assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for these assets. Effective January 1, 2002, the Company adopted SFAS No. 144 and has reviewed recoverability of its long-lived assets in accordance with the statement.

New Accounting Standards

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which amends and clarifies financial accounting and reporting derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. The Company does not expect the adoption of this statement to have a material impact on its operating results or financial position.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses issues regarding the recognition, measurement and reporting of costs associated with exit and disposal activities, including restructuring activities. This statement requires that costs associated with exit or disposal activities be recognized when they are incurred rather than at the date of commitment to an exit or disposal plan. The implementation of this Standard did not have a material effect on the Company.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 clarifies the requirements of SFAS No. 5, *Accounting for Contingencies*, relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. For certain guarantees issued after December 31, 2002, FIN 45 requires a guarantor to recognize, upon issuance of a guarantee, a liability for the fair value of the obligations it assumes under the guarantee. Guarantees issued prior to January 1, 2003, are not subject to liability recognition, but are subject to expanded disclosure requirements. The Company does not believe that the adoption of this Interpretation will have a material impact on its consolidated financial position or statement of operations.

The Company reviews the recoverability of its long-lived assets as required by SFAS No. 144 and makes assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for these assets not previously recorded. Effective January 1, 2002, the Company adopted SFAS No. 144 and have reviewed recoverability of our long-lived assets in accordance with the statement.

In August 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* which is effective for fiscal years beginning after June 15, 2002. SFAS No. 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the estimated useful life of the asset. SFAS No. 143 was adopted by the Company on March 29, 2003 and did not have a material impact on the Company's financial position or results of operations.

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In January 2003, the FASB issued Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. FIN 46 clarifies the application of Accounting Research Bulletin No., 51 and applied immediately to any variable interest entities created after January 31, 2003 and to variable interest entities in which an interest is obtained after that date. This interpretation was applicable to the Company in the quarter ending September 30, 2003, for interests acquired in variable interest entities prior to February 1, 2003. This interpretation required

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variable interest entities to be consolidated if the equity investment at risk is not sufficient to permit an entity to finance its activities without support from other parties or the equity investors lack specific characteristics. FIN 46 was adopted by the Company on September 30, 2003 and did not have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 was adopted by the Company on June 15, 2003 and did not have a material impact on the Company's financial position or results of operations.

In December 2003 the FASB issued SFAS No. 132 (Revised), *Employer's Disclosure about Pensions and Other Postretirement Benefits*. SFAS No. 132 (Revised) retained disclosure requirements of the original SFAS No. 132 and requires additional disclosures relating to assets, obligations, cash flows and net periodic benefit cost. SFAS No. 132 (Revised) is effective for fiscal years ending after December 15, 2003, except that certain disclosures are effective for fiscal years ending after June 15, 2004. Interim period disclosures are effective for interim periods beginning after December 15, 2003. The adoption of the disclosure provisions of SFAS No. 132 (Revised) did not have a material impact on the Company's financial position or results of operations.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's results of operations are exposed to changes in interest rates primarily with respect to borrowings under its credit facility, where interest rates are tied to the prime rate or LIBOR. Under its current policies, the Company does not use interest rate derivative instruments to manage exposure to interest rate changes. Based on the current levels of debt, the exposure to interest rate fluctuations is not considered to be material. The Company is exposed to currency fluctuations with respect to its product purchases in Taiwan. While all transactions with manufacturers based in Taiwan are conducted in U.S. Dollars, changes in the relationship between the U.S. dollar and the New Taiwan dollar might impact the purchase price of products. The Company might not be able to pass on any price increases to customers. Under its present policies, the Company does not attempt to hedge its currency exchange rate exposure.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

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<u>Consolidated Statements of Shareholders' Equity for the years ended March 26, 2004, March 28, 2003 and March 29, 2002</u>	29
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders

Keystone Automotive Industries, Inc.

We have audited the accompanying consolidated balance sheets of Keystone Automotive Industries, Inc. and subsidiaries as of March 26, 2004 and March 28, 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 26, 2004. Our audits also included the financial statement schedule listed in the index at Item 15(d). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Keystone Automotive Industries, Inc. at March 26, 2004 and March 28, 2003 and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 26, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

As discussed in Note 1, Keystone Automotive Industries, Inc. changed its method of accounting for goodwill and other intangible assets effective March 31, 2001.

/s/ ERNST & YOUNG LLP

Los Angeles, California

June 3, 2004

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****CONSOLIDATED BALANCE SHEETS****(in thousands, except share amounts)**

	March 26, 2004	March 28, 2003
	<u> </u>	<u> </u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,176	\$ 3,658
Accounts receivable, less allowance for doubtful accounts of \$887 in 2004 and \$1,291 in 2003	44,005	39,753
Inventories, primarily finished goods	107,221	101,594
Prepaid expenses and other current assets	7,455	4,732
Deferred taxes	4,077	5,285
	<u> </u>	<u> </u>
Total current assets	165,934	155,022
Property, plant and equipment, at cost:		
Land	597	555
Buildings and leasehold improvements	12,506	11,691
Machinery and equipment	40,550	31,312
Furniture and fixtures	14,268	13,158
	<u> </u>	<u> </u>
	67,921	56,716
Accumulated depreciation and amortization	(37,269)	(33,058)
	<u> </u>	<u> </u>
	30,652	23,658
Goodwill		
Other intangibles, net of accumulated amortization of \$3,565 in 2004 and \$3,099 in 2003	9,662	3,040
Other intangibles, net of accumulated amortization of \$3,565 in 2004 and \$3,099 in 2003	1,323	1,046
Other assets	2,573	1,766
Deferred taxes	5,769	7,277
	<u> </u>	<u> </u>
Total assets	<u>\$ 215,913</u>	<u>\$ 191,809</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Credit facility	\$ 10,000	\$ 16,606
Accounts payable	18,598	18,330
Accrued salaries, wages and related benefits	8,507	8,305
Other accrued liabilities	5,970	4,687
Long-term debt, due within one year		15
	<u> </u>	<u> </u>
Total current liabilities	43,075	47,943
Other long-term liabilities	1,311	2,224
Shareholders' equity:		
Preferred stock, no par value:		
Authorized shares 3,000,000		

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None issued and outstanding		
Common stock, no par value:		
Authorized shares 50,000,000		
Issued and outstanding shares 15,443,000 in 2004 and 14,692,000 in 2003, at stated value	89,492	81,221
Warrants		236
Restricted stock	180	
Additional paid-in capital	5,967	2,269
Retained earnings	76,841	59,119
Accumulated other comprehensive loss	(953)	(1,203)
	<u> </u>	<u> </u>
Total shareholders' equity	171,527	141,642
	<u> </u>	<u> </u>
Total liabilities and shareholders' equity	\$ 215,913	\$ 191,809
	<u> </u>	<u> </u>

See accompanying notes.

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share and share amounts)

	Year ended		
	March 26, 2004	March 28, 2003	March 29, 2002
Net sales	\$ 501,108	\$ 439,139	\$ 382,274
Cost of sales	282,079	247,913	218,475
Gross profit	219,029	191,226	163,799
Operating expenses:			
Selling and distribution	148,371	129,822	114,276
General and administrative	43,333	38,424	32,816
Non-recurring			6,796
	191,704	168,246	153,888
Operating income	27,325	22,980	9,911
Other income	2,235	1,782	1,895
Interest expense	(671)	(553)	(698)
Income before income taxes and cumulative effect of a change in accounting principle	28,889	24,209	11,108
Income taxes	11,167	9,462	4,450
Net income before cumulative effect of a change in accounting principle	17,722	14,747	6,658
Cumulative effect of a change in accounting principle (net of tax of \$4,835)			(28,691)
Net income (loss)	\$ 17,722	\$ 14,747	\$ (22,033)
Per Common Share:			
Income before cumulative effect of a change in accounting principle:			
Basic	\$ 1.18	\$ 1.01	\$ 0.46
Diluted	\$ 1.16	\$.99	\$ 0.45
Cumulative effect of a change in accounting principle (net of tax):			
Basic	\$	\$	\$ (1.98)
Diluted	\$	\$	\$ (1.93)
Net income (loss) per share:			
Basic	\$ 1.18	\$ 1.01	\$ (1.52)
Diluted	\$ 1.16	\$.99	\$ (1.48)
Weighted average common shares outstanding:			
Basic	14,998,000	14,635,000	14,467,000

Diluted	<u>15,266,000</u>	<u>14,968,000</u>	<u>14,876,000</u>
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See accompanying notes.

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(in thousands, except per share and share amounts)

	Common Stock		Warrants	Restricted Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount						
Balance at March 30, 2001	14,359,000	\$ 78,581	\$ 236	\$	\$ 1,260	\$ 66,405	\$ (541)	\$ 145,941
Net loss						(22,033)		(22,033)
Stock options exercised	224,000	1,802						1,802
Tax benefit of stock options exercised					604			604
Balance at March 29, 2002	14,583,000	80,383	236		1,864	44,372	(541)	126,314
Net income						14,747		14,747
Defined benefit plan funding adjustments net of taxes of \$425							(662)	(662)
Comprehensive income								14,085
Stock options exercised	109,000	838						838
Tax benefit of stock options exercised					405			405
Balance at March 28, 2003	14,692,000	\$ 81,221	\$ 236		\$ 2,269	\$ 59,119	\$ (1,203)	\$ 141,642
Net income						17,722		17,722
Defined Benefit Plan funding adjustments net of taxes of \$182							291	291
Foreign currency translation							(41)	(41)
Comprehensive income								17,972
Stock options / warrants exercised	751,000	8,271	(236)					8,035
Restricted stock				180				180
Tax benefit of stock options exercised					3,698			3,698
Balance at March 26, 2004	15,443,000	\$ 89,492	\$	\$ 180	\$ 5,967	\$ 76,841	\$ (953)	\$ 171,527

See accompanying notes.

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Year ended		
	March 26, 2004	March 28, 2003	March 29, 2002
Operating activities			
Net income (loss)	\$ 17,722	\$ 14,747	\$ (22,033)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of a change in accounting principle (net of tax)			28,691
Depreciation and amortization	5,945	4,982	5,189
Amortization of goodwill and other intangibles	600	483	484
Deferred taxes	2,716	498	(4,259)
Loss on closures/impairment	635	464	6,796
Provision for losses on uncollectible accounts	756	855	1,552
Provision for write-down of inventories	1,400	2,331	4,063
Gain on sales of assets	(17)	(21)	(21)
Changes in operating assets and liabilities:			
Accounts receivable	(2,291)	(5,930)	(3,837)
Inventories	(1,476)	(18,247)	(383)
Prepaid expenses and other current assets	(2,902)	(289)	3,031
Accounts payable	2,001	4,117	2,245
Accrued salaries, wages and related benefits	202	1,970	1,220
Other accrued liabilities	387	258	(134)
Other, net	(13)	(896)	367
Net cash provided by operating activities	25,665	5,322	22,971
Investing activities			
Proceeds from sales of assets	176	237	148
Acquisitions of certain service centers, net of cash received	(15,882)	(6,927)	(6,760)
Purchases of property, plant and equipment	(11,855)	(9,164)	(9,466)
Net cash used in investing activities	(27,561)	(15,854)	(16,078)
Financing activities			
(Payments) borrowings under bank credit facility, net	(6,606)	9,774	(8,048)
Principal payments on long-term debt	(15)	(74)	
Proceeds from stock option exercises	8,035	838	1,802
Net cash provided by (used in) financing activities	1,414	10,538	(6,246)
Net (decrease) increase in cash and cash equivalents	(482)	6	647
Cash and cash equivalents at beginning of year	3,658	3,652	3,005
Cash and cash equivalents at end of year	\$ 3,176	\$ 3,658	\$ 3,652

Supplemental disclosures:

Interest paid during the year	\$ 681	\$ 525	\$ 765
Income taxes paid during the year	7,089	7,810	5,042
The following items are not included in the Consolidated Statement of Cash Flows:			
Minimum pension liability adjustment	\$ (291)	\$ 662	\$

See accompanying notes.

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KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 26, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Keystone Automotive Industries, Inc. (Keystone) and its wholly owned subsidiaries. Significant subsidiaries included in the consolidated financial statements include Keystone Automotive Industries MN, Inc. (formerly North Star Plating Co.), Keystone Automotive Industries FL, Inc. (formerly Inteuro Parts Distributors, Inc.) and Keystone Automotive Industries Resources, Inc. (formerly Republic Automotive Parts, Inc.) (collectively with Keystone, the Company). All significant intercompany transactions have been eliminated in consolidation.

Business Information

The Company operates in one business segment. The principal business of the Company is the distribution of collision replacement parts for automobiles and light trucks to collision repair shops through a network of distribution centers located within the United States, eight in Canada and one in Mexico.

The Company's product offerings, comprised of more than 19,000 stock keeping units, may be divided into four primary categories: (i) the Company's core business continues to be automotive body parts which consist primarily of fenders, hoods, headlight and taillight assemblies, radiators, condensers and grilles, (ii) the Company distributes new and remanufactured plastic bumper covers and steel bumpers manufactured by multiple domestic and foreign manufacturers, (iii) the Company distributes paint and other materials used in repairing a damaged vehicle primarily to repair shops and (iv) the Company distributes wheels and related products.

Fiscal Year

The Company uses a 52/53 week fiscal year. The Company's fiscal year ends on the last Friday of March. The fiscal years ended March 26, 2004, March 28, 2003 and March 29, 2002 each included 52 weeks, respectively. The fiscal year ending March 25, 2005 is a 53 week year.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Concentrations of Risk

Accounts receivable subject the Company to a potential concentration of credit risk. Substantially all of the Company's customers are in the auto body repair business, none representing more than 1% of sales. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 30 days. Credit losses have consistently been within management's expectations.

During each of 2004 and 2003, the Company imported 38% of its products directly or indirectly from the Far East.

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KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Values of Financial Instruments

Fair values of cash and cash equivalents, accounts receivable, accounts payable, credit facility and other short-term obligations approximate cost due to the short period of time to maturity.

Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are held by major financial institutions.

Inventories

The Company's inventories consist primarily of automotive aftermarket collision replacement parts, paint and related items. Inventories are stated at the lower of cost (first-in, first-out method) or market.

Long-Lived Assets

The Company reviews the recoverability of its long-lived assets as required by Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. The Company has determined that no impairment of long-lived assets exists as of March 26, 2004.

Depreciation and Amortization

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The Company uses the straight-line method for calculating depreciation and amortization of property, plant, and equipment over the following estimated useful lives:

Buildings	20 years
Machinery and equipment	5-12 years
Furniture and fixtures	5-7 years
Auto and truck	3-5 years
Leasehold improvements	Term of lease or life of the asset, whichever is shorter

Goodwill and Other Intangibles

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations. SFAS No. 141 supersedes Accounting Principle Board Opinion (APB) No. 16 Business Combinations and SFAS No. 38 Accounting for Preacquisition Contingencies of Purchased Enterprises. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. The Company implemented SFAS No. 141 on March 31, 2001. This statement did not have a material effect on the Company's consolidated financial position or results of operations.

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KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company elected to early adopt the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*, which supersedes AFB No. 17. SFAS No. 142 applies to goodwill and intangible assets acquired after June 30, 2001, as well as goodwill and intangible assets previously acquired. Under this statement, goodwill as well as certain other intangible assets, determined to have an infinite life, will no longer be amortized. These assets will be reviewed for impairment on a periodic basis. The Company early adopted SFAS No. 142 effective March 31, 2001. Consequently, all goodwill on the Company's balance sheet from that date forward is no longer subject to amortization. Other intangibles, consisting of covenants not to compete with finite lives, will continue to be amortized over the term of the respective covenant. Pursuant to SFAS No. 142, the Company performed a transitional assessment of impairment of goodwill and other intangibles by applying a fair-value-based test and determined that the Company's goodwill was impaired.

Subsequent to the adoption of SFAS No. 142, goodwill, representing the excess of the purchase price over the fair values of the net assets of acquired entities, is not amortized, but is subject to an annual impairment review as provided in SFAS No. 142. Other intangibles are comprised of covenants not to compete. Covenants not to compete are amortized using the straight-line method over the terms of the agreements, generally 3-5 years.

Revenue Recognition

The Company recognizes revenue upon concluding that all of the fundamental criteria for product revenue recognition have been met. Such criteria are usually met at the time title passes to the customer, typically at the time of delivery or shipment. The costs related to shipping and handling fees are included in selling and distribution expenses. The Company provides its customers the right to return products that are damaged or defective. The effect of these programs is estimated and current period sales and costs of sales are reduced accordingly.

Stock-Based Compensation

The Company elected to continue to account for stock-based compensation plans using the intrinsic value-based method of accounting prescribed by APB No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Under the provisions of APB No. 25, compensation expense is measured at the grant date for the difference between the fair value of the stock and the exercise price. The Company has not granted stock options at less than the fair value of the stock at the date of grant.

New Accounting Standards

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which amends and clarifies financial accounting and reporting derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement is effective for

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contracts entered into or modified and for hedging relationships designated after June 30, 2003. The adoption of this statement did not have a material impact on its operating results or financial position of the Company.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses issues regarding the recognition, measurement and reporting of costs associated with exit and disposal activities, including restructuring activities. This statement requires that costs associated with exit or disposal activities be recognized when they are incurred rather than at the date of commitment to an exit or disposal plan. The implementation of this Standard did not have a material effect on the Company.

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KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 clarifies the requirements of SFAS No. 5, *Accounting for Contingencies*, relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. For certain guarantees issued after December 31, 2002, FIN 45 requires a guarantor to recognize, upon issuance of a guarantee, a liability for the fair value of the obligations it assumes under the guarantee. Guarantees issued prior to January 1, 2003, are not subject to liability recognition, but are subject to expanded disclosure requirements. The adoption of this Interpretation did not have a material impact on the Company's consolidated financial position or statement of operations.

In August 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* which is effective for fiscal years beginning after June 15, 2002. SFAS No. 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the estimated useful life of the asset. SFAS No. 143 was adopted by the Company on March 29, 2003 and did not have a material impact on the Company's financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. FIN 46 clarifies the application of Accounting Research Bulletin No. 51 and applied immediately to any variable interest entities created after January 31, 2003 and to variable interest entities in which an interest is obtained after that date. FIN 46 became effective immediately for variable interest entities formed after January 31, 2003 became effective in the third quarter of 2003 for any variable interest entities formed prior to February 1, 2003. This interpretation required variable interest entities to be consolidated if the equity investment at risk is not sufficient to permit an entity to finance its activities without support from other parties or the equity investors lack specific characteristics. FIN 46 was adopted by the Company on September 30, 2003 and did not have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 was adopted by the Company on June 15, 2003 and did not have a material impact on the Company's financial position or results of operations.

In December 2003 the FASB issued SFAS No. 132 (Revised), *Employer's Disclosure about Pensions and Other Postretirement Benefits*. SFAS No. 132 (Revised) retained disclosure requirements of the original SFAS No. 132 and requires additional disclosures relating to assets, obligations, cash flows and net periodic benefit cost. SFAS No. 132 (Revised) is effective for fiscal years ending after December 15, 2003, except that certain disclosures are effective for fiscal years ending after June 15, 2004. Interim period disclosures are effective for interim periods beginning after December 15, 2003. The adoption of the disclosure provisions of SFAS No. 132 (Revised) did not have a material impact on the Company's financial position or results of operations.

2. ACQUISITIONS

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During fiscal 2004, the Company acquired certain assets of the following businesses: Landmark Auto Parts, a distributor of aftermarket collision replacement parts in Newport News, Virginia in May 2003; U.S. Crash Parts, a distributor of aftermarket collision parts in Lexington, Kentucky in June 2003; Kansas Bumper/MOKAN, a distributor of aftermarket collision replacement parts in Kansas City, Lawrence, Topeka, Manhattan, Wichita and Liberal, Kansas in September 2003; and Sam's Nu-Chrome Bumper, a distributor of bumpers in New Orleans, Louisiana in December 2003. In addition, the Company acquired all of the outstanding capital stock of

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KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

two Canadian distributors of aftermarket collision replacement parts. The Company acquired MultiPro in August 2003, with locations in Drummondville, Montreal, Quebec, Ottawa and Sherbrooke, Canada and Quinte in January 2004, with locations in Trenton, Toronto, Ottawa and Montreal, Canada. The Company acquired these companies for approximately \$15.9 million in cash, net of cash received. All of these acquisitions were accounted for under the purchase method of accounting and accordingly the assets and liabilities of the acquired entities have been recorded at their estimated fair value at the dates of acquisition. The excess of purchase price over the estimated fair values of the assets acquired was approximately \$6.8 million and has been recorded as goodwill. The consolidated financial statements include the results of operations for each business for all periods subsequent to the applicable purchase date. The results for fiscal 2004 and 2003, assuming that these acquisitions had been made at the beginning of fiscal 2003, would not have been materially different from the results presented.

During fiscal 2003, the Company acquired certain assets of the following businesses: Perfect Cooling Industries, Inc., a distributor of aftermarket radiators and condensers with operations in Carson, California, Chicago, Illinois, Norcross, Georgia and Bensalem Township, Pennsylvania in April 2002; Arizona Plating, a bumper recycling facility in Phoenix, Arizona in April 2002; and Advance Plating, a distributor of aftermarket collision replacement parts in Republic, Missouri in January 2003. The Company acquired these three companies for approximately \$6.7 million in cash, net of cash received. All of these acquisitions were accounted for under the purchase method of accounting and accordingly the assets and liabilities of the acquired entities have been recorded at their estimated fair value at the dates of acquisition. The excess of purchase price over the estimated fair values of the assets acquired was approximately \$0.9 million and has been recorded as goodwill. The consolidated financial statements include the results of operations for each business for all periods subsequent to the applicable purchase date. The results for fiscal 2003 and 2002, assuming that these acquisitions had been made at the beginning of fiscal 2002, would not have been materially different from the results presented.

During fiscal 2002, the Company acquired certain assets of the following businesses: After Crash, Inc., a distributor of aftermarket collision replacement parts in Baton Rouge, Louisiana in July 2001; I.W.C. International, Inc., a distributor of aftermarket wheel covers and center caps for automobiles and light trucks, with operations in Tampa, Florida, Hanover, Massachusetts, Haltom City, Texas, Hayward, California and Quincy, Illinois in January 2002; and Indiana Distributors incorporated, a distributor of aftermarket collision replacement parts in Elkhart, Indiana in January 2002. In addition, the Company acquired all of the outstanding capital stock of P-G Products, Inc., a distributor of aftermarket collision replacement parts in Cincinnati, Ohio in January 2002. The Company acquired these four companies for approximately \$6.8 million cash, net of cash received. All of these acquisitions were accounted for under the purchase method of accounting, and accordingly the assets and liabilities of the acquired entities have been recorded at their estimated fair values at the dates of acquisition. The excess of purchase price over the estimated fair values of the assets acquired was approximately \$1.8 million and has been recorded as goodwill. The consolidated financial statements include the results of operations for each business for all periods subsequent to the applicable purchase date. The results for fiscal 2002 and 2001, assuming that these acquisitions had been made at the beginning of fiscal 2001, would not be materially different from the results presented.

3. GOODWILL AND OTHER INTANGIBLES

Amortization expense for other intangibles for the years ended March 26, 2004, March 28, 2003 and March 29, 2002 was \$525,000, \$483,000 and \$484,000.

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The carrying amount of goodwill as of March 26, 2004 and March 28, 2003 was \$9.7 million and 3.0 million, respectively.

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KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. FINANCING ARRANGEMENTS

The Company maintains a revolving line of credit with a commercial lender that provides a \$40,000,000 secured credit facility and the balance is due on June 1, 2005. Initial advances under the revolving line of credit are made with interest at the lender's prime rate (4.00% at March 26, 2004). The Company has converted a portion of the advances to LIBOR plus 1.00% (2.2% and 2.1% at March 26, 2004). At March 26, 2004, \$10.0 million was outstanding under the line of credit. In December 2003, the Company caused the commercial lender to renew a letter of credit in the amount of \$4.3 million and in March 2004 issue another letter of credit in the amount of \$3.1 million to secure certain obligations to its primary insurers, which reduces the amount available under the credit facility. The availability under the line of credit at March 26, 2004 was \$22.6 million. The loan agreement is subject to certain restrictive covenants and requires that the Company maintain certain financial ratios. The Company was not in compliance with all covenants as of March 26, 2004, but had obtained a waiver from its commercial lender prior to the filing of this Annual Report.

5. SHAREHOLDERS EQUITY

The Company maintains a stock repurchase plan as authorized by the Board of Directors, which at March 26, 2004, authorized the purchase of up to \$4.1 million of its common stock at such times and at such prices as the President and Chief Financial Officer deemed appropriate. Repurchased shares were redeemed and treated as authorized but unissued shares. Since the inception of the plan, the Company has repurchased approximately 3.5 million shares for approximately \$45.8 million, an average of \$13.01 per share. No shares were repurchased during fiscal 2004 or fiscal 2003.

In February 2000, the Company issued 100,000 warrants to purchase the Company's stock at an exercise price of \$6.50 to a vendor. The warrants are exercisable starting in February 2001 through 2005, or through the date of dissolution of the agreement. Using the intrinsic value method, the Company recorded the warrants in equity at \$236,000 and amortized the expense over the period services were received from the vendor. The warrants were fully amortized in fiscal 2002. These warrants were exercised in March 2004.

In September 2003, the Company issued restricted stock to each of its Directors, except the Chief Executive Officer. Each Director was given 1,456 shares, having a value of \$30,000 based upon the closing price of the Company's Common Stock on September 2, 2003 of \$20.60. The transfer or sale of these shares are restricted for one year.

Subject to restrictions under the Company's credit facility, the Company may pay dividends at the discretion of the Board of Directors. The Company has never paid dividends.

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. EARNINGS PER SHARE**

The Company calculates basic and diluted earnings per share as required by SFAS No. 128, Earnings Per Share. Basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is calculated including the dilutive effects of warrants, options, and convertible securities, if any. The income from continuing operations is used as the numerator to determine whether potential common shares are dilutive or antidilutive. The following table sets forth the computation of basic and diluted earnings per share:

	Year ended		
	March 26, 2004	March 28, 2003	March 29, 2002
	(in thousands, except share and per share amounts)		
Numerator:			
Net income (loss)	\$ 17,722	\$ 14,747	\$ (22,033)
Denominator:			
Denominator for basic earnings (loss) per share weighted average shares	14,998	14,635	14,467
Effect of dilutive securities:			
Employee stock options and warrants	268	333	409
Denominator for dilutive earnings (loss) per share adjusted weighted average shares and assumed conversions	15,266	14,968	14,876
Basic earnings (loss) per share	\$ 1.18	\$ 1.01	\$ (1.52)
Diluted earnings (loss) per share	\$ 1.16	\$.99	\$ (1.48)

7. RELATED PARTY TRANSACTIONS

The Company has entered into various property lease agreements with related parties, including certain of the Company's directors and officers and agreements with a corporation which is owned by a family member of a Company officer and director. The leases contain terms up to 10 years. The Company believes that the terms and conditions of such leases with affiliated parties are no less favorable than could have been obtained from unaffiliated parties in arm's length transactions at the time such leases were entered into. Rent expense for related party lease agreements, included in the total rent expense, amounted to \$1,155,000, \$956,000 and \$956,000 for the fiscal years 2004, 2003 and 2002 respectively, exclusive of the Company's obligation for property taxes and insurance.

8. SALES BY PRODUCT

	Fiscal Year Ended		
	March 26, 2004	March 28, 2003	March 29, 2002
		(in millions)	
Automotive body parts	\$ 255.2	\$ 216.6	\$ 176.9
Bumpers	147.2	127.8	112.2
Paint and related materials	58.9	56.0	59.0
Wheels and related products	39.6	35.8	29.0
Other	.2	2.9	5.2
Total Sales	\$ 501.1	\$ 439.1	\$ 382.3

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. INCOME TAXES**

The liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities. The provision for income taxes reflects the taxes to be paid for the period and the change during the period in the deferred tax assets and liabilities.

Significant components of the Company's deferred tax liabilities and assets are as follows:

	March 26, 2004	March 28, 2003
	(in thousands)	
Deferred tax assets:		
Inventories	\$ 2,701	\$ 3,256
Intangibles	5,544	6,276
Excess of tax basis over book basis of property and equipment		40
Accrued expenses	2,522	3,271
Other, net	510	525
	<u>11,277</u>	<u>13,368</u>
Total deferred tax assets		
Valuation allowance	(378)	(384)
	<u>10,899</u>	<u>12,984</u>
Deferred tax liabilities:		
Prepaid expenses	(677)	(422)
Excess of book basis over tax basis of property and equipment	(376)	
	<u>(1,053)</u>	<u>(422)</u>
Total deferred tax liabilities		
Net deferred tax assets	<u>\$ 9,846</u>	<u>\$ 12,562</u>

The Company recorded a valuation allowance related to a deferred tax asset recorded as a result of the write-off of its investment in an internet company.

Significant components of the provision for income taxes attributable to operations under the liability method are as follows:

	Year ended		
	March 26, 2004	March 28, 2003	March 29, 2002
	(in thousands)		
Current:			
Federal	\$ 7,397	\$ 8,916	\$ 3,429
State	763	1,044	439
Foreign	291		6
	<u>8,451</u>	<u>9,960</u>	<u>3,874</u>
Deferred:			
Federal	2,462	(446)	(3,776)
State	254	(52)	(483)
	<u>2,716</u>	<u>(498)</u>	<u>(4,259)</u>
	<u>\$ 11,167</u>	<u>\$ 9,462</u>	<u>\$ (385)</u>

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The reconciliation of income taxes at the U.S. federal statutory tax rate to reported income tax expense is as follows:

	Year ended		
	March 26, 2004	March 28, 2003	March 29, 2002
	(in thousands)		
Income taxes at statutory tax rate	\$ 10,150	\$ 8,490	\$ (7,466)
State income taxes, net of federal tax effect	981	1,033	(636)
Non-deductible intangibles			7,542
Non-deductible expenses	203	234	178
Rate change and other	(161)	(303)	
Valuation allowance	(6)	8	(3)
	<u>\$ 11,167</u>	<u>\$ 9,462</u>	<u>\$ (385)</u>

10. EMPLOYEE BENEFIT PLANS

The Company has suspended its defined benefit pension plan (the Plan) to provide pension benefits to all non-union employees. Plan benefits are based on an employee's years of service and the compensation during the five years of employment which would yield the highest average compensation. Effective in April 1997, the Company suspended the accrual of future benefits.

The net periodic pension cost for the Company's benefit plan was as follows:

	Pension Benefits		
	March 26, 2004	March 28, 2003	March 29, 2002
	(in thousands)		
Service cost	\$	\$	\$
Interest cost	306	303	332
Recognized gains or (losses)	98	19	139
Prior service cost recognized			
Expected return on assets	(251)	(289)	(261)

	<u>\$ 153</u>	<u>\$ 33</u>	<u>\$ 210</u>
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Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following is a summary of the status of the funding of the plans:

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>March 26, 2004</u>	<u>March 28, 2003</u>	<u>March 26, 2004</u>	<u>March 28, 2003</u>
	(in thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 5,167	\$ 5,131	\$	\$ 288
Service cost				
Interest cost	306	303		
Plan participants contributions				
Actuarial (gains) losses	233	60		(288)
Settlement gain				
Benefits paid	(456)	(327)		
Plan amendments				
Change in assumptions				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Benefit obligation at end of year	\$ 5,250	\$ 5,167	\$	\$
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 2,958	\$ 3,426	\$	\$
Actual return on plan assets	859	(735)		
Company contributions	581	594		
Benefits paid	(456)	(327)		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fair value of plan assets at end of year	\$ 3,942	\$ 2,958	\$	\$
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Funded status:				
Funded status of the plan (underfunded)	\$ (1,308)	\$ (2,209)	\$	\$ (288)
Unrecognized net actuarial (gain) losses	1,495	1,969		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net amount recognized	\$ 187	\$ (240)	\$	\$ (288)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts recognized in the statement of financial position:				
Accrued benefit liability	\$ (1,308)	\$ (2,209)	\$	\$ (288)
Accumulated other comprehensive loss	1,495	1,969		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net amount recognized	\$ 187	\$ (240)	\$	\$ (288)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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In accordance with the provisions of SFAS No. 87, Employers Accounting for Pensions, at March 26, 2004 the Company recorded a minimum pension liability representing the excess of the accumulated benefit obligation over the fair value of the plan assets. The balance of the liability of \$1,495,000 was reported in accumulated comprehensive income (loss), net of applicable deferred income taxes of \$583,000.

In determining the actuarial present value of projected benefit obligations at March 26, 2004 and March 28, 2003, a discount rate of 5.75% and 6.00%, respectively, was used. There are no future compensation increases due to the suspension of benefit accruals. The expected long-term annual rate of return on assets was 8% for the year ended March 26, 2004 and March 28, 2003.

The Company maintains a 401(k) plan, as amended, that covers substantially all of its employees. Employees who have completed more than one year of service are eligible and may contribute from 1% to 50% of their base pay. The Company matches 50% of the first 6% of employee contributions. Employee contributions

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

vest immediately, while employer contributions vest based on years of service. Employer contributions to the plan were \$1,411,000, \$1,374,000 and \$1,265,000 as of March 26, 2004, March 28, 2003 and March 29, 2002, respectively.

11. STOCK COMPENSATION PLANS

In 1996, the Board of Directors of the Company adopted a Stock Incentive Plan (the 1996 Plan). There were 2,700,000 shares of Common Stock reserved for issuance under the 1996 Plan, as amended. The 1996 Plan provides for granting of stock options that may be either incentive stock options within the meaning of Section 422A of the Internal Revenue Code of 1986 (the Code) or non-qualified stock options, which do not satisfy the provisions of Section 422A of the Code. Options are required to be granted at an option price per share equal to the fair market value of Common Stock on the date of grant. Stock options may not be granted longer than 10 years from the date of the 1996 Plan. All options granted to employees have ten-year terms and vest at the rate of 25% per year, commencing one year from the date of grant.

<u>Stock Option Plan</u>	<u>Shares (1)</u>	<u>Weighted Average Exercise Price</u>
Outstanding at March 30, 2001	1,495,825	10.24
Granted	199,175	10.49
Exercised	(223,775)	6.92
Expired/Cancelled	(4,500)	10.31
Outstanding at March 29, 2002	1,466,725	\$ 10.53
Granted	312,383	18.18
Exercised	(108,700)	7.55
Expired/Cancelled	(51,265)	14.62
Outstanding at March 28, 2003	1,619,143	\$ 12.02
Granted	153,736	17.85
Exercised	(650,825)	5.73
Expired/Cancelled	(55,000)	8.93
Outstanding at March 26, 2004	1,067,054	13.19

(1) Includes 35,000 shares outstanding at March 26, 2004 granted to non-employee directors outside of the 1996 Plan during prior fiscal years.

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tabulation summarizes certain information concerning outstanding and exercisable options at March 26, 2004, March 29, 2002 and March 30, 2001

	Price Range		
	\$5.53-\$9.00	\$10.00-\$20.00	\$20.375-\$20.60
Outstanding options as of March 29, 2002:			
Number outstanding	655,150	771,375	40,200
Weighted average exercise price	\$ 5.86	\$ 13.99	\$ 20.38
Weighted average remaining contractual life in years	8.1	6.8	5.8
Exercisable options:			
Number exercisable	203,125	446,875	40,200
Weighted average exercise price	\$ 6.50	\$ 15.30	\$ 20.40
Outstanding options as of March 28, 2003:			
Number outstanding	567,100	1,011,843	40,200
Weighted average exercise price	\$ 5.87	\$ 15.14	\$ 20.375
Weighted average remaining contractual life in years	7.1	6.7	4.8
Exercisable options:			
Number exercisable	305,775	539,813	40,200
Weighted average exercise price	\$ 6.10	\$ 14.70	\$ 20.40
Outstanding options as of March 26, 2004:			
Number outstanding	289,000	761,218	16,836
Weighted average exercise price	\$ 6.34	\$ 15.45	\$ 20.40
Weighted average remaining contractual life in years	5.5	5.8	4.4
Exercisable options:			
Number exercisable	114,875	318,880	8,100
Weighted average exercise price	\$ 6.50	\$ 14.70	\$ 20.40

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company adopted SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, which amends SFAS No. 123, Accounting for Stock-Based Compensation, SFAS No. 148 which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirement of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements of the effects of stock-based compensation. If the Company had elected to recognize compensation cost based on the fair value of the options granted at the grant rate as prescribed by SFAS No. 148, net income (loss) and earnings (loss) per share would have been reduced to the pro forma amounts shown below:

	March 26, 2004	March 28, 2003	March 29, 2002
	(In thousands, except per share amounts)		
Pro forma:			
Net income (loss) as reported	\$ 17,722	\$ 14,747	\$ (22,033)
Add: Stock Based Compensation	64		
Less: Fair value stock-based compensation	(553)	(780)	(687)
Net income (loss) pro forma	<u>\$ 17,233</u>	<u>\$ 13,967</u>	<u>\$ (22,720)</u>
Net income (loss) per share as reported:			
Basic	<u>\$ 1.18</u>	<u>\$ 1.01</u>	<u>\$ (1.52)</u>
Diluted	<u>\$ 1.16</u>	<u>\$.99</u>	<u>\$ (1.48)</u>
Net income (loss) per share pro forma:			
Basic	<u>\$ 1.15</u>	<u>\$.95</u>	<u>\$ (1.57)</u>
Diluted	<u>\$ 1.13</u>	<u>\$.93</u>	<u>\$ (1.53)</u>

The effects of applying SFAS No. 123 as amended by SFAS No. 148, for purposes of determining pro forma net income (loss) and net income (loss) per share are not likely to be representative of the effects on reported net income (loss) for future years. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	March 26, 2004	March 28, 2003	March 29, 2002
Risk free interest rate	4.76%	5.59%	5.87%

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Expected life in years	4	4	4
Expected volatility	44.5%	41.5%	41.9%
Expected dividend yield	0.00%	0.00%	0.00%

12. COMMITMENTS AND CONTINGENCIES

The Company leases substantially all of its property and a portion of its plant and equipment. Certain of the leases contained renewal options from two to five years.

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Future minimum lease payments, under non-cancelable operating leases with initial terms of one year or more, are approximately as follows at March 26, 2004:

	Related Party Leases	Other	Total Operating Leases
	(in thousands)		
2005	\$ 1,109	\$ 15,887	\$ 16,996
2006	779	14,365	15,144
2007	488	11,796	12,284
2008	479	7,991	8,470
2009	412	4,944	5,356
Thereafter		13,366	13,366
Total minimum rental payments	\$ 3,267	\$ 68,349	\$ 71,616

Total rent expense amounted to \$17,022,000, \$15,469,000 and \$13,588,000 for fiscal 2004, 2003 and 2002, respectively, exclusive of the Company's obligation for property taxes and insurance.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have a material adverse effect on the financial position, results of operations or cash flow of the Company.

13. NON-RECURRING EXPENSES

In fiscal 2002, the enterprise software provider informed the Company that it was ceasing all development for the software package licensed by the Company. As a result, the Company determined that it could not proceed with the Company-wide installation and booked a pre-tax charge of \$6.8 million to write-off the previously capitalized software development costs. With this charge, the Company has written-off its investment in this software package.

14. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

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The following is a summary of the quarterly results of operations for the years ended March 26, 2004 and March 28, 2003:

	Quarter Ended			
	June 27	September 26	December 26	March 26
	(In thousands, except per share amounts)			
2004:				
Net sales	\$ 118,100	\$ 116,663	\$ 126,277	\$ 140,068
Gross profit	51,531	50,270	55,560	61,668
Net income	4,180	2,687	4,507	6,348
Per Common Share:				
Net income per share:				
Basic	\$ 0.28	\$ 0.18	\$ 0.30	\$ 0.42
Diluted	\$ 0.28	\$ 0.18	\$ 0.29	\$ 0.41

Table of Contents**KEYSTONE AUTOMOTIVE INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Quarter Ended			
	June 28	September 27	December 27	March 28
	(In thousands, except per share amounts)			
2003:				
Net sales	\$ 106,724	\$ 101,137	\$ 108,548	\$ 122,730
Gross profit	46,474	43,878	47,516	53,358
Net income	3,545	2,663	3,595	4,944
Per Common Share:				
Net income per share:				
Basic	\$ 0.24	\$ 0.18	\$ 0.25	\$ 0.34
Diluted	\$ 0.23	\$ 0.18	\$ 0.24	\$ 0.33

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year shown elsewhere.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Securities Exchange Act of 1934, as amended, (Exchange Act) reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Exchange Act Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this Report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in the Company's internal controls over financial reporting during the Company's fourth quarter of the year ended March 26, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

However, the Company is currently evaluating its internal controls preparatory to complying with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the rules and regulations adopted by the Securities and Exchange Commission thereunder. While management has confidence in its current internal controls as expressed above, it is anticipated that changes in these controls will result from the Company's compliance efforts.

Table of Contents**PART III****ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information required by this Item will be contained in the Company's definitive Proxy Statement for its 2004 Annual Meeting of Stockholders to be held August 18, 2004, which will be filed with the Securities and Exchange Commission within 120 days of March 26, 2004. Such information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be contained in the Company's definitive Proxy Statement for its 2004 Annual Meeting of Stockholders to be held August 18, 2004, which will be filed with the Securities and Exchange Commission within 120 days of March 26, 2004. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Other than as set forth below, the information required by this Item will be contained in the Company's definitive Proxy Statement for its 2004 Annual Meeting of Stockholders to be held August 18, 2004, which will be filed with the Securities and Exchange Commission within 120 days of March 26, 2004. Such information is incorporated herein by reference.

Equity Compensation Plan Information

	March 26, 2004		
	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,032,054	\$ 12.98	327,471
Equity compensation plans not approved by security holders	35,000	15.51	

Total	1,067,054	327,471
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The balance of the securities which may be issued pursuant to equity compensation plans not approved by security holders represent non-qualified stock options granted to four non-employee directors in 2001, 2000, 1999 and 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item will be contained in the Company's definitive Proxy Statement for its 2004 Annual Meeting of Stockholders to be held August 18, 2004, which will be filed with the Securities and Exchange Commission within 120 days of March 26, 2004. Such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be contained in the Company's definitive Proxy Statement for its 2004 Annual Meeting of Stockholders to be held August 18, 2004, which will be filed with the Securities and Exchange Commission within 120 days of March 26, 2004. Such information is incorporated herein by reference.

Table of Contents**PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K****(a)(1) Financial Statements:**

See the Index to Item 8 above.

(a)(2) Financial Statement Schedule:

See (d) below.

(a)(3) Exhibits:

The following exhibits are filed herewith or incorporated by reference herein:

<u>Exhibit No.</u>	<u>Description</u>
3.1(2)	Amended and Restated Bylaws of the Registrant. [3.4]*
3.1.1(4)	Amendment to Amended and Restated Bylaws of the Registrant. [3.1.1]*
3.1.2(9)	Amendment to Amended and Restated Bylaws of the Registrant. [3.1.2]*
3.2(2)	Restated Articles of Incorporation of the Registrant. [3.5]*
3.2.1(8)	Amendment to Restated Articles of Incorporation of Registrant. [3.2.1]*
3.2.2(9)	Amendment to Restated Articles of Incorporation of Registrant. [3.2.2]*
3.2.3(11)	Certificate of Determination of Series A Junior Participating Preferred Stock. [4.2(A)]*
4.1(2)	Form of stock certificate. [4.1]*
4.2(11)	Rights Agreement dated as of February 10, 2000. [4.2]*
4.2.1(17)	First Amendment to Rights Agreement dated as of January 8, 2003.
4.3(14)	Warrant to Purchase 100,000 shares of Common Stock dated February 21, 2000.
10.5(1)(A)	Indemnification Agreement dated June 20, 1996 between the Registrant and Charles J. Hogarty. [10.6]*
10.6(1)(A)	Indemnification Agreement dated June 20, 1996, between the Registrant and John M. Palumbo. [10.9]*

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10.7(3)(A)	Indemnification Agreement between the Registrant and Ronald G. Brown. [10.12]*
10.8(3)(A)	Indemnification Agreement between the Registrant and Kim D. Wood. [10.13]*s
10.9(1)(A)	Keystone Automotive Industries, Inc. 1996 Stock Incentive Plan, together with forms of incentive stock option, non-qualified stock option and restricted stock agreements. [10.10]*
10.10(7)(A)	Amendment to Registrant s 1996 Stock Incentive Plan.
10.11(12)(A)	Amendment to Registrant s 1996 Stock Incentive Plan
10.12(16)(A)	Amendment to Registrant s 1996 Stock Incentive Plan
10.13(16)(A)	Amendment to Registrant s 1996 Stock Incentive Plan
10.14(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 26, 1997

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Exhibit No.	Description
10.15(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 31, 1998
10.16(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 24, 1999
10.17(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 23, 2000
10.18(18)(A)	Non-Qualified Stock Option Agreement with Timothy McQuay dated August 23, 2001
10.19(18)(A)	Non-Qualified Stock Option Agreement with Al Ronco dated August 31, 1998
10.20(18)(A)	Non-Qualified Stock Option Agreement with Al Ronco dated August 24, 1999
10.21(18)(A)	Non-Qualified Stock Option Agreement with Al Ronco dated August 23, 2001
10.22(18)(A)	Non-Qualified Stock Option Agreement with George Seebart dated August 26, 1997
10.23(18)(A)	Non-Qualified Stock Option Agreement with George Seebart dated August 31, 1998
10.24(18)(A)	Non-Qualified Stock Option Agreement with George Seebart dated August 24, 1999
10.25(18)(A)	Non-Qualified Stock Option Agreement with George Seebart dated August 23, 2001
10.26(18)(A)	Non-Qualified Stock Option Agreement with Keith Thompson dated August 24, 1999
10.27(18)(A)	Non-Qualified Stock Option Agreement with Keith Thompson dated August 23, 2000
10.28(18)(A)	Non-Qualified Stock Option Agreement with Keith Thompson dated August 23, 2001
10.29(1)	The Registrant's Employee Defined Benefit Pension Plan, as amended. [10.11]*
10.30(1)	Lease Agreement, dated January 5, 1995, between V-JAC Properties, Ltd. and the Registrant. [10.14]*
10.31(1)	Lease Agreement, dated January 5, 1995, between V-JAC Properties, Ltd. and the Registrant. [10.18]*
10.32(3)	Voting Agreement dated December 6, 1996, among the Registrant, North Star Plating Company, Virgil K. Benton, II, Charles J. Hogarty, Al A. Ronco, Robert L. Blanton and John M. Palumbo. [10.37]*
10.33(4)	Lease Agreement, dated January 1, 1995, between North Star and the spouses of Ronald G. Brown and Kim D. Wood. [10.41]*
10.34(4)	Lease Agreement, dated January 1, 1995, between North Star and the spouse of Ronald G. Brown and a third party. [10.42]*
10.35(4)	Lease Agreement, dated January 1, 1995, between North Star and a partnership owned by Kim D. Wood and an employee of North Star. [10.43]*
10.36(4)	Lease Agreement, dated May 20, 1996, between North Star and a partnership owned by the spouses of Ronald G. Brown and Kim Wood and the Brown Family Limited Partnership. [10.44]*
10.37(14)(A)	Key Employee Salary Continuation Agreement between Registrant and James C. Lockwood dated April 11, 2000.
10.38(15)	Credit Agreement dated as of February 1, 2002 between Registrant and Wells Fargo Bank, National Association [10.29]*.
10.38.1(21)	First Amendment to Credit Agreement dated as of February 1, 2003 between Registrant and Wells Fargo Bank, National Association [10.38.1]*

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Exhibit No.	Description
10.38.2(20)	Second Amendment to Credit Agreement dated as of August 1, 2003 between Registrant and Wells Fargo Bank, National Association [10.38.2]*
10.39(19)(A)	Form of Key Employee Salary Continuation Agreement dated as of April 2002 with Charles J. Hogarty, D. Currey Hall, Christopher Northup, Carl Hartman and James C. Lockwood.
10.40(19)	Proprietary Brand Purchase Agreement between Registrant and Genera Corporation; dated August 8, 2000.
10.41(20)(A)	Consulting Agreement between Charles J. Hogarty and Registrant dated September 1, 2003. [10.41(A)]*
21.1	Subsidiaries
23.1	Consent of independent auditors.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates the exhibit number of the document in the original filing.

- (1) Filed as an exhibit to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 18, 1996 (File No. 333-3994).
- (2) Filed as an exhibit to Amendment No. 2 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on June 17, 1996.
- (3) Filed as an exhibit to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 23, 1996 (File No. 333-18663).
- (4) Filed as an exhibit to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on June 6, 1997 (File No. 333-28709).
- (7) Filed as an exhibit to Registrant's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on May 18, 1998 (File No. 333-52969).
- (8) Filed as an exhibit to Registrant's Form 10-K filed with the Securities and Exchange Commission on June 24, 1998.
- (9) Filed as an exhibit to Registrant's Form 10-K filed with the Securities and Exchange Commission on June 24, 1999.
- (11) Filed as an exhibit to Registrant's Form 8-K filed with the Securities and Exchange Commission on February 23, 2000.
- (12) As described in Registrant's Proxy Statement filed with the Securities and Exchange Commission on July 19, 2000.
- (14) Filed as an exhibit to Registrant's Form 10-K filed with the Securities and Exchange Commission on June 26, 2000.
- (15) Filed as an Exhibit to Registrant's Form 8-K filed with the Securities and Exchange Commission on February 19, 2002.
- (16) Filed as an Exhibit to Registrant's Form 10-Q filed with the Securities and Exchange Commission on February 10, 2003.

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- (17) Filed as an Exhibit to Registrant's Form 8-K filed with the Securities and Exchange Commission on January 14, 2003.
- (18) Filed as an Exhibit to Registrant's Form 8-K filed with the Securities and Exchange Commission on February 19, 2003.
- (19) Filed as an Exhibit to Registrant's Form 10-K filed with the Securities and Exchange Commission on June 27, 2002.
- (20) Filed as an Exhibit to Registrant's Form 10-Q filed with the Securities and Exchange Commission on November 10, 2003.
- (21) Filed as an Exhibit to Registrant's Form 10-K filed with the Securities and Exchange Commission on June 26, 2003.
- (A) A management contract or compensatory plan or arrangement as defined in Item 601 of Regulation S-K.

(b) Reports on Form 8-K:

On February 5, 2004, the Company filed a Current Report on Form 8-K with respect to Item 7. Financial Statements, Pro Forma Financial Information and Exhibits and Item 12. Results of Operations and Financial Condition, announcing its financial and operating results for the third quarter ended December 26, 2003.

(c) Exhibits:

See (a)(3) above.

(d) Financial Statement Schedules:

Schedule II Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is shown in the Registrant's financial statements or the related notes thereto.

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KEYSTONE AUTOMOTIVE INDUSTRIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Description	Balance at Beginning of Year	Additions		Deductions(1)	Balance at End of Year
		Charged to Costs and Expenses	Charged to Other Accounts		
Year ended March 26, 2004					
Allowance for uncollectible accounts	\$ 1,291	\$ 756	\$	\$ 1,160	\$ 887
Year ended March 28, 2003					
Allowance for uncollectible accounts	\$ 1,046	\$ 855	\$	\$ 610	\$ 1,291
Year ended March 29, 2002					
Allowance for uncollectible accounts	\$ 1,029	\$ 1,552	\$	\$ 1,535	\$ 1,046

(1) Uncollectible accounts written-off, net of recoveries.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

By: /s/ CHARLES J. HOGARTY

Charles J. Hogarty
President

Dated: June 7, 2004

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this Annual Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u> /s/ CHARLES J. HOGARTY </u> Charles J. Hogarty	President, Chief Executive Officer and Director	June 7, 2004
<u> /s/ JOHN M. PALUMBO </u> John M. Palumbo	Vice President and Treasurer (Principal Financial and Accounting Officer)	June 7, 2004
<u> /s/ RONALD G. FOSTER </u> Ronald G. Foster	Director	June 7, 2004
<u> /s/ RONALD G. BROWN </u> Ronald G. Brown	Director	June 7, 2004
<u> /s/ TIMOTHY C. MCQUAY </u> Timothy C. McQuay	Director	June 7, 2004
<u> /s/ AL A. RONCO </u> Al A. Ronco	Director	June 7, 2004
<u> /s/ GEORGE E. SEEBART </u>	Director	June 7, 2004

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George E. Seebart

/s/ KEITH M. THOMPSON

Director

June 7, 2004

Keith M. Thompson

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