PEGASYSTEMS INC
Form 4
June 03, 2014

FORM 4

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

OMB APPROVAL	
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Trefler Leon

(Last) (First) (Middle)

C/O PEGASYSTEMS INC., 1 ROGERS STREET

(Street)

CAMBRIDGE, MA 02142

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PEGASYSTEMS INC [PEGA]

3. Date of Earliest Transaction (Month/Day/Year)
06/01/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President, Sales

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/01/2014		M		350 (1)	A	$ 0	7,714 (4)	D	
Common Stock	06/01/2014		F		115	D	$ 21.24	7,599	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8.
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Restricted Stock Units (2)	$ 0	06/01/2014		M			350 (1) (5)	03/01/2011 (1)	(3)	Common Stock	6,998 (5)	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Trefler Leon C/O PEGASYSTEMS INC. 1 ROGERS STREET CAMBRIDGE, MA 02142			Senior Vice President, Sales	

Signatures

/s/ Janet Mesrobian, Esq., as Attorney-In-Fact for Leon Trefler	06/03/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents 5% quarterly vesting on June 1, 2014. Original grant was 3,499 RSUs, with 20% vested on March 1, 2011, and the remaining 80% vesting in equal quarterly installments over the remaining four years.

(2) Each restricted stock unit represents the right to receive, following vesting, one share of Pegasystems Inc.'s common stock.

(3) Once vested, the shares of common stock are not subject to expiration.

(4) The number of shares shown as beneficially owned has been adjusted to reflect the 2-for-1 stock split that occurred on April 1, 2014.

(5) This grant of Restricted Stock Units was previously reported as 3,499 shares, but has been adjusted to reflect the 2-for-1 stock split that occurred on April 1, 2014.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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24,874

Prepaids and other current assets

(853

)

(3,748

)

(790

)

Other assets

(3,897

)

(4,908

)

(4,590

)

Accounts payable

26,957

3,718

8,662

Accrued compensation and other liabilities

4,318

(6,925

)

(2,462

)

Cash provided by operating activities

78,112

94,241

121,539

Cash Flows from Investing Activities:

Acquisitions, net of cash acquired

(28,040

)

(59,987

)

—

Property, plant and equipment additions

(26,106

)

(24,450

)

(20,059

)

Purchase of equity investments

(5,000

)

(10,000

)

(6,195

)

Cash used in investing activities

(59,146

)

(94,437

)

(26,254

)

Cash Flows from Financing Activities:

Contingent consideration payments

(2,036

)

—

—

Other stock related activity

249

(1,173

)

(145

)

Proceeds from exercise of stock options

201

31

—

Purchase and cancellation of common stock

(45,352

)

(76,129

)

(24,678

)

Cash used in financing activities

(46,938

)

(77,271

)

(24,823

)

Effect of exchange rate changes on Cash and Cash Equivalents

(261

)

37

-

Net Increase (Decrease) in Cash and Cash Equivalents

(28,233

)

(77,430

)

70,462

Cash and Cash Equivalents, Beginning of Period

71,691

149,121

78,659

Cash and Cash Equivalents, End of Period

$

43,458

$

71,691

$

149,121

Supplemental Cash Flow Information

Cash paid for interest expense

$

250

$

291

$

266

Cash paid for income taxes

$

30,453

$

74,647

$

62,348

See accompanying Notes to Consolidated Financial Statements.

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DORMAN PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 29, 2018

1. Summary of Significant Accounting Policies

Dorman Products, Inc. ("Dorman", the "Company", “we”, “us”, or “our”) is a leading supplier of Original Equipment (“OE”) Dealer "Exclusive" automotive replacement parts, automotive hardware and brake products to the Automotive Aftermarket and Mass Merchandise markets. Dorman parts are marketed under the OE Solutions™, Dorman Premium Chassis, HELP!®, Dorman Premium®, Dorman Premium RD®, MAS®, AutoGrade™, Conduct-Tite®, FirstStop™ and HD Solutions™ brand names.

We operate on a fifty-two, fifty-three week period ending on the last Saturday of the calendar year. The fiscal years ended December 29, 2018 (“fiscal 2018”) and December 30, 2017 (“fiscal 2017”) were fifty-two week periods. The fiscal year ended December 31, 2016 (“fiscal 2016”) was a fifty-three week period.

Principles of Consolidation. The Consolidated Financial Statements include our accounts and the accounts of our wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications. Certain prior year amounts have been reclassified to conform with current-year presentation.

Cash and Cash Equivalents. We consider all highly liquid short-term investments with original maturities of three months or less to be cash equivalents.

Sales of Accounts Receivable. We have entered into several customer sponsored programs administered by unrelated financial institutions that permit us to sell certain accounts receivable at discounted rates to the financial institutions. Transactions under these agreements were accounted for as sales of accounts receivable and were removed from our Consolidated Balance Sheet at the time of the sales transactions. During fiscal 2018, fiscal 2017 and fiscal 2016, we sold $604.7 million, $582.9 million and $521.9 million, respectively, pursuant to these agreements. If receivables had not been sold, $378.5 million and $380.8 million of additional receivables would have been outstanding at December 29, 2018 and December 30, 2017, respectively, based on standard payment terms. Selling, general and administrative expenses include $14.5 million, $11.4 million and $8.9 million in fiscal 2018, fiscal 2017 and fiscal 2016, respectively, of financing costs associated with these accounts receivable sales programs.

Inventories. Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Inventories include the cost of material, freight, direct labor and overhead utilized in the processing of our products. We provide reserves for discontinued and excess inventory based upon historical demand, forecasted usage, estimated customer requirements and product line updates.

Property, Plant and Equipment. Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives, which range from three to thirty-nine years, using the straight-line method for financial statement reporting purposes and accelerated methods for income tax purposes. The costs of maintenance and repairs are expensed as incurred. Renewals and betterments are capitalized. Gains and losses on disposals are included in operating results.

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Estimated useful lives by major asset category are as follows:

Buildings and building improvements	10 to 39 years
Machinery, equipment and tooling	3 to 10 years
Software and computer equipment	3 to 10 years
Furniture, fixtures and leasehold improvements	3 to 15 years

Long-Lived Assets Including Goodwill and Other Acquired Intangible Assets. Long-lived assets, including property, plant, and equipment and amortizable identifiable intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. The impairment review is a two-step process. First, recoverability is measured by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount exceeds the estimated undiscounted future cash flows, the second step of the impairment test is performed and an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

Goodwill is reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying value of the goodwill may be impaired. In regards to the annual test, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. During fiscal 2018 and fiscal 2017, we assessed the qualitative factors which could affect the fair values of our reporting units and determined that it was not more likely than not that the fair values of each reporting unit was less than its carrying amount.

Purchase Accounting. The purchase price of an acquired business is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based upon their respective fair market values, with the excess recorded as goodwill. Such fair market value assessments require judgments and estimates which may change over time and may cause the final amounts to differ materially from their original estimates. These adjustments to fair value assessments are recorded to goodwill over the purchase price allocation period which cannot exceed twelve months.

Other Assets. Other assets include primarily long-term core inventory, deposits, and equity method investments.

Certain products we sell contain parts that can be recycled, or as more commonly referred to in our industry, remanufactured. We refer to these parts as cores. A used core is remaufactured and sold to the customer as a replacement for a unit inside a vehicle. Customers and end-users that purchase remanufactured products will generally return the used core to us, which we then use in the remanufacturing process to make another finished good. Our core inventory consists of used cores purchased and held in our facilities, used cores that are in the process of being returned from our customers and end-users, and remanufactured cores held in finished goods inventory at our facilities. Our products that utilize a core primarily include instrument clusters, hybrid batteries, radios, and climate control modules.

Long-term core inventory was $28.1 million and $20.2 million as of December 29, 2018 and December 30, 2017, respectively. Long-term core inventory is recorded at the lower of cost or net realizable value. Cost is determined based on actual purchases of core inventory. We believe that the most appropriate classification of core inventory is a long-term asset. According to guidance provided under the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification(“ASC”), current assets are defined as “assets or resources commonly identified as those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business.” The determination of the long-term classification is based on our view that the value of the cores is not expected to be consumed or realized in cash during our normal annual operating cycle.

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We also have investments that we account for according to the equity method of accounting. The total book value of these investments was $18.4 million as of December 29, 2018 and $21.1 million as of December 30, 2017 and these investments provided us $2.2 million and $3.3 million of income during fiscal 2018 and fiscal 2017, respectively. Additionally, in fiscal 2018 we purchased an investment that we account for according to the cost method of accounting. The book value of this investment was $5.0 million as of December 29, 2018.

Other Accrued Liabilities. Other accrued liabilities include primarily accrued customer rebates which we expect to settle in cash of $6.3 million as of December 29, 2018 and $6.8 million as of December 30, 2017. Also included are accrued commissions, accrued income taxes, insurance liabilities, product warranties, and other current liabilities. We warrant our products against certain defects in material and workmanship when used as designed on the vehicle on which it was originally installed. We offer a limited lifetime warranty on most of our products. Our warranty limits the end-user's remedy to the repair or replacement of the part that is defective. Product warranty reserves, which were $0.6 million as of December 29, 2018 and $0.5 million as of December 30, 2017, are based upon actual experience and forecasts using the best historical and current claim information available. Provisions and payments related to product warranty reserves were not material in fiscal 2018, fiscal 2017 or fiscal 2016.

Revenue Recognition and Allowance for Customer Credits. Revenue is recognized from product sales when goods are shipped, title and risk of loss and control have been transferred to the customer and collection is reasonably assured. We record estimates for cash discounts, product returns, promotional rebates, core return deposits, and other discounts in the period of the sale ("Customer Credits"). The provision for Customer Credits is recorded as a reduction from gross sales and reserves for Customer Credits are shown as a reduction of accounts receivable. Accrued customer credits which we expect to settle in cash are classified as other accrued liabilities. Actual Customer Credits have not differed materially from estimated amounts. Amounts billed to customers for shipping and handling are included in net sales. Costs associated with shipping and handling are included in cost of goods sold.

As noted above, Customer Credits include core return deposits which are an estimate of the amount we believe we will refund to our customers when used cores are returned to us. The price we invoice to customers for remanufactured cores contain both the amount we charge to remanufacture the part and a deposit for the core. We charge a core deposit to encourage the customer to return the used core to us so that it can be used in our remanufacturing process. We allow our customers up to twenty-four months to return the used core to us. Core return deposits are reserved based on the expected deposits to be issued to customers based on historical returns.

Research and Development. Research and development costs are expensed as incurred. Research and development costs totaling $20.1 million in fiscal 2018, $20.0 million in fiscal 2017 and $18.9 million in fiscal 2016 have been recorded in selling, general and administrative expenses in the Consolidated Statements of Operations.

Stock-Based Compensation. At December 29, 2018 and December 30, 2017, we had one stock-based employee compensation plan, which is described more fully in Note 13, Capital Stock. We record compensation expense for all awards granted. The value of restricted stock issued is based on the fair value of our common stock on the grant date. The fair value of stock options granted was determined using the Black-Scholes option valuation model.

Income Taxes. We follow the asset and liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the enacted tax rate expected to be in effect when taxes are actually paid or recovered.

Unrecognized income tax benefits represent income tax positions taken on income tax returns that have not been recognized in the consolidated financial statements. The Company recognizes the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit is recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Additionally, we accrue interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws. Interest and penalties are

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classified as income tax expense in the Consolidated Statements of Operations. The Company does not anticipate material changes in the amount of unrecognized income tax benefits over the next year.

Concentrations of Risk. Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents and accounts receivable. All cash equivalents are managed within established guidelines which limit the amount which may be invested with one issuer. A significant percentage of our accounts receivable have been, and will continue to be, concentrated among a relatively small number of automotive retailers and warehouse distributors in the United States. Our five largest customers accounted for 79% of net accounts receivable as of December 29, 2018 and 85% of net accounts receivable as of December 30, 2017. We continually monitor the credit terms and credit limits to these and other customers. In fiscal 2018, approximately 77% of our products were purchased from suppliers located in a variety of foreign countries, with the largest portion coming from China.

Fair Value Disclosures. The carrying value of financial instruments such as cash and cash equivalents, accounts receivable, accounts payable, and other current assets and liabilities approximate their fair value based on the short-term nature of these instruments. Additionally, the fair value of assets acquired and liabilities assumed are determined at the date of acquisition. We did not hold any foreign currency forward contracts at December 29, 2018 or December 30, 2017.

2. New and Recently Adopted Accounting Pronouncements

On December 31, 2017, the beginning of our 2018 fiscal year, we adopted FASB ASU No. 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgment and changes in judgments and assets recognized from costs incurred to fulfill a contract. We adopted the standard on December 31, 2017 using the modified retrospective transaction method and the adoption did not have a material effect on our financial position, results of operations and internal controls over financial reporting. See Note 12 for additional information on revenue recognition.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall, which relates to the recognition and measurement of financial assets and liabilities. The new guidance makes targeted improvements to GAAP impacting equity investments (other than those accounted for under the equity method or consolidated), financial liabilities accounted for under the fair value election, and presentation and disclosure requirements for financial instruments, among other changes. The new guidance is effective for annual periods beginning after December 15, 2017, with early adoption prohibited other than for certain provisions. Adoption of this ASU did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which replaces existing lease guidance. The ASU is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new guidance will also result in enhanced quantitative and qualitative disclosures surrounding leases. The new guidance is effective for annual periods beginning after December 15, 2018, with early application permitted. The new standard is required to be applied with a modified retrospective approach. We have collected relevant data in order to evaluate lease arrangements, assess potential embedded leases, evaluate accounting policy elections and evaluate our processes and internal controls to identify any changes necessary as a result of the new guidance. Our assessment of the quantitative impact is an estimate and is subject to change as we finalize our implementation of the new guidance. We expect the adoption of this new guidance to result in a right-of-use asset between $30.0 and $36.0 million and lease liability between $34.0 and $40.0 million on our consolidated balance sheet, as well as enhanced disclosure regarding the Company’s lease obligations, but we do not expect the adoption to result in a material impact to the Company’s results of operations or cash flows.

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In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which clarifies and provides guidance on eight cash flow classification issues and is intended to reduce existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 was effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. We adopted the new guidance on December 31, 2017 and the adoption did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which eliminates the need to perform a hypothetical purchase price allocation to measure goodwill impairment. ASU 2017-04 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are evaluating the effect that the new guidance will have, however, we do not believe the new guidance will have a material impact on our consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, which expands the scope of the current employee share-based payment guidance to include share-based payments issued to nonemployees to substantially aligns the accounting for share-based payments for nonemployees with those made to employees including, the fair value measurement, measurement date and classification of certain awards. The new guidance is effective for fiscal years beginning after December 15, 2018, with early application permitted. We are evaluating the new guidance, however, we do not believe the new guidance will have a material impact on our consolidated financial statements and related disclosures.

3. Business Acquisitions and Investments

Flight Systems Automotive Group LLC

On August 31, 2018, we acquired 100% of the outstanding stock of Flight Systems Automotive Group LLC ("Flight Systems" or "Flight"), a privately-held manufacturer and remanufacturer of complex automotive electronics and diesel fuel system components, based in Lewisberry, Pennsylvania. The purchase price was $27.5 million. We believe complex electronics and diesel fuel system components represent important growth opportunities for us and Flight's product portfolio delivers valuable alternatives to aftermarket professionals.

The transaction was accounted for as a business combination under the acquisition method of accounting. Accordingly, the assets acquired and liabilities assumed were recorded at fair value, with the remaining purchase price recorded as goodwill.

In connection with this acquisition, we preliminary recorded $5.5 million in goodwill, $5.3 million of identified intangibles, and $16.7 million of other net assets, primarily $2.0 million of accounts receivables, $9.1 million of inventory, $4.4 million of fixed assets, and $1.2 million of net other assets and liabilities. The estimated fair value of the Flight assets acquired and liabilities assumed are provisional as of December 29, 2018 and are based on information that is currently available to the Company. Additional information about conditions that existed as of the date of acquisition are being gathered to finalize these provisional measurements, particularly with respect to net working capital, intangible assets, deferred income taxes and tax liabilities. Accordingly, the measurement of Flight's assets acquired and liabilities assumed may change significantly upon finalization of the Company's valuations and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date.

The valuation of the intangible assets acquired and related amortization periods are as follows:

(in thousands)	Valuation	Amortization Period (in years)
Customer relationships	$ 3,080	8
Tradenames	1,990	15
Other	240	5
Total	$ 5,310	

The preliminary fair values of the Customer relationships and Tradenames were estimated using a discounted present value income approach.

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The goodwill recognized is attributable primarily to strategic and synergistic opportunities related to existing automotive aftermarket businesses, the assembled workforce of Flight and other factors. The goodwill is expected to be deductible for tax purposes.

The financial results of the acquisition have been included in the Consolidated Financial Statements since the date of acquisition. Flight generated $7.8 million of net sales and an immaterial amount of net income since the date of acquisition.

MAS Automotive Distribution Inc.

On October 26, 2017, we acquired 100% of the outstanding stock of MAS Automotive Distribution Inc. (“MAS Industries” or “MAS”), a privately-held manufacturer of premium chassis and control arms based in Montreal, Canada. The purchase price was $67.2 million net of $3.3 million of cash acquired and including contingent consideration and other purchase price adjustments.

The Company believes MAS is complementary to our business and growth strategy. We see opportunities to leverage MAS’ existing presence in the automotive aftermarket, as well as our product development capabilities and financial resources to accelerate the growth of MAS’ premium chassis and control arms.

We have included the results of MAS in our Consolidated Financial Statements since the acquisition date of October 26, 2017. The Consolidated Statement of Operations for the year ended December 29, 2018 includes $40.3 million of net sales and an immaterial amount of net income related to MAS. The Consolidated Balance Sheets as of December 29, 2018 and December 30, 2017 reflect the acquisition of MAS Industries, effective October 26, 2017.

The following table summarizes the preliminary fair value of the total consideration at October 26, 2017:

(in thousands)	Total Acquisition Date Fair Value
Cash consideration (net of $3.3 million cash received)	$ 56,859
Contingent cash consideration	7,982
Seller liability assumed	896
Working capital adjustment	1,486
Total consideration assigned to net assets acquired	$ 67,223

Included in the table above is $8.0 million of estimated contingent payments which represents the fair value of the estimated payments which will become due if certain sales thresholds are achieved through December 2020. The fair value of the contingent cash consideration was estimated by using an option pricing model framework, which represents our own assumptions and data, and is based on our best available information. As of December 29, 2018, we had $7.9 million recorded which includes $0.3 million of accretion which was included in Selling, General and Administrative expenses in fiscal 2018, related to this payment. The maximum contingent payment would be $11.7 million. Additionally, during fiscal 2018, we finalized working capital and other purchase price adjustments based on the MAS standalone audited 2017 financial statements, resulting in a payment to the former shareholder of $1.5 million. This amount had previously been accrued on our Consolidated Balance Sheet.

The transaction was accounted for as a business combination under the acquisition method of accounting. Accordingly, the assets acquired and liabilities assumed were recorded at fair value, with the remaining purchase price recorded as goodwill. The following table summarizes the fair values of the assets acquired and liabilities assumed as of October 26, 2017 (in thousands):

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(in thousands)	October 26, 2017 (As initially reported)	Measurement period adjustments	October 26, 2017 (As adjusted)
Current assets (net of $3.3 million cash received)	$ 21,756	$ 90	$ 21,846
Property, plant and equipment	1,615	-	1,615
Intangible assets	20,440	-	20,440
Goodwill	35,624	(193)	35,431
Total assets acquired	79,435	(103)	79,332
Current liabilities	5,691	(50)	5,641
Long-term liabilities	6,468	-	6,468
Total liabilities assumed	12,159	(50)	12,109
Net assets acquired	$ 67,276	$ (53)	$ 67,223

Our measurement period adjustments for MAS were complete as of September 29, 2018.

The valuation of the intangible assets acquired and related amortization periods are as follows:

(in thousands)	Valuation	Amortization Period (in years)
Customer relationships	$ 14,840	8-12
Tradenames	5,600	15
Total	$ 20,440	

The fair values of the Customer relationships and Tradenames were estimated using a discounted present value income approach. Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To calculate fair value, we used cash flows discounted at rates ranging from 15% to 17%, which were considered appropriate given the inherent risks associated with each type of asset. We believe that the level and timing of cash flows appropriately reflect market participant assumptions.

The goodwill recognized is attributable primarily to strategic and synergistic opportunities related to existing automotive aftermarket businesses, the assembled workforce of MAS and other factors. The goodwill is expected to be deductible for tax purposes.

On January 27, 2017 we acquired a 33% minority equity interest in a supplier for $10.0 million. We are accounting for our interest using the equity method of accounting, as our investment gives us the ability to exercise significant influence, but not control, over the investee.

On January 6, 2017, we acquired certain assets of Ingalls Engineering Company, Inc., a chassis and suspension business, primarily to expand our product portfolio. The purchase price was $4.8 million, comprised of $3.1 million of cash and $1.7 million of estimated contingent payments as of the date of acquisition. The contingent payment arrangement is based upon future net sales of the acquired business. In connection with this acquisition, we have completed our purchase price allocation procedures and recorded $2.8 million in goodwill and other intangible assets and $2.0 million of other net assets. All of the intangible assets resulting from the asset purchase are expected to be deductible for tax purposes. The financial results of the acquisition have been included in the Consolidated Financial

Statements since the acquisition date.

4. Inventories

Inventories were as follows:

(in thousands)	December 29, 2018	December 30, 2017
Bulk product	$ 122,111	$ 82,010
Finished product	144,897	126,827
Packaging materials	3,496	3,312
Total	$ 270,504	$ 212,149

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5. Property, Plant and Equipment

Property, plant and equipment include the following:

(in thousands)	December 29, 2018	December 30, 2017
Buildings	$ 34,943	$ 32,623
Machinery, equipment and tooling	115,656	97,701
Furniture, fixtures and leasehold improvements	6,199	4,319
Software and computer equipment	79,349	77,618
Total	236,147	212,261
Less-accumulated depreciation and amortization	(137,500)	(119,569)
Property, plant and equipment, net	$ 98,647	$ 92,692

Depreciation and amortization expenses associated with property, plant, and equipment were $25.4 million, $21.5 million, and $18.7 million in fiscal 2018, fiscal 2017, and fiscal 2016, respectively.

6. Goodwill and Intangible Assets

Goodwill

Goodwill included the following:

(in thousands)	December 29, 2018	December 30, 2017
Balance at beginning of period	$ 65,999	$ 28,146
Goodwill acquired	6,800	37,853
Measurement period adjustment	(193)	-
Balance at end of period	$ 72,606	$ 65,999

Intangible Assets

Intangible assets, subject to amortization, included the following:

		December 29, 2018			December 30, 2017		
(dollars in thousands)	Weighted Average Amortization Period	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value

	(years)						
Intangible assets subject to amortization							
Tradenames	14.1	$7,590	$ 516	$7,074	$5,600	$ 62	$5,538
Customer relationships	8.9	20,130	2,582	17,548	17,049	772	16,277
Technology	13.0	367	49	318	367	24	343
Other	4.7	240	16	224	-	-	-
Total		$28,327	$ 3,163	$25,164	$23,016	$ 858	$22,158

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Amortization expense was $2.3 million in fiscal 2018 and $0.5 million in each of fiscal 2017 and $0.1 million in fiscal 2016. The estimated future amortization expense for intangible assets is summarized as follows:

(in thousands)	
2019	$2,679
2020	2,679
2021	2,679
2022	2,679
2023	2,663
Thereafter	11,785
Total	$25,164

7. Long-Term Debt

In December 2017, we entered into a credit agreement which will expire in December 2022. This agreement provides for an initial revolving credit facility of $100.0 million and gives us the ability to request increases of up to an incremental $100.0 million. This agreement replaces our previous $30.0 million credit agreement. Borrowings under the facility are on an unsecured basis with interest rates ranging from LIBOR plus 65 basis points to LIBOR plus 125 basis points based upon the ratio of consolidated funded debt to consolidated EBITDA, as defined by the credit agreement. The interest rate at December 29, 2018 was LIBOR plus 65 basis points (3.17%). The credit agreement also contains other covenants, including those related to the ratio of certain consolidated fixed charges to consolidated EBITDA, capital expenditures, and share repurchases, each as defined by the credit agreement. The new credit agreement also requires us to pay an unused fee of 0.10% on the average daily unused portion of the facility. As of December 29, 2018, we were in compliance with all financial covenants contained in the credit agreement. As of December 29, 2018, there were no borrowings under the facility and we had two outstanding letters of credit for approximately $0.8 million in the aggregate which were issued to secure ordinary course of business transactions. Net of these letters of credit, we had approximately $99.2 million available under the facility at December 29, 2018.

8. Operating Lease Commitments and Rent Expense

We lease certain equipment and operating facilities, including our primary operating facility which is leased from a partnership described in Note 9, Related Party Transactions, under non-cancelable operating leases. Approximate future minimum rental payments as of December 29, 2018 under these leases are summarized as follows:

(in thousands)	
2019	$5,489
2020	5,416
2021	4,972
2022	4,599
2023	3,013
Thereafter	24,297
Total	$47,786

Rent expense, including payments for short-term equipment and storage rentals, was $6.9 million in fiscal 2018, $5.4 in fiscal 2017, and $4.2 million in fiscal 2016.

9. Related Party Transactions

We have a non-cancelable operating lease for our primary operating facility from a partnership in which Steven L. Berman, our Executive Chairman, and his family members are partners. Total rental payments each year to the partnership under the lease arrangement were $1.6 million in each of fiscal 2018, fiscal 2017 and fiscal 2016. This lease was renewed during November 2016, effective as of January 1, 2018, and will expire on December 31,

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2022. In the opinion of our Audit Committee, the terms and rates of this lease were no less favorable than those which could have been obtained from an unaffiliated party when the lease was renewed during November 2016.

Additionally, we have a non-cancelable operating lease for our Canadian operating facility from a corporation of which an employee and his family members are owners. Total rental payments to the corporation under the lease agreement were $0.7 million in fiscal 2018 and $0.1 million in fiscal 2017. We did not make any payments to the corporation in fiscal 2016. This lease will expire on February 28, 2019. We are in the process of transferring the distribution activities of this facility to our Portland, TN facility.

We are a partner in a joint venture with one of our suppliers and we own a minority interest in two other companies. Purchases from these companies, since we acquired our investment interests were $20.3 million in fiscal 2018 and $16.5 million in fiscal 2017 and $13.6 million in fiscal 2016.

10. Income Taxes

U.S. Tax Reform: Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted in the United States. The TCJA represents sweeping changes in U.S. tax law. Among the numerous changes in tax law, the TCJA permanently reduces the U.S. corporate income tax rate to 21% beginning in 2018; allows 100% expensing for qualified property placed in service after September 27, 2017; imposes a one-time transition tax on deferred foreign earnings; establishes a participation exemption system by allowing a 100% dividends received deduction on qualifying dividends paid by foreign subsidiaries; limits deductions for net interest expense; and expands the U.S. taxation of foreign earned income to include "global intangible low taxed income".

The TCJA represents the first significant change in U.S. tax law in over 30 years. In response to the TCJA, the Staff of the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 ("SAB No. 118") to provide guidance to registrants in applying ASC Topic 740 in connection with the TCJA. SAB No. 118 provides that in the period of enactment, the income tax effects of the TCJA may be reported as a provisional amount based on a reasonable estimate (to the extent a reasonable estimate can be determined), which would be subject to adjustment during a "measurement period". The measurement period begins in the reporting period of the TCJA's enactment and ends when a registrant has obtained, prepared, and analyzed the information that was needed in order to complete the accounting requirements under ASC Topic 740. SAB No. 118 also describes supplemental disclosures that should accompany the provisional amounts.

As permitted by SAB No. 118, the net tax expense recorded in our financial statements for the fourth fiscal quarter of 2017 due to the enactment of the TCJA is considered "provisional," based on reasonable estimates. As of December 29, 2018 we have finalized our analysis of the TCJA and no material adjustments to the provisional amounts have been recorded. We continue to assess the impacts of the TCJA on future years and monitor the Internal Revenue

Service guidance intended to interpret the TCJA provisions. We recognized tax expense of $4.4 million in fiscal 2017 to remeasure our net deferred tax assets at the lower 21% rate.

The TCJA transitions the U.S. from a worldwide tax system to a territorial tax system. Under previous law, companies could indefinitely defer U.S. income taxation on unremitted foreign earnings. The TCJA imposed a one-time transition tax on deferred foreign earnings of 15.5% for liquid assets and 8% for illiquid assets, payable in defined increments over eight years. We did not recognize any transition tax expense due to having no accumulated earnings and profits in our non-U.S. subsidiaries.

The components of the income tax provision (benefit) are as follows:

(in thousands)	2018	2017	2016
Current:			
Federal	$33,362	$56,641	$61,251
State	2,618	8,293	5,948
Foreign	1,611	379	-
	37,591	65,313	67,199
Deferred:			
Federal	1,398	4,582	(4,563)
State	186	343	(325)
Foreign	(1,642)	(249)	-
	(58)	4,676	(4,888)
Total	$37,533	$69,989	$62,311

The following is a reconciliation of income taxes at the statutory tax rate to the Company's effective tax rate:

	2018	2017	2016
Federal taxes at statutory rate	21.0%	35.0%	35.0%
State taxes, net of federal tax benefit	1.3	3.4	2.2
Research and development tax credit	(0.4)	(0.3)	(0.2)
Federal permanent items	(0.1)	(0.4)	—
Tax reform	—	2.5	—
Other	0.1	(0.6)	—
Effective tax rate	21.9%	39.6%	37.0%

At December 29, 2018, we had $2.4 million of unrecognized tax benefits, $2.1 million of which would affect our effective tax rate if recognized.

The following table summarizes the change in uncertain tax benefits for the three years ended December 29, 2018:

(in thousands)	2018	2017	2016
Balance at beginning of year	$2,301	$3,567	$1,855
Reductions due to lapses in statutes of limitations	(95)	(181)	—
Reductions due to tax positions settled	(368)	(4,543)	(109)
Reductions due to reversals of prior year positions	(4)	—	(212)
Additions based on tax positions taken during the prior period	—	3,005	—
Additions based on tax positions taken during the current period	556	453	2,033
Balance at end of year	$2,390	$2,301	$3,567

We recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 29, 2018, we had approximately $0.6 million of accrued interest and penalties related to uncertain tax positions.

Deferred income taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of temporary differences are as follows:

(in thousands)	December 29, 2018	December 30, 2017
Assets:		
Inventories	$ 9,006	$ 7,335
Accounts receivable	11,052	11,732
Accrued expenses	1,792	1,664
Foreign tax credits	1,050	—
Other	—	261
Total deferred tax assets	22,900	20,992
Valuation allowance	(1,050)	—
Net deferred tax assets	21,850	20,992
Liabilities:		
Depreciation	9,094	7,936
Goodwill and intangible assets	11,310	11,776
Other	12	—
Gross deferred tax liabilities	20,416	19,712
Net deferred tax assets	$ 1,434	$ 1,280

Based on our history of taxable income and our projection of future earnings, we believe that it is more likely than not that sufficient taxable income will be generated in the foreseeable future to realize the remaining net deferred tax assets.

We file income tax returns in the United States, India, China, Canada and Mexico. All years before 2015 are closed for federal tax purposes. Tax years before 2014 are closed for the states in which we file. Tax years before 2015 are closed for tax purposes in China and Canada. All tax years remain open for Mexico and all tax years are closed for Sweden.

11. Commitments and Contingencies

Shareholders' Agreement. A shareholders' agreement was entered into in September 1990 and amended and restated on July 1, 2006. Under the agreement, each of the late Richard Berman, Steven Berman, Jordan Berman, Marc Berman, Fred Berman, Deanna Berman and additional shareholders named in the agreement has, among other things, granted the others of them rights of first refusal, exercisable on a pro rata basis or in such other proportions as the exercising shareholders may agree, to purchase shares of our common stock which any of them, or upon their deaths their respective estates, proposes to sell to third parties. We have agreed with these shareholders that, upon their deaths, to the extent that any of their shares are not purchased by any of these surviving shareholders and may not be sold without registration under the Securities Act of 1933, as amended (the "1933 Act"), we will use our best efforts to cause those shares to be registered under the 1933 Act. The expenses of any such registration will be borne by the estate of the deceased shareholder. The additional shareholders that are a party to the agreement are trusts affiliated with the late Richard Berman, Steven Berman, Jordan Berman, Marc Berman or Fred Berman, or each person's respective spouse or children.

Legal Proceedings. We are a party to or otherwise involved in legal proceedings that arise in the ordinary course of business, such as various claims and legal actions involving contracts, competitive practices, intellectual property infringement, product liability claims and other matters arising out of the conduct of our business. In the opinion of management, none of the actions, individually or in the aggregate, would likely have a material financial impact on us and we believe the range of reasonably possible losses from current matters is immaterial.

12. Revenue Recognition

The FASB issued an accounting standard update in May 2014 regarding the accounting for and disclosure of revenue. Specifically, the update outlined a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

As part of our impact assessment of the implementation of the new revenue recognition guidance, we reviewed our historical accounting policies and practices to identify potential differences with the requirements of the new revenue recognition standard, as it related to our contracts and sales arrangements, as well as technical considerations for our future transaction accounting, financial reporting, and disclosure requirements.

We adopted the guidance in the first quarter of 2018, as required, electing to use a modified retrospective adoption approach. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. In addition, we elected to apply certain of the permitted practical expedients within the revenue recognition guidance and make certain accounting policy elections including those related to significant financing components, sales taxes and shipping and handling activities. Adoption of the revenue recognition standard did not have a material impact on our reported earnings, cash flows, or balance sheet, however, adoption did increase the amount and level of disclosures concerning our net sales. The impact of adoption of the new revenue recognition guidance and the impact of the new revenue recognition guidance as compared to the historical revenue recognition guidance was immaterial for fiscal 2018.

Business Description

We are a supplier of replacement parts and fasteners for passenger cars, light trucks, and heavy duty trucks in the automotive aftermarket. We group our products into four major classes: power-train, automotive body, chassis, and hardware. Our products are sold primarily in the United States through automotive aftermarket retailers, national and regional local warehouse distributors and specialty markets, and salvage yards. We also distribute automotive replacement parts internationally, with sales primarily into Canada, Mexico, Europe, the Middle East, and Australia.

We warrant our products against certain defects in material and workmanship when used as designed on the vehicle on which it was originally installed. We offer a limited lifetime warranty on most of our products. Our warranty limits the customer's remedy to the repair or replacement of the part that is defective.

Our primary source of revenue is from contracts with and purchase orders from customers. Revenue is recognized from product sales when goods are shipped, title and risk of loss and control have been transferred to the customer, and collection is reasonably assured. We estimate the transaction price at the inception of a contract or upon fulfilling a purchase order, including any variable consideration, and will update the estimate for changes in circumstances. We utilize the most likely amount method consistently to estimate the effect of uncertainty on the amount of variable consideration to which we would be entitled. The most likely amount method considers the single most likely amount from a range of possible consideration amounts. This method is utilized for all of our variable consideration.

We record estimates for cash discounts, product returns, promotional rebates, core return deposits and other discounts in the period the related product revenue is recognized ("Customer Credits"). The provision for Customer Credits is recorded as a reduction from gross sales and reserves for Customer Credits are shown as a reduction of accounts receivable. Accrued customer rebates which we expect to settle in cash are classified as other accrued liabilities. Actual Customer Credits have not differed materially from estimated amounts for each period presented. Amounts billed to customers for shipping and handling are included in net sales. Costs associated with shipping and handling are included in cost of goods sold. We have concluded that our estimates of variable consideration are not constrained according to the definition in the new standard.

All of our revenue was recognized under the point of time approach in accordance with the revenue standard during fiscal 2018. Also, we do not have significant financing arrangements with our customers, as our credit terms are all less than one year. Lastly, we do not receive noncash consideration (such as materials or equipment) from our customers to facilitate the fulfillment of our contracts.

Five-step model

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We apply the FASB's guidance on revenue recognition, which requires us to recognize the amount of revenue and consideration which we expect to receive in exchange for goods or services transferred to our customers. To do this, we apply the five-step model prescribed by the FASB, which requires us to: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when, or as, we satisfy a performance obligation. A summary of our application of the five-step model is as follows:

(i) In most instances, our contract with a customer is the customer's purchase order. Upon acceptance of the purchase order, a contract exists with a customer as a sales agreement indicates approval and commitment of the parties, identifies the rights of both parties, identifies the payment terms, has commercial substance, and it is probable that we will collect the consideration to which we will be entitled in exchange for the goods transferred to the customer.

For certain customers, we may also enter into a sales agreement which outlines pricing considerations as well as the framework of terms and conditions which apply to future purchase orders for that customer. In these situations, our contract with the customer is both the sales agreement as well as the specific customer purchase order. As our contract with a customer is typically for a single transaction or customer purchase order, the duration of the contract is typically one year or less. As a result, we have elected to apply certain practical expedients and omit certain disclosures of remaining performance obligations for contracts which have an initial term of one year or less as permitted by the FASB.

(ii) We identify a performance obligation in a contract for each distinct good or service promised that are separately identifiable from other promises in the contract.

(iii) We identify the transaction price as the amount of consideration including variable consideration that we expect to be entitled in exchange for transferring control of goods and/or services to our customers.

(iv) We allocate the transaction price to each performance obligation on the basis of the amount of consideration to which we expect to be entitled in exchange for satisfying each performance obligation.

(v) We recognize revenue when we satisfy a performance obligation by transferring control of the promised goods.

Practical Expedients and Accounting Policy Elections

In accordance with the guidance on revenue recognition and as permitted by the FASB, we have elected to use certain practical expedients and policy elections.

- We have elected to not adjust the promised amount of consideration for the effects of a significant financing component as we expect, at contract inception, that the period between when we transfer a promised good or service to the customer and when the customer pays for that good or service will be one year or less.

- We have elected to expense costs to obtain a contract as incurred when the expected period of benefit, and therefore the amortization period, is one year or less.

- We have elected to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity for a customer, including sales, use, value-added, excise and various other taxes.

- We have elected to account for shipping and handling activities that occur after the customer has obtained control of a good as a fulfilment activity rather than a separate performance obligation.

Contract Assets and Liabilities

We recognize a receivable or contract asset when we perform a service or transfer a good in advance of receiving consideration.

- A receivable is recorded when our right to consideration is unconditional and only the passage of time is required before payment of that consideration is due.

- A contract asset is recorded when our right to consideration in exchange for good or services that we have transferred to a customer is conditional on something other than the passage of time. We did not have any contract assets recorded as of December 29, 2018 or December 30, 2017.

We recognize a contract liability when we receive consideration, or if we have the unconditional right to receive consideration, in advance of satisfying the performance obligation. A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration, or an amount of consideration is due from the customer. We did not have any contract liabilities recorded as of December 29, 2018 or December 30, 2017.

Disaggregated Revenue

The following tables present our disaggregated net sales by Type of Major Good / Product Line, and Geography.

(in thousands)	2018	2017	2016
Powertrain	$393,979	$374,372	$351,423
Chassis	278,584	238,239	218,645
Automotive Body	256,344	245,869	244,465
Hardware	44,798	44,741	45,071
Net Sales	$973,705	$903,221	$859,604

(in thousands)	2018	2017	2016
Net Sales to U.S. Customers	$913,181	$847,394	$810,969

Net Sales to Non-U.S. Customers	60,524	55,827	48,635
Net Sales	$973,705	$903,221	$859,604

13. Capital Stock

Controlling Interest by Officers, Directors and Family Members. As of December 29, 2018, Steven Berman, the Executive Chairman of the Company, and members of his family beneficially own approximately 18% of the outstanding shares of our common stock and can influence the election of our Board of Directors, the outcome of most corporate actions requiring shareholder approval (including certain fundamental transactions) and the affairs of the Company.

Undesignated Stock. We have 50,000,000 shares authorized of undesignated capital stock for future issuance. The designation, rights and preferences of such shares will be determined by our Board of Directors.

Incentive Stock Plan. On May 16, 2018, our shareholders approved our 2018 Stock Option and Stock Incentive Plan (the "2018 Plan" or the "Plan"), which supersedes our 2008 Stock Option and Stock Incentive Plan. All future stock compensation grants will be issued under the 2018 Plan. Under the terms of the Plan, our Board of Directors may grant up to 1,200,000 shares of common stock in the form of shares of restricted stock, restricted stock units, stock appreciation rights and stock options or combinations thereof to officers, directors, employees, important consultants and advisors. Grants under the Plan must be made within ten years of the date the Plan was approved. Stock options are exercisable upon the terms set forth in each grant agreement approved by the Board of Directors, but in no event more than ten years from the date of grant. Restricted stock and restricted stock units vest in accordance with the terms set forth in each applicable award agreement approved by our Board of Directors. At December 29, 2018, 1,162,398 shares were available for grant under the Plan.

Restricted Stock

We grant restricted stock to certain employees and members of our Board of Directors. The value of restricted stock issued is based on the fair value of our common stock on the grant date. Vesting of restricted stock is based on continued employment or service for a specified period and, in certain circumstances, the attainment of financial goals. Compensation cost related to the stock is recognized on a straight-line basis over the vesting period. We retain the restricted stock, and any dividends paid thereon, until the vesting provisions have been met. For awards with a service condition only, compensation cost related to the stock is recognized on a straight-line basis over the vesting period. For awards that have a service condition and require the attainment of financial goals, compensation cost related to the stock is recognized over the vesting period if it is probable that the financial goals will be attained. Compensation cost related to restricted stock was $2.6 million, $2.8 million and $2.3 million in fiscal 2018, fiscal 2017 and fiscal 2016, respectively. The compensation costs were classified as selling, general and administrative expense in the Consolidated Statements of Operations. No cost was capitalized during fiscal 2018, fiscal 2017 or fiscal 2016.

The following table summarizes our restricted stock activity for the three years ended December 29, 2018:

	Shares	Weighted Average Price
Balance at December 26, 2015	43,242	$ 34.49
Granted	133,794	$ 49.45
Vested	(29,002)	$ 29.74
Cancelled	(2,671)	$ 33.79
Balance at December 31, 2016	145,363	$ 49.22
Granted	70,611	$ 78.27
Vested	(56,953)	$ 56.03
Cancelled	(5,294)	$ 51.56
Balance at December 30, 2017	153,727	$ 59.96
Granted	89,798	$ 73.51
Vested	(45,707)	$ 62.56
Cancelled	(27,081)	$ 75.39
Balance at December 29, 2018	170,737	$ 63.94

As of December 29, 2018, there was approximately $5.9 million of unrecognized compensation cost related to nonvested restricted stock, which is expected to be recognized over a weighted-average period of approximately 2.3 years.

Cash flows resulting from tax deductions in excess of the tax effect of compensation cost recognized in the financial statements are classified as operating cash flows. In accordance with ASU 2016-09 (see Note 2), the excess tax benefit generated from restricted shares which vested was $0.1 million in fiscal 2018 and $0.4 million in fiscal 2017 and was credited to income tax expense. The excess tax benefit generated from restricted shares which vested was $0.3 million in fiscal 2016 and was credited to additional paid-in capital.

Stock Options

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We grant stock options to certain employees and members of our Board of Directors. We expense the grant-date fair value of stock options. Compensation cost is recognized over the vesting or performance period. Compensation cost charged against income was $0.5 million in fiscal 2018 and $0.3 million in fiscal 2017 and $0.1 million in fiscal 2016, respectively. The compensation costs were classified as selling, general and administrative expense in the Consolidated Statements of Operations. No cost was capitalized during fiscal 2018, fiscal 2017 or fiscal 2016.

We used the Black-Scholes option valuation model to estimate the fair value of stock options granted in fiscal 2018, fiscal 2017 and fiscal 2016. Expected volatility and expected dividend yield are based on the actual historical experience of our common 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. The weighted-average grant-date fair value of options granted during fiscal 2018 was $15.88, fiscal 2017 was $15.81 and fiscal 2016 was $8.40 per option.

The following table summarizes the weighted average valuation assumptions used to calculate the fair value of options granted:

	2018	2017	2016
Expected dividend yield	0 %	0 %	0 %
Expected stock price volatility	27 %	27 %	26 %
Risk-free interest rate	2.6 %	1.5 %	0.9 %
Expected life of options	3.0 years	3.0 years	3.0 years

The following table summarizes our stock option activity for the three years ended December 29, 2018:

	Shares	Option Price per Share	Weighted Average Price	Weighted Average Remaining Terms (years)	Aggregate Intrinsic Value
Balance at December 26, 2015	40,000	$5.67 – $7.74	$ 6.86		
Granted	61,084	$41.59 – $53.32	$ 44.36		
Balance at December 31, 2016	101,084	$5.67 – $53.32	$ 29.52		
Granted	58,024	$69.02 – $82.59	$ 78.58		
Exercised	(32,751)	$6.90 – $41.59	$ 7.69		
Cancelled	(3,810)	$41.59 – $78.64	$ 56.72		
Balance at December 30, 2017	122,547	$5.67 – $82.59	$ 57.74		
Granted	81,995	$68.93 – $82.94	$ 73.84		
Exercised	(15,113)	$5.67 – $78.64	$ 39.38		

Cancelled	(960)	$ 72.55	$ 72.55		
Balance at December 29, 2018	188,469	$7.74 – $82.94	$ 66.14	3.6	$4,186,151
Options exercisable at December 29, 2018	35,966	$7.74 – $82.59	$ 51.57	2.4	$1,323,007

As of December 29, 2018, there was approximately $1.8 million of unrecognized compensation cost related to nonvested stock options, which is expected to be recognized over a weighted-average period of approximately 2.8 years.

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The following table summarizes information concerning currently outstanding and exercisable options at December 29, 2018:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$7.74 - $24.66	4,000	0.9	$ 7.74	4,000	$ 7.74
$24.67 - $41.60	35,544	2.1	$ 41.59	13,706	$ 41.59
$41.61 - $69.01	21,900	4.8	$ 58.67	7,200	$ 53.32
$69.02 - $77.99	62,184	4.2	$ 72.43	326	$ 69.02
$78.00 - $82.94	64,841	3.5	$ 79.69	10,734	$ 78.93
Balance at December 29, 2018	188,469	3.6	$ 66.14	35,966	$ 51.57

Cash received from option exercises was $0.2 million in fiscal 2018 and was less than $0.1 million in fiscal 2017. There were no option exercises during fiscal 2016. There was no excess tax benefit generated from option exercise in 2018. In accordance with ASU No.2016-09 (see Note 2), the excess tax benefit generated from option exercises was $0.6 million in fiscal 2017 and was credited to income tax expense. There was no excess tax benefit generated from stock option exercises in fiscal 2016.

Performance-Based Long Term Award Program. The Compensation Committee of our Board of Directors has approved the Performance-Based Long Term Award Program (the “Program”) which connects compensation for certain of our executives to the three-year compound annual growth in our pre-tax income as defined in the Program. For the three-year periods ending in 2016 and 2017, the Compensation Committee had the discretion to settle the long term bonus in either cash or equity. These are liability-classified awards. The Compensation Committee elected to settle the award in equity for the three-year periods ending in fiscal 2017 and cash for three-year periods ending in fiscal 2016. In fiscal 2016, the Compensation Committee modified the Program to settle the awards earned in the three-year periods ending in fiscal 2018 and beyond in equity alone. These awards are equity-classified. Any equity issued related to the Program will be from the 2018 Plan.

Employee Stock Purchase Plan. In May 2017, our shareholders’ approved the Dorman Products, Inc. Employee Stock Purchase Plan (the ‘ESPP”), which makes available 1,000,000 shares of our common stock for sale to eligible employees. The purpose of this plan, which is qualified under Section 423 of the Internal Revenue Service Code of 1986, as amended, is to encourage stock ownership through payroll deductions and limited cash contributions by our employees. These contributions are used to purchase shares of the Company’s common stock at a 15% discount from the lower of the market price at the beginning or end of the purchase window. Share purchases under the plan are made twice annually, beginning in March 2018. There were 21,173 shares purchased under this plan during fiscal

2018. There were no shares purchased under this plan during fiscal 2017. Compensation cost under the ESPP plan was $0.4 million in fiscal 2018 and $0.1 million in fiscal 2017.

401(k) Retirement Plan. The Dorman Products, Inc. 401(k) Retirement Plan and Trust (the “401(k) Plan”) is a defined contribution profit sharing and 401(k) plan covering substantially all of our employees as of December 29, 2018. Annual contributions under the 401(k) Plan are determined by the Compensation Committee of our Board of Directors. Total expense related to the 401(k) Plan was $4.3 million in fiscal 2018, $2.7 million in fiscal 2017 and $2.5 million in fiscal 2016. At December 29, 2018, the 401(k) Plan held 243,348 shares of our common stock.

Common Stock Repurchases. We periodically repurchase, at the then current market price, and cancel common stock issued to the 401(k) Plan. Shares are generally purchased from the 401(k) Plan when participants sell units as permitted by the 401(k) Plan or elect to leave the 401(k) Plan upon retirement, termination or other reasons. During fiscal 2018 our Board of Directors approved the repurchase and cancellation of 26,280 shares of our common stock for $2.0 million at an average price of $74.79 per share. During fiscal 2017, our Board of Directors approved the repurchase and cancellation of 19,110 shares of our common stock for $1.4 million at an average price of $73.34 per share. During fiscal 2016, our Board of Directors approved the repurchase and cancellation of 38,970 shares of our common stock for $2.2 million at an average price of $56.66 per share.

Share Repurchase Program. On December 12, 2013 we announced that our Board of Directors authorized a share repurchase program, authorizing the repurchase of up to $10 million of our outstanding common stock by the end of 2014. Through several expansions and extensions, our Board of Directors has expanded the program to $400 million and extended the program through December 31, 2021. Under this program, share repurchases may be made from time to time depending on market conditions, share price, share availability and other factors at our discretion. The share repurchase program does not obligate us to acquire any specific number of shares. We repurchased 622,223 common shares for $43.4 million at an average price of $69.73 under this program during fiscal 2018. We repurchased 1,006,365 common shares for $74.7 million at an average price of $74.26 under this program during fiscal 2017. We repurchased 430,866 common shares for $22.5 million at an average price of $52.15 under this program during fiscal 2016. At December 29, 2018, $183.3 million was available for repurchase under this program.

14. Earnings Per Share

Basic earnings per share was calculated by dividing our net income by the weighted average number of common shares outstanding during the period, excluding nonvested restricted stock which is considered to be contingently issuable. To calculate diluted earnings per share, common share equivalents are added to the weighted average number of common shares outstanding. Common share equivalents are calculated using the treasury stock method and are computed based on outstanding stock-based awards. Stock-based awards of approximately 116,000 shares, 106,000 shares and 50,000 shares were excluded from the calculation of diluted earnings per share as of December 29, 2018, December 30, 2017 and December 31, 2016, respectively, as their effect would have been anti-dilutive.

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

(in thousands, except per share data)	2018	2017	2016
Numerator:			
Net income	$133,602	$106,599	$106,049
Denominator:			
Weighted average basic shares outstanding	33,097	33,964	34,516
Effect of compensation awards	110	88	82
Weighted average diluted shares outstanding	33,207	34,052	34,598
Earnings Per Share:			
Basic	$4.04	$3.14	$3.07
Diluted	$4.02	$3.13	$3.07

15. Business Segments

We have determined that our business comprises a single reportable operating segment, namely, the sale of replacement parts for the automotive aftermarket.

During fiscal 2018, fiscal 2017 and fiscal 2016, four of our customers (Advance Auto Parts, Inc., AutoZone, Inc., Genuine Parts Co. – NAPA, and O'Reilly Automotive, Inc.) each accounted for more than 10% of net sales and in aggregate accounted for 63% of net sales in fiscal 2018, 61% in fiscal 2017 and 60% in fiscal 2016. Net sales to countries outside the United States, primarily to Canada and Mexico, and to a lesser extent into Europe, the Middle East, and Australia in fiscal 2018, fiscal 2017 and fiscal 2016 were $60.5 million, $55.8 million and $48.6 million, respectively.

16. Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly Results of Operations for the fiscal years ended December 29, 2018 and December 30, 2017:

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(in thousands, except per share amounts)	First Quarter 2018	Second Quarter	Third Quarter	Fourth Quarter
Net sales*	$227,262	$238,147	$247,954	$260,341
Income from operations*	39,994	42,780	43,733	44,637
Net income	30,647	34,339	34,017	34,599
Diluted earnings per share	0.93	1.03	1.03	1.05

(in thousands, except per share amounts)	First Quarter 2017	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$221,625	$229,262	$224,615	$227,719
Income from operations	45,042	44,999	42,790	43,409
Net income	29,187	28,437	27,008	21,967
Diluted earnings per share	0.85	0.83	0.80	0.65

*Quarterly information does not add to year to date information due to rounding

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation, as of the end of the period covered by this report, of the effectiveness of our disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures, as defined in Rule 13a-15(e), were effective at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation, as of December 29, 2018, of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our management concluded that, as of December 29, 2018, our internal control over financial reporting was effective.

On August 31, 2018, we completed our acquisition of Flight Systems Automotive Group, LLC ("Flight"). We are in the process of evaluating the existing controls and procedures of Flight and integrating Flight into our internal control over financial reporting. In accordance with SEC Staff guidance permitting a company to exclude an acquired business from management's assessment of the effectiveness of internal control over financial reporting for the year in which the acquisition is completed, we have excluded Flight from our assessment of the effectiveness of internal control over financial reporting as of December 29, 2018. Flight represented $30.9 million of the Company's total assets as of December 29, 2018, and $7.8 million of the Company's net sales for the year ended December 29, 2018. The scope of management's assessment of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 29, 2018 includes all of the Company's consolidated operations except for those disclosure controls and procedures of Flight that are subsumed by internal control over financial reporting.

Our independent registered public accounting firm, KPMG LLP, has issued an attestation report on our internal control over financial reporting. Their report appears below.

Changes in Internal Control Over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the quarter ended December 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, other than noted above there was no change during the quarter ended December 29, 2018.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

Dorman Products, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Dorman Products, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 29, 2018 and December 30, 2017, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 29, 2018, and related notes and the consolidated financial statement schedule listed under Item 15(a)(2) (collectively, the consolidated financial statements), and our report dated February 26, 2019 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Flight Automotive Systems Group (Flight) during 2018, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 29, 2018, Flight's internal control over financial reporting associated with total assets of $30.9 million and total revenues of $7.8 million included in the consolidated financial statements of the Company as of and for the year ended December 29, 2018. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Flight.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

Philadelphia, Pennsylvania

February 26, 2019

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Item 9B. Other Information.

None

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Except for the information provided in “Part I – Item 4.1 Executive Officers of the Registrant” and as set forth below, the required information is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Shareholders, including, but not necessarily limited to, the sections entitled “Proposal I: Election of Directors,” “Committees of the Board of Directors – Audit Committee” and “Section 16(a) Beneficial Ownership Reporting Compliance”.

We have adopted a written code of ethics, "Our Values and Standards of Business Conduct," which is applicable to all of our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, Controller and other executive officers. We have also adopted a written code of ethics, “Code of Ethics for Senior Financial Officers,” which applies to our Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, Controller and any other person performing similar functions. In accordance with the SEC's rules and regulations a copy of each code of ethics is posted on our website www.dormanproducts.com. Dorman will provide to any person without charge, upon request, a copy of such codes of ethics. Requests for copies of such codes of ethics should be directed to: Thomas Knoblauch, Dorman Products, Inc., 3400 East Walnut Street, Colmar, PA 18915. We intend to disclose any changes in or waivers from our codes of ethics on our website at www.dormanproducts.com.

Item 11. Executive Compensation.

The required information is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Shareholders, including, but not necessarily limited to, the sections entitled “Director Compensation,” “Executive Compensation: Compensation Discussion and Analysis,” “Executive Compensation: Compensation Tables,” “Risk Assessment in Compensation Policies and Practices for Employees,” and “Compensation Committee Interlocks and Insider Participation”.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Except for the information set forth below, the required information is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Shareholders, including, but not necessarily limited to, the section entitled “Security Ownership of Certain Beneficial Owners and Management”.

Equity Compensation Plan Information

The following table details information regarding our existing equity compensation plans as of December 29, 2018:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)(1))
Equity compensation plans approved by security holders	188,469	$ 66.14	2,141,225
Equity compensation plans not approved by security holders	—	—	—
Total	188,469	$ 66.14	2,141,225

(1) This number includes 1,162,398 shares available for issuance under the 2018 Stock Option and Stock Incentive Plan and 978,827 shares reserved for issuance under the Dorman Products, Inc. Employee Stock Purchase Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The required information is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Shareholders, including, but not necessarily limited to, the sections entitled “Certain Relationships and Related Transactions” and “Corporate Governance – The Board of Directors and Director Independence”.

Item 14. Principal Accounting Fees and Services.

The required information is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Shareholders, including, but not necessarily limited to, the sections entitled “Principal Accountant Fees and Services” and “Pre-Approval Policies and Procedures”.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Consolidated Financial Statements. Our Consolidated Financial Statements and related documents are provided in Part II - Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K:
Report of Independent Registered Public Accounting Firm.

Consolidated Statements of Operations for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016.

Consolidated Balance Sheets as of December 29, 2018 and December 30, 2017.

Consolidated Statements of Shareholders' Equity for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016.

Consolidated Statements of Cash Flows for the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016.

Notes to Consolidated Financial Statements.

(a)(2) Consolidated Financial Statement Schedules. The following consolidated financial statement schedule of the Company and related documents are filed with this Annual Report on Form 10-K:
Schedule II - Valuation and Qualifying Accounts.

(a)(3) Exhibits required by Item 601 of Regulation S-K and Item 15(b) of Form 10-K to be filed as part of this Annual Report on Form 10-K are listed below:

Number	Title
3.1	Amended and Restated Articles of Incorporation, as amended, of the Company. Incorporated by reference to Exhibit 3.1 To the Company’s Current Report on Form 8-K filed on May 19, 2017.
3.2	Amended and Restated Bylaws of the Company, as amended. Incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K filed on May 19, 2017.
4.1	Specimen Common Stock Certificate of the Company. Incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-8 (Registration No. 333-160979).
4.2	Amended and Restated Shareholders' Agreement dated as of July 1, 2006. Incorporated by reference to Exhibit 4.1 to Company’s Quarterly Report on Form 10-Q for the quarter ended September 27, 2008.
10.1	Lease Agreement, dated December 29, 2012, between the Company and BREP I, for premises located at 3400 East Walnut Street, Colmar, Pennsylvania. Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on November 16, 2012.
10.1.1	Lease renewal option, dated November 14, 2016, between the Company and BREP I, for premises located at 3400 East Walnut Street, Colmar, Pennsylvania. Incorporated by reference to the Exhibit filed with the

Company’s Current Report on Form 8-K filed on November 14, 2016.

10.2 Industrial Building Lease, dated January 31, 2006, by and between the Company and First Industrial, LP, for premises located at 3150 Barry Drive, Portland, Tennessee. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 2, 2006.

10.2.1 Second Amendment to Industrial Building Lease, dated January 25, 2008, by and between the Company and First Industrial, LP, for premises located at 3150 Barry Drive, Portland, Tennessee. Incorporated by reference to the Exhibit filed with the Company's Current Report on Form 8-K filed on January 29, 2008.

Number	Title
10.3	Credit Agreement dated as of December 7, 2017, by and between the Company and Wells Fargo Bank, National Association. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 8, 2017.
10.4†	Dorman Products, Inc. 2008 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-160979).
10.4.1†	Form of Incentive Stock Option Agreement pursuant to the Dorman Products, Inc. 2008 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-160979).
10.4.2†	Form of Non-Qualified Stock Option Agreement for Officers and Other Key Employees pursuant to the Dorman Products, Inc. 2008 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 filed with the Company's Registration Statement on Form S-8 (Registration No. 333-160979).
10.4.3†	Form of Non-Qualified Stock Option Agreement for Outside Directors and Important Consultants and/or Advisors pursuant to the Dorman Products, Inc. 2008 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-160979).
10.4.4†	Form of Restricted Stock Agreement pursuant to the Dorman Products, Inc. 2008 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-160979).
10.4.5†	Amendment No. 1 to the Dorman Products, Inc. 2008 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 2013.
10.4.6†	Amendment No. 2 to the Dorman Products, Inc. 2008 Stock Option Plan and Stock Incentive Plan, approved by the Company's shareholders at the 2014 Annual Shareholders Meeting held on May 16, 2014. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 20, 2014.
10.5†	Dorman Products, Inc. Nonqualified Deferred Compensation Plan. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 11, 2011.
10.6†	Employment Agreement, dated April 1, 2008, between the Company and Steven L. Berman. Incorporated by reference to the Exhibit filed with the Company's Current Report on Form 8-K filed on April 1, 2008.
10.7†	Dorman Products, Inc. Executive Cash Bonus Plan, approved by the Company's shareholders at the 2010 Annual Shareholders Meeting held on May 20, 2010. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 24, 2010.
10.7.1†	Amendment No. 1 to the Dorman Products, Inc. Executive Cash Bonus Plan, approved by the Company's shareholders at the 2014 Annual Shareholders Meeting held on May 16, 2014. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 20, 2014.

10.8† Separation Agreement, dated February 25, 2011, between the Company and Jeffrey Darby. Incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2013.

10.9† Employment Agreement, dated December 28, 2015, between the Company and Mathias J. Barton. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 28, 2015.

10.10† Amended and Restated Employment Agreement, dated December 28, 2015, between the Company and Steven Berman. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 28, 2015.

Number	Title
10.11†	Transition, Separation & General Release Agreement, dated February 4, 2016, between the Company and Matthew Kohnke. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 4, 2016.
10.12†	Offer Letter, dated May 2, 2016, between the Company and Kevin Olsen. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 25, 2016.
10.13†	Transition Agreement, dated October 25, 2018, between the Company and Mathias J. Barton. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 30, 2018.
10.14	Dorman Products, Inc. 2018 Cash Bonus Plan. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 22, 2018.
10.15	Dorman Products, Inc. 2018 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit A of the Company's Definitive Proxy Statement filed on March 22, 2018.
10.16	Form of Non-Qualified Stock Option Award for grants under the Dorman Products, Inc. 2018 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 14, 2018.
10.17	Form of Incentive Stock Option Award for grants under the Dorman Products, Inc. 2018 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 14, 2018.
10.18	Form of Restricted Stock Award for grants under the Dorman Products, Inc. 2018 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 14, 2018.
10.19	Form of Performance Restricted Stock Award for grants under the Dorman Products, Inc. 2018 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on May 14, 2018.
10.20	Form of Restricted Stock Unit Award for grants under the Dorman Products, Inc. 2018 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on May 14, 2018.
10.21	Form of Performance Restricted Stock Unit Award for grants under the Dorman Products, Inc. 2018 Stock Option and Stock Incentive Plan. Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on May 14, 2018.
10.22†	Employment Agreement, dated January 10, 2019, between the Company and Kevin M. Olsen. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 11, 2019.
10.23†	Offer Letter, dated January 24, 2019, between the Company and David M. Hession. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 19, 2019.
21	Subsidiaries of the Company.

23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive and Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.

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Number	Title
101	The financial statements from the Dorman Products, Inc. Annual Report on Form 10-K for the year ended December 29, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations for the years ended December 29, 2018, December 30, 2017 and December 31, 2016; (ii) the Consolidated Balance Sheets as of December 29, 2018 and December 30, 2017; (iii) the Consolidated Statements of Shareholders' Equity for the years ended December 29, 2018, December 30, 2017 and December 31, 2016; (iv) the Consolidated Statements of Cash Flows for the years ended December 29, 2018, December 30, 2017 and December 31, 2016; and (v) the Notes to Consolidated Financial Statements.

† Management Contracts and Compensatory Plans, Contracts or Arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
	By: /s/ Kevin M. Olsen
Date: February 26, 2019	Kevin M. Olsen
	President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kevin M. Olsen Kevin M. Olsen	President, Chief Executive Officer (principal executive officer)	February 26, 2019
/s/ Michael P. Ginnetti Michael P. Ginnetti	Chief Financial Officer (principal financial and accounting officer)	February 26, 2019
/s/ Steven L. Berman Steven L. Berman	Executive Chairman	February 26, 2019
/s/ Mathias J. Barton Mathias J. Barton	Director	February 26, 2019
/s/ John J. Gavin John J. Gavin	Director	February 26, 2019
/s/ Paul R. Lederer Paul R. Lederer	Director	February 26, 2019
/s/ Richard T. Riley Richard T. Riley	Director	February 26, 2019
/s/ Kelly Romano Kelly Romano	Director	February 26, 2019
/s/ G. Michael Stakias G. Michael Stakias	Director	February 26, 2019

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SCHEDULE II: Valuation and Qualifying Accounts

	For the Year Ended		
	December 29,	December 30,	December 31,
(in thousands)	2018	2017	2016
Allowance for doubtful accounts:			
Balance, beginning of period	$1,656	$ 1,345	$ 4,503
Provision	(570)	299	1,212
Charge-offs	(151)	12	(4,370)
Acquisitions and other	47	-	-
Balance, end of period	$982	$ 1,656	$ 1,345
Allowance for customer credits:			
Balance, beginning of period	$95,537	$ 98,650	$ 82,483
Provision	203,677	187,422	175,260
Credits issued	(208,665)	(193,753)	(159,093)
Acquisitions and other	-	3,218	-
Balance, end of period	$90,549	$ 95,537	$ 98,650

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