KEYSTONE AUTOMOTIVE INDUSTRIES INC
Form DEF 14A
July 14, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934 (Amendment No.   }

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

700 East Bonita Avenue

Pomona, California 91767

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Wednesday, August 18, 2004

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Keystone Automotive Industries, Inc. will be held at the Sheraton Suites Fairplex, 601 West McKinley Avenue, Pomona, California 91768 at 10:00 a.m. (California Time) on August 18, 2004, for the following purposes:

(1) To elect the members of the Board of Directors to serve until the next annual meeting of stockholders;

(2) To ratify the appointment of Ernst & Young LLP as the Company s independent auditors for fiscal 2005; and

(3) To transact such other business as may properly come before the meeting or any adjournments thereof.

These items are more fully described in the accompanying Proxy Statement. If you were a stockholder of record at the close of business on July 2, 2004, you are entitled to vote at the meeting.

Accompanying this Notice are a Proxy and Proxy Statement. IF YOU WILL NOT BE ABLE TO ATTEND THE MEETING TO VOTE IN PERSON, PLEASE COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE PAID ENVELOPE. The Proxy may be revoked at any time prior to its exercise at the meeting.

By Order of the Board of Directors,

Ronald G. Foster

Chairman of the Board

Pomona, California

July 16, 2004

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

700 East Bonita Avenue

Pomona, California 91767

PROXY STATEMENT

Annual Meeting Of Stockholders to be held August 18, 2004

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Why Did You Send Me this Proxy Statement?

We sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at the 2004 annual meeting of stockholders. This proxy statement summarizes the information you need to know to cast a vote at the annual meeting. However, you do not need to attend the annual meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

Who is Entitled to Vote?

We will begin sending this proxy statement, the attached notice of annual meeting and the enclosed proxy card on or about July 16, 2004, to all stockholders entitled to vote. Stockholders of record of Keystone common stock at the close of business on July 2, 2004, are entitled to vote. On this record date, there were 15,575,345 shares of Keystone common stock, no par value, outstanding. Keystone s common stock is our only class of voting stock. We are also authorized to issue up to 3,000,000 shares of preferred stock, no par value, and no shares are presently issued and outstanding. We are also sending along with this proxy statement Keystone s 2004 Annual Report, which includes our financial statements.

What Constitutes a Quorum?

The holders of a majority of the outstanding shares of Keystone s common stock entitled to vote at the meeting must be present, in person or by proxy, in order to constitute a quorum. We can conduct the business of the meeting only if a quorum has been established. We will include proxies marked as abstentions and broker non-votes in determining the number of shares present at the meeting.

How Many Votes Do I Have?

Each share of Keystone common stock that you own entitles you to cast one vote. The proxy card indicates the number of shares of Keystone common stock that you own as of the record date.

How Do I Vote By Proxy?

Whether you plan to attend the annual meeting or not, we urge you to complete, sign and date the enclosed proxy card and to return it promptly in the postage-prepaid envelope provided. Returning the proxy card will not affect your right to attend the annual meeting and vote.

If you properly fill in your proxy card and send it to us in time to vote, your proxy (*one of the individuals named on your proxy card*) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the board of directors as follows:

FOR the election of all six nominees for director (see page 10).

FOR ratification of the appointment of Ernst & Young LLP as the Company s independent public accountants (see page 23).

If any other matter is presented, your proxy will vote in accordance with the recommendation of the board of directors or, if no recommendation is given, in his or her own discretion. At the time this proxy statement went to press, we knew of no matter which needed to be acted on at the annual meeting, other than the election of directors and the ratification of the appointment of Ernst & Young LLP.

May I Change My Vote After I Return My Proxy?

Yes. If you give a proxy, you may change your vote at any time before it is exercised. You may change your vote in any one of three ways:

- You may send our Corporate Secretary another proxy with a later date.
- You may notify our Corporate Secretary in writing before the annual meeting that you have revoked your proxy.
- You may attend the annual meeting and vote in person.

How Do I Vote in Person?

If you plan to attend the annual meeting and vote in person, we will give you a ballot form when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring the proxy card, an account statement or a letter from the nominee indicating that you were the beneficial owner of the shares on July 2, 2004, the record date for voting, and a written instruction from the nominee authorizing you to vote the shares.

What Vote is Required to Approve Each Proposal?

Proposal 1: *Elect six Directors*	The six nominees for director who receive the most votes will be elected. So, if you do not vote for a particular nominee, or you indicate WITHHOLD AUTHORITY to vote for a particular nominee on your proxy card, your vote will not count either for or against the nominee.
Proposal 2: *Ratification of Ernst & Young LLP*	The affirmative vote of a majority of the shares of Common Stock represented and voted at the annual meeting is required to ratify the appointment of Ernst & Young LLP as the Company s independent auditors for the fiscal year ending on April 1, 2005.
The Effect of Broker Non-Votes	If your broker holds your shares in its name, the broker will be entitled to vote your shares on Proposals 1 and 2 even if it does not receive instructions from you.

If your broker does not vote your shares on either Proposal 1 or 2, such broker non-votes will have no effect on the outcome of either proposal.

What are the Costs of Soliciting these Proxies?

We will pay all the costs of soliciting these proxies. In addition to mailing proxy soliciting material, our directors, officers and employees also may solicit proxies in person, by telephone or by other electronic means of communications for which they will receive no compensation. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward the proxy material to their principals and to obtain authority to execute proxies. We will then reimburse them for their reasonable expenses. In addition, we may pay for and use the services of individuals or companies that we do not regularly employ in connection with the solicitation of proxies if the board of directors determines this is advisable.

How Do I Obtain an Annual Report on Form 10-K?

If you would like a copy of our Annual Report on Form 10-K for the year ended March 26, 2004, that we filed with the Securities and Exchange Commission, we will send you one without charge. Please write to:

Keystone Automotive Industries, Inc.

700 East Bonita Avenue

Pomona, California 91767

Attn: Corporate Secretary

You can also view a copy of the Annual Report on Form 10-K at the SEC s website at http://www.sec.gov or on the Company s website at http://www.keystone-auto.com.

INFORMATION ABOUT KEYSTONE S COMMON STOCK OWNERSHIP

Which Stockholders Own at Least 5% of Keystone?

The following table shows, to the knowledge of the Company, as of July 2, 2004, all persons or entities we know to be beneficial owners of more than five percent of our common stock. The information on the persons listed below is based on Schedule 13G reports filed with the SEC. If you wish, you may obtain a copy of these reports from the SEC or view them at the SEC s website.

Name and Address of Beneficial Owner	Number of Shares of Common Stock(7)	Percent of Class
FMR Corp.(1)	2,250,150	14.4%
T. Rowe Price Associates, Inc.(2)	1,396,100	9.0
Chilton Investment Company, Inc.(3)	1,165,500	7.5
Wasatch Advisors, Inc.(4)	966,543	6.2
Wells Fargo Capital Management Incorporated(5)	950,325	6.1
DF Dent & Company, Inc.(6)	893,968	5.7

(1) The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.

(2) The business address of T. Rowe Price Associates, Inc. is 100 East Pratt Street, Baltimore, Maryland 21202. These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(3) The address of Chilton Investment Company, Inc. is 1266 East Main Street, 7th Floor, Stamford, Connecticut 06902.

(4) The address of Wasatch Advisors, Inc. is 150 Social Hall Avenue, Salt Lake City, Utah 84111.

(5) The address of Wells Fargo Capital Management Incorporated is 525 Market Street, 10th Floor, San Francisco, California 94105.

(6) The address of DF Dent & Company, Inc. is 2 East Read Street, 6th Fl., Baltimore, Maryland 21202.

(7) Beneficial ownership is a technical term broadly defined by the SEC to mean more than ownership in the usual sense. So, for example, you beneficially own Keystone common stock not only if you hold it directly, but also if you directly or indirectly (through a relationship, a position as a director or trustee, or a contract or understanding), have (or share) the power to vote the stock, to invest it, to sell it, or you currently have the right to acquire it or the right to acquire it within 60 days of July 2, 2004.

How Much Stock is Owned by Directors and Executive Officers?

The following table shows, as of July 2, 2004, the Keystone common stock that our directors, nominees for director and the executive officers named in the Summary Compensation Table under How Do We Compensate Executive Officers?, beneficially own and those shares of common stock owned by all persons who were executive officers and directors at July 2, 2004 as a group.

Name of Beneficial Owner(1)	Number of Shares of Common Stock(2)(3)	Percent of Class(4)
Ronald G. Brown(5)	250,712	1.6%
Charles J. Hogarty(6)	82,685	*
John M. Palumbo(7)	76,273	*
Carl Hartman(8)	65,000	*
Christopher Northup(9)	68,200	*
Currey Hall(10)	46,750	*
Ronald G. Foster(11)	35,309	*
Al A. Ronco(12)	27,238	*
George E. Seebart(13)	19,309	*
Keith M. Thompson(14)	19,309	*
Timothy C. McQuay(13)	14,309	*
Richard L. Keister(15)	30,000	
James Robert Gerrity(16)	4,000	*
All directors and executive officers as a group (14 persons)(17)	783,514	4.9

* Less than one percent.

(1) The business address of each beneficial owner is 700 East Bonita Avenue, Pomona, California 91767.

(2) Each person has sole voting and investment power over the shares of Common Stock shown as beneficially owned, subject to community property laws where applicable.

(3) See footnote 7 to table under Which Stockholders Own at Least 5% of Keystone? above, for the definition of beneficial ownership.

(4) Shares of Common Stock which the person (or group) has the right to acquire within 60 days after July 2, 2004 are included in the table and are deemed to be outstanding in calculating the percentage ownership of the person (or group) but are not deemed to be outstanding as to any other person (or group).

(5) Includes 7,853 shares issuable upon exercise of currently exercisable stock options. Mr. Brown has decided not to stand for reelection to the Board at this Meeting.

(6) Includes 17,500 shares issuable upon exercise of currently exercisable stock options and excludes 60,000 shares subject to options which are not exercisable within 60 days of July 2, 2004. Mr. Hogarty is retiring effective August 31, 2004 and is not standing for reelection to the Board at this Meeting.

(7) Includes 76,250 shares subject to currently exercisable stock options and excludes 62,500 shares subject to options which are not exercisable within 60 days of July 2, 2004.

(8)

Includes 65,000 shares subject to currently exercisable stock options and excludes 45,000 shares subject to options which are not exercisable within 60 days of July 2, 2004.

(9) Includes 59,700 shares issuable upon exercise of currently exercisable stock options and excludes 50,000 shares subject to options which are not exercisable within 60 days of July 2, 2004.

(10) Includes 46,750 shares issuable upon exercise of currently exercisable stock options and excludes 50,000 shares subject to options which are not exercisable within 60 days of July 2, 2004.

(11) Includes 33,853 shares issuable upon exercise of currently exercisable stock options.

(12) Includes 14,385 shares held by the Ronco Family Trust and 12,853 shares issuable upon exercise of currently exercisable stock options. Mr. Ronco has decided not to stand for reelection to the Board at this Meeting.

(13) Includes 12,853 shares issuable upon exercise of currently exercisable stock options.

(14) Includes 17,853 shares issuable upon exercise of currently exercisable stock options.

(15) Director nominee. Represents 30,000 shares of restricted stock granted to Mr. Keister on June 1, 2004. The restrictions on transfer of the shares lapse as to 25% of these shares on each anniversary date.

(16) Director nominee.

(17) Includes 441,438 shares subject to currently exercisable stock options held by all directors and executive officers and excludes 327,500 shares subject to stock options which are not exercisable within 60 days of July 2, 2004.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act, as amended, requires insiders including our executive officers, directors and beneficial owners of more than 10% of our common stock, to file reports of ownership and changes in ownership of our common stock with the SEC and the NYSE, and to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of copies of such forms received by us, we believe that our insiders complied with all applicable Section 16(a) filing requirements during fiscal 2003, except for the following filings: Mr. Brown was two days late in filing his Form 4 with respect to the sale of 4,000 shares of Common Stock on August 27, 2003; Mr. Ronco was two days late in filing his Form 4 with respect to the exercise of options to purchase 5,000 shares of Common Stock and the sale of those shares on August 27, 2003; and Mr. Northup was one day late in filing his Form 4 with respect to the sale of 500 shares of Common Stock on November 26, 2003.

INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

The Board of Directors

The Board of Directors oversees the business and affairs of Keystone and monitors the performance of management. In accordance with established Company corporate governance principles, the Board does not involve itself in day-to-day operations.

The Board met nine times during fiscal 2004. Each director attended at least 75% of the total number of Board meetings held in fiscal 2004.

How Do We Compensate Directors?

Board members, who are not also employees, receive $30,000 per annum as compensation for serving on the Board and any committees and receive that number of restricted shares of Common Stock having a value of $30,000 on the date of the annual meeting of stockholders. The restrictions on transfer of the shares lapse on the day prior to the next annual meeting of stockholders. Directors are also reimbursed for all reasonable and documented expenses incurred as Board members.

Compensation Committee Interlocks and Insider Participation

No interlocking relationship exists between Keystone s executive officers, board of directors or compensation committee and any executive officer or member of the board of directors or compensation committee of any other company.

Certain Relationships and Related Transactions

The Company entered into a lease dated January 5, 1995, with V-JAC Properties, Ltd. for an 8,000 square feet warehouse facility in Ontario, California, with a term of three years, for a monthly rent of $3,494. Upon the expiration of the term, the Company entered into a five year lease (with an option to renew for an additional five years), on the same terms as the earlier lease, approved by unanimous vote of the disinterested directors in February 1998. V-JAC Properties, Ltd. is a partnership whose interests are held equally by Virgil K. Benton, Sr., and John G. Jordan, former directors of the Company, and Al A. Ronco and Charles J. Hogarty, who are currently directors of the Company but will not be standing for reelection at this Meeting. Mr. Benton died during 2000. This lease was terminated by mutual agreement effective July 1, 2003.

The Company also entered into a lease dated January 5, 1995, with V-JAC Properties, Ltd. for a 10,000 square feet warehouse facility in Palmyra, New Jersey, with a term of three years, for a monthly rent of $2,985. Upon the expiration of the term, the Company entered into a five year lease (with an option to renew for an additional five years), with a 5% increase in the monthly rent, approved by the unanimous vote of the disinterested directors in February 1998. In 2002, the Company exercised its option to renew for an additional five years at a monthly rent of $3,295.

On January 1, 1995, North Star Plating Company (North Star) entered into a ten-year lease agreement with a partnership owned by the spouses of Ronald G. Brown and Kim D. Wood to lease property occupied by North Star s East Peoria, Illinois service center. The initial base rent under the lease was $6,975 per month, which is subject to increase on each anniversary of the lease term by the percentage increase in the Consumer Price Index during the preceding year. In addition to the base rent, North Star pays real estate taxes, maintenance, utilities and insurance costs associated with the property. North Star was merged with the Company in 1997 at which time Mr. Brown became a director of the Company and Mr. Wood was elected a Vice President. Mr. Wood resigned as a Vice President of the Company in January 2003 and Mr. Brown is not standing for reelection as a director at this Meeting.. North Star was recently renamed Keystone Automotive Industries MN, Inc.

On January 1, 1995, North Star entered a ten-year lease agreement with a partnership owned by the spouse of Raymond Wood, a former stockholder, officer and director of North Star, and the spouse of Ronald G. Brown to lease the property occupied by North Star s Brainerd, Minnesota chrome bumper plating center. The initial base rent under the lease was $23,600 per month, which is subject to increase on each anniversary of the lease term by the percentage increase in the Consumer Price Index during the preceding year. In addition to the base rent, North Star pays real estate taxes, maintenance, utilities and insurance costs associated with the property. Pursuant to the lease agreement, North Star is responsible for certain occurrences on the premises, including any environmental contamination. Upon the demise of the spouse of Raymond Wood in 2001, her partnership interest devolved to Woodhaven Investments, a partnership in which Kim D. Wood is a partner.

On May 20, 1996, North Star entered into a ten-year lease agreement with a partnership owned by the spouses of Ronald G. Brown and Kim D. Wood and the Brown Family Limited Partnership to lease property occupied by North Star s headquarters and Minneapolis, Minnesota service center hub. The initial base rent under the lease was $12,000 per month, which is subject to increase on the anniversary of the lease term by the percentage increase in the Consumer Price Index during the preceding year. In addition to the base rent, North Star pays real estate taxes, maintenance utilities and insurance costs associated with the property. In an amendment to the lease dated September 23, 1996, the partnership agreed to construct a 37,260 square foot addition to the existing building. North Star began occupying the addition in January 1997 and, accordingly, the base rent increased to $25,627 per month.

In March 1999, the Company acquired substantially all of the assets of Midwest Bumper Company and related entities (Midwest) from Carl Martin and Carl Hartman, currently a Vice President of the Company. In connection with the acquisition, the Company entered into five-year leases with Mr. Martin, his family or an affiliated entity, on seven properties used by Midwest in its operations. The leases, which expired on February 28, 2004, each had an option to extend for an additional five-year term. In addition, the Company entered into a five-year lease with Mr. Hartman for a property also used in Midwest s operations. Mr. Hartman was elected a Vice President of the Company in May 2001.

When these leases were nearing the expiration of the original term, management began negotiations with Mr. Martin and Mr. Hartman concerning extending the terms for an additional five years. Extension agreements were reached in March 2004. Because Mr. Hartman is paid six percent of base rents for managing each of the properties, the extension agreements were subject to approval as to their terms by the Company s audit committee and review of the leases by legal counsel. The leases with Mr. Martin, his family and an affiliated entity provide for aggregate base rents over the five-year term of $2,180,643 and the aggregate base rent over the five-year terms for the property being leased from Mr. Hartman is $65,353. In addition, all the leases provide for reimbursement to the landlord for certain operating expenses.

After reviewing the terms of the leases and the rental market in the Grand Rapids, Michigan area, in May 2004, the Audit Committee concluded that the lease terms were fair, were no less favorable than could have been obtained from an unaffiliated party in an arms-length transaction and that entering into the leases was in the best interests of the stockholders. Leases on each of the properties were entered into effective June 1, 2004 with a five-year renewal option.

The Company believes that the terms and conditions of all of the above leases with affiliated parties are no less favorable to the Company than could have been obtained from unaffiliated parties in arm s length transactions at the time such leases were entered into.

ELECTION OF DIRECTORS

Nominees

A board of six directors is to be elected at the Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company s six nominees named below, four of whom are presently directors of the Company. Mr. Keister will be elected President and Chief Executive Officer of the Company effective as of the date of this Meeting and Mr. Gerrity has been nominated to fill a vacancy on the Board which would otherwise exist as of this Meeting. If any nominee of the Company is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for the nominee designated by the present board of directors to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the next annual meeting and until a successor has been elected and qualified. Each person nominated for election has agreed to serve if elected.

The Board of Directors unanimously recommends that the stockholders vote FOR the nominees listed below:

Information Concerning Nominees

Set forth below is certain information with respect to the nominees standing for election to the Board of Directors.

Name	Age	Position with the Company	Director Since
Ronald G. Foster	62	Chairman of the Board	2000
Timothy C. McQuay(1)(2)(3)	52	Director	1996
George E. Seebart (1)(2)	75	Director	1996
Keith M. Thompson(2)(3)	63	Director	1999
Richard L. Keister	58	Director Nominee(4)	
James Robert Gerrity	62	Director Nominee	

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of the Nominating Committee

(4) Mr. Keister will be elected President and Chief Executive Officer of the Company effective the date of this Meeting.

RONALD G. FOSTER was elected a director of the Company by stockholders in August 2000 and was elected Chairman of the Board by the directors immediately thereafter. Mr. Foster has been a consultant since he left the automotive division of Tenneco, Inc. in October 1993, specializing in acquisitions, joint ventures, turnaround situations and quality systems such as QS9000. For the prior 25 years, he had held various positions within the automotive division, most recently as the Senior Vice President of Tenneco Automotive and General Manager of Monroe Auto Equipment Company, the world s largest manufacturer of ride control systems.

TIMOTHY C. MCQUAY was elected a director of the Company upon the completion of its initial public offering in June 1996. Mr. McQuay joined A. G. Edwards & Sons, Inc. as a senior member of its Investment Banking Department in July 1997, where he is currently a Managing Director. From October 1994 to July 1997, Mr. McQuay was Managing Director Corporate Finance with Crowell, Weedon & Co. From May 1993 to October 1994, Mr. McQuay was Vice President, Corporate Development with Kerr Group, Inc., a NYSE-listed plastics manufacturing company. From May 1990 to May 1993, Mr. McQuay was Managing Director Merchant Banking with Union Bank. Mr. McQuay is a director of Meade Instruments Corp., a publicly held company.

GEORGE E. SEEBART was elected a director of the Company upon the completion of its initial public offering in June 1996. From 1964 until his retirement in 1993, Mr. Seebart was employed in various executive positions with Farmers Group, Inc., including as Senior Vice President, Field Operations and Vice President, Sales and Marketing. Additionally, from 1987 to 1993, Mr. Seebart was President of Mid-Century Insurance Company, a subsidiary of Farmers Group, Inc.

KEITH M. THOMPSON was the President and Chief Executive Officer of Republic Automotive Parts, Inc. (Republic) from 1986 until he resigned and retired on November 30, 1998. Republic was acquired by the Company in June 1998. Mr. Thompson is a director of Straus - Frank, Inc., a privately - held company. Mr. Thompson was elected a director of the Company in March 1999.

RICHARD L. KEISTER was the President of the Aftermarket Division of Delco Remy International, Inc. (Delco Remy) from October 2001 until he joined the Company as an employee in June 2004. Prior to that he had been President of the Delco Remy Electrical Aftermarket business unit since 1997. Prior to 1997, he was President of World Wide Automotive, the predecessor company of which was co-founded by Mr. Keister in 1976 and acquired by Delco Remy in 1997.

JAMES ROBERT GERRITY held the offices of Senior Vice President and Chief Financial Officer and subsequently, President, and was a director of Dyneer Corporation from 1970 until 1993, during such period when that company was both publicly traded and later privately owned. Since that time, Mr. Gerrity has been involved in numerous investment banking and consulting assignments and private investing activities. Currently, Mr. Gerrity is a director of the following private corporations: Flender Holding GmbH, Palomar Technologies Corporation and Delco Remy International, Inc., which has an issue of publicly-traded bonds outstanding.

There are no arrangements or understandings between any director, or any nominee, or any other person pursuant to which such director or nominee is or was nominated to serve as a director. There is no family relationship among any directors or executive officers of the Company.

EXECUTIVE OFFICERS

The following table sets forth certain information regarding the executive officers of the Company.

Name	Age	Position	Years Employed by Company
Ronald G. Foster	62	Chairman of the Board	3
Charles J. Hogarty	62	President, Chief Executive Officer and Director	43(2)
John M. Palumbo	48	Vice President, Treasurer, and Chief Financial Officer	8
D. Currey Hall	38	Vice President(1)	15(3)
Carl F. Hartman	50	Vice President(1)	24(4)
Arnold B. Kohorst	51	Vice President(1)	25(5)
Christopher Northup	44	Vice President(1)	21
James C. Lockwood	66	Vice President General Counsel and Secretary	7

(1) Operating officers are listed alphabetically.

(2) Mr. Hogarty is retiring at the end of August 2004 and will be resigning as the President and Chief Executive Officer of the Company effective at this Meeting.

(3) Includes years of service at Fenders & More, Inc., acquired by the Company in 1999.

(4) Includes years of service at Midwest Bumper Company, acquired by the Company in 1999.

(5) Includes years of service at North Star and affiliated entities, acquired by the Company in 1997.

CHARLES J. HOGARTY has served as the President, Chief Operating Officer and a director of the Company since 1987 and was appointed the Chief Executive Officer of the Company in May 1997. From his joining the Company in 1960 until 1987, Mr. Hogarty held various positions, including salesman, sales manager, general manager and regional manager. Mr. Hogarty served as a director of the Aftermarket Body Parts Association from 1984 to 1993, President in 1989 and Chairman in 1990.

JOHN M. PALUMBO joined the Company as Vice President and Treasurer in March 1996 and was appointed Chief Financial Officer in May 1997. From 1988 until he joined the Company in 1996, Mr. Palumbo served as Chief Financial Officer, Treasurer and Corporate Secretary of American United Global, Inc., a public company engaged in the manufacture of certain automotive parts.

D. CURREY HALL was elected a Vice President of the Company in August 2000. Mr. Hall was a Vice President of Fenders & More, Inc. from May 1989 to July 1997, when he became President of that company, a position which he occupies at the present time. Mr. Hall has been a member of the Board of Directors of the Aftermarket Body Parts Association since 1997.

CARL F. HARTMAN was elected a Vice President of the Company in May 2001. Mr. Hartman was employed by Midwest Bumper Company and related companies from September 1979 until it was acquired by the Company in March 1999. He occupied various positions with those companies, beginning as a sales manager and immediately prior to the acquisition he was Vice President and General Manager. Mr. Hartman served on the Board of Directors of the Aftermarket Body Parts Association for 17 years and the Bumper Recyclers Association of North America for 3 years. He was a member of the CAPA Technical Committee for nine years and is currently a member of the CAPA Board of Directors.

ARNOLD B KOHORST was elected a Vice President of the Company in August 2003. Mr. Kohorst was employed by North Star and affiliated entities in various capacities from February 1979 until it was acquired by the Company in 1997. From 1997 until early 2003, Mr. Kohorst was the regional manager of the Minneapolis division and was the Midwest region general manager from early 2003 until he was elected a Vice President.

CHRISTOPHER NORTHUP has served as a Vice President of the Company since October 1996. From 1987 until October 1996, Mr. Northup served as the National Marketing Director. From his joining the Company in 1983 until 1987, Mr. Northup held the position of Publications Manager.

JAMES C. LOCKWOOD joined the Company in April 1997 and was appointed Vice President General Counsel and Secretary in May 1997. From July 1985 until he joined the Company in April 1997, Mr. Lockwood was a member of the law firm of Troy & Gould Professional Corporation. Mr. Lockwood is a member of the Board of Directors of Movie Gallery, Inc., a publicly held company.

How Do We Compensate Executive Officers?

The following table sets forth all compensation paid by Keystone during each of the fiscal years ended in 2004, 2003 and 2002 to (1) our Chief Executive Officer and (2) the four other most highly compensated executive officers who held these offices at the end of the Company s 2004 fiscal year.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)**	**Other Annual Compensation ($)(1)**	**Securities Underlying Options(#)**	**All Other Compensation ($)(2)**
Charles J. Hogarty	2004	$ 326,073	$ 191,941	$ 6,956		$ 7,467
President and Chief Executive	2003	313,433	299,520	7,118	40,000	8,445
Officer	2002	298,030	81,000	7,020	40,000	6,295
John M. Palumbo	2004	251,216	138,421	11,278	25,000	11,908
Vice President and Chief Financial	2003	241,503	216,000	9,903	25,000	15,500
Officer	2002	222,821	54,540	10,036	25,000	12,366
Christopher Northup	2004	206,616	70,355	9,138	15,000	14,197
	2003	196,695	134,316	5,669	20,000	9,995
Vice President	2002	183,831	39,960		20,000	8,224
Currey Hall	2004	204,616	106,611	9,929	20,000	5,989
	2003	208,132	154,790	13,789	20,000	5,500
Vice President	2002	175,519	39,960	13,931	20,000	5,448
Carl F. Hartman	2004	204,616	52,972	2,229	15,000	8,941
	2003	194,231	114,660	9,298	20,000	2,543
Vice President	2002	177,115	37,800	9,298	20,000	

(1) Consists of automobile lease and related expenses.

(2) Consists of reimbursement of medical and dental expenses not covered by insurance plans provided to employees generally, Keystone contributions to the Section 401(k) savings plan and excess group term life insurance.

Mr. Hogarty s employment agreement with the Company was terminated by mutual agreement effective April 15, 2002 in consideration for his entering into a Key Employee Salary Continuation Agreement with the Company on that date. Mr. Hogarty advised the Board that he was retiring effective September 1, 2004 and he entered into a two-year consulting agreement effective upon his retirement. Upon Mr. Hogarty s resignation as the President and Chief Executive Officer of the Company effective the date of this Meeting, it is anticipated that Richard L. Keister will be elected to those positions.

All executive officers of the Company have entered into Key Employee Salary Continuation Agreements. Each Key Employee Salary Continuation Agreement provides that in the event of a change in control of the Company followed by an involuntary termination of the executive within one year following the change in control, the executive is entitled to certain benefits. An involuntary termination includes a termination by the executive