MOTORCAR PARTS AMERICA INC
Form 10-K/A
July 29, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/A
(Amendment No.1)

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

For the fiscal year ended March 31, 2009

OR

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

For the transition period from __________ to __________

Commission File No. 001-33861
MOTORCAR PARTS OF AMERICA, INC.

(Exact name of registrant as specified in its charter)

New York	**11-2153962**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2929 California Street, Torrance, California	**90503**
(Address of principal executive offices)	Zip Code

Registrant s telephone number, including area code: **(310) 212-7910**

Securities registered pursuant to Section 12(b) of the Act: common stock, $0.01 par value per share

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No þ

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ
As of September 30, 2008, which was the last business day of the registrant s most recently completed fiscal second quarter, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was approximately $63,627,607 based on the closing sale price as reported on the NASDAQ Global Market.
There were 11,962,021 shares of common stock outstanding as of July 24, 2009.

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10/K (this Amendment) amends our Annual Report on Form 10-K for the fiscal year ended March 31, 2009, that was previously filed with the Securities and Exchange Commission (the SEC) on June 15, 2009 (the Original Filing). We are filing this Amendment to include the information required by Part III of Form 10-K and not included in the Original Filing, as we will not file our definitive proxy statement within 120 days of the end of our fiscal year ended March 31, 2009.

Except as set forth in Part III below, no other changes are made to the Original Filing. Unless expressly stated, this Amendment does not reflect events occurring after the filing of the Original Filing, nor does it modify or update in any way the disclosures contained in the Original Filing. Unless the context otherwise requires, all references in this Amendment to the Company, we, us, and our refer to Motorcar Parts of America, Inc. and its subsidiaries.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Our directors, their ages and present positions with us as of July 24, 2009 are as follows:

Name	Age	Position with the Company
Selwyn Joffe	51	Chairman of the Board of Directors, President and Chief Executive Officer
Mel Marks	81	Director and Consultant
Scott J. Adelson	48	Director
Rudolph J. Borneo	68	Director, Chairman of the Compensation Committee, member of the Audit, Ethics and Nominating and Corporate Governance Committees
Philip Gay	51	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	45	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 Georgia State Bar 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 plus 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 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 J. Borneo joined our Board of Directors on November 20, 2004. Mr. Borneo retired from R.H. Macy s, Inc. At the time of his retirement, his position was Vice Chairman and Director of Stores for 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 Macy s West from 1992 until his appointment as Vice Chairman and Director of Stores. In addition, Mr. Borneo is currently on the Board of Directors of Grill Concepts, Inc. and a member of the Board of Trustees of Monmouth University. Mr. Borneo is the 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 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 city of Flint, Michigan, as the Director of Government Operations. 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 (after-market) 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.

Jeffrey 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.

Our directors will hold office until the next annual meeting of shareholders, or until their successors are elected and qualified.

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.

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

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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.

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:

Name	Age	Position with the Company
Mervyn McCulloch	65	Chief Acquisition Officer
David Lee	39	Chief Financial Officer
Kevin Daly	50	Chief Accounting Officer
Steve Kratz	54	Chief Operating Officer
Tom Stricker	56	Vice President, Sales
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.

Mervyn McCulloch has been our Chief Acquisition Officer since February 2008. 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.

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.

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.

Steven 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.

Tom Stricker, our Vice President, Sales has been with our company since 1989 and became the Vice President, Sales 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, 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.

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

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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.

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 SEC and a copy is posted on our website at *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.

Item 11. 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.

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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 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.

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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 non-formulaic 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 Executives.

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 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 the size of 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 any one 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

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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

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.

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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

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.

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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 Annual Report on Form 10-K/A.

By Members of the Compensation Committee

Rudolph Borneo, Chairman
Philip Gay
Duane Miller
Jeffrey Mirvis

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Summary Compensation Table

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	Bonus (1) (2)	Stock Awards	Options Awards(3)	Nonqualified Deferred Compensation Earnings (4)	All Other Compensation (5)	Total
Selwyn Joffe	2009	$500,000	$500,100	$	$256,973	$ 5,889	$165,164	$1,428,126
Chairman of the Board,	2008	500,000	500,100		523,989	47,330	107,240	1,678,659
President and CEO	2007	500,000	500,100		821,026		97,110	1,918,236
Mervyn McCulloch	2009	$250,000	$ 40,100	$	$ 28,812	$	$ 24,712	$ 343,624
Chief Acquisition Officer	2008	250,000	15,100		59,738		22,077	346,915
	2007	245,616	50,100		79,768		24,021	399,505
David Lee	2009	$178,500	$ 50,100	$	$ 1,821	$	$ 38,819	$ 269,240
Chief Financial Officer	2008	154,385	50,100		7,819		33,454	245,758
Kevin Daly	2009	$180,000	$ 50,100	$	$ 5,333	$	$ 20,888	$ 256,321
Chief Accounting Officer	2008	171,538	50,100		8,585		16,997	247,220
Steve Kratz	2009	$282,800	$ 55,100	$	$ 7,282	$	$ 17,644	$ 362,826
Chief Operating Officer	2008	231,100	100,100		21,616		17,377	370,193
Michael Umansky	2009	$406,000	$ 40,100	$	$ 14,564	$	$ 47,706	$ 508,370
Vice President, Secretary	2008	406,000	70,100		52,202	12,836	44,230	585,368
and General Counsel	2007	401,616	50,100		81,215		47,086	580,017
Doug Schooner	2009	$213,600	$ 50,100	$	$ 14,564	$	$ 54,667	$ 332,931
Vice President,	2008	191,000	60,100		43,233	17,136	51,830	363,299
Manufacturing	2007	186,615	100,100		67,762		48,698	403,175
Tom Stricker	2009	$210,000	$ 60,100	$	$ 14,564	$20,715	$ 24,469	$ 329,848
Vice President, Sales	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 17 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	Automobile Expenses	Health Insurance Premiums	401K Employer s	Deferred Compensation Plan Employer s