

Dorman Products, Inc.  
Form 10-Q/A  
May 10, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period March 27, 2010  
ended

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File 0-18914  
Number:

DORMAN PRODUCTS, INC.  
(Exact name of registrant as specified in its charter)

Pennsylvania  
(State or other jurisdiction of incorporation or organization)

23-2078856  
(I.R.S. Employer Identification No.)

3400 East Walnut Street, Colmar, Pennsylvania  
(Address of principal executive offices)

18915  
(Zip Code)

(215) 997-1800  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of April 27, 2010 the Registrant had 17,750,116 shares of common stock, \$.01 par value, outstanding.

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EXPLANATORY NOTE

The sole purpose of this Amendment to the Registrant's Quarterly Report on Form 10-Q for the period ended March 27, 2010 filed with the Securities and Exchange Commission on April 29, 2010 (the "Original Form 10-Q") is to amend "Item 1, Financial Statements - Consolidated Balance Sheets" to delete extraneous numerical characters that appeared in error under the column "December 26, 2009" on the "Other Long-Term Liabilities" line and the "Deferred Income Taxes" line. These two inadvertent clerical errors occurred during the EDGAR conversion process.

This Amendment should be read in conjunction with the Original Form 10-Q. No other changes have been made to the Original Form 10-Q, and this Amendment has not been updated to reflect events occurring subsequent to the filing of the Original Form 10-Q.

Pursuant to Rule 12b-5, this Amendment is accompanied by Rule 13a-14(a) certifications and Section 1350 certifications which are filed as exhibits hereto.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

DORMAN PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except for share data)	For the Thirteen Weeks Ended	
	March 27, 2010	March 28, 2009
Net Sales	\$ 98,976	\$ 86,431
Cost of goods sold	61,199	58,034
Gross profit	37,777	28,397
Selling, general and administrative expenses	22,078	20,934
Income from operations	15,699	7,463
Interest expense, net	65	81
Income before taxes	15,634	7,382
Provision for taxes	6,019	2,826
Net Income	\$ 9,615	\$ 4,556
Earnings Per Share:		
Basic	\$ 0.54	\$ 0.26
Diluted	\$ 0.53	\$ 0.25
Average Shares Outstanding:		
Basic	17,689	17,643
Diluted	18,061	17,965

See accompanying notes to consolidated financial statements

DORMAN PRODUCTS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(unaudited)

(in thousands, except for share data)	March 27, 2010	December 26, 2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 15,926	\$ 10,626
Accounts receivable, less allowance for doubtful accounts and customer credits of \$34,937 and \$36,433	99,149	88,164
Inventories	89,223	89,927
Deferred income taxes	12,849	12,620
Prepays and other current assets	2,694	2,248
Total current assets	219,841	203,585
Property, Plant and Equipment, net	25,319	25,218
Goodwill	26,553	26,553
Other Assets	2,047	2,046
Total	\$ 273,760	\$ 257,402
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt	\$ 90	\$ 90
Accounts payable	23,151	16,098
Accrued compensation	5,634	10,376
Other accrued liabilities	7,783	3,868
Total current liabilities	36,658	30,432
Other Long-Term Liabilities	2,740	2,675
Long-Term Debt	243	266
Deferred Income Taxes	8,799	8,694
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, par value \$.01; authorized 25,000,000 shares: issued and outstanding 17,756,949 and 17,679,573	178	177
Additional paid-in capital	33,294	32,708
Cumulative translation adjustments	2,180	2,089
Retained earnings	189,668	180,361
Total shareholders' equity	225,320	215,335
Total	\$ 273,760	\$ 257,402

See accompanying notes to consolidated financial statements.

## DORMAN PRODUCTS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)	For the Thirteen Weeks Ended	
	March 27, 2010	March 28, 2009
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 9,615	\$ 4,556
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	1,924	1,890
Provision for doubtful accounts	98	306
Provision for deferred income tax	(124 )	187
Provision for non-cash stock compensation	60	79
Changes in assets and liabilities:		
Accounts receivable	(11,078 )	(4,192 )
Inventories	719	10,134
Prepays and other current assets	(445 )	787
Other assets	24	7
Accounts payable	7,047	(5,961 )
Accrued compensation and other liabilities	(761 )	667
Cash provided by operating activities	7,079	8,460
<b>Cash Flows from Investing Activities:</b>		
Property, plant and equipment additions	(1,994 )	(1,911 )
Cash used in investing activities	(1,994 )	(1,911 )
<b>Cash Flows from Financing Activities:</b>		
Repayment of long-term debt obligations	(23 )	(21 )
Net repayment of revolving credit facility	-	(7,500 )
Proceeds from exercise of stock options	56	77
Other stock related activity	506	4
Purchase and cancellation of common stock	(343 )	(99 )
Cash provided by (used in) financing activities	196	(7,539 )
Effect of exchange rate changes on cash and cash equivalents	19	(103 )
Net Increase (Decrease) in Cash and Cash Equivalents	5,300	(1,093 )
Cash and Cash Equivalents, Beginning of Period	10,626	5,824
Cash and Cash Equivalents, End of Period	\$ 15,926	\$ 4,731
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest expense	\$ 68	\$ 112
Cash paid for income taxes	\$ 1,568	\$ 437

See accompanying notes to consolidated financial statements.



DORMAN PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRTEEN WEEKS ENDED MARCH 27, 2010 AND MARCH 28, 2009 (UNAUDITED)

1. Basis of Presentation

As used herein, unless the context otherwise requires, “Dorman”, the “Company”, “we”, “us”, or “our” refers to Dorman Products, Inc. and its subsidiaries.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). However, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the thirteen week period ended March 27, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending December 25, 2010. We may experience significant fluctuations from quarter to quarter in our results of operations due to the timing of orders placed by our customers. Generally, the second and third quarters have the highest level of customer orders, but the introduction of new products and product lines to customers may cause significant fluctuations from quarter to quarter. These financial statements should be read in conjunction with –the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 26, 2009.

2. Sales of Accounts Receivable

We have entered into several customer sponsored programs administered by unrelated financial institutions that permit us to sell, without recourse, certain accounts receivable at discounted rates to the financial institutions. We do not retain any servicing requirements for these accounts receivable. Transactions under these agreements are accounted for as sales of accounts receivable. At March 27, 2010 and December 26, 2009, \$54.1 million and \$55.9 million, respectively, of accounts receivable were sold and removed from the consolidated balance sheets based upon standard payment terms. Selling, general and administrative expenses for the thirteen weeks ended March 27, 2010 and March 28, 2009 include \$0.3 million and \$0.4 million, respectively, in financing costs associated with these accounts receivable sales programs. During the thirteen weeks ended March 27, 2010 and March 28, 2009, we sold \$15.7 million and \$15.8 million, respectively, under these programs.

3. Inventories

Inventories include the cost of material, freight, direct labor and overhead utilized in the processing of our products, and are stated at the lower of average cost or market. Inventories were as follows:

	March 27, 2010	December 26, 2009
(in thousands)		
Bulk product	\$ 28,961	\$ 29,158
Finished product	58,119	58,742
Packaging materials	2,143	2,027
Total	\$ 89,223	\$ 89,927





#### 4. Stock-Based Compensation

Our 2008 Stock Option and Stock Incentive Plan was approved by our shareholders on May 20, 2009 (the “Plan”). Under the Plan, our Board of Directors may grant incentive stock options, non-qualified stock options and shares of restricted stock to purchase up to 1,000,000 shares of common stock to officers, directors, and employees. Grants under the Plan must be made within 10 years of the date the plan was approved and are exercisable at the discretion of the Board of Directors, but in no event more than 10 years from the date of grant. At March 27, 2010, options to acquire 952,500 shares were available for grant under the Plan.

We expense the grant-date fair value of employee stock options. Compensation cost is recognized on a straight-line basis over the vesting period during which employees perform related services. The compensation cost charged against income for our stock-based compensation program for the thirteen weeks ended March 27, 2010 and March 28, 2009 was \$54,000 and \$79,000 before taxes. The compensation cost recognized is classified as selling, general and administrative expense in the consolidated statement of operations. No compensation cost was capitalized during 2010 and 2009. We included a forfeiture assumption of 5.2% in 2010 and 2009 in the calculation of expense. Cash flows resulting from tax deductions in excess of compensation cost recognized in the financial statements is classified as financing cash flows.

We use the Black-Scholes option valuation model to estimate the fair value of options granted. Expected volatility and expected dividend yield are based on the actual historical experience of our stock. The expected life represents the period of time that options granted are expected to be outstanding and was calculated using historical option exercise data. The risk-free rate is based on the U.S. Treasury security with terms equal to the expected time of exercise as of the grant date. There were no stock options granted in the thirteen weeks ended March 27, 2010 or March 28, 2009.

The following table summarizes information about stock option activity for the thirteen weeks ended March 27, 2010:

	Shares	Weighted Average Price	Weighted Average Remaining Term (In years)	Aggregate Intrinsic Value
Balance at December 26, 2009	731,400	\$ 6.72		
Exercised	(80,830 )	2.08		
Cancelled	-	-		
Balance at March 27, 2010	650,570	\$ 7.29	4.1	\$ 7,897,000
Options exercisable at March 27, 2010	544,570	\$ 6.15	3.2	\$ 7,231,000

The total intrinsic value of stock options exercised during 2010 was \$1.4 million. Cash received from option exercises under the Plan during 2010 was \$54,000. The excess tax benefit generated from options which were exercised during 2010 was \$521,000 and was credited to additional paid in capital.

As of March 27, 2010, there was approximately \$0.5 million of unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted-average period of approximately 3.5 years.

In the first quarter of 2010, 22,500 shares of non-vested stock were issued to the certain members of the board of directors. These shares vest ratably over the next five years. Compensation expense recorded on these shares is based on the fair value of the shares at the date of grant of \$15.68, which is expensed on a straight-line basis over the vesting

period. Compensation expense was \$6,000 for the thirteen weeks ended March 27, 2010.

## 5. Earnings Per Share

The following table sets forth the computation of basic earnings per share and diluted earnings per share:

(in thousands, except per share data)	Thirteen Weeks Ended	
	March 27, 2010	March 28, 2009
Numerator:		
Net income	\$ 9,615	\$ 4,556
Denominator:		
Weighted average shares outstanding used in basic earnings per share calculation	17,689	17,643
Effect of dilutive stock options	371	322
Adjusted weighted average shares outstanding used in diluted earnings per share calculation	18,061	17,965
Basic earnings per share	\$ 0.54	\$ 0.26
Diluted earnings per share	\$ 0.53	\$ 0.25

Options to purchase 80,000 and 203,500 shares were outstanding at March 27, 2010 and March 28, 2009, respectively, but were not included in the computation of diluted earnings per common share, as their effect would have been antidilutive.

## 6. Common Stock Repurchases

On February 22, 2008, we announced that our Board of Directors authorized the repurchase of up to 500,000 shares of our outstanding common stock. Under this program, share repurchases may be made from time to time depending upon market conditions, share price and availability, and other factors at our discretion. Repurchases will take place in open market transactions or in privately negotiated transactions in accordance with applicable laws. During 2009, we repurchased and cancelled 3,600 shares of common stock under the plan at an average price of \$6.41 per share. No shares have been repurchased in 2010.

We periodically repurchase at the then current market price and cancel common stock issued to our defined contribution profit sharing and 401(k) plan. For the thirteen weeks ended March 27, 2010, we repurchased and cancelled 19,309 shares of common stock at an average price of \$17.74 per share. During 2009, we repurchased and cancelled 67,416 shares of common stock at an average price of \$12.60 per share.

## 7. Related-Party Transactions

We have entered into a noncancelable operating lease for our primary operating facility from a partnership in which Richard N. Berman, our Chief Executive Officer, and Steven L. Berman, our Executive Vice President, are partners. Based upon the terms of the lease, payments in 2010 will be \$1.4 million. Total rental payments to the partnership under the lease arrangement were \$1.4 million in 2009.

## 8. Income Taxes

At March 27, 2010, we have \$2.2 million of net unrecognized tax benefits, \$1.4 million of which would affect our effective tax rate if recognized. We recognize interest and penalties related to uncertain tax positions in income tax expense. As of March 27, 2010, we have approximately \$0.5 million of accrued interest related to uncertain tax positions.



The last United States federal return examined by the Internal Revenue Service was 2005, and all years up through and including that year are closed by examination. We are currently under examination for tax years 2003-2007 by one state tax authority to which we are subject to tax. The tax years 2005-2009 remain open to examination by the remaining major taxing jurisdictions in the United States to which we are subject. The tax years 2005-2009 remain open to examination in Sweden for our Swedish subsidiary.

9. Comprehensive Income

Comprehensive income includes all changes to shareholders' equity during a period, except those resulting from investment by and distributions to shareholders. Components of comprehensive income include net income and changes in foreign currency translation adjustments. Total comprehensive income was \$9.7 million and \$4.4 million for the thirteen weeks ended March 27, 2010 and March 28, 2009, respectively.

10. Fair Value Disclosures

The carrying value of financial instruments such as cash, accounts receivable, accounts payable, and other current assets and liabilities approximate their fair value based on the short-term nature of these instruments. Based on borrowing rates currently available to us for loans with similar terms and average maturities, the fair value of total long-term debt, including the current portion, was \$0.3 million at March 27, 2010 and \$0.4 million at December 26, 2009.

11. New Accounting Pronouncements

In June 2009, the FASB issued new guidance concerning the transfer of financial assets. This guidance amends the criteria for a transfer of a financial asset to be accounted for as a sale, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, changes the initial measurement of a transferor's interest in transferred financial assets, eliminates the qualifying special-purpose entity concept and provides for new disclosures. We adopted the new guidance on December 27, 2009, and there was no impact on our consolidated results of operations and financial position.

In June 2009, the FASB issued new guidance concerning the determination of the primary beneficiary of a variable interest entity ("VIE"). This new guidance amends current U.S. GAAP by: requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE; amending the quantitative approach previously required for determining the primary beneficiary of the VIE; modifying the guidance used to determine whether an entity is a VIE; adding an additional reconsideration event (e.g. troubled debt restructurings) for determining whether an entity is a VIE; and requiring enhanced disclosures regarding an entity's involvement with a VIE. We adopted the new guidance on December 27, 2009, and there was no impact on our consolidated results of operations and financial position.

12. Subsequent Events

April 2010, we amended our existing revolving credit facility. The amendment extended the expiration date from June 2010 to June 2013. Borrowings under the facility are on an unsecured basis with interest at rates ranging from LIBOR plus 100 basis points to LIBOR plus 250 basis points beginning July 1, 2010.

Item 6. Exhibits

The following exhibits are filed with this report. The exhibit index previously included in the Original Form 10-Q is not amended hereby.



Item 601  
Exhibit  
Number

Title

31 Certification of Chief Executive Officer and Chief Financial Officer as required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed with this report).

32 Certification of Chief Executive and Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002 (filed with this report).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dorman Products, Inc.

Date May 10, 2010

\\ Richard Berman  
Richard Berman  
Chairman and Chief Executive Officer  
(Principal executive officer)

Date May 10, 2010

\\ Mathias Barton  
Mathias Barton  
Chief Financial Officer and  
Principal Accounting Officer  
(Principal financial officer)

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