

MOTORCAR PARTS AMERICA INC

Form DEF 14A

January 29, 2010

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**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

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))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**MOTORCAR PARTS OF AMERICA, 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):

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:

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

(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):

(4) Proposed maximum aggregate value of transaction:

(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:

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

(3) Filing Party:

(4) Date Filed:

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**MOTORCAR PARTS OF AMERICA, INC.  
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held On February 25, 2010**

To Our Shareholders:

We will hold our annual meeting of the shareholders of Motorcar Parts of America, Inc. (the Company) on February 25, 2010 at 10:00 a.m., California time, at the offices of the Company at the Torrance Marriott at 3635 Fashion Way, Torrance, California 90503. As further described in the accompanying Proxy Statement, at this meeting we will consider and act upon:

- (1) The election of the seven directors named in the accompanying proxy statement to our Board of Directors to serve for a term of one year or until their successors are duly elected and qualified.
- (2) The ratification of the appointment of Ernst & Young LLP as our independent registered public accountants for the fiscal year ended March 31, 2010.
- (3) The amendment of our 2004 Non-Employee Director Stock Option Plan to increase the number of shares of our common stock under the plan from 175,000 to 275,000.
- (4) The transaction of such other business as may come properly before the meeting or any meetings held upon adjournment or postponement of the meeting.

Our Board of Directors has fixed the close of business on January 21, 2010 as the record date for the determination of shareholders entitled to vote at the meeting or any meetings held upon adjournment or postponement of the meeting. Only record holders of our common stock at the close of business on that day will be entitled to vote. A copy of our Annual Report on Form 10-K for the year ended March 31, 2009 and the Form 10-K/A we filed with the Securities and Exchange Commission on July 29, 2009 are enclosed with this notice, but are not part of the proxy soliciting material.

We invite you to attend the meeting and vote in person. If you cannot attend, to assure that you are represented at the meeting, please sign and return the enclosed proxy card as promptly as possible in the enclosed postage prepaid envelope. If you attend the meeting, you may vote in person, even if you previously returned a signed proxy.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be Held on February 25, 2010.**

Our proxy statement and our Annual Report on Form 10-K for the year ended March 31, 2009 (together with the Form 10-K/A we filed with the Securities and Exchange Commission on July 29, 2009) are available at <http://www.cstproxy.com/motorcarparts/2010>.

By order of the Board of Directors

Michael M. Umansky,  
*Secretary*

Torrance, California  
January 29, 2010

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**MOTORCAR PARTS OF AMERICA, INC.  
2929 California Street  
Torrance, California 90503  
PROXY STATEMENT  
GENERAL INFORMATION**

We are sending you this proxy statement on or about January 29, 2010 in connection with the solicitation of proxies by our Board of Directors. The proxies are for use at our annual meeting of shareholders, which we will hold at 10:00 a.m., California time, on February 25, 2010, at the Torrance Marriott at 3635 Fashion Way, Torrance, California 90503. The proxies will remain valid for use at any meetings held upon adjournment or postponement of that meeting. The record date for the meeting is the close of business on January 21, 2010. All holders of record of our common stock at the close of business on the record date are entitled to notice of the meeting and to vote at the meeting and any meetings held upon adjournment or postponement of that meeting. Our principal executive offices are located at 2929 California Street, Torrance, California 90503, and our telephone number is (310) 212-7910.

A proxy form is enclosed. Whether or not you plan to attend the meeting in person, please date, sign and return the enclosed proxy as promptly as possible, in the postage prepaid envelope provided, to ensure that your shares will be voted at the meeting. If you are a shareholder of record, you may revoke your proxies at any time prior to the voting at the meeting by submitting a later dated proxy, giving timely written notice of revocation to our secretary or attending the meeting and voting in person. If you are a holder in street name, you may revoke your proxy by following the specific voting directions provided to you by your bank, broker or other intermediary to change or revoke any instructions you have already provided to your bank, broker or other intermediary.

Unless you instruct otherwise in the proxy, any proxy, if not revoked, will be voted at the meeting:  
for our Board of Directors slate of nominees;

to ratify the appointment of Ernst & Young LLP as our independent registered public accountants for the fiscal year ended March 31, 2010;

for approval of the amendment to our 2004 Non-Employee Director Stock Option Plan; and

as recommended by our Board of Directors with regard to all other matters, in its discretion.

Our only voting securities are the outstanding shares of our common stock. At the record date, we had 12,026,021 shares of common stock outstanding and approximately 41 shareholders of record. If the shareholders of record present in person or represented by their proxies at the meeting hold at least a majority of our outstanding shares of common stock, a quorum will exist for the transaction of business at the meeting. Shareholders of record who abstain from voting, including brokers holding their customers' shares who cause abstentions to be recorded, are counted as present for quorum purposes.

For each share of common stock you hold on the record date, you are entitled to one vote on each of the matters that we will consider at this meeting. You are not entitled to cumulate your votes. Brokers holding shares of record for their customers generally are not entitled to vote on certain matters unless their customers give them specific voting instructions. If the broker does not receive specific instructions, the broker will note this on the proxy form or otherwise advise us that it lacks voting authority. The votes that the brokers would have cast if their

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customers had given them specific instructions are commonly called broker non-votes. Broker non-votes will be counted for purposes of determining whether a quorum is present.

With respect to the election of our director nominees, the seven candidates who receive the highest number of affirmative votes will be elected. Votes against a candidate and votes withheld from voting for a candidate will have no effect on the election.

The affirmative vote of shares representing a majority of the shares present in person or by proxy and entitled to vote at the meeting is required to approve Proposal No. 2 (ratification of Ernst & Young LLP as our independent registered public accountants for the fiscal year ended March 31, 2010) and Proposal No. 3 (the approval of the amendment to our 2004 Non-Employee Director Stock Option Plan). An abstention from voting on these matters will be treated as present for quorum purposes. However, since an abstention is not treated as a vote for or against these matters, it will have no effect on the outcome of the vote. Broker non-votes will not be counted and will have no effect on the outcome of the voting for these matters.

We will pay for the cost of preparing, assembling, printing and mailing this proxy statement and the accompanying form of proxy to our shareholders, as well as the cost of soliciting proxies relating to the meeting. We have requested banks and brokers to solicit their customers who beneficially own our common stock in nominee name. We will reimburse these banks and brokers for their reasonable out-of-pocket expenses regarding these solicitations. Our officers, directors and employees may supplement this solicitation of proxies by telephone and personal solicitation. We will pay no additional compensation to our officers, directors and employees for these activities. We have engaged MacKenzie Partners, Inc. as our proxy solicitor to solicit proxies for us, at an anticipated cost of approximately \$25,000. In addition to the use of the mails, solicitation may be made by our proxy solicitor or our employees personally or by telephone, facsimile or electronic transmission.

**PROPOSAL NO. 1  
ELECTION OF DIRECTORS**

We are asking our shareholders to elect seven members to serve on our Board of Directors for a one-year term of office or until their respective successors are elected and qualified. Our Board of Directors has nominated the seven individuals named below for election as directors. Each nominee has agreed to serve as a director if elected.

Each of our nominees, Selwyn Joffe, Mel Marks, Scott Adelson, Rudolph Borneo, Philip Gay, Duane Miller and Jeffrey Mirvis, is currently serving as a director. The term of office of each of the current directors expires on the date of our annual meeting of shareholders. All of our current Board of Directors members were elected at the last shareholders meeting.

The persons named as proxies in the accompanying form of proxy have advised us that at the meeting they will vote for the election of the nominees named below, unless a contrary direction is indicated. If any of these nominees becomes unavailable for election to our Board of Directors for any reason, the persons named as proxies have discretionary authority to vote for one or more alternative nominees designated by our Board of Directors.

No arrangement or understanding exists between any nominee and any other person or persons pursuant to which any nominee was or is to be selected as a director.

**The Board of Directors recommends that shareholders vote FOR each of the nominees named below.**

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The nominees for election to our Board of Directors, their ages and present positions with the Company, are as follows:

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
Selwyn Joffe	52	Chairman of the Board of Directors, President and Chief Executive Officer
Mel Marks	82	Director and Consultant
Scott J. Adelson	49	Director
Rudolph J. Borneo	68	Director, Chairman of the Compensation Committee and member of the Ethics and Nominating and Corporate Governance Committees
Philip Gay	52	Director, Chairman of the Audit Committee and Ethics Committee, and member of the Compensation and Nominating and Corporate Governance Committees
Duane Miller	62	Director, member of the Audit, Compensation, Ethics and Nominating and Corporate Governance Committees
Jeffrey Mirvis	46	Director, member of the Compensation Committee

*Selwyn Joffe* has been our Chairman of the Board of Directors, President and Chief Executive Officer since February 2003. He has been a director of our company since 1994 and Chairman since November 1999. From 1995 until his election to his present positions, he served as a consultant to us. Prior to February 2003, Mr. Joffe was Chairman and Chief Executive Officer of Protea Group, Inc., a company specializing in consulting and acquisition services. From September 2000 to December 2001, Mr. Joffe served as President and Chief Executive Officer of Netlock Technologies, a company that specializes in securing network communications. In 1997, Mr. Joffe co-founded Palace Entertainment, Inc., a roll-up of amusement parks and served as its President and Chief Operating Officer until August 2000. Prior to the founding of Palace Entertainment, Inc., Mr. Joffe was the President and Chief Executive Officer of Wolfgang Puck Food Company from 1989 to 1996. Mr. Joffe is a graduate of Emory University with degrees in both Business and Law and is a member of the bar of the state of Georgia as well as a Certified Public Accountant.

*Mel Marks* founded our company in 1968. Mr. Marks served as our Chairman of the Board of Directors and Chief Executive Officer from that time until July 1999. Prior to founding our company, Mr. Marks was employed for over 20 years by Beck/Arnley-Worldparts, a division of Echlin, Inc. (one of the largest importers and distributors of parts for imported cars), where he served as Vice President. Mr. Marks has continued to serve as a consultant and director to us since July 1999.

*Scott J. Adelson* joined our Board of Directors on April 11, 2008. Mr. Adelson is also a director of QAD Inc., a public software company, since April 2006. Mr. Adelson is a Senior Managing Director and Global Co-Head of Investment Banking for Houlihan Lokey Howard & Zukin, a leading international investment bank. During his 20 years with the firm, Mr. Adelson has helped advise hundreds of companies on a diverse and in-depth variety of corporate finance issues, including mergers and acquisitions. Mr. Adelson has written extensively on a number of corporate finance and securities valuation subjects. He is an active member of the Board of Directors of various middle-market businesses as well as several recognized non-profit organizations, such as the USC Entrepreneur Program. Mr. Adelson holds a bachelor degree from the University of Southern California and a Master of Business Administration degree from the University of Chicago, Graduate School of Business.

*Rudolph Borneo* joined our Board of Directors on November 30, 2004. Mr. Borneo retired from R.H. Macy's Inc. on March 31, 2009. At the time of his retirement, his position was Vice Chairman and Director of Stores, Macy's West, a division of R.H. Macy's, Inc. Mr. Borneo served as President of Macy's California from 1989 to 1992 and President of R.H. Macy's West from 1992 until his appointment as Vice Chairman and Director of Stores in February 1995. In addition, Mr. Borneo is currently a member of the Board of Trustees of Monmouth University. Mr. Borneo is Chairman of our Compensation Committee and a member of our Audit, Ethics and Nominating and Corporate Governance Committees.



*Philip Gay* joined our Board of Directors on November 30, 2004. He chairs our Audit and Ethics Committees and is a member of our Compensation and Nominating and Corporate Governance Committees. Mr. Gay is currently serving as President, Chief Executive Officer and a Director of Grill Concepts, Inc., a company that operates a chain

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of upscale casual restaurants throughout the United States. From March 2000 until he joined Grill Concepts, Inc. in June 2004, Mr. Gay served as Managing Director of Triple Enterprises, a business advisory firm that assisted mid-cap sized companies with financing, mergers and acquisitions, franchising and strategic planning. From March 2000 to November 2001, Mr. Gay served as an independent consultant with El Paso Energy from time to time and assisted El Paso Energy with its efforts to reduce overall operating and manufacturing overhead costs. Previously he has served as chief financial officer for California Pizza Kitchen (1987 to 1994) and Wolfgang Puck Food Company (1994 to 1996), and he has held various Chief Operating Officer and Chief Executive Officer positions at Color Me Mine and Diversified Food Group from 1996 to 2000. Mr. Gay is also a Certified Public Accountant, a former audit manager at Laventhol and Horwath and a graduate of the London School of Economics.

*Duane Miller* joined our Board of Directors on June 5, 2008. Mr. Miller is currently employed by the Genesee County Regional Chamber of Commerce as Executive Vice President. Prior to joining the Genesee County Regional Chamber of Commerce, he was employed by the City of Flint, Michigan, as the Director of Government Operations, from February 2009 to August 2009. Mr. Miller retired from General Motors Corporation in April 2008 after 37 years of service. At the time of his retirement, Mr. Miller served as executive director, GM Service and Parts Operations ( SPO ) Field Operations where he was responsible for all SPO field activities, running GM Parts (original equipment), AC Delco (aftermarket) and GM Accessories business channels, as well as SPO s Global Independent Aftermarket. Mr. Miller served on the Board of Directors of OEConnection, an automotive ecommerce organization focused on applying technology to provide supply chain solutions and analysis. He currently serves on the Boards of Directors of McLaren Hospital in Genesee County, Michigan and the Flint/Genesee County Convention and Visitor s Bureau. His experience also includes serving on the Board of Directors of the Urban League of Flint, Michigan, and the Boys and Girls Club of Flint, Michigan. Mr. Miller earned a Bachelor of Science degree in marketing from Western Michigan University, and attended the Executive Development Program at the University of California Berkeley Haas School of Business. Mr. Miller is a member of our Audit, Compensation, Ethics and Nominating and Corporate Governance Committees.

*Jeff Mirvis* joined our Board of Directors on February 3, 2009. Mr. Mirvis is currently the chief executive officer of MGT Industries, Inc. ( MGT ), a privately held apparel company based in Los Angeles. As chief executive officer of MGT, Mr. Mirvis successfully moved all production and sourcing to Asia. During his nine-year tenure as chief executive, Mr. Mirvis has gained valuable knowledge of manufacturing in Asia. Prior to joining MGT in 1990, Mr. Mirvis served as a commercial loan officer at Union Bank of California following his completion of the Union Bank of California s Commercial Lending Program. He earned a Bachelor of Arts degree in economics from the University of California at Santa Barbara. He currently serves as treasurer and a board member of Wildwood School in Los Angeles, and has been a member of the board of the Jewish Federation in Los Angeles. Mr. Mirvis is a member of our Compensation Committee.

**Code of Ethics**

Our Board of Directors formally approved the creation of our Ethics Committee on May 8, 2003 and adopted a Code of Business Conduct and Ethics, which applies to all our officers, directors and employees. The Ethics Committee is currently comprised of Philip Gay, who serves as Chairman, Rudolph Borneo and Duane Miller. The Code of Business Conduct and Ethics is filed with the Securities and Exchange Commission (the SEC ), and a copy is posted on our website at [www.motorcarparts.com](http://www.motorcarparts.com). We intend to disclose future amendments to certain provisions of the code, or waivers of such provisions granted to executive officers and directors, on our website within four business days following the date of such amendment or waivers. We will provide a copy of the Code of Business Conduct and Ethics to any person without charge, upon request addressed to the Corporate Secretary at Motorcar Parts of America, Inc., 2929 California Street, Torrance, CA 90503.

**Information about Our Non-Director Executive Officers and Significant Employees**

Our executive officers (other than executive officers who are also members of our Board of Directors) and significant employees, their ages and present positions with our company, are as follows:

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
Kevin Daly	50	Chief Accounting Officer

Steve Kratz	55	Chief Operating Officer
David Lee	40	Chief Financial Officer
Mervyn McCulloch	66	Former Chief Acquisitions Officer
Tom Stricker	57	Vice President, Sales Worldwide

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<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
Michael Umansky	68	Vice President, Secretary and General Counsel

Our executive officers are appointed by and serve at the discretion of our Board of Directors. A brief description of the business experience of each of our executive officers other than executive officers who are also members of our Board of Directors and significant employees is set forth below.

*Kevin Daly* has been our Chief Accounting Officer since February 2008. Prior to this, Mr. Daly served as our Vice President, Controller since he joined us in January 2006. From May 2000 until he joined our company, Mr. Daly served as Corporate Controller for Leiner Health Products Inc., a private label manufacturer of vitamins and over-the-counter pharmaceutical products based in Carson, California. From November 1994 until May 2000, Mr. Daly held various director level finance positions at Dexter Corporation. From November 1988 until October 1994, he held various positions in the finance and controller's departments of FMC Corporation, based in Chicago, Illinois. From June 1985 to November 1988, Mr. Daly served as Controller of Bio-logic Systems Corp. Mr. Daly is a Certified Public Accountant and worked in the firm of Laventhol & Horwath from 1981 to 1985. Mr. Daly has a Bachelor of Science degree in Accounting from the University of Illinois and a Master of Business Administration degree from the University of Chicago, Booth Graduate School of Business.

*Steve Kratz* has been our Chief Operating Officer since May 2007. Prior to this, Mr. Kratz served as our Vice President-QA/Engineering since 2001. Mr. Kratz joined our company in April 1988. Before joining us, Mr. Kratz was the General Manager of GKN Products Company, a division of Beck/Arnley-Worldparts. In addition to serving as our Chief Operating Officer, Mr. Kratz heads our quality assurance, research and development, engineering and information technology departments.

*David Lee* has been our Chief Financial Officer since February 2008. Prior to this, Mr. Lee served as our Vice President of Finance and Strategic Planning since January 2006, focusing primarily on financial management and strategic planning. Mr. Lee joined us in February 2005 as a Director of Finance and Strategic Planning. His primary responsibilities as Chief Financial Officer are treasury, budgeting and financial management. From August 2002 until he joined us in 2005, he served as corporate controller of Palace Entertainment, Inc., an amusement and waterpark organization. Prior to this, Mr. Lee held various corporate controller and finance positions for several domestic companies and served in the audit department of Deloitte LLP (formerly known as Deloitte & Touche LLP). Mr. Lee is a Certified Public Accountant. Mr. Lee earned his Bachelor of Arts degree in economics from the University of California, San Diego, and a Masters in Business Administration degree from the University of California Los Angeles Anderson School of Management.

*Mervyn McCulloch* was our Chief Acquisition Officer from February 2008 to August 2009. Prior to this, Mr. McCulloch served as our Chief Financial Officer since his appointment in October 2005. From November 2003 until he joined our company, Mr. McCulloch served as Chief Executive Officer and Chief Financial Officer of Instone LLC, a sports nutrition and diet products company based in Irvine, California. From November 2001 until November 2003, Mr. McCulloch was a business consultant advising start-ups, turnaround candidates and other companies seeking equity funding. From April 1990 until October 2001, he served as Chief Financial Officer of three public companies—Inovio Biomedical Corp., Global Diamonds Inc. and Armor All Products Corp., all based in southern California. Mr. McCulloch is a Certified Public Accountant and was a partner of Deloitte LLP (formerly known as Deloitte & Touche LLP) from March 1972 to March 1990. Mr. McCulloch is a graduate of the University of South Africa and of the University of Witwatersrand Graduate Business School Executive Development Program. *Tom Stricker* our Vice President, Sales Worldwide, has been with our company since 1989 and became the Vice President, Sales Worldwide in April 2007. Mr. Stricker held the position of Vice President Sales of our company since 1989 until assuming his current position. As Vice President, Sales Worldwide, Mr. Stricker oversees all domestic and international sales.

*Michael Umansky* has been our Vice President and General Counsel since January 2004 and is responsible for all legal matters. His responsibilities also include the oversight of Human Resources. His additional appointment as Secretary became effective September 1, 2005. Mr. Umansky was a partner of Stroock & Stroock & Lavan LLP, and the founding and managing partner of its Los Angeles office from 1975 until 1997 and was Of Counsel to that firm from

1998 to July 2001. Immediately prior to joining our company, Mr. Umansky was in the private practice of law, and during 2002 and 2003, he provided legal services to us. From February 2000 until March 2001, Mr. Umansky was Vice President, Administration and Legal, of Hiho Technologies, Inc., a venture capital financed producer of workforce management software. Mr. Umansky is admitted to practice law in California and New York and is a graduate of The Wharton School of the University of Pennsylvania and Harvard Law School.

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There are no family relationships among our directors or named executive officers. There are no material proceedings to which any of our directors or executive officers or any of their associates, is a party adverse to us or any of our subsidiaries, or has a material interest adverse to us or any of our subsidiaries. To our knowledge, none of our directors or executive officers has been convicted in a criminal proceeding during the last five years (excluding traffic violations or similar misdemeanors), and none of our directors or executive officers was a party to any judicial or administrative proceeding during the last five years (except for any matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who own more than ten percent of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Based solely on our review of copies of such forms received by us, or written representations from reporting persons that no such forms were required for those persons, we believe that our insiders complied with all applicable Section 16(a) filing requirements during the fiscal year ended March 31, 2009.

**Legal Proceedings**

On July 22, 2008, we retired 108,534 shares of our common stock which had been pledged by a former officer and director in satisfaction of a \$682,000 shareholder note receivable we recorded in connection with the reimbursement amount owed to us by that former officer and director for certain previously advanced legal fees and costs, plus interest accrued from January 15, 2008 through July 22, 2008. The remaining shares pledged as collateral for this amount were released to the former officer and director.

We are subject to various other lawsuits and claims in the normal course of business. Management does not believe that the outcome of these matters will have a material adverse effect on its financial position or future results of operations.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

*The following discussion and analysis of compensation arrangements of our named executive officers for fiscal 2009 should be read together with the compensation tables and related disclosures set forth below. This discussion contains certain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt in the future may differ materially from currently planned programs as summarized in this discussion.*

*Executive Compensation Summary.*

The retention of experienced, highly-capable and dedicated executives is crucial to the long-term success of our company. To achieve the goal of recruiting, retaining and motivating our executives, our Compensation Committee has developed an overall executive compensation program that rewards these employees for their contributions to our company.

The primary objectives of our practices with respect to executive compensation are to:

provide appropriate incentives to our executive officers to implement our strategic business objectives and achieve the desired company performance;

reward our executive officers for their contribution to our success in building long-term shareholder value; and

provide compensation that will attract and retain superior talent and reward performance.

*Compensation Components.*

With our compensation objectives in mind, our executive officer compensation program consists of five primary elements: (1) base salary; (2) an annual bonus; (3) long-term incentive compensation in the form of stock options; (4) non-qualified deferred compensation arrangements; and (5) coverage under our broad-based employee benefit plans, such as our group health and 401(k) plans, and executive perquisites.

**Base Salary.** Base salary is the fixed component of our executive compensation intended to meet the objective of attracting and retaining the executive officers of superior talent that are necessary to manage and lead our company.

**Annual Bonus.** We utilize annual bonuses that are designed to provide incentives to motivate the achievement of strategic business objectives, desired company performance and individual performance goals.

**Stock Option Program.** Equity awards are an integral part of our overall executive compensation program because we believe that our long-term performance will be enhanced through the use of equity awards that reward our executives for maximizing shareholder value over time. We have historically elected to use stock options that vest over time as the primary long-term equity incentive vehicle to promote retention of our key executives. Although we have not adopted formal stock ownership guidelines, our named directors and executive officers currently hold a significant portion of our fully-diluted common stock, substantially through the ownership of stock options. In addition, our named directors and executive officers purchased approximately 0.3% of our common stock during fiscal 2009. In determining the number of stock options to be granted to executives, we historically have taken into account the individual's position, scope of responsibility, ability to affect profits and shareholder value and the value of the stock options in relation to other elements of the individual executive's total compensation. Currently, a substantial percentage of our outstanding options have exercise prices that are significantly above the current market price of our stock. Due to the limited number of shares of our common stock available for grant of Incentive Awards under our 2003 Long-Term Incentive Plan, we have not utilized equity awards in our executive compensation decisions for fiscal 2009 performance. The Compensation Committee intends to review possible alternatives for re-establishing this component of our overall executive compensation program.

**Deferred Compensation Benefits.** We offer a non-qualified deferred compensation plan to selected executive officers which provides unfunded, non-tax qualified deferred compensation benefits. We believe this program helps promote the retention of our senior executives. Participants may elect to contribute a portion of their compensation

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to the plan, and we make matching contributions of 25% of each participant's elective contributions to the plan up to 6% of the participant's compensation for the year. Contributions for fiscal 2009 and year-end account balances for those executive officers can be found in the Non-Qualified Deferred Compensation table.

**Other Benefits.** We provide to our executive officers medical benefits that are generally available to our other employees. Executives are also eligible to participate in our other broad-based employee benefit plans, such as our long and short-term disability, life insurance and 401(k) plan. Historically, the value of executive perquisites, as determined in accordance with the rules of the SEC related to executive compensation, has not exceeded 10% of the base salary of any of our executives.

### *Determination of Compensation Decisions.*

The Compensation Committee is responsible for establishing, developing and maintaining our executive compensation program. The role of the Compensation Committee is to oversee our compensation and benefits plans and policies, administer our equity incentive plans and review and approve all compensation decisions relating to all executive officers and directors. In order for the Compensation Committee to perform its function, the following process for determining executive compensation decisions has been followed.

**Determining Goals.** Prior to the beginning of each fiscal year, senior executives and department heads meet and establish the Objective Goals, Strategies and Measures (the OGSM) for our company. The OGSM sets forth performance goals for each department of our company and certain employees for the upcoming fiscal year. The OGSM provides a basis for developing a base financial operating plan for the upcoming fiscal year. The OGSM and base financial operating plan are reviewed and approved by our Board of Directors.

On a quarterly basis, the Board of Directors reviews the actual financial performance of our company against the goals set forth in the OGSM and the base financial operating plan. In addition, the members of the Board of Directors receive monthly reports detailing the actual financial performance of our company compared to these goals.

**Determining Executive Compensation.** Our method of determining compensation varies from case to case based on a discretionary and subjective determination of what is appropriate at the time. In determining specific components of compensation, the Compensation Committee considers individual performance, level of responsibility, skills and experience, and other compensation awards or arrangements.

Our general policy for setting base salaries of our named executive officers (the Senior Executives) is to only increase such salaries in the case of promotions. Such promotional increases to base salaries are reviewed by the Compensation Committee on a case-by-case basis. The salary increases reflected in our Summary Compensation Table below reflect such promotional job changes that occurred in fiscal 2008 and 2009. In making such determinations regarding base salaries for the Senior Executives who have been promoted, we take into account such factors as: the Senior Executive's scope of responsibilities and level of experience; salary data for comparable positions at the peer group companies based on reports of our outside consultant and salary survey data provided by our outside consultant; and internal equity of salaries of individuals in comparable positions at our company.

At the end of the fiscal year, department heads assess their progress against the OGSM and base financial operating plan and evaluate their results. These self-assessments are reviewed by the Chief Executive Officer who then undertakes his own evaluation of the executives' performance. This involves a two-step process whereby the Chief Executive Officer evaluates: (i) our company's actual financial performance against the budget, taking into account events that may be beyond the control of any given Senior Executive's performance initiatives; and (ii) each Senior Executive's performance against his OGSM goals. Performance is evaluated in a nonformulaic manner with no specific weighting given to the performance measures. The Chief Executive Officer considers both the financial performance of our company and individual performance relative to each performance goal of the Senior Executives to develop bonus recommendations for each Senior Executive.

The Compensation Committee reviews the performance evaluations and bonus recommendations provided by the Chief Executive Officer and decides whether to approve or adjust his bonus recommendations. The Compensation Committee evaluates all of the factors considered by the Chief Executive Officer and reviews the compensation summaries for each Senior Executive, including base salary, bonus, equity awards (if any), deferred compensation benefits and other benefits. In determining specific components of compensation, the Compensation Committee considers individual performance, level of responsibility, skills and experience, and other compensation awards or





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arrangements. These measures are evaluated in a non-formulaic manner with no specific weighting given to any specific measure. Based on its review and evaluation, the Compensation Committee makes the final determination of the annual bonuses to be paid to the Senior Executives and reports its decisions to the entire Board of Directors. Our Compensation Committee performs an annual review of our compensation policies, including the appropriate mix of base salary, bonuses and long-term incentive compensation. The Compensation Committee also reviews and approves all long-term incentive compensation and other benefits (including our 401(k) and our non-qualified deferred compensation plan).

**Determining Chief Executive Officer Compensation.** The Compensation Committee is responsible for evaluating the performance of Mr. Joffe, our Chief Executive Officer, and setting his annual compensation. In determining these elements of compensation for Mr. Joffe, the Compensation Committee considered the contributions Mr. Joffe has made to our strategic direction. The Compensation Committee reviews the key operating results and key strategic initiatives of our company to determine if the Chief Executive Officer has achieved the goal of strategically enhancing our company while maintaining favorable operating metrics. The Compensation Committee also takes into consideration the standard of living of the Los Angeles vicinity in which our corporate offices are located. The Compensation Committee separately reviews all relevant information, including reports provided by its outside consultant, and arrives at its decision for the Chief Executive Officer's total compensation. The Chief Executive Officer's performance is evaluated in a non-formulaic manner with no specific weighting given to anyone of the performance measures. Mr. Joffe does not participate in any decision regarding his compensation. Our employment agreement with Mr. Joffe provides that we may increase, but not decrease, his base salary, which is set at \$500,000. See the Employment Agreements section below for a further discussion of certain compensations amounts payable to Mr. Joffe pursuant to his employment agreement. Upon making its determination, the Compensation Committee reports its decision concerning Mr. Joffe's compensation to the entire Board of Directors.

**Compensation Committee Consultant.** The Compensation Committee currently retains Towers Perrin as its outside compensation consultant. Towers Perrin does not perform any other consulting work for our company, reports directly to the Compensation Committee, and takes direction from the Chairman of the Compensation Committee. The Compensation Committee engaged Towers Perrin to prepare a complete competitive assessment of our executive compensation practices in 2004, an updated assessment of the compensation of our Chief Executive Officer in 2006 and a complete executive compensation assessment in 2009.

The Compensation Committee considers analysis and advice from its outside consultant when making compensation decisions for the Chief Executive Officer and other Senior Executives. The outside consultant's work for the Compensation Committee includes data analysis, market assessments, and preparation of related reports.

**Peer Group.** While the Compensation Committee does not undertake a formalized benchmarking process, it does review the assessment provided by its outside consultant detailing the competitiveness of our executive compensation relative to our peer group when making its executive compensation decisions. Our peer group includes ATC Technology Corp., Dorman Products Inc., Modine Manufacturing Co., Proliance International Inc., Standard Motor Products Inc., Strattec Security Corp and Superior Industries International Inc. The peer group is reviewed annually with the assistance of our outside consultant to ensure that the peer companies remain an appropriate basis for comparison.

*Senior Executive Compensation Decisions (Other than the Chief Executive Officer).*

The Compensation Committee made decisions for each of the named executive officers (other than the Chief Executive Officer) following the process described above and established the following individual performance goals for each such officer:

**Mervyn McCulloch, Chief Acquisitions Officer**

Identify potential acquisition targets

Manage acquisition transactions

**David Lee, Chief Financial Officer**

Maintain an effective treasury function, including budgeting and forecasting

Manage our cash flows

Minimize the loan and interest expenses we incur

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**Steve Kratz, Chief Operating Officer**

Evaluate and manage the key operating metrics for us

Increase quality of our product, including establishing a quality benchmark program

Implement strategies aimed at reducing our warranty rates

Improve effectiveness of our recovery operations

**Kevin Daly, Chief Accounting Officer**

Provide timely and accurate services and information to our management, Board of Directors and other stakeholders

Maintain and improve top-level financial knowledge and accounting controls

**Michael Umansky, Vice President, Secretary and General Counsel**

Limit our legal risk exposure

Decrease our legal and insurance costs

Maintain compliance standards with investor relations communications

Develop and protect intellectual property for our business processes

Advise on and implement any transactional business opportunities, including acquisitions

**Doug Schooner, Vice President, Manufacturing**

Ensure the quality of our products through the manufacturing process

Maximize all manufacturing efficiencies to ensure fill rates to our customers

Maintain appropriate levels of offshore production volume and capacity

Maintain a global manufacturing and multifunctional support group

Reorganize special order department to maintain ability of changing unit technology

Complete the reorganization of the production shop

Expand the recovery remanufacturing process

**Tom Stricker, Vice President, Sales**

Manage the sales function, including infrastructure, for our company

Increase sales and profitability with our existing customers

Develop and pursue contacts that lead to new customer business

Ensure the appropriate structure to support and exceed customer needs

Based on our financial results in fiscal 2009 and the evaluation of each Senior Executive's performance against his individual goals in accordance with the process outlined above, the Compensation Committee approved the following base salaries and annual bonuses earned during fiscal 2009 for these Senior Executives:

Name	Base Salary	Bonus
------	-------------	-------

Mervyn McCulloch	\$250,000	\$40,000
David Lee	\$178,500	\$50,000
Kevin Daly	\$180,000	\$50,000
Steve Kratz	\$282,800	\$55,000
Michael Umansky	\$406,000	\$40,000
Doug Schooner	\$213,600	\$50,000
Tom Stricker	\$210,000	\$60,000

*Chief Executive Officer Compensation Decisions.*

The Compensation Committee made decisions for the Chief Executive Officer's compensation following the process described above and established the following individual performance goals:

Ensure appropriate information is communicated to our Board of Directors

Ensure that the appropriate management team and corporate focus is in place

Develop an appropriate succession plan

Develop key strategies in all areas aimed at driving our company forward

Maintain the appropriate financial structure for our company

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Make decisions on all key initiatives proposed by senior management

Strengthen our relationships with key customers through long-term arrangements

Continue the transitioning our remanufacturing capacity to cell manufacturing and lower-cost production centers, including the establishment of our Mexican remanufacturing facility

Build sales for both the do-it-for-me and DIY marketplaces

Evaluate and propose systems and initiatives for continuous improvement in all disciplines of our business

Identify and drive any acquisitions

The Compensation Committee recognized that our company is a complicated business to manage, particularly in light of its size and complex accounting issues, and that this complexity may not be adequately reflected in the company's income levels. The Compensation Committee also recognized Mr. Joffe's contribution in establishing our company's reputation and growth capacity. In addition, Mr. Joffe's contributions have been made during a period when several of our competitors have been under financial stress.

The Compensation Committee considered Mr. Joffe's performance against his individual goals and the above factors regarding the complexity of our business and competitive position and determined that Mr. Joffe's base salary would remain at its current annual level of \$500,000 during fiscal 2009 and his annual bonus would be \$500,000.

**Tax Considerations**

Section 162(m) of the Internal Revenue Code of 1986, as amended, (the Code) generally disallows a tax deduction for annual compensation in excess of \$1.0 million paid to our named executive officers. Qualifying performance-based compensation (within the meaning of Section 162(m) of the Code and regulations) is not subject to the deduction limitation if specified requirements are met. We generally intend to structure the performance-based portion of our executive compensation, when feasible, to comply with exemptions in Section 162(m) so that the compensation remains tax deductible to us. However, our Board of Directors or Compensation Committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

In limited circumstances, we may agree to make certain items of income payable to our named executive officers tax-neutral to them. Accordingly, we have agreed to gross-up certain payments to our Chief Executive Officer to cover any excise taxes (and related income taxes on the gross-up payment) that he may be obligated to pay with respect to the first \$3,000,000 of parachute payments (as defined in Section 280G of the Code) to be made to him upon a change of control of our company.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

**By Members of the Compensation Committee**

Rudolph Borneo, Chairman

Philip Gay

Duane Miller

Jeffrey Mirvis

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The following table sets forth information concerning fiscal 2009, 2008 and 2007 compensation of our Chief Executive Officer, Chief Acquisition Officer, Chief Financial Officer, Chief Accounting Officer and the four other most highly compensated executive officers who were serving as executive officers at the end of fiscal 2009, 2008 and 2007, and whose aggregate compensation was at least \$100,000 for services rendered in all capacities. We refer to these individuals as our named executive officers. Mr. Lee, Chief Financial Officer, Mr. Daly, Chief Accounting Officer, and Mr. Kratz, Chief Operating Officer, are included as named executive officers because of their promotions in fiscal 2008.

Name & Principal Position	Fiscal Year	Salary	Stock		Non-Qualified Deferred Compensation		All Other Compensation	Total
			Bonus (1) (2)	Awards (3)	Earnings	(4)		
Selwyn Joffe Chairman of the Board, President and CEO	2009	\$500,000	\$500,100	\$256,973	\$5,889	\$165,164	\$1,428,126	
	2008	500,000	\$500,100	\$523,989	47,330	107,240	1,678,659	
	2007	500,000	\$500,100	\$821,026		97,110	1,918,236	
Mervyn McCulloch Chief Acquisition Officer	2009	\$250,000	\$40,100	\$28,812		\$24,712	\$343,624	
	2008	250,000	50,100	59,738		22,077	381,915	
	2007	245,616	50,100	79,768		24,021	399,505	
David Lee Chief Financial Officer	2009	\$178,500	\$50,100	\$1,821		\$38,819	\$269,240	
	2008	154,385	50,100	7,819		33,454	245,758	
Kevin Daly Chief Accounting Officer	2009	\$180,000	\$50,100	\$8,585		\$20,888	\$256,321	
	2008	171,538	50,100	5,333		16,997	247,220	
Steve Kratz Chief Operating Officer	2009	\$282,800	\$55,100	\$7,282		\$17,644	\$362,826	
	2008	231,100	100,100	21,616		17,377	370,193	
Michael Umansky Vice President, Secretary and General Counsel	2009	\$406,000	\$40,100	\$14,564		\$47,706	\$508,370	
	2008	406,000	70,100	52,202	12,836	44,230	565,368	
	2007	401,616	50,100	81,215		47,086	580,017	
Doug Schooner Vice President, Manufacturing	2009	\$213,600	\$50,100	\$14,564		\$54,667	\$332,931	
	2008	191,000	60,100	43,233	17,136	51,830	363,299	
	2007	186,615	100,100	67,762		48,698	403,175	
Tom Stricker Vice President, Sales Worldwide	2009	\$210,000	\$60,100	\$14,564	\$20,715	\$24,469	\$329,848	
	2008	210,000	60,100	43,233	19,751	20,303	353,387	
	2007	186,615	60,100	67,762		18,495	332,972	

(1) Bonus amounts for each named executive officer include a \$100 bonus paid

to each of the  
company's  
employees  
during  
December of  
each year,  
including the  
named  
executive  
officers.

(2) We previously  
reported fiscal  
2008 and 2007  
bonus amounts  
based on bonus  
payment dates.  
For consistency  
with the  
reporting of our  
fiscal 2009  
bonus amounts,  
we are reporting  
bonus amounts  
for fiscal 2007  
and 2008 in this  
table based on  
the periods in  
which such  
bonus amounts  
were earned.

(3) Option award  
amounts  
represent the  
executive's  
portion of our  
reported stock  
compensation  
expense for the  
fiscal year in  
accordance with  
SFAS  
No. 123(R).  
Please refer to  
Note 2 and 7 of  
the notes to our  
audited  
consolidated  
financial  
statements



included in  
Part IV of this  
Form 10-K for  
discussion of  
the relevant  
assumptions to  
determine the  
option award  
value at the  
grant date. No  
awards were  
forfeited as of  
March 31, 2009.

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- (4) The fiscal 2009 amounts shown for Mr. Umansky and Mr. Schooner do not reflect the year over year decrease in the aggregate value of the deferred compensation plan of \$19,303 and \$46,287, respectively.
- (5) The following chart is a summary of the items that are included in the All Other Compensation totals:

Name	Expenses Automobile	Health Insurance Premiums	401K Employer s Contribution	Deferred Compensation Plan		Other	Total
				Employer s Contribution			
Selwyn Joffe	\$ 25,894	\$ 59,939	\$ 4,650	\$		\$74,681	\$165,164
Mervyn McCulloch	\$ 1,634	\$ 19,431	\$ 3,647	\$		\$	\$ 24,712
David Lee	\$	\$ 35,423	\$ 3,396	\$		\$	\$ 38,819
Kevin Daly	\$	\$ 17,644	\$ 3,244	\$		\$	\$ 20,888
Steve Kratz	\$	\$ 17,644	\$	\$		\$	\$ 17,644
Michael Umansky	\$ 1,915	\$ 35,423	\$ 3,224	\$ 7,144		\$	\$ 47,706
Doug Schooner	\$ 95	\$ 50,481	\$	\$ 4,091		\$	\$ 54,667
Tom Stricker	\$ 3,012	\$ 17,644	\$ 3,813	\$		\$	\$ 24,469

**2009 Grants of Plan-Based Awards**

No options were granted to our named executive officers in fiscal 2008.

**Outstanding Equity Awards At Fiscal Year End Option Awards**

The following table summarizes information regarding option awards granted to our named executive officers that remain outstanding as of March 31, 2008.

	Number of Securities Underlying	Number of Securities Underlying	Option	Option
--	---------------------------------------	---------------------------------------	--------	--------

<b>Name</b>	<b>Unexercised Options (#) Exercisable vested</b>	<b>Unexercised Options (#) Unexercisable unvested</b>	<b>Exercise Price (\$)</b>	<b>Expiration Date</b>
Selwyn Joffe	40,000		\$ 2.200	01/11/2010
	1,500		\$ 1.210	04/30/2010
	1,500		\$ 1.130	04/30/2011
	43,750		\$ 3.150	11/15/2011
	1,500		\$ 3.600	04/29/2012
	100,000		\$ 2.160	03/2/2013
	1,500		\$ 1.800	04/29/2013
	100,000		\$ 6.345	01/13/2014
	200,000		\$ 9.270	07/20/2014
	150,000		\$10.010	11/2/2015
	225,000	25,000(1)	\$12.000	08/29/2016
	Mervyn McCulloch	25,000		\$ 9.65
25,000			\$ 12.00	08/29/2016
David Lee	5,000		\$ 10.10	11/2/2015
	2,500		\$ 12.00	08/29/2016

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Kevin Daly	5,000	\$ 10.15	01/3/2016
	2,500	\$ 12.00	08/29/2016
Steve Kratz	35,600	\$ 3.15	11/15/2011
	2,500	\$ 8.70	05/11/2014
	6,000	\$ 10.10	11/2/2015
	10,000	\$ 12.00	08/29/2016
Michael Umansky	25,000	\$ 10.01	11/2/2015
	20,000	\$ 12.00	08/29/2016
Doug Schooner	5,000	\$ 1.10	04/12/2011
	19,000	\$ 3.15	11/15/2011
	12,000	\$ 8.70	05/11/2014
	12,000	\$ 10.01	11/2/2015
	20,000	\$ 12.00	08/29/2016
Tom Stricker	17,250	\$ 3.15	11/15/2011
	12,000	\$ 8.70	05/11/2014
	12,000	\$ 10.01	11/2/2015
	20,000	\$ 12.00	08/29/2016
Mel Marks	1,500	\$ 1.21	04/30/2010
	1,500	\$ 1.13	04/30/2011
	1,500	\$ 3.60	04/29/2012
	1,500	\$ 1.80	04/29/2013

(1) This award vests 3/10th on each anniversary from grant date, August 30, 2006, with the remaining 1/10th vesting on the fourth anniversary from grant date, subject to continued employment.

**Option Exercises and Stock Vested**

None of our named executive officers exercised any stock options or had any shares of restricted stock vest during the 2009 fiscal year.

**Nonqualified Deferred Compensation**

The following table sets forth certain information regarding contributions, earnings and account balances under our Amended and Restated Executive Deferred Compensation Plan, our only defined contribution plan that provides for the deferral of compensation on a basis that is not-tax qualified, for each of the named executive officers as of fiscal year ended March 31, 2009. A description of the material terms and conditions of the Amended and Restated Executive Deferred Compensation Plan follows.

Name	Executive	Registrants	Aggregate		Aggregate
	Contributions	contribution	Earnings	Aggregate	Balance
	in	in	in Last	Withdrawals/Distribution	at
	Last FY (1)	last FY (2)	FY		Last FYE
Selwyn Joffe	\$	\$	\$	\$	\$
Mervyn McCulloch	\$	\$	\$	\$	\$
David Lee	\$	\$	\$	\$	\$
Kevin Daly	\$	\$	\$	\$	\$
Steve Kratz	\$	\$	\$	\$	\$
Michael Umansky	\$ 28,576	\$ 7,144	\$ (32,305)	\$	\$ 152,096
Doug Schooner	\$ 16,363	\$ 4,091	\$ (47,974)	\$	\$ 118,713
Tom Stricker	\$	\$	\$	\$	\$

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- (1) The amounts set forth in this column are included in the Salary and Bonus columns, as applicable, in our Summary Compensation Table .
- (2) See description of the Non-Qualified Deferred Compensation Plan in the Grants of Plan Based Awards section. The following table shows our contribution to each named executive officer s account:

<b>Name</b>	<b>Contribution</b>	<b>Interest (a)</b>	<b>Total</b>
Selwyn Joffe	\$	\$	\$
Mervyn McCulloch	\$	\$	\$
David Lee	\$	\$	\$
Kevin Daly	\$	\$	\$
Steve Kratz	\$	\$	\$
Michael Umansky	\$ 7,144	\$	\$7,144
Doug Schooner	\$ 4,091	\$	\$4,091
Tom Sticker	\$	\$	\$

- (a) No interest is paid by the registrant.

*Nonqualified Deferred Compensation Plan*

We maintain the Motorcar Parts of America, Inc. Amended and Restated Executive Deferred Compensation Plan, an unfunded, non-qualified deferred compensation plan for a select group of management or highly compensated employees, including our named executive officers. Participants in the plan may elect to defer up to 100% of their gross W-2 compensation. We make matching contributions of 25% of each participant s elective contributions to the plan, up to 6% of the participant s compensation for the plan year. The plan is designed to defer taxation to the participant on contributions and notional earnings thereon until distribution thereof in accordance with a participant s

previously made distribution elections. Insurance annuity contracts provide funding for the plan, however, the annuity contracts are owned by us and remain subject to claims of our general creditors.

#### **Employment Agreements**

On February 14, 2003, we entered into an employment agreement with Selwyn Joffe pursuant to which he is employed full-time as our President and Chief Executive Officer in addition to serving as our Chairman of the Board of Directors. This agreement, which was negotiated on our behalf by Mel Marks, the then Chairman of the Compensation Committee, and unanimously approved by our Board of Directors, was originally scheduled to expire on March 31, 2006. The February 14, 2003 agreement provided for an annual base salary of \$500,000, and participation in our executive bonus program. Mr. Joffe remains entitled to receive a transaction fee of 1.0% of the total consideration of any equity transaction, including any transaction resulting in a change of control, his efforts bring to us that we previously agreed to provide to him as part of a prior consulting agreement with Protea Group, Mr. Joffe's company. Mr. Joffe also participates in the stock option plans approved by the shareholders and also receives other benefits including those generally provided to other employees.

On April 22, 2005, we entered into an amendment to our employment agreement with Mr. Joffe. Under the amendment, Mr. Joffe's term of employment was extended from March 31, 2006 to March 31, 2008. His base salary, bonus arrangements, 1% transaction fee right and fringe benefits remained unchanged. This amendment was unanimously approved by our Board of Directors.

Before the amendment, Mr. Joffe had the right to terminate his employment upon a change of control and receive his salary and benefits through March 31, 2006. Under the amendment, upon a change of control (which has been redefined pursuant to the amendment), Mr. Joffe will be entitled to a sale bonus equal to the sum of (i) two times his base salary plus (ii) two times his average bonus earned for the two years immediately prior to the change of control. The amendment also grants Mr. Joffe the right to terminate his employment within one year of a change of control and to then receive salary and benefits for a one-year period following such termination plus a bonus equal to the average bonus Mr. Joffe earned during the two years immediately prior to his voluntary termination.

If Mr. Joffe is terminated without cause or resigns for good reason (as defined in the amendment), the registrant must pay Mr. Joffe (i) his base salary, (ii) his average bonus earned for the two years immediately prior to termination, and (iii) all other benefits payable to Mr. Joffe pursuant to the employment agreement, as amended, through the later of two years after the date of termination of employment or March 31, 2008. Under the

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amendment, Mr. Joffe is also entitled to an additional gross-up payment to offset the excise taxes (and related income taxes on the gross-up payment) that he may be obligated to pay with respect to the first \$3,000,000 of parachute payments (as defined in Section 280G of the Code) to be made to him upon a change of control. The amendment has redefined the term for cause to apply only to misconduct in connection with Mr. Joffe's performance of his duties. Pursuant to the amendment, any options that have been or may be granted to Mr. Joffe will fully vest upon a change of control and be exercisable for a two-year period following the change of control, and Mr. Joffe agreed to waive the right he previously had under the employment agreement to require the registrant to purchase his option shares and any underlying options if his employment were terminated for any reason. The amendment further provides that Mr. Joffe's agreement not to compete with us terminates at the end of his employment term.

In December 2006, our employment agreement with Mr. Joffe was amended to extend the term of this agreement from March 31, 2008 to August 30, 2009. This amendment was unanimously approved by our Board of Directors.

On March 27, 2008, our employment agreement with Mr. Joffe was further amended to extend the term of this agreement from August 30, 2009 to August 31, 2012. All other terms and conditions of Mr. Joffe's employment remained unchanged. This amendment was unanimously approved by our Board of Directors.

On December 31, 2008, we entered into an amended and restated employment agreement with Mr. Joffe. Mr. Joffe's previous employment agreement was amended and restated primarily to add language that satisfies the requirements of the final treasury regulations issued pursuant to Section 409A of the Code with respect to certain of the payments that may be provided to Mr. Joffe pursuant to the employment agreement. The restated agreement does not increase the amounts payable to Mr. Joffe as salary, bonus, severance or other compensation, nor does it extend the term of employment, but it does clarify that if we terminate the restated agreement without cause, either directly or constructively, Mr. Joffe will be entitled to receive severance payments until the later of (i) that date which is two years after the termination date or (ii) the date upon which the restated agreement would otherwise have expired. All other substantive terms and conditions of Mr. Joffe's employment remain unchanged. The restated agreement was unanimously approved by our Board of Directors.

In February 2008, we entered into a letter agreement with Mr. McCulloch pursuant to which his current pay and benefits will remain unchanged, except that Mr. McCulloch will be entitled to: (i) a proportionate bonus for the fiscal year ended March 31, 2008 for his services as our Chief Financial Officer during that period so long as bonuses are generally paid to our other executives; (ii) the right to earn certain bonuses in his position as Chief Acquisitions Officer for the successful consummation of specified acquisitions, the amount and terms of which shall be agreed to in writing by our Chief Executive Officer; and (iii) six months' notice or the payment of six months of his then current pay (or combination thereof) in lieu of such notice in the event of termination of his employment with us for any reason. On February 16, 2009, we notified Mr. McCulloch that his right to six months' notice or salary (or a combination thereof) in the event of his termination shall terminate on August 18, 2009.

In conformity with our policy, all of our directors and officers execute confidentiality and nondisclosure agreements upon the commencement of employment. The agreements generally provide that all inventions or discoveries by the employee related to our business and all confidential information developed or made known to the employee during the term of employment shall be our exclusive property and shall not be disclosed to third parties without our prior approval.

**Potential Payments Upon Termination or Change in Control Table**

The following table provides an estimate of the inherent value of Mr. Joffe's employment agreement described above, assuming the agreements were terminated on March 31, 2009, the last day of fiscal 2009. Please refer to Employment Agreements for more information.



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Benefit	Termination by Company for			Before Change of Control:	Change in Control	After Change of Control:
	Cause (1)	Death (2)	Disability (3)	Voluntary Termination by Mr. Joffe for Good Reason or Termination by Company w/o Cause (4)		Control: Voluntary Termination by Mr. Joffe for Good Reason (5)
Salary Continuation	\$	\$	\$	\$ 1,000,000	\$	\$ 500,000
Bonus	\$ 500,100	\$ 500,100	\$ 500,100	\$ 1,000,000	\$	\$ 500,100
Stock Options (6)	\$	\$ 58,403	\$ 58,403	\$ 58,403	\$	\$ 58,403
Healthcare	\$	\$	\$ 24,000	\$ 48,000	\$	\$ 24,000
Transaction Fee (7)	\$	\$	\$	\$	\$	\$
Sale Bonus (8)	\$	\$	\$	\$	\$ 200,200	\$
Automobile Allowance (9)	\$	\$	\$	\$ 36,000	\$	\$ 18,000
Accrued Vacation Payments	\$ 82,175	\$ 82,175	\$ 82,175	\$ 164,350	\$	\$ 82,175

- (1) Upon a termination for cause, Mr. Joffe will be entitled to his accrued salary, bonus and transaction fees (as described in footnote 7), if any, and benefits owing to him through the day of his termination.
- (2) Mr. Joffe's employment term will end on the date of his death. Upon such event, Mr. Joffe's estate

will be entitled to receive his accrued salary, bonus and transaction fees (as described in footnote 7), if any, and benefits, including accrued but unused vacation time, owing to Mr. Joffe through the date of his death. In addition, Mr. Joffe's estate will assume Mr. Joffe's rights under the 1994 Stock Option Plan and the related rights under the employment agreement.

- (3) If during the employment term, Mr. Joffe becomes disabled and is terminated by us, Mr. Joffe will be entitled to receive his accrued salary, bonus, and transaction fees (as described in footnote 7), if any, and benefits owing to Mr. Joffe through the date of termination. In addition, Mr. Joffe will be entitled to receive the

benefits payable pursuant to a disability insurance policy, which we pay Mr. Joffe \$24,000 annually to be used by Mr. Joffe to purchase same for his benefit.

- (4) Upon a termination by Mr. Joffe for good reason or by us without cause, Mr. Joffe will be entitled to receive his base salary, his average bonus earned for the two years immediately preceding his termination, all vacation, healthcare and disability benefits, automobile allowance, and any accrued transaction fees (as described in footnote 7). The payments are to be paid to Mr. Joffe until March 31, 2010.
- (5) If a change in control occurs, Mr. Joffe will have the right to voluntarily terminate the employment

agreement  
within one year  
of the change in  
control upon  
giving at least  
90 days prior  
written notice.

Upon such  
voluntary  
termination, he  
will be entitled  
to receive for  
one year after  
his termination  
date, his base  
salary, his  
average bonus  
earned for the  
two years  
immediately  
preceding his  
termination,  
accrued  
vacation  
payments,  
healthcare and  
disability  
benefits,  
automobile  
allowance, and  
any accrued  
transaction fees  
(as described in  
footnote 7).

- (6) Upon the  
termination of  
the employment  
agreement, for  
any reason other  
than termination  
by us for cause  
or termination  
by Mr. Joffe  
without good  
reason, any  
options which  
are not fully  
vested will  
immediately  
vest and remain

exercisable by Mr. Joffe for a period of two years or, if shorter, until the ten year anniversary of the date of grant of each such option. The inherent value shown in the table is the additional compensation expense we would have recorded upon the immediate vesting of all options which were not fully vested at March 31, 2009.

- (7) In the event that one or more proposed transactions occur during the term of Mr. Joffe's employment agreement, Mr. Joffe will be entitled to receive a transaction fee, as additional compensation with respect to each proposed transaction. We will pay Mr. Joffe a transaction fee upon the closing of a proposed transaction in

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an amount equal to 1% of the total consideration . Since no transaction fee was accrued as of March 31, 2009 and there were no proposed transactions on which to estimate a 1% fee as of March 31, 2009, zero amounts were entered.

- (8) Upon a change in control, Mr. Joffe will be entitled to receive a sale bonus equal to the sum of (i) two times Mr. Joffe's salary, plus (ii) two times Mr. Joffe's average bonus earned for the two years immediately prior to the year in which the change in control occurs. The sale bonus will be paid to Mr. Joffe in a lump sum on the closing date of the change in control transaction. If Mr. Joffe terminates his

employment after this change of control, he will also be entitled to the compensation and other benefits described in footnote 5 above.

- (9) Mr. Joffe is entitled to receive an automobile allowance until March 31, 2010 in the amount of \$1,500 per month, payable monthly. In addition, all costs of operating the automobile, including fuel, oil, insurance, repairs, maintenance and other expenses, are our responsibility.

#### **Equity Based Employee Benefit Plans**

*2003 Long-Term Incentive Plan.* On October 31, 2003, our Board of Directors adopted our 2003 Long-Term Incentive Plan. The purpose of the 2003 Long-Term Incentive Plan is to foster and promote our long-term financial success and interests and to materially increase the value of the equity interests in the Company by: (a) encouraging the long-term commitment of selected key employees, (b) motivating superior performance of key employees by means of long-term performance related incentives, (c) encouraging and providing key employees with a formal program for obtaining an ownership interest in the Company, (d) attracting and retaining outstanding key employees by providing incentive compensation opportunities competitive with other major companies, and (e) enabling participation by key employees in our long-term growth and financial success. The plan is administered by our Compensation Committee. Our Compensation Committee has the full power and authority to construe and interpret the 2003 Long-Term Incentive Plan and may, from time to time, adopt such rules and regulations of carrying out the 2003 Long-Term Incentive Plan as it may deem appropriate. The decisions of the Compensation Committee are final, conclusive and binding upon all parties.

Under the 2003 Long-Term Incentive Plan, the Compensation Committee has the authority to grant to our key employees and consultants the following types of awards ( *Incentive Awards* ): (i) stock options in the form of incentive stock options qualified under section 422 of the Code ( *Incentive Options* ), or nonqualified stock options ( *Nonqualified Options* ), or both ( *Options* ); (ii) stock appreciation rights ( *SARs* ); (iii) restricted stock ( *Restricted*

Stock ); (iv) performance-based awards; and (v) supplemental payments dedicated to payment of any income taxes that may be payable in conjunction with the 2003 Long-Term Incentive Plan. All of our employees are eligible to participate in the 2003 Long-Term Incentive Plan. A total of 1,200,000 shares of common stock have been reserved for grants of Incentive Awards under the 2003 Long-Term Incentive Plan. The 2003 Long-Term Incentive Plan will terminate on October 31, 2013, unless terminated earlier by our Board of Directors.

The Compensation Committee may limit an optionee's right to exercise all or any portion of an Option until one or more dates subsequent to the date of grant. The Compensation Committee also has the right, in its sole discretion, to accelerate the date on which all or any portion of an Option may be exercised. The 2003 Long-Term Incentive Plan also provides that, under certain circumstances, if any employee is terminated within two years after a Change of Control (as defined in the 2003 Long-Term Incentive Plan), each Option or SAR then outstanding shall immediately become vested and immediately exercisable in full, all restrictions and conditions of all Restricted Stock then outstanding shall be deemed satisfied and the restriction period to have expired, and all Performance Shares and Performance Units shall become vested, deemed earned in full and properly paid. In the event of a change of control, however, our Board of Directors may, after notice to the participant, require the participant to cash-out his or her rights by transferring them to the Company in exchange for their equivalent cash value.

If we terminate an employee's employment for any reason other than death, disability, retirement, involuntary termination or termination for good reason, any Incentive Award outstanding at the time and all rights there under will terminate, and unless otherwise established by the Compensation Committee, no further vesting shall occur and the participant shall be entitled to exercise his or her rights (if any) with respect to the portion of the Incentive Award vested as of the date of termination for a period of 30 calendar days after such termination date; provided, however, that if an Employee is terminated for cause, this employee's right to exercise his or her rights (if any) with respect to the vested portion of his or her Incentive Award shall terminate as of the date of termination of employment. In the event of termination for death, disability, retirement, or in connection with a change in control, an Incentive Award may be only exercised as provided in an individual's incentive agreement, or as determined by the Compensation Committee.



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**Options.** No Incentive Option may be granted with an exercise price per share less than the fair market value of the common stock at the date of grant. Nonqualified Options may be granted at any exercise price. The exercise price of an Option may be paid in cash, by an equivalent method acceptable to the Compensation Committee, or, at the Compensation Committee's discretion, by delivery of already owned shares of common stock having a fair market value equal to the exercise price, or, at the Compensation Committee's discretion, by delivery of a combination of cash and already owned shares of common stock. However, if the optionee acquired the stock to be surrendered directly or indirectly from us, he or she must have owned the stock to be surrendered for at least six months prior to tendering such stock for the exercise of an Option.

An eligible employee may receive more than one Incentive Option, but the maximum aggregate fair market value of the common stock (determined when the Incentive Option is granted) with respect to which Incentive Options are first exercisable by such employee in any calendar year cannot exceed \$100,000. In addition, no Incentive Option may be granted to an employee owning directly or indirectly stock possessing more than 10% of the total combined voting power of all classes of our stock (a 10% shareholder), unless the exercise price is not less than 110% of the fair market value of the shares subject to such Incentive Option on the date of grant. Awards of Nonqualified Options are not subject to these special limitations.

Except as otherwise provided by the Compensation Committee, awards under the 2003 Long-Term Incentive Plan are not transferable other than as designated by the participant by will or by the laws of descent and distribution. The expiration date of an Incentive Option is determined by the Compensation Committee at the time of the grant, but in no event may an Incentive Option be exercisable after the expiration of 10 years from the date of grant of the Incentive Option (five years in the case of an Incentive Option granted to a 10% shareholder).

**SARs.** SARs may be granted under the 2003 Long-Term Incentive Plan in conjunction with all or part of an Option, or separately. The exercise price of the SAR shall not be less than the fair market value of the common stock on the date of the grant of the option to which it relates. The SAR granted in conjunction with an Option will be exercisable only when the underlying Option is exercisable and once an SAR has been exercised, the related portion of the Option underlying the SAR will terminate. Upon the exercise of an SAR, the Company will pay to the participant in cash, common stock, or a combination thereof (the method of payment to be at the discretion of the Compensation Committee), an amount equal to the excess of the fair market value of the common stock on the exercise date over the option price, multiplied by the number of SARs being exercised.

The Compensation Committee, either at the time of grant or at the time of exercise of any Nonqualified Option or SAR, may provide for a supplemental payment ( Supplemental Payment ) by the Company to the participant with respect to the exercise of any Nonqualified Option or SAR, in an amount specified by the Compensation Committee, but which shall not exceed the amount necessary to pay the federal income tax payable with respect to both the exercise of the Nonqualified Option and/or SAR and the receipt of the Supplemental Payment, based on the assumption that the participant is taxed at the maximum effective federal income tax rate on such amounts. The Compensation Committee shall have the discretion to grant Supplemental Payments that are payable in cash, common stock, or a combination of both, as determined by the Compensation Committee at the time of payment.

**Restricted Stock.** Restricted Stock awards may be granted under the 2003 Long-Term Incentive Plan, and the provisions applicable to a grant of Restricted Stock may vary among participants. In making an award of Restricted Stock, the Compensation Committee will determine the periods during which the Restricted Stock is subject to forfeiture. During the restriction period, the Participant may not sell, transfer, pledge or assign the Restricted Stock, but will be entitled to vote the Restricted Stock. The Compensation Committee, at the time of vesting of Restricted Stock, may provide for a Supplemental Payment by the Company to the participant in an amount specified by the Compensation Committee that shall not exceed the amount necessary to pay the federal income tax payable with respect to both the vesting of the Restricted Stock and receipt of the Supplemental Payment, based on the assumption that the participant is taxed at the maximum effective federal income tax rate on such amount.

**Performance Units.** The Compensation Committee may grant Incentive Awards representing a contingent right to receive cash ( Performance Units ) or shares of common stock ( Performance Shares ) at the end of a performance period. The Compensation Committee may grant Performance Units and Performance Shares in such a manner that more than one performance period is in progress concurrently. For each performance period, the Compensation

Committee shall establish the number of Performance Units or Performance Shares and the contingent value of any Performance Units or Performance Shares, which may vary depending on the degree to which performance

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objectives established by the Compensation Committee are met. The Compensation Committee may modify the performance measures and objectives as it deems appropriate.

The basis for payment of Performance Units or Performance Shares for a given performance period shall be the achievement of those financial and non-financial performance objectives determined by the Compensation Committee at the beginning of the performance period. If minimum performance is not achieved for a performance period, no payment shall be made and all contingent rights shall cease. If minimum performance is achieved or exceeded, the value of a Performance Unit or Performance Share shall be based on the degree to which actual performance exceeded the pre-established minimum performance standards, as determined by the Compensation Committee. The amount of payment shall be determined by multiplying the number of Performance Units or Performance Shares granted at the beginning of the performance period by the final Performance Unit or Performance Share value. Payments shall be made, in the discretion of the Compensation Committee, solely in cash or common stock, or a combination of cash and common stock, following the close of the applicable performance period.

The Compensation Committee, at the date of payment with respect to such Performance Units or Performance Shares, may provide for a Supplemental Payment by us to the participant in an amount specified by the Compensation Committee, which shall not exceed the amount necessary to pay the federal income tax payable with respect to the amount of payment made with respect to such Performance Units or Performance Shares and receipt of the Supplemental Payment, based on the assumption that the participant is taxed at the maximum effective federal income tax rate on such amount.

*Non-Employee Director Option Plan.* The purpose of our Non-Employee Director Stock Option Plan is to foster and promote our long-term financial success and interests and to materially increase the value of the equity interests in the Company by: (a) increasing our ability to attract and retain talented men and women to serve on our Board of Directors, (b) increasing the incentives that these non-employee directors have to help us succeed and (c) providing our non-employee directors with an increased opportunity to share in our long-term growth and financial success. Under the Non-Employee Director Stock Option Plan, each non-employee director will be granted options to purchase 25,000 shares of our common stock upon their election to our Board of Directors. In addition, each non-employee director will be awarded an option to purchase an additional 3,000 shares of our common stock for each full year of service on our Board of Directors. The exercise price for each of these options will be equal to the fair market value of our common stock on the date the option is granted. The exercise price of an option is payable in cash or an equivalent acceptable to our Compensation Committee. The Plan also permits the cashless exercise of options granted under the Plan. Options awarded under the Plan are not transferable other than as designated by the grantee by will or by the laws of descent and distribution unless otherwise provided in the option agreements pursuant to which such Options are awarded. Other than the options described in this paragraph, no non-employee director shall be eligible to receive any equity interest in the Company in consideration of such non-employee director's service on our board.

Each of these options will have a ten-year term. One-third of the options will be exercisable immediately upon grant, and one-half of the remaining portion of each option grant will vest and become exercisable on the first and second anniversary dates of the date of grant. Any options which remain unvested at the time a non-employee director's service is a member of our board terminates shall terminate upon such termination of service unless such termination results from such non-employee director's death or occurs upon a change of control, in which case all of such unvested options shall immediately vest upon such death or Change of Control (as defined in the Plan). In the event of a Change of Control (as defined in the Plan), we may, after notice to the grantee, require the grantee to cash-out his rights by transferring them to the Company in exchange for their equivalent cash value.

A total of 175,000 shares of common stock have been reserved for grants of stock options under the Non-Employee Director Stock Option Plan. The Plan will terminate on October 30, 2014 (unless extended) unless terminated earlier by our Board of Directors.

**Tax Consequences.** Under current tax laws, the grant of an option generally will not be a taxable event to the optionee, and we will not be entitled to a deduction with respect to such grant. Upon the exercise of an option, the non-employee director optionee will recognize ordinary income at the time of exercise equal to the excess of the then fair market value of the shares of common stock received over the exercise price. The taxable income recognized upon exercise of a nonqualified option will be treated as compensation income subject to withholding, and we will be

entitled to deduct as a compensation expense an amount equal to the ordinary income an optionee

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recognizes with respect to such exercise. When common stock received upon the exercise of a nonqualified option subsequently is sold or exchanged in a taxable transaction, the holder thereof generally will recognize capital gain (or loss) equal to the difference between the total amount realized and the fair market value of the common stock on the date of exercise; the character of such gain or loss as long-term or short-term capital gain or loss will depend upon the holding period of the shares following exercise.

**Amendment and Termination.** Our Board of Directors may from time to time amend, and our Board of Directors may terminate, the Plan, provided that no such action shall adversely affect any material vested benefits or rights under the Plan without the consent of the non-employee director affected by such action. In addition, no amendment may be made without the approval of our shareholders if shareholder approval is necessary in order to comply with applicable law.

**2009 Director Compensation**

We use a combination of cash and equity incentives to compensate our non-employee directors. Directors who are also our employees received no compensation for their service on our Board of Directors in fiscal 2009. To determine the appropriate level of compensation for our non-employee directors, we take into consideration the significant amount of time and dedication required by the directors to fulfill their duties on our Board of Directors and Board of Directors committees as well as the need to continue to attract highly qualified candidates to serve on our Board of Directors. In addition, our compensation arrangement with Mel Marks reflects his 47 years of relevant experience in the industry and our company. The information provided in the following table reflects the compensation received by our directors for their service on our Board of Directors in fiscal 2009.

Name	Fees Earned or Paid		All Other		Total
	in Cash	Stock Awards	Option Awards (1)	Compensation	
Philip Gay	\$ 90,000	\$	\$ 8,957	\$	\$ 98,957
Rudolph Borneo	\$ 47,500	\$	\$ 8,957	\$	\$ 56,457
Irv Siegel (2)	\$ 27,082	\$	\$ 8,987	\$	\$ 36,069
Scott J. Adelson	\$ 33,400	\$	\$ 26,296	\$	\$ 59,696
Duane Miller	\$ 35,400	\$	\$ 29,005	\$	\$ 64,405
Jeffrey Mirvis	\$ 5,100	\$	\$ 13,145	\$	\$ 18,245
Mel Marks	\$	\$	\$	\$ 350,000	\$ 350,000

(1) Option award amounts represent our non-employee director's portion of our reported share-based payment expense for fiscal 2009 in accordance with SFAS No. 123(R).

(2) Effective November 17, 2008, Irv Siegel

resigned from  
our Board of  
Directors and as  
the Chairman of  
the  
Compensation  
Committee and  
as a member of  
our Audit,  
Ethics, and  
Nominating and  
Corporate  
Governance  
Committees.

We have supplemental compensatory arrangements with Mel Marks, our founder, largest shareholder and member of our Board of Directors. In August 2000, our Board of Directors agreed to engage Mel Marks to provide consulting services to our company. Mr. Marks is paid an annual consulting fee of \$350,000 per year. We can terminate our consulting arrangement with Mr. Marks at any time.

We pay Mr. Gay \$90,000 per year for serving on our Board of Directors, as well as assuming the responsibility for being Chairman of our Audit and Ethics Committees.

In addition, each of our non-employee directors, other than Messrs. Marks and Gay, receives annual compensation of \$20,000 and is paid a fee of \$2,000 for attending each Board of Directors meeting, \$2,000 for attending each Audit Committee meeting and \$500 for any other Board of Directors committee meeting attended. Each director is also reimbursed for reasonable out-of-pocket expenses incurred to attend Board of Directors or Board of Directors committee meetings.

Under our Non-Employee Director Stock Option Plan, each non-employee director is granted options to purchase 25,000 shares of our common stock upon their election to our Board of Directors. In addition, each non-employee director is awarded an option to purchase an additional 3,000 shares of our common stock for each full year of service on our Board of Directors.

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**Indemnification of Executive Officers and Directors**

Article Seven of our Restated Certificate of Incorporation provides, in part, that to the extent required by New York Business Corporation Law, or NYBCL, no director shall have any personal liability to us or our shareholders for damage for any breach of duty as such director, provided that each such director shall be liable under the following circumstances: (a) in the event that a judgment or other final adjudication adverse to such director establishes that his acts or omissions were in bad faith, involved intentional misconduct or a knowing violation of law or that such director personally gained in fact a financial profit or other advantage to which such director was not legally entitled or that such director's acts violated Section 719 of the NYBCL or (b) for any act or omission prior to the adoption of Article Seven of our Restated Certificate of Incorporation.

Article Nine of our Bylaws provide that we shall indemnify any person, by reason of the fact that such person is or was a director or officer of our company or served any other corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise in any capacity at our request, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees incurred as a result of an action or proceeding, or any appeal therefrom, provided, however, that no indemnification shall be made to, or on behalf of, any director or officer if a judgment or other final adjudication adverse to such director or officer establishes that (a) his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of action so adjudicated, or (b) he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled.

We may purchase and maintain insurance for our own indemnification and for that of our directors and officers and other proper persons as described in Article Nine of our Bylaws. We maintain and pay premiums for directors' and officers' liability insurance policies.

We are incorporated under the laws of the State of New York and Sections 721-726 of Article 7 of the NYBCL provide for the indemnification and advancement of expenses to directors and officers. Section 721 of the NYBCL provides that indemnification and advancement of expenses provisions contained in the NYBCL shall not be deemed exclusive of any rights which a director or officer seeking indemnification or advancement of expenses may be entitled, provided no indemnification may be made on behalf of any director or officer if a judgment or other final adjudication adverse to the director or officer establishes that his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled.

Section 722 of the NYBCL permits, in general, a New York corporation to indemnify any person made, or threatened to be made, a party to an action or proceeding by reason of the fact that he or she was a director or officer of that corporation, or served another entity in any capacity at the request of that corporation, against any judgment, fines, amounts paid in settlement and reasonable expenses, including attorney's fees actually and necessarily incurred as a result of such action or proceeding, or any appeal therein, if such person acted in good faith, for a purpose he or she reasonably believed to be in, or, in the case of service of another entity, not opposed to, the best interests of that corporation and, in criminal actions or proceedings, who in addition had no reasonable cause to believe that his or her conduct was unlawful. However, no indemnification may be made to, or on behalf of, any director or officer in a derivative suit in respect of (a) a threatened action or a pending action that is settled or otherwise disposed of or (b) any claim, issue or matter for which the person has been adjudged to be liable to the corporation, unless and only to the extent that a court in which the action was brought, or, if no action was brought, any court of competent jurisdiction, determines upon application that the person is fairly and reasonably entitled to indemnity for that portion of settlement and expenses as the court deems proper.

Section 723 of the NYBCL permits a New York corporation to pay in advance of a final disposition of such action or proceeding the expenses incurred in defending such action or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount as, and to the extent, required by statute. Section 724 of the NYBCL permits a court to award the indemnification required by Section 722.

Section 725 provides for repayment of such expenses when the recipient is ultimately found not to be entitled to indemnification. Section 726 provides that a corporation may obtain indemnification insurance indemnifying itself and its directors and officers.

The foregoing is only a summary of the described sections of the NYBCL and our Restated Certificate of Incorporation, as amended, and Bylaws and is qualified in its entirety by the reference to such sections and charter documents.



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**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee of our Board of Directors determines the compensation of our officers and directors. None of our executive officers currently serves on the compensation committee or board of directors of any other company of which any members of our Board of Directors or our Compensation Committee is an executive officer.

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**STOCK PERFORMANCE GRAPH**

**Performance Graph**

**Performance Graph**

The following graph compares the cumulative return to holders of common stock for the five years ending March 31, 2009 with the NASDAQ Composite Index and an index for our peer group. The peer group is comprised of other automotive after-market companies: Aftermarket Technologies Corporation, Dorman Products, Inc., Standard Motor Products, Inc., and Proliance International, Inc. The comparison assumes \$100 was invested at the close of business on March 31, 2004 in our common stock and in each of the comparison groups, and assumes reinvestment of dividends.

Comparison of 5 Year Cumulative Total Return

Assumes Initial Investment of \$100

March 2009

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**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of January 15, 2010, certain information as to the common stock ownership of each of our named executive officers, directors, all executive officers and directors as a group and all persons known by us to be the beneficial owners of more than five percent of our common stock. The percentage of common stock beneficially owned is based on 12,026,021 shares of common stock outstanding as of January 15, 2010.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage of ownership held by that person, shares of common stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days of January 15, 2010 are deemed outstanding, while these shares are not deemed outstanding for determining the percentage ownership of any other person. Unless otherwise indicated in the footnotes below, the persons and entities named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Unless otherwise indicated in the footnotes below, the address of the stockholder is c/o Motorcar Parts of America, Inc. 2929 California Street, Torrance, CA 90503.

Name and Address of Beneficial Shareholder	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Mel Marks (2)	1,271,185	10.6%
William Blair & Company, L.L.C (3) (4) 222 W Adams, Chicago, IL 60606	878,053	7.3%
Rutabaga Capital Management, LLC (5) 64 Broad St., 3 <sup>rd</sup> Floor, Boston, MA 02109	730,016	6.1%
Wellington Management Company, LLP (3) (6) 75 State St., 19 <sup>th</sup> Floor, Boston, MA 02109	677,088	5.6%
Janus Capital Management LLC (3) (7) 151 Detroit Street, Denver, Colorado 80206	655,204	5.4%
Selwyn Joffe (8)	899,750	7.0%
Scott Adelson (9)	27,666	*
Rudolph Borneo (10)	57,000	*
Philip Gay (11)	37,000	*
Duane Miller (12)	17,666	*
Jeffrey Mirvis (13)	21,666	*
Doug Schooner (14)	44,092	*
Tom Stricker (15)	61,250	*
Steve Kratz (16)	54,100	*
Michael Umansky (17)	45,000	*
David Lee (18).	9,500	*
Kevin Daly (19).	12,500	*
Directors and executive officers as a group 13 persons (20)	2,558,375	20.8%

\* Less than 1% of the outstanding common stock.

(1) The listed shareholders, unless otherwise indicated in the

footnotes below,  
have direct  
ownership over  
the amount of  
shares indicated  
in the table.

(2) Includes 6,000  
shares issuable  
upon exercise of  
currently  
exercisable  
options under  
the 1994 Stock  
Option Plan.

(3) Based on  
information  
contained in  
filings made by  
such  
stockholders  
with the SEC on  
Schedule 13G,  
as adjusted to  
reflect  
information  
reported in each  
such  
stockholder's  
most recent  
Schedule 13F  
filing, if  
applicable.  
Since there may  
have been  
subsequent  
purchases or  
sales of  
securities, this  
information may  
not reflect the  
current holdings  
by these  
stockholders.

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- (4) Includes 111,575 shares issuable upon the exercise of currently exercisable warrants. Based on information contained in a report on Form 13F that William Blair & Company LLC filed with the SEC, which reported that, as of September 30, 2009, William Blair & Company LLC was the beneficial owner with sole voting power with respect to 872,828 shares and no voting power with respect to 5,225 shares of our common stock.
- (5) Based on information contained in a report on Form 13F that Rutabaga Capital Management, LLC filed with the SEC, which reported that, as of September 30, 2009, Rutabaga Capital Management,

LLC was the beneficial owner with sole power to vote and dispose of all of these shares of our common stock.

(6) Based on information contained in a report on Form 13F that Wellington Management Company, LLP filed with the SEC, which reported that, as of September 30, 2009, Wellington Management Company, LLP was the beneficial owner with sole power to vote and dispose of all of these shares of our common stock.

(7) Includes 96,000 shares issuable upon the exercise of currently exercisable warrants. Based on information contained in a report on Form 13F that Janus Capital Management, LLC filed with the SEC, which reported that, as

of  
September 30,  
2009, Janus  
Capital  
Management  
LLC, which is  
the investment  
advisor of Janus  
Venture Fund,  
has the power to  
vote and dispose  
of all of these  
shares of our  
common stock  
held of record  
by Janus Capital  
Management  
LLC and Janus  
Venture Fund.

- (8) Includes  
245,250 shares  
issuable upon  
exercise of  
currently  
exercisable  
options under  
the 1994 Stock  
Option Plan;  
and 4,500 shares  
issuable upon  
exercise of  
currently  
exercisable  
options granted  
under the  
Non-Employee  
Director Plan  
and 600,000  
shares issuable  
upon exercise of  
options under  
the 2003 Long  
Term Incentive  
Plan.
- (9) Includes 17,666  
shares issuable  
upon exercise of  
currently  
exercisable

options granted  
under the 2004  
Non-Employee  
Director Stock  
Option Plan.

(10) Includes 37,000  
shares issuable  
upon exercise of  
currently  
exercisable  
options granted  
under the 2004  
Non-Employee  
Director Stock  
Option Plan.

(11) Represents  
37,000 shares  
issuable upon  
exercise of  
currently  
exercisable  
options granted  
under the 2004  
Non-Employee  
Director Stock  
Option Plan.

(12) Represents  
17,666 shares  
issuable upon  
exercise of  
currently  
exercisable  
options granted  
under the 2004  
Non-Employee  
Director Stock  
Option Plan.

(13) Includes 16,666  
shares issuable  
upon exercise of  
currently  
exercisable  
options granted  
under the 2004  
Non-Employee  
Director Stock  
Option Plan.



(14) Represents 44,000 shares issuable upon exercise of currently exercisable options under the 2003 Long Term Incentive Plan, and includes 92 shares of common stock held by The Schooner 2003 Family Trust. Mr. Schooner expressly disclaims ownership of the shares held by The Schooner 2003 Family Trust.

(15) Represents 17,250 shares issuable upon exercise of currently exercisable options under the 1994 Stock Option Plan and 44,000 shares issuable upon exercise of currently exercisable options under the 2003 Long Term Incentive Plan.

(16) Represents 38,100 shares issuable upon exercise of currently exercisable

options under  
the 1994 Stock  
Option Plan and  
16,000 shares  
issuable upon  
exercise of  
currently  
exercisable  
options under  
the 2003 Long  
Term Incentive  
Plan.

(17) Represents  
45,000 shares  
issuable upon  
exercise of  
currently  
exercisable  
options under  
the 2003 Long  
Term Incentive  
Plan.

(18) Includes 7,500  
shares issuable  
upon exercise of  
currently  
exercisable  
options under  
the 2003 Long  
Term Incentive  
Plan.

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(19) Includes 7,500 shares issuable upon exercise of currently exercisable options under the 2003 Long Term Incentive Plan.

(20) Includes 306,600 shares issuable upon exercise of currently exercisable options granted under the 1994 Stock Option Plan; 4,500 shares issuable upon exercise of currently exercisable options granted under the Non-Employee Director Plan; 764,000 shares issuable upon exercise of currently exercisable options granted under the 2003 Long Term Incentive Plan; and 125,998 shares issuable upon exercise of currently exercisable options granted under the 2004 Non-Employee Director Stock Option Plan.

**Certain Relationships and Related Transactions, and Director Independence**

We have entered into a consulting agreement with Mel Marks, our founder, member of our Board of Directors and largest shareholder. We currently pay Mel Marks a consulting fee of \$350,000 per year under this arrangement. We have also agreed to pay Mr. Gay, a member of our Board of Directors, \$90,000 per year for his service as a member of our Board of Directors and Chairman of our Audit Committee. For additional information, see the discussion under the caption *Executive Compensation* 2009 Director Compensation .

On July 22, 2008, we retired 108,534 shares of our common stock which had been pledged by Mr. Richard Marks in satisfaction of a \$682,000 shareholder note receivable we recorded in connection with the reimbursement amount owed to us by Mr. Marks for certain previously advanced legal fees and costs, plus interest accrued from January 15, 2008 through July 22, 2008, and the remaining shares pledged as collateral for this amount were released to Mr. Marks.

During fiscal 2009, we paid Houlihan Lokey Howard & Zukin Capital, Inc. an \$110,000 retainer for services and reimbursement of other out-of-pocket expenses. Scott J. Adelson, a member of our board of directors, is a Senior Managing Director for Houlihan Lokey Howard & Zukin Capital, Inc.

We do not have a written policy applicable to any transaction, arrangement or relationship between us and a related party. Our practice with regards to related party transactions has been for our Board of Directors, or a committee thereof, to review, approve and/or ratify such transactions as they arise. In making its determination to approve or ratify a transaction, our Board of Directors, or a committee thereof, would consider such factors as (i) the extent of the related party's interest in the transaction, (ii) if applicable, the availability of other sources of comparable products or services, (iii) whether the terms of the related party transaction are no less favorable than terms generally available in unaffiliated transactions under like circumstances, (iv) the benefit to us, and (v) the aggregate value of the transaction.

**Director Independence, Corporate Governance, Board of Directors and Committees of the Board of Directors** Each of Duane Miller, Jeffrey Mirvis, Philip Gay, and Rudolph J. Borneo are independent within the meaning of the applicable SEC rules and the NASDAQ listing standards.

Our Board of Directors meets eight times during fiscal 2009. Each of our then directors attended 75% or more of the total number of meetings of the Board of Directors during fiscal 2009. Our last annual meeting of shareholders was held on March 18, 2009. All of our then directors (other than Scott Adelson) attended our last annual meeting of shareholders. Each director is encouraged to attend each meeting of the Board of Directors and the annual meeting of our shareholders.

Our Board of Directors has a standing Audit Committee, Compensation Committee, Ethics Committee and nominating and Corporate Governance Committee. Our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee have written charters which can be found on our website at [www.motorcarparts.com](http://www.motorcarparts.com) and are available in print to any shareholder who requests a copy by writing to our Corporate Secretary, Motorcar Parts of America, Inc., 2929 California Street, Torrance, California 90503.

*Audit Committee.* The current members of our Audit Committee are Philip Gay, Rudolph Borneo and Duane Miller, with Mr. Gay serving as chairman. Our Board of Directors has determined that all of the Audit Committee members are independent within the meaning of the applicable SEC rules and NASDAQ listing standards. Our Board of Directors has also determined that Mr. Gay is a financial expert within the meaning of the applicable SEC rules. The Audit Committee oversees our auditing procedures, receives and accepts the reports of our independent registered public accountants, oversees our internal systems of accounting and management controls and makes



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recommendations to the Board of Directors concerning the appointment of our auditors. The Audit Committee met five times in fiscal 2009.

*Compensation Committee.* The current members of our Compensation Committee are Rudolph Borneo, Philip Gay, Duane Miller and Jeffrey Mirvis, with Mr. Borneo serving as chairman. The Compensation Committee is responsible for developing our executive compensation policies. The Compensation Committee is also responsible for evaluating the performance of our Chief Executive Officer and other senior officers and making determinations concerning the salary, bonuses and stock options to be awarded to these officers. No member of the Compensation Committee has a relationship that would constitute an interlocking relationship with the executive officers or directors of another entity. For further discussion of our Compensation Committee, see Compensation Committee Interlocks and Insider Participation . The Compensation Committee met once in fiscal 2009.

*Ethics Committee.* The current members of our Ethics Committee are Philip Gay, who serves as Chairman, Rudolph Borneo and Duane Miller. The Ethics Committee is responsible for implementing our Code of Business Conduct and Ethics. No issues arose which required our Ethics Committee to meet in fiscal 2009.

*Nominating and Corporate Governance Committee.* We formed a Nominating and Corporate Governance Committee in June 2006. The current members of our Nominating and Corporate Governance Committee are Rudolph Borneo, Philip Gay and Duane Miller. Each of the members of the Nominating and Corporate Governance Committee is independent within the meaning of applicable SEC rules. Our Nominating and Corporate Governance Committee is responsible for nominating candidates to our Board of Directors. The Nominating and Corporate Governance Committee met twice during fiscal 2009.

In evaluating potential director nominees, including those identified by shareholders, for recommendation to our Board of Directors, our Nominating and Corporate Governance Committee seeks individuals with talent, ability and experience from a wide variety of backgrounds to provide a diverse spectrum of experience and expertise relevant to a diversified business enterprise such as ours. A candidate should represent the interests of all shareholders, and not those of a special interest group, have a reputation for integrity and be willing to make a significant commitment to fulfilling the duties of a director. Our Nominating and Corporate Governance Committee will screen and evaluate all recommended director nominees based on the criteria set forth above, as well as other relevant considerations. Our Nominating and Corporate Governance Committee will retain full discretion in considering its nomination recommendations to our Board of Directors.

**PROPOSAL NO. 2  
RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee of our Board of Directors has selected Ernst & Young LLP as the independent registered public accountants to audit our consolidated financial statements for the fiscal year ending March 31, 2010. Representatives of Ernst & Young LLP are expected to be present at the annual meeting of shareholders. These representatives will have an opportunity to make a statement and will be available to respond to questions regarding appropriate matters. Our Board of Directors believes it is appropriate to submit for ratification by our shareholders the appointment of Ernst & Young LLP as our independent registered public accountants for the fiscal year ending March 31, 2010. Your ratification of the appointment of Ernst & Young LLP as our independent registered public accountants for the fiscal year ending March 31, 2010 does not preclude the Audit Committee from terminating its engagement of Ernst & Young LLP and retaining new independent registered public accountants, if it determines that such an action would be in our best interest.

On November 30, 2007, we dismissed Grant Thornton LLP as our independent registered public accounting firm. The reports of Grant Thornton LLP on our financial statements as of and for the fiscal years ended March 31, 2006 and March 31, 2007 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended March 31, 2006 and March 31, 2007 and through November 30, 2007, there were (i) no disagreements with Grant Thornton LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Grant Thornton LLP, would have caused Grant Thornton LLP to make reference thereto in their reports on our financial statements for such years, and (ii) no reportable events, as that

term is defined in Item 304(a)(1)(v) of Regulation S-K, except for the material weaknesses in internal control over financial reporting described in the following paragraph.

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In the Annual Report on Form 10-K (as amended by Amendments Nos. 1 and 2 thereto) for the year ended March 31, 2007, we reported the following material weaknesses and significant deficiency in internal controls:

- a material weakness in our control environment, as evidenced by: our finance and accounting department being understaffed and lacking sufficient training or experience;
- a material weakness in our control activities, as evidenced by: our internal controls being inadequately designed or operated in a manner to effectively support the requirements of the financial reporting and period-end close process; and
- a significant deficiency in our entity level controls, as evidenced by: the lack of documentation in the planning for IT strategy, asset protection programs, and comprehensive accounting and human resources policies and procedures manuals; the failure of our Audit Committee to conduct a self assessment; and the lack of a formalized Disclosure Committee.

Grant Thornton LLP's report on our internal control over financial reporting stated that based on the effect of these material weaknesses on the achievement of the objectives of the control criteria, we had not maintained effective internal control over financial reporting as of March 31, 2007. Grant Thornton LLP discussed these matters with our Audit Committee, and we authorized Grant Thornton LLP to respond fully to the inquiries of its successor as our independent registered public accounting firm concerning the subject matter of these material weaknesses.

On December 4, 2007, we engaged Ernst & Young LLP as our new independent registered public accounting firm for the fiscal year ended March 31, 2008. During the fiscal years ended March 31, 2006 and March 31, 2007 and through December 4, 2007, we did not consult with Ernst & Young LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

The decision to change independent registered public accounting firms was initiated and approved by our Audit Committee.

**The Board of Directors recommends that shareholders vote FOR this proposal.**

**AUDIT COMMITTEE REPORT**

The Audit Committee of the Board of Directors oversees our auditing procedures, receives and accepts the reports of our internal systems of accounting and management controls and makes recommendations to the Board of Directors as to the selection and appointment of our auditors.

The Audit Committee recommended to the Board of Directors the approval of the independent accountants engaged to conduct the independent audit. The Audit Committee met with management and the independent accountants to review and discuss the March 31, 2009 consolidated financial statements. The Audit Committee also discussed with the independent accountants the matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committees). In addition, the Audit Committee reviewed written disclosures from the independent accountants required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and discussed with the independent accountants their firm's independence.

Based upon the Audit Committee's discussions with management and the independent accountants and the Audit Committee's review of the representations of management and the independent accountants, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended March 31, 2009 that has been filed with the Securities and Exchange Commission and mailed with this Proxy Statement.

The following table summarizes the total fees we paid to our current independent certified public accountants, Ernst & Young LLP, effective December 4, 2007, and our prior independent certified public accountants, Grant Thornton LLP, for professional services provided during the following fiscal years ended March 31:

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	<b>2009</b>	<b>2008</b>	<b>2007</b>
Audit Fees	\$ 1,410,000	\$ 2,638,000	\$ 1,769,000
Audit Related Fees			
Tax Fees	52,000		
All Other Fees	188,000	199,000	67,000
Total	\$ 1,650,000	\$ 2,837,000	\$ 1,836,000

Audit fees billed in fiscal 2009, 2008 and 2007 consisted of (i) the audit of our annual financial statements, (ii) the reviews of our quarterly financial statements, (iii) the review of our compliance with SOX 404 requirements, (iv) the review of SEC letters, (v) the review of restated financial statements and related Forms 10-K/A and 10-Q/A, and (vi) services associated with SEC registration statements.

Tax fees in fiscal 2009 related primarily to professional services for transfer pricing and tax accounting method charges.

Other fees billed in fiscal 2009 related primarily to professional services for due diligence work related to our acquisitions. In fiscal 2008 other fees billed consisted of professional services for due diligence work related to a potential acquisition and the adoption of FIN 48. Other fees billed in fiscal 2007 relate primarily to professional services related to our POS unwind transaction and SFAS 123(R).

Our Audit Committee must pre-approve all audit and non-audit services to be performed by our independent auditors and will not approve any services that are not permitted by SEC rules. All of the audit and non-audit related fees in fiscal 2009, 2008 and 2007 were pre-approved by the Audit Committee.

**By Members of the Audit Committee**

Philip Gay, Chairman

Rudolph Borneo

Duane Miller

**PROPOSAL NO. 3**

**AMENDMENT TO 2004**

**NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN**

Our Board of Directors has proposed an amendment (the Amendment) to the Company's 2004 Non-Employee Director Stock Option Plan (the Plan) to increase from 175,000 to 275,000 the number of shares of common stock reserved for grant under the Plan. The number of shares reserved under the Plan is no longer adequate as a result of the fact that three new directors joined our Board of Directors in 2008 and 2009, and, as required under the Plan, each new director received an initial stock option grant to purchase 25,000 shares of our common stock. To reserve sufficient shares under the Plan for the annual stock option grants of 3,000 shares of our common stock to each of our directors (as discussed below) and for initial stock option grants for any new directors who may join our Board of Directors, our Board of Directors is proposing the Amendment. The Plan was originally approved by our Board of Directors on October 30, 2004 and by our stockholders on November 30, 2004. The Amendment will be effective upon approval of the Company's stockholders.

**Purpose**

The purpose of the Plan is to reward these Board members for agreeing to serve on our Board and to increase their incentives to help us succeed. The Plan seeks to balance participants' and stockholders' interests by providing incentives to the participants in the form of stock options which offer rewards for achieving the long-term strategic and financial objectives of the Company.

**Summary of the Plan**

Historically, we have provided our non-employee Board members with options to purchase our common stock. These options were designed to reward these Board members for agreeing to serve on our Board and to increase their incentives to help us succeed.





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Our Board believes that it is desirable for, and in the best interests of, the Company to adopt the Amendment and recommends that our shareholders vote in favor of the adoption of the Amendment.

We anticipate registering with the Securities and Exchange Commission the additional shares of common stock issuable as a result of the adoption of the Amendment.

The following summary of the Plan is qualified in its entirety by reference to the complete text of the Plan, which is attached to this Proxy Statement as Appendix A. If a capitalized term is not defined below, that term has the meaning set forth in the Plan.

### **Description of the Plan**

The purpose of the Plan is to foster and promote our long-term financial success and to materially increase the value of the equity interests in the Company by: (a) increasing our ability to attract and retain talented men and women to serve on our Board, (b) increasing the incentives that these non-employee directors have to help us succeed and (c) providing our non-employee directors with an increased opportunity to share in our long-term growth and financial success.

The Plan is administered by our Compensation Committee.

Under the Plan, each non-employee director will be granted options to purchase 25,000 shares of our common stock upon his or her election to our Board of Directors. In addition, each non-employee director will be awarded an option to purchase an additional 3,000 shares of our common stock for each full year of service on our Board of Directors. The exercise price for each of these options will be equal to the fair market value of our common stock on the date the option is granted. The exercise price of an option is payable in cash or an equivalent acceptable to our Compensation Committee. The Plan also permits the cashless exercise of options granted under the Plan. Options awarded under the Plan are not transferable other than as designated by the grantee by will or by the laws of descent and distribution unless otherwise provided in the option agreements pursuant to which such Options are awarded. Other than the options described in this paragraph, no non-employee director shall be eligible to receive any equity interest in the Company in consideration of such non-employee director's service on our board.

Each of these options will have a ten-year term. One-third of the options will be exercisable immediately upon grant, and one-half of the remaining portion of each option grant will vest and become exercisable on the first and second anniversary dates of the date of grant. Any options which remain unvested at the time a non-employee director's service is a member of our board terminates shall terminate upon such termination of service unless such termination results from such non-employee director's death or occurs upon a change of control, in which case all of such unvested options shall immediately vest upon such death or Change of Control (as defined in the Plan). In the event of a Change of Control (as defined in the Plan), we may, after notice to the grantee, require the grantee to cash-out his rights by transferring them to the Company in exchange for their equivalent cash value.

A total of 175,000 shares of common stock are currently reserved for grants of stock options under the Plan. The Plan will terminate on October 30, 2014 (unless extended) unless terminated earlier by our Board of Directors.

### **Common Stock Available**

Subject to adjustment as described below, the maximum number of shares of common stock which as of the date hereof may be awarded under the Plan may not exceed an aggregate of 175,000 shares. As of December 31, 2009, options to purchase an aggregate 170,000 shares had been granted under the Plan. The Board of Directors has approved the Amendment to reserve an additional 100,000 shares of common stock for options granted under the Plan. In the event the outstanding shares of our common stock, as constituted from time to time, shall be changed as a result of a change in the capitalization of the Company or a combination, merger or reorganization of the Company into or with any other corporation or any other transaction with similar effects, then, for all purposes, references in the Plan to common stock shall mean and include all securities or other property (other than cash) that holders of common stock are entitled to receive in respect of our common stock by reason of each successive aforementioned event. In the event of any change in applicable laws or any change in circumstances which results in or would result in any dilution of the rights granted under the Plan, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan, then if our Compensation Committee, in its sole discretion,

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determines that such change equitably requires an adjustment in the number or kind of shares of stock or other securities or property subject prior to the date of such change, or which may become subject, to issuance or transfer under the Plan or in the terms and conditions of outstanding options under the Plan, such adjustment in accordance with such determination. Such adjustments may include, without limitation, changes with respect to (i) the aggregate number of shares that may be issued under the Plan, (ii) the number of shares subject to options granted under the Plan and (iii) the price per share for options outstanding under the Plan.

### **Tax Consequences**

Under current tax laws, the grant of an option generally will not be a taxable event to the optionee, and we will not be entitled to a deduction with respect to such grant. Upon the exercise of an option, the non-employee director optionee will recognize ordinary income at the time of exercise equal to the excess of the then fair market value of the shares of common stock received over the exercise price. The taxable income recognized upon exercise of a nonqualified option will be treated as compensation income subject to withholding, and we will be entitled to deduct as a compensation expense an amount equal to the ordinary income an optionee recognizes with respect to such exercise. When common stock received upon the exercise of a nonqualified option subsequently is sold or exchanged in a taxable transaction, the holder thereof generally will recognize capital gain (or loss) equal to the difference between the total amount realized and the fair market value of the common stock on the date of exercise; the character of such gain or loss as long-term or short-term capital gain or loss will depend upon the holding period of the shares following exercise.

### **Amendment and Termination**

Our Board of Directors may from time to time amend, and our Board of Directors may terminate, the Plan, provided that no such action shall adversely affect any material vested benefits or rights under the Plan without the consent of the non-employee director affected by such action. In addition, no amendment may be made without the approval of our shareholders if shareholder approval is necessary in order to comply with applicable law.

**The Board of Directors recommends that shareholders vote FOR this proposal.**

## **MISCELLANEOUS**

### **Shareholder Proposals**

Any shareholder proposal intended to be presented at the Annual Meeting of Shareholders to be held in the fiscal year ending March 31, 2011 must be received by the Company not later than October 1, 2010 for inclusion in our proxy statement and form of proxy for that meeting. Such proposals should be directed to the attention of Secretary, Motorcar Parts of America, Inc., 2929 California Street, Torrance, California 90503. If a shareholder notifies the Company in writing prior to December 15, 2010 that he or she intends to present a proposal at our Annual Meeting of Shareholders to be held in the fiscal year ending March 31, 2011, the proxy holders designated by the Board of Directors may exercise their discretionary voting authority with regard to the shareholder's proposal and the proxy holder's intentions with respect to the proposal. If the shareholder does not notify the Company by such date, the proxy holders may exercise their discretionary voting authority with respect to the proposal without inclusion of such discussion in the proxy statement.

### **Shareholder Communication with our Board**

Any communications from shareholders to our Board of Directors must be addressed in writing and mailed to the attention of the Board of Directors, c/o Corporate Secretary, 2929 California Street, Torrance, California 90503. The Corporate Secretary will compile the communications, summarize lengthy or repetitive communications and forward these communications to the directors, in accordance with the judgment of our Chairman of the Board. Any matter relating to our financial statements, accounting practices or internal controls should be addressed to the Audit Committee Chairman.

### **Other Matters**

We do not intend to bring before the meeting for action any matters other than those specifically referred to in this Proxy Statement, and we are not aware of any other matters which are proposed to be presented by others. If

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any other matters or motions should properly come before the meeting, the persons named in the Proxy intend to vote on any such matter in accordance with their best judgment, including any matters or motions dealing with the conduct of the meeting.

**Annual Report on Form 10-K**

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2009, together with the Form 10-K/A we filed with the Securities and Exchange Commission on July 29, 2009, is being mailed to each shareholder of record together with this proxy statement.

**Proxies**

All shareholders are urged to fill in their choices with respect to the matters to be voted on, sign, date and promptly return the enclosed form of Proxy.

**Householding of Proxy Materials**

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as householding, potentially means extra convenience for shareholders and cost savings for companies.

This year, a number of brokers with account holders who are our shareholders will be householding our proxy materials. A single proxy statement may be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you notify your broker or us that you no longer wish to participate in householding. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report in the future you may (i) notify your broker or (ii) direct your written request to: Motorcar Parts of America, Inc. Attn: Corporate Secretary, 2929 California Street, Torrance, California 90503, telephone: (310) 212-7910. Shareholders who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their broker. In addition, we will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the annual report and proxy statement to a shareholder at a shared address to which a single copy of the documents was delivered.

By order of the Board of Directors

Michael M. Umansky,  
*Secretary*

January 29, 2010

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**Appendix A**

**MOTORCAR PARTS OF AMERICA, INC.  
2004 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN**

**SECTION 1  
GENERAL PROVISIONS RELATING TO  
PLAN GOVERNANCE, COVERAGE AND BENEFITS**

**1.1 PURPOSE.**

The purpose of the Motorcar Parts of America, Inc. 2004 Non-Employee Director Stock Option Plan (the *Plan*) is to foster and promote the long-term financial success of Motorcar Parts of America, Inc. (the *Company*) and materially increase the value of the equity interests in the Company by: (a) attracting and retaining outstanding individuals to serve as members of the Company's Board of Directors, (b) encouraging the long-term commitment of the Company's outside Board members and (c) enabling participation by outside Board members in the long-term growth and financial success of the Company. The Plan is not intended to be a plan that is subject to the Employee Retirement Income Security Act of 1974, as amended, and shall be administered accordingly.

**1.2 DEFINITIONS.**

The following terms shall have the meanings set forth below:

- (a) *Board*. The Board of Directors of the Company.
- (b) *Change of Control*. Any of the events described in and subject to SECTION 3.6(a).
- (c) *Code*. The Internal Revenue Code of 1986, as amended.
- (d) *Compensation Committee or Committee*. The Committee shall be the Compensation Committee of the Board or a committee, which shall be comprised of two or more members of the Board, each of whom is both a Non-Employee Director and an outside director for purposes of Section 162(m) of the Code, who shall be appointed by the Board to administer the Plan, which Board shall have the power to fill vacancies on the Committee arising by resignation, death, removal or otherwise. In the absence of a Committee, reference thereto shall be to the Board.
- (e) *Common Stock*. Company Common Stock, par value \$.01 per share, which the Company is authorized to issue or may in the future be authorized to issue.
- (f) *Company*. Motorcar Parts of America, Inc. and any successor corporation.
- (g) *Exchange Act*. The Securities and Exchange Act of 1934, as amended.
- (h) *Fair Market Value*. The closing sales price of Common Stock as reported or listed on a national securities exchange on any relevant date for valuation, or, if there is no such sale on such date, the applicable prices as so reported on the nearest preceding date upon which such sale took place. In the event the shares of Common Stock are not listed on a national securities exchange, the Fair Market Value of such shares shall be determined by the Committee in its sole discretion.
- (i) *Grantee*. Any Non-Employee Director who is granted an Option under the Plan.
- (j) *Non-Employee Director*. A member of the Company's Board who satisfies the definition of Non-Employee Director set forth in Rule 16b-3 of the Exchange Act.
- (k) *Option*. Any option to purchase Common Stock granted to a Grantee under the Plan.



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- (l) *Option Agreement.* The written agreement entered into between the Company and the Grantee pursuant to which an Option shall be made under the Plan.
- (m) *Parent.* Any corporation (whether now or hereafter existing) which constitutes a parent of the Company, as defined in Section 424(e) of the Code.
- (n) *Plan.* The Motorcar Parts of America, Inc. Non-Employee Director Option Plan, as hereinafter amended from time to time.
- (o) *Subsidiary.* Any corporation (whether now or hereafter existing) which constitutes a subsidiary of the Company, as defined in Section 424(f) of the Code.
- (p) *Termination of Service.* The termination of a Grantee's service as a member of the Company's Board.

**1.3 ADMINISTRATION.**

(a) *Committee Powers.* The Plan shall be administered by the Committee. The Committee shall be responsible for (i) assuring that Option Agreements are appropriately prepared and executed to memorialize the Option grants contemplated by the Plan; (ii) interpreting and administering the Plan and any instrument or agreement relating to, or Option made under, the Plan; (iii) appointing such agents as it shall deem appropriate for the administration of the Plan; and (iv) making any other determination and take any other action that it deems necessary or desirable for such administration. No member of the Committee shall vote or act upon any matter relating solely to himself. All designations, determinations, interpretations and other decisions with respect to the Plan or any Option shall be within the sole discretion of the Committee and shall be final, conclusive and binding upon all persons, including the Company, Parent or Subsidiary, any Grantee, any holder or beneficiary of any Option, any owner of an equity interest in the Company and any Non-Employee Director.

(b) *No Liability.* No member of the Committee shall be liable for any action or determination made in good faith by the Committee with respect to this Plan or any Option under this Plan, and, to the fullest extent permitted by the Company's Articles of Incorporation and Bylaws, the Company shall indemnify each member of the Committee.

(c) *Meetings.* The Committee shall designate a chairman from among its members, who shall preside at all of its meetings, and shall designate a secretary, without regard to whether that person is a member of the Committee, who shall keep the minutes of the proceedings and all records, documents, and data pertaining to its administration of the Plan. Meetings shall be held at such times and places as shall be determined by the Committee. The Committee may take any action otherwise proper under the Plan by the affirmative vote, taken with or without a meeting, of a majority of its members.

**1.4 SHARES OF COMMON STOCK SUBJECT TO THE PLAN.**

(a) *Common Stock Authorized.* Subject to adjustment under SECTION 3.5, the aggregate number of shares of Common Stock available for granting Options under the Plan shall be equal to 175,000 shares of Common Stock. If any Option shall expire or terminate for any reason, without being exercised or paid, shares of Common Stock subject to such Option shall again be available for grant in connection with grants of subsequent Options.

(b) *Common Stock Available.* The Common Stock available for issuance or transfer under the Plan shall be made available from such shares reserved under the Plan, from such shares now or hereafter held by the Company or from such shares to be purchased or acquired by the Company. The Common Stock available for issuance or transfer under the Plan, if applicable, shall be made available from shares now or hereafter held by the Company or from such shares to be purchased or acquired by the Company. No fractional shares shall be issued under the Plan; payment for fractional shares shall be made in cash.

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SECTION 2  
STOCK OPTIONS

2.1 GRANT OF OPTIONS.

Each Non-Employee Director shall be granted Options to purchase 25,000 shares of Common Stock upon such Non-Employee Director's election to the Board. Thereafter, each Non-Employee Director shall be granted Options to purchase an additional 3,000 shares of Common Stock upon each anniversary date of such Non-Employee Director's election to the Board. Other than the Options provided for by Section 2.1, no Non-Employee Director shall be eligible to receive any equity interests in the Company in consideration of such Non-Employee Director's service on the Board. All of such Options shall be granted in accordance with the terms and conditions required pursuant to this Plan and with such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine.

2.2 OPTION TERMS.

(a) *Exercise Price.* The exercise price per share of Common Stock under each Option shall be equal to 100% of the Fair Market Value per share of such stock on the date the Option is granted, as determined in good faith by the Committee.

(b) *Term.* Each Option granted under the Plan shall have be exercisable for a period of 10 years from the date of grant, subject to the vesting provisions provided for in Section 2.2(c).

(c) *Vesting.* One-third of the Options granted to a Grantee shall be immediately exercisable upon the date of grant, one-third of such Options shall be exercisable upon first anniversary of the date of grant and one-third of such Options shall be exercisable upon the second anniversary of the date of grant. Any Options granted to a Grantee which remain unvested at the time of any Grantee's Termination of Service shall terminate upon such Termination of Service; provided, however, if such Termination of Service results from the Grantee's death or occurs upon a Change of Control, all of such unvested Options shall immediately vest upon such death or Change of Control.

2.3 OPTION EXERCISES.

(a) *Method of Exercise.* To purchase shares under any Option granted under the Plan, Grantees must give notice in writing to the Company of their intention to purchase and specify the number of shares of Common Stock as to which they intend to exercise their Option. Upon the date or dates specified for the completion of the purchase of the shares, the purchase price will be payable in full. The purchase price may be paid in cash or an equivalent acceptable to the Committee. At the discretion of the Committee, the exercise price per share of Common Stock may be paid by the assignment and delivery to the Company of shares of Common Stock owned by the Grantee or a combination of cash and such shares equal in value to the exercise price. However, if the Grantee acquired the stock to be surrendered directly or indirectly from the Company, he must have owned the stock to be surrendered for at least six months prior to tendering such stock for the exercise of an Option. Any shares so assigned and delivered to the Company in payment or partial payment of the purchase price shall be valued at the Fair Market Value on the exercise date.

(b) *Proceeds.* The proceeds received by the Company from the sale of shares of Common Stock pursuant to Options exercised under the Plan will be used for general purposes of the Company.



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SECTION 3  
PROVISIONS RELATING TO PLAN PARTICIPATION

3.1 PLAN CONDITIONS.

(a) *Option Agreement.* Each Grantee to whom an Option is granted under the Plan shall be required to enter into an Option Agreement with the Company in a form provided by the Committee, which shall contain certain specific terms, as determined by the Committee, with respect to the Option and shall include provisions that the Grantee shall abide by all the terms and conditions of the Plan and such other terms and conditions as may be imposed by the Committee. An Option Agreement may include such other terms and conditions, including, without limitation, rights of repurchase or first refusal, not inconsistent with the Plan, as shall be determined from time to time by the Committee.

(b) *No Right to Continued Service on the Board.* Nothing in the Plan, Option Agreement or any instrument executed pursuant to the Plan shall create any right in any Grantee to remain a member of the Board.

(c) *Securities Requirements.* No shares of Common Stock will be issued or transferred pursuant to an Option unless and until all then-applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction and by any stock market or exchange upon which the Common Stock may be listed, have been fully met. As a condition precedent to the issuance of shares pursuant to the grant or exercise of an Option, the Company may require the Grantee to take any reasonable action to meet such requirements. The Company shall not be obligated to take any affirmative action in order to cause the issuance or transfer of shares pursuant to an Option to comply with any law or regulation described in the second preceding sentence.

3.2 TRANSFERABILITY.

(a) *Non-Transferable Award.* Unless otherwise provided in an Option Agreement, no Option and no right under the Plan, contingent or otherwise, shall be (i) assignable, saleable, or otherwise transferable by a Grantee except by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order, or (ii) subject to any encumbrance, pledge or charge of any nature. No transfer by will or by the laws of descent and distribution shall be effective to bind the Company unless the Committee shall have been furnished with a copy of the deceased Grantee's will or such other evidence as the Committee may deem necessary to establish the validity of the transfer. Any attempted transfer in violation of this SECTION 3.2 shall be void and ineffective for all purposes.

(b) *Ability to Exercise Rights.* Only the Grantee or his guardian (if the Grantee becomes Disabled), or in the event of his death, his legal representative or beneficiary, may exercise Options, receive cash payments and deliveries of shares, or otherwise exercise rights under the Plan. The executor or administrator of the Grantee's estate, or the person or persons to whom the Grantee's rights under any Option will pass by will or the laws of descent or distribution, shall be deemed to be the Grantee's beneficiary or beneficiaries of the rights of the Grantee hereunder and shall be entitled to exercise such rights as are provided hereunder.

3.3 RIGHTS AS A STOCKHOLDER.

Except as otherwise provided in any Option Agreement, a Grantee of an Option or a transferee of such Grantee shall have no rights as a stockholder with respect to any shares of Common Stock until such person becomes a holder of record of such Common Stock. Except as otherwise provided in SECTION 3.5, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities, or other property) or distributions or other rights for which the record date is prior to the date such stock certificate is issued.

3.4 LISTING AND REGISTRATION OF SHARES OF COMMON STOCK.

Prior to issuance and/or delivery of shares of Common Stock, the Company shall consult with representatives of the Company, as appropriate, regarding compliance with laws, rules and regulations that apply to such shares. If

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necessary, the Company shall postpone the issuance and/or delivery of the affected shares of Common Stock upon any exercise of an Option until completion of such stock exchange listing, registration, or other qualification of such shares under any state and/or federal law, rule or regulation as the Company may consider appropriate, and may require any Grantee to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations. The Company shall not be obligated to take any affirmative action in order to cause the issuance or transfer of shares pursuant to an Option to comply with any law, rule or regulation described in the immediately preceding sentence.

**3.5 CHANGE IN STOCK AND ADJUSTMENTS.**

(a) *Changes in Capitalization.* In the event the outstanding shares of the Common Stock, as constituted from time to time, shall be changed as a result of a change in capitalization of the Company or a combination, merger, or reorganization of the Company into or with any other corporation or any other transaction with similar effects, then, for all purposes, references herein to Common Stock shall mean and include all securities or other property (other than cash) that holders of Common Stock are entitled to receive in respect of Common Stock by reason of each successive aforementioned event, which securities or other property (other than cash) shall be treated in the same manner and shall be subject to the same restrictions as the underlying Common Stock.

(b) *Changes in Law or Circumstance.* In the event of any change in applicable laws or any change in circumstances which results in or would result in any dilution of the rights granted under the Plan, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the number or kind of shares of stock or other securities or property theretofore subject, or which may become subject, to issuance or transfer under the Plan or in the terms and conditions of outstanding Options, such adjustment shall be made in accordance with such determination. Such adjustments may include without limitation changes with respect to (i) the aggregate number of shares that may be issued under the Plan, (ii) the number of shares subject to Options and (iii) the price per share for outstanding Options. The Committee shall give notice to each Grantee, and upon notice such adjustment shall be effective and binding for all purposes of the Plan.

**3.6 CHANGES OF CONTROL.**

(a) *Changes of Control.* For the purposes of this SECTION 3.6, a **Change of Control** shall mean a change of control of a nature that would be required to be reported in response to item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act as such Schedule, Regulation and Act were in effect on the date of adoption of this Plan by the Board, assuming that such Schedule, Regulation and Act applied to the Company, provided that such change of control shall be deemed to have occurred at such time as:

- (i) any person (as that term is used in SECTION 13(d) and 14(d)(2) of the Exchange Act) (other than the Company or an affiliate of the Company) becomes, directly or indirectly, the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of securities representing 30% or more of the combined voting power for election of members of the Board of the then outstanding voting securities of the Company or any successor of the Company;
- (ii) during any period of two (2) consecutive years or less, individuals who at the beginning of such period constituted the Board of the Company cease, for any reason, to constitute at least a majority of the Board, unless the election or nomination for election of each new member of the Board was approved by a vote of at least two-thirds of the members of the Board then still in office who were members of the Board at the beginning of the period
- (iii) the equity holders of the Company approve any merger or consolidation to which the Company is a party as a result of which the persons who were equity holders of the Company immediately prior to the effective date of the merger or consolidation (and excluding, however, any shares held by any party to such merger or consolidation and their affiliates) shall have beneficial ownership of less than 50% of the combined voting power for election of members of the Board (or equivalent) of the surviving entity following the effective date of such merger or consolidation; or

- (iv) the equity holders of the Company approve any merger or consolidation as a result of which the equity interests in the Company shall be changed, converted or exchanged (other than a merger with a wholly owned subsidiary of the Company) or any liquidation of the Company or any sale or other disposition of 50% or more of the assets or earnings power of the Company;

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*provided however*, that no Change of Control shall be deemed to have occurred if, prior to such time as a Change of Control would otherwise be deemed to have occurred, the Board determines otherwise.

(b) *Right of Cash-Out*. If approved by the Board prior to or within thirty (30) days after such time as a Change of Control shall be deemed to have occurred, the Board shall have the right for a forty-five (45) day period immediately following the date that the Change of Control is deemed to have occurred to require all, but not less than all, Grantees to transfer and deliver to the Company all Options previously granted to Grantees in exchange for an amount equal to the cash value (defined below) of the Options. Such right shall be exercised by written notice to all Grantees. For purposes of this SECTION 3.6(b), the cash value of an Option shall equal the sum of (i) all cash to which the Grantee would be entitled upon settlement or exercise of such Option and (ii) the excess of the market value (defined below) per share over the option price, if any, multiplied by the number of shares subject to such Option. For purposes of the preceding sentence, market value per share shall mean the higher of (i) the average of the Fair Market Value per share on each of the five trading days immediately following the date a Change of Control is deemed to have occurred or (ii) the highest price, if any, offered in connection with a Change of Control. The amount payable to each Grantee by the Company pursuant to this SECTION 3.6(b) shall be in cash or by certified check and shall be reduced by any taxes required to be withheld.

SECTION 4  
MISCELLANEOUS

4.1 EFFECTIVE DATE AND GRANT PERIOD.

This Plan shall become effective as of the date of Board approval (the Effective Date ). Unless sooner terminated by the Board, the Plan shall terminate on October 30, 2014, unless extended. After the termination of the Plan, no Options may be granted under the Plan, but previously granted awards shall remain outstanding in accordance with their applicable terms and conditions.

4.2 WITHHOLDING TAXES.

The Company shall have the right to (i) make deductions from any settlement of an Option made under the Plan, including the delivery of shares, or require shares or cash or both be withheld from any Option, in each case in an amount sufficient to satisfy withholding of any federal, state or local taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such withholding obligations. The Committee may determine the manner in which such tax withholding may be satisfied, and may permit shares of Common Stock (rounded up to the next whole number) to be used to satisfy required tax withholding based on the Fair Market Value of any such shares of Common Stock, as of the delivery of shares or payment of cash in satisfaction of the applicable Option.

4.3 CONFLICTS WITH PLAN.

In the event of any inconsistency or conflict between the terms of the Plan and an Option Agreement, the terms of the Plan shall govern.

4.4 NO GUARANTEE OF TAX CONSEQUENCES.

Neither the Company nor the Committee makes any commitment or guarantee that any federal, state or local tax treatment will apply or be available to any person participating or eligible to participate hereunder.

4.5 SEVERABILITY.

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In the event that any provision of this Plan shall be held illegal, invalid or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provision of the Plan, and the Plan shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

**4.6 GENDER, TENSE AND HEADINGS.**

Whenever the context requires such, words of the masculine gender used herein shall include the feminine and neuter, and words used in the singular shall include the plural. Section headings as used herein are inserted solely for convenience and reference and constitute no part of the Plan.

**4.7 AMENDMENT AND TERMINATION.**

The Plan may be amended or terminated at any time by the Board by the affirmative vote of a majority of the members in office. The Plan, however, shall not be amended, without prior written consent of each affected Grantee if such amendment or termination of the Plan would adversely affect any material vested benefits or rights of such person.

**4.8 GOVERNING LAW.**

The Plan shall be construed in accordance with the laws of the State of New York, except as superseded by federal law, and in accordance with applicable provisions of the Code and regulations or other authority issued thereunder by the appropriate governmental authority.

**4.9 LIMITATIONS APPLICABLE TO SECTION 16 PERSONS.**

Notwithstanding any other provision of this Plan, this Plan, and any Option granted to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan, and Options granted hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

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**COMMON STOCK**

**PROXY**

**BOARD OF DIRECTORS**

**MOTORCAR PARTS OF AMERICA, INC.**

**This Proxy is solicited on behalf of the Board of Directors of  
MOTORCAR PARTS OF AMERICA, INC.**

The undersigned hereby appoints Selwyn Joffe and Michael Umansky, and each of them, the true and lawful proxies of the undersigned, with full power of substitution, to vote all shares of the common stock, \$0.01 par value per share, of MOTORCAR PARTS OF AMERICA, INC., which the undersigned is entitled to vote at the annual meeting of shareholders of MOTORCAR PARTS OF AMERICA, INC., to be held at 10:00 a.m., California Time, on February 25, 2010 at the Torrance Marriott, 3635 Fashion Way, Torrance, California 90503 and any and all adjournments or postponements thereof (the Meeting ), on the proposals set forth below and any other matters properly brought before the Meeting.

Unless a contrary direction is indicated, this Proxy will be voted **FOR** all nominees listed in Proposal 1 and **FOR** approval of Proposals 2 and 3. If specific instructions are indicated, this Proxy will be voted in accordance therewith.

All Proxies to be voted at said Meeting heretofore earlier given by the undersigned are hereby revoked. Receipt of Notice of Annual Meeting of Shareholders and Proxy Statement dated January 29, 2010 is hereby acknowledged.

MOTORCAR  
PARTS OF  
AMERICA,  
INC.  
2929  
California  
Street  
Torrance, CA  
90503

(See Reverse Side)

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Votes must be indicated (x) in black or blue ink

**The Directors recommend a vote FOR all Nominees listed in Proposal 1 and FOR approval of Proposals 2 and 3.**

Please Mark **X** your votes like this

	<b>FOR all nominees listed below</b>	<b>WITHHOLD AUTHORITY to vote for all nominees listed herein</b>	<b>EXCEPTIONS</b>		<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Election of Directors  Nominees: Selwyn Joffe, Mel Marks, Scott Adelson, Rudolph Borneo, Philip Gay, Duane Miller and Jeffrey Mirvis.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	2. Proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accountants for the fiscal year ending March 31, 2010.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Proposal to amend the 2004 Non-Employee Director Stock Option Plan to increase the number of shares under the plan from 175,000 to 275,000.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	4. Such other matters as may properly come before the Meeting.			

**(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the Exceptions box and write that nominee's name in the space provided below.)**

**\*EXCEPTIONS**

Change of Address and/or Comments Mark Here

COMPANY ID:

PROXY NUMBER:

ACCOUNT NUMBER:

Signature(s):

Dated: \_\_\_\_\_,  
2010

Signature(s):

(Please date this proxy and sign your name as it appears on the stock certificates. Executors, administrators, trustees, etc., should give their full titles. All joint owners should sign.)

*Please mark, sign, date and mail this Proxy promptly.*