

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE FISCAL YEAR ENDED MARCH 31, 1997

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File No. 0-23538

MOTORCAR PARTS & ACCESSORIES, INC.
(Exact name of Registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation or organization)

11-2153962
(I.R.S. Employer Identification No.)

2727 Maricopa Street, Torrance, California
(Address of principal executive offices)

90503
Zip Code

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

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act: Common Stock, \$.01 par value

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 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark 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.

Issuer's revenues for its most recent fiscal year: \$86,872,000.

The aggregate market value, calculated on the basis of the average bid and asked prices of such stock on the National Association of Securities Dealers Automated Quotation System, of Common Stock held by non-affiliates of the Registrant as of June 23, 1997 was approximately \$65,774,512.

There were 5,036,455 shares of Common Stock outstanding as of June 23, 1997.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Registrant's Proxy Statement relating to its 1997 Annual Meeting of Shareholders is incorporated by reference herein

PART I

ITEM 1. BUSINESS.

GENERAL

The Company is a leading remanufacturer and distributor of replacement alternators and starters for both imported and domestic cars and light trucks in the United States. The Company's alternators and starters are remanufactured for vehicles imported from Japan, Germany, Sweden, England, France, Italy and Korea and, as commenced in fiscal 1997, for domestic vehicles. The imported vehicles for which the Company remanufactures alternators and starters also include (i) "world cars," which are produced by General Motors, Chrysler and Ford and originally equipped with components produced by foreign manufacturers, and (ii) "transplants," which are manufactured in the United States by Toyota, Nissan, Honda, Mazda and others. The Company also assembles and distributes ignition wire sets for imported and domestic cars and light trucks.

The Company's products are sold throughout the United States to many of the nation's largest chains of retail automotive stores, including AutoZone, CSK Auto, The Pep Boys, O'Reilly Automotive, Hi-Lo Automotive and Trak Automotive. The Company also sells its alternators and starters throughout Canada as a supplier to that country's largest chain of retail automotive stores, Canadian Tire. During the last several years, the Company has concentrated on sales to retail automotive chains, which the Company believes is the fastest growing segment of the automotive after-market industry. For fiscal 1997, approximately 85% of the Company's sales were to retail automotive chains comprised of approximately 4,000 stores, with the balance of sales primarily to large warehouse distributors, such as APS Holdings. The Company also supplies remanufactured alternators and starters for imported vehicles for distribution through Service Parts Operations (SPO), which units are sold under General Motors' private label, AC Delco.

THE AUTOMOTIVE AFTER-MARKET INDUSTRY

The Company's historical market, the import automotive after-market industry for alternators and starters, which is comprised almost exclusively of remanufacturers and rebuilders, has experienced significant growth during recent years. The Company expects this growth to continue as a result of several trends. These trends include the proliferation of imported cars and light trucks (including world cars and transplants) in use, the growth in the number of miles driven each year and the growth in the number of imported vehicles at the prime repair age of four years and older. In addition, the Company believes its new market, the domestic automotive after-market industry for alternators and starters, represents substantial growth opportunities. The Company believes that this new market is approximately three times the size of the Company's historical import market.

The Company targets two distinct groups of end-users that buy replacement automotive parts: (i) individual consumers, who purchase parts to perform "do-it-yourself" repairs on their own vehicles; and (ii) professional "do-it-for-me" installers, which include automotive repair shops and the

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service departments of automobile dealers. The individual consumer market is typically supplied through retailers and through the retail arms of warehouse distributors. Automotive repair shops generally purchase parts through local independent parts wholesalers, through national warehouse distributors and, more recently, through automotive parts retailers. Automobile dealer service departments generally obtain parts through the distribution systems of automobile manufacturers. In recent years, chains of retail stores in the automotive after-market industry have become an increasingly important channel for the distribution of the Company's products. The Company also believes that significant consolidation among distributors of automotive replacement parts has resulted in fewer and larger distributors. In addition, the Company believes that, as a result of its entrance into the business of remanufacturing alternators and starters for domestic vehicles, warehouse distributors will become a more important distribution channel for the Company.

Remanufacturing of operational replacement parts is a significant component of the automotive aftermarket industry. Sales by chains of retail automotive stores and by automotive wholesalers of remanufactured alternators and starters are believed by the Company to comprise the vast majority of the Company's market. Only a portion of that market is supplied by the sale of

similar new replacement parts. Remanufacturing, which involves the re-use of parts which might otherwise be discarded, creates a supply of parts at a significantly lower cost to the user than newly-manufactured parts, and makes available automotive parts which are no longer being manufactured. By making readily available parts for automotive general use, remanufacturing benefits automotive repair shops by relieving them of the need to rebuild worn parts on an individual basis and conserves materials which would otherwise be used to manufacture new replacement parts. Most importantly, however, the Company's remanufactured parts are sold at significantly lower prices than competitive new replacement parts. These features also enable retail customers themselves to engage in cost-saving repairs.

COMPANY PRODUCTS

The Company's primary products are remanufactured replacement alternators and starters for both imported and domestic cars and light trucks. The Company also assembles and distributes ignition wire sets for the automotive after-market for use in a wide variety of makes and models of foreign automobiles. Alternators, starters and ignition wire sets are essential components in all makes and models of automobiles. These products constitute non-elective replacement parts, which are required for a vehicle to operate. Approximately 17% of the Company's products are sold under its brand name, including the use of its registered trademark "MPA," and the remainder are sold for resale under customer private labels. Customers that sell the Company's products under private label include AutoZone, CSK Auto, The Pep Boys, APS Holdings and Delphi.

The Company's alternators and starters are produced to meet or exceed automobile manufacturer specifications depending upon the make and model of the automobile. The Company remanufactures a broad assortment of starters and alternators in order to accommodate the numerous and increasing varieties of these products currently in use. The Company currently provides approximately 825 different alternators and 575 different starters. The Company's import alternators

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and starters are provided for virtually all Japanese manufacturers, including Toyota, Honda, Nissan, Mazda and Mitsubishi, certain European manufacturers, including Mercedes Benz, BMW, Volvo and Volkswagen, manufacturers of world cars, including Chrysler, General Motors and Ford, and foreign manufacturers of transplant cars.

CUSTOMERS

The Company's products are marketed throughout the United States and Canada. The Company's customers consist of many of the United States' largest chains of retail automotive stores and automotive warehouse distributors. The Company also sells its products to Canada's largest chain of retail automotive stores, Canadian Tire.

A significant percentage of the Company's sales has been concentrated among a relatively small number of customers. The Company's three largest customers accounted for approximately 29%, 18% and 18%, respectively, of net sales during fiscal 1997. The Company's four largest customers accounted for approximately 21%, 11%, 20% and 18%, respectively, of net sales during fiscal 1996. The Company's three largest customers accounted for approximately 27%, 14% and 12%, respectively, of the Company's net sales during fiscal 1995. There can be no assurance that this concentration of sales among customers will not continue in the future. The loss of a significant customer or a substantial decrease in sales to such a customer would have a material adverse effect on the Company's sales and operating results. In addition, customers may demand price concessions from the Company that could adversely affect profit margins. The Company's arrangements with most of its customers are based on the receipt of purchase orders and otherwise are not subject to long-term written contracts and generally may be terminated upon short notice.

OPERATIONS OF THE COMPANY

Cores

In its remanufacturing operations, the Company obtains used alternators and starters, commonly known as "cores," which are sorted by make and model and stored until needed. When needed for remanufacturing, the cores are completely disassembled into component parts. Components which can be incorporated into the remanufactured product are thoroughly cleaned, tested and refinished. All components known to be subject to major wear, and those components determined not to be reusable or repairable, are replaced by new components. The unit is then reassembled on an assembly line into a finished product. Inspection and testing are conducted at various stages of the remanufacturing process, and each finished product is inspected and tested on equipment designed to simulate performance under operating conditions. Components of cores which are not used by the Company in its remanufacturing process are sold as scrap.

The majority of the cores remanufactured by the Company are obtained from customers as trade-ins, which are credited against future purchases. The Company's customers encourage consumers to exchange their used units at the time of purchase through the use of credits. To a lesser

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extent, the Company also purchases cores in the open market from core brokers, who are dealers specializing in buying and selling cores. Although the Company believes that the open market does not and will continue not to represent a primary source of cores, this market offers a reliable source for maintaining stock balance. Other materials and components used in remanufacturing are also purchased in the open market. The ability to obtain cores of the types and quantities required by the Company is essential to the Company's ability to meet demand and expand production.

The price of a finished product generally is comprised of a separately invoiced amount for the core included in the product ("core value") and an amount for remanufacturing. Upon receipt of a core as a trade-in, credit generally is given to the customer for the amount originally invoiced with respect to that core. The Company limits trade-ins to cores for units included in its sales catalogs and in condition able to be remanufactured, and credit for cores is allowed only against purchases by a customer of similar remanufactured products within a specified time period. A customer's total allowable credit for core trade-ins is further limited by the dollar volume of the customer's purchases of similar products within such time period. Core values fluctuate on the basis of several economic factors, including market availability and demand and core prices then being paid by other remanufacturers and core brokers.

Beginning with fiscal 1997, the Company implemented a new accounting presentation with respect to its reporting of sales. In the past, the Company deducted the value of all cores returned from its customers in order to reach net sales. Under the new presentation, revenues are reported on a gross basis, that is core returns from customers are not deducted in order to reach net sales, but rather are included in cost of goods sold. Fiscal 1996 and 1995 net sales and cost of goods sold have been reclassified to reflect this new presentation. The Company believes that this new presentation provides a truer depiction of actual sales and cost of goods sold. In addition, it reflects a more proper relationship between sales and inventory.

Production Process

The initial step in the Company's remanufacturing process begins with the receipt in boxed quantities of cores from various sources, including trade-ins from customers and purchases in the open market. The cores are assessed and evaluated for inventory control purposes and then sorted by part number. Each core is then completely disassembled into all of its fundamental components. The components are cleaned in a process that employs customized equipment, detergents and other chemicals. The cleaning process is accomplished in accordance with the required specifications of the particular units.

After the cleaning process is complete, the components are then inspected and tested as prescribed by the Company's rigorous quality control program. This program, which is implemented throughout the operational process, is known as statistical process control. Upon passage of all tests, the

components are placed on an automatic conveyor for assembly into the required units. The assembly process is monitored by designated quality control personnel. Each fully assembled unit is then subjected to additional testing to ensure performance and quality. Finished products are then

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either stored in the Company's warehouse facility or packaged for immediate delivery. In addition, to maximize efficiency, the Company stores in its warehousing facilities component parts ready for assembly. The Company's management information systems, including hardware and software, facilitate the remanufacturing process from cores to finished products. In general, this process takes approximately four days.

The Company conducts business through two wholly-owned foreign subsidiaries, MVR Products Pte Limited ("MVR"), which operates a shipping warehouse and testing facility and maintains office space and remanufacturing capability in Singapore, and Unijoh Sdn, Bhd ("Unijoh"), which conducts in Malaysia remanufacturing operations similar to those conducted by the Company at its remanufacturing facility in Torrance. These foreign operations are conducted with quality control standards and other internal controls similar to those currently implemented at the Company's remanufacturing facilities in Torrance. The facilities of MVR and Unijoh are located approximately one hour drive apart. The Company believes that the operations of its foreign subsidiaries are important because of the lower labor costs experienced by these subsidiaries in the same remanufacturing process.

In April 1997, the Company acquired all of the outstanding capital stock of MVR and Unijoh from its shareholders, Mel Marks, Richard Marks and Vincent Quek (each of whom owned one-third of each acquired entity), for an aggregate purchase price to all such selling shareholders for both acquired entities of 145,455 shares of Common Stock. The shares of Common Stock constituting the purchase price have not been registered for sale pursuant to the Securities Act of 1933 and are subject to a lock-up arrangement between the Company and each such selling shareholder releasing for public resale one-fourth of such shares on each of the first four anniversaries of the acquisitions. The purchase price and other terms of the acquisitions were determined by the Special Committee of the Board of Directors of the Company following negotiations with the selling shareholders. In connection with, and as a condition to, the acquisitions, the Special Committee received a fairness opinion from Houlihan Lokey Howard & Zukin, a specialty investment banking firm.

Product Trade-Ins

The Company has a trade-in policy that it believes is typical for the remanufactured automotive replacement parts industry. A manufacturer typically provides a product warranty that is honored whether or not the purchaser continues to do business with the manufacturer. As the Company believes is the practice in its industry, however, the Company accepts product trade-ins only if the purchaser makes future purchases from the Company within a specified time period. Product trade-ins to the Company result only in credits against future purchases. If a customer ceases doing business with the Company, the Company recognizes no further obligations to that customer with respect to product trade-ins and no additional product returns would be accepted by the Company. The customer would return any returnable products to a new remanufacturer maintaining the same policy, which remanufacturer would accept the product trade-ins and grant appropriate credits regardless of whether the units were originally purchased from that new remanufacturer.

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As a result of the product trade-in policy in the Company's industry, the Company accounts for product trade-ins on a current basis. No reserve is made for future product trade-ins since there is no on-going

obligation to accept such trade-ins in the absence of continuing sales to the returning customer. The Company believes that its return rate has been consistent with the return rates generally experienced in its industry. In addition, the obligation to accept trade-ins is only recognized as a credit against future sales in the form of a reduction in the purchase price for those sales. The Company's product trade-in policy encompasses all product trade-ins, including cores, true warranty trade-ins, alleged warranty trade-ins and any other product adjustments. The amount of the credit given in connection with a returned unit is equal to the sum of the unit price and the core price.

COMPETITION

The automotive after-market industry of remanufacturers and rebuilders of alternators and starters for both imported cars and light trucks is highly competitive. The Company's competitors include several other relatively large sources of remanufactured units and numerous smaller, regional rebuilders. Certain of the Company's competitors sell a wide variety of other automotive parts, thereby establishing broader name recognition in the entire automotive after-market. In addition, certain of the Company's competitors are divisions or subsidiaries of entities also engaged in other businesses which have substantially greater financial resources than those of the Company. The Company also competes with several large regional remanufacturers and with remanufacturers which are franchised by certain original equipment manufacturers to remanufacture their products for regional distribution. Alternators and starters produced by regional and other small rebuilders typically are not processed and finished to the same extent as, and do not compete directly with, the Company's products. The Company also competes with numerous rebuilders which serve comparatively local areas.

The Company's products have not been patented nor does the Company believe that its products are patentable. The Company will continue to attempt to protect its proprietary processes and other information by relying on trade secret laws and non-disclosure and confidentiality agreements with certain of its employees and other persons who have access to its proprietary processes and other information.

GOVERNMENTAL REGULATION

The Company's operations are subject to federal, state and local laws and regulations governing, among other things, emissions to air, discharge to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. The Company is not subject to any such laws and regulations which are specific to the automotive after-market industry. The Company believes that its business, operations and facilities have been and are being operated in compliance in all material respects with applicable environmental and health and safety laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. The operation of automotive parts remanufacturing plants, however, entails risks in these areas, and there can be no assurance that the Company will not incur material costs or liabilities. In addition,

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potentially significant expenditures could be required in order to comply with evolving environmental and health and safety laws, regulations or requirements that may be adopted or imposed in the future. The Company believes, although there can be no assurance, that the overall impact of compliance with regulations and legislation protecting the environment will not have a material effect on its future financial position or results of operations.

EMPLOYEES

The Company has approximately 640 full time employees. Of the Company's employees, 20 are considered administrative personnel and six are sales personnel. None of the Company's employees is a party to any collective bargaining agreement. The Company has not experienced any work stoppages and considers its employee relations to be satisfactory.

ITEM 2. PROPERTIES.

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The Company maintains facilities in Torrance, California, Roslyn, New York and Nashville, Tennessee. The Torrance facilities contain an aggregate of approximately 352,000 square feet and accommodate most of the Company's corporate headquarters and remanufacturing, warehousing and other office requirements. The Company moved into its initial Torrance facility, consisting of approximately 125,000 square feet, in September 1993. The lease for the initial facility provides for a monthly rental of \$44,280 through September 1999, increasing thereafter to \$47,601 through March 31, 2002, the termination date of the lease. In September 1995, the Company entered into a lease for an additional approximately 80,000 square feet in a second facility in the same industrial area in Torrance and, in October 1996, increased its leased space in the second facility to a total of approximately 227,000 square feet. The lease for the second facility provides for a base monthly rental of \$60,252 through September 1999, increasing thereafter to \$64,771 through March 31, 2002, the termination date of the lease. The Company's facilities were designed and equipped according to specifications generated by the Company in order to accommodate the Company's current and projected needs. The facilities are anticipated to be sufficient to satisfy the Company's foreseeable production requirements. The Company also maintains an East Coast administrative and sales office in Roslyn, New York. This site contains approximately 1,000 square feet of office space. In October 1995, the Company opened a 31,000-square foot warehouse and distribution facility in Nashville, Tennessee to service the Company's growing East Coast and Southern market. The lease for this facility expires on October 31, 1998 and provides for a monthly rental of \$9,331. In addition, the Company has facilities at its subsidiaries' locations in Malaysia and Singapore.

ITEM 3. LEGAL PROCEEDINGS.

There are no pending material legal proceedings to which the Company or any of its properties is subject nor, to the knowledge of the Company, are any such legal proceedings threatened.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder

Matters.

The Company's Common Stock, par value \$0.01 per share (the "Common Stock"), is quoted on the National Association of Securities Dealers' Automated Quotation ("NASDAQ") National Market under the symbol MPAA. The following table sets forth the high and low bid prices for the Common Stock during each quarter of fiscal 1996 and fiscal 1997 as reported by NASDAQ. The prices reported reflect inter-dealer quotations, may not represent actual transactions and do not include retail mark-ups, mark-downs or commissions.

	Fiscal 1996		Fiscal 1997	
	High	Low	High	Low
First Quarter	11	8.5	19	14.250
Second Quarter	15	10.375	15.750	9.375
Third Quarter	15.875	12.750	15	11.875
Fourth Quarter	15.875	11.375	17.625	13.250

As of June 23, 1997, there were 5,036,455 shares of Common Stock outstanding held by 45 holders of record.

The Company has not declared or paid dividends on the Common Stock during the last two fiscal years.

The declaration of dividends in the future will be at the election of the Board of Directors and will depend upon the earnings, capital requirements and financial position of the Company, general economic conditions, state law requirements and other relevant factors. In addition, the Company's agreement with its bank lender prohibits payment of dividends without the bank's prior consent, except dividends payable in Common Stock.

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ITEM 6. SELECTED FINANCIAL DATA.

The financial information set forth below for the fiscal years ended March 31, 1997, 1996 and 1995 should be read in conjunction with the detailed information in the financial statements and notes thereto appearing elsewhere herein.

The financial information set forth below for the fiscal years ended March 31, 1994 and 1993 have been audited by Richard A. Eisner & Company, LLP, independent certified public accountants.

	Fiscal Year Ended March 31,				
	1997	1996	1995	1994	1993
	(in thousands, except per share data)				
Income Statement Data (1):					
Net sales	\$ 86,872	\$ 64,358	\$ 39,235	\$ 29,018	\$ 24,033
Cost of goods sold	69,255	50,965	30,690	21,816	19,038
Research and development	185	--	--	--	--
Selling expenses	2,305	1,984	1,498	2,117	1,441
General and administrative expenses	4,974	4,577	3,704	2,593	2,134
Moving expenses	--	--	--	256	--
Operating income	10,153	6,832	3,343	2,236	1,420
Interest expense (net of interest income)	(1,090)	(833)	(540)	(453)	(352)
Income before income taxes	9,063	5,999	2,803	1,783	1,068
Provision for income taxes (pro forma for fiscal 1994 and 1993) (2)	3,529	2,353	1,197	728	453
Net Income	\$ 5,534	\$ 3,646	\$ 1,606	\$ 1,055	\$ 615
Net Income per share (pro forma for fiscal	=====	=====	=====	=====	=====

1994 and fiscal 1993) (3)	\$ 1.11	\$ 0.93	\$ 0.49	\$ 0.52	\$ 0.29
	=====	=====	=====	=====	=====
Weighted average common shares outstanding (pro forma for fiscal 1994 and fiscal 1993) (3) .	5,007	3,939	3,295	2,018	2,145
	=====	=====	=====	=====	=====

March 31,

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1997	1996	1995	1994	1993
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(in thousands)

Balance Sheet Data:					
Total assets	\$75,510	\$60,189	\$25,823	\$16,871	\$ 9,045
Working capital	51,800	44,254	18,096	12,041	1,958
Long-term debt and capitalized lease obligations -- less current portions	17,839	15,135	9,502	4,920	14
Shareholders' equity	40,108	34,031	10,016	8,410	2,274

- (1) Net sales and cost of goods sold for fiscal 1996, 1995, 1994 and 1993 have been reclassified to increase cost of goods sold, rather than decrease net sales, by core trade-ins. See Note A[6] to the financial statements contained herein.
- (2) From January 1, 1987 through December 31, 1993, the Company was subject to taxation as an "S" corporation in accordance with the Code. As a result, the net income of the Company during that time was faxed for federal (and some state) income tax purposes directly to the Company's shareholders rather than to the Company. Pro forma data reflects the income tax expense that would have been recorded had the Company not been exempt from the payment of such taxes.
- (3) Pro forma data for fiscal 1994 and fiscal 1993 reflect the stock split effected by the Company in January 1994, which increased the number of issued and outstanding shares of Common Stock from 54.3428 shares to 2,000,000 shares.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATION.

GENERAL

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere herein.

RESULTS OF OPERATIONS

	Fiscal Year Ended March 31,		
	1997	1996	1995
	-----	-----	-----
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	79.7	79.2	78.2
	-----	-----	-----
Gross profit	20.3	20.8	21.8
Research and development	0.2	0.0	0.0
Selling expenses	2.7	3.1	3.8
General and administrative expenses	5.7	7.1	9.4
	-----	-----	-----
Operating income	11.7	10.6	8.5
Interest expense - net of interest income	1.3	1.3	1.4
	-----	-----	-----
Income before income taxes	10.4	9.3	7.1
Provision for income taxes	4.1	3.7	3.1
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Net income	6.4%	5.7%	4.1%
	=====	=====	=====

In its remanufacturing operations, the Company obtains used alternators and starters, commonly known as "cores," from various sources, principally the Company's existing customers, as trade-ins. Such trade-ins are recorded when cores are received from customers. Credits for cores are allowed only against purchases of similar remanufactured products and are generally used within sixty days of issuance by the customer. Due to this trade-in policy, the Company does not reserve for trade-ins. In addition, since it is unlikely that a customer will not utilize its trade-in credits, the credit is recorded when the core is returned as opposed to when the customer purchases new products. The Company believes that this policy is consistent throughout the remanufacturing and rebuilding industry.

Beginning with fiscal 1997, the Company implemented a new accounting presentation with respect to its reporting of sales. In the past, the Company deducted the value of all cores returned from its customers in order to reach net sales. Under the new presentation, revenues are reported on a gross basis, that is core returns from customers are not deducted in order to reach net sales, but rather are included in cost of goods sold. Fiscal 1996 and 1995 have been reclassified to reflect this new presentation. The Company believes that this new presentation provides a truer depiction of

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actual sales and cost of goods sold. In addition, it reflects a more proper relationship between sales and inventory.

Fiscal 1997 compared to Fiscal 1996
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Net sales for fiscal 1997 increased \$22,514,000 or 35.0%, from \$64,358,000 to \$86,872,000, over fiscal 1996. The increase is attributable to the general growth of business with existing customers, including the commencement of sales to a large customer of alternators for domestic vehicles, and the number of SKUs that these customers offer in their stores. In addition, the Company believes that the continued aging of the import vehicle fleet also contributed to its increased sales. The expansion of the Company's product line to include remanufactured alternators and starters for domestic vehicles generated net sales of approximately \$6,832,000 for fiscal 1997. The number of all units shipped to all customers was approximately 1,379,000 units during fiscal 1997 and approximately 1,093,000 units during fiscal 1996, representing an increase of approximately 26.2%. The increase in net sales also reflects an increase in the number of higher priced, later-model units.

Cost of goods sold for fiscal 1996 increased \$18,290,000 or 35.9%, from \$50,965,000 to \$69,255,000, over fiscal 1996. The increase is primarily attributable to additional costs in connection with increased production. Cost of goods sold as a percentage of net sales increased over the periods from 79.2% to 79.7%. While the increase in cost of goods sold over the periods is minimal, it can be primarily attributed to pricing pressures experienced by the Company as offset by the continuing lowering of manufacturing costs by the Company.

Selling expenses for fiscal 1997 increased \$321,000 or 16.2%, from \$1,984,000 to \$2,305,000, over fiscal 1996. Selling expenses as a percentage of net sales decreased to 2.7% for fiscal 1997 from 3.1% for fiscal 1996. This decrease in selling expenses as a percentage of net sales represents the continued leveraging of selling costs over the Company's increased net sales. The increases in selling expenses in general are attributable to increased payroll relating to the Company's sales department.

General and administrative expenses for fiscal 1997 increased \$397,000 or 8.7%, from \$4,577,000 to \$4,974,000, over fiscal 1996. As a percentage of net sales these expenses decreased over the periods from 7.1% to 5.7%. This decrease represents the continued leveraging of these costs over the Company's increased net sales. The increase over the periods was the result of additional insurance costs, including as a result of an increase in directors and officers liability coverage up to \$15,000,000, general salary increases

(including giving effect to the 1996 federal minimum wage increase) and certain non-income-based state and local taxes.

Interest expense net of interest income was \$1,090,000 for fiscal 1997. This represents an increase of \$257,000 or 30.9% over fiscal 1996. Interest expense is comprised principally of interest paid on the Company's revolving credit facility, the borrowings under which increased over the periods. The balance of interest expense is from loans on the Company's capital leases. Interest

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income of \$218,000 for fiscal 1997 was derived from investments principally from the Company's second public offering in November 1995.

Fiscal 1996 compared to Fiscal 1995

Net sales for fiscal 1996 increased \$25,123,000 or 64.0% from \$39,235,000 to \$64,358,000. The increase in net sales is attributable to sales to new customers, the general growth of business with existing customers and, indirectly, to, the Company believes, the continued aging of the import vehicle fleet. During fiscal 1996, the Company began shipping products to two significant new customers. The number of units shipped to all customers was approximately 1,093,000 during fiscal 1996 as compared with approximately 689,000 during fiscal 1995, representing an increase of approximately 55.9%.

Cost of goods sold over the periods increased \$20,275,000 or 66.1% from \$30,690,000 to \$50,965,000. The increases are attributable to additional costs during the recent year in connection with increased production. As a percentage of net sales these expenses increased to 79.2% for the recent fiscal year from 78.2% for the prior fiscal year. This relatively small percentage increase is primarily attributable to increased direct production costs, which were partially offset by benefits the Company experienced from leveraging indirect production costs over increased net sales. In February 1996, the Company began experiencing pricing pressures on certain of its alternators and starters, which may affect gross profit to a limited extent in the future. The Company also anticipates lowering its manufacturing costs to help offset price decreases in response to these pricing pressures.

Selling expenses over the periods increased \$486,000 or 32.4% from \$1,498,000 to \$1,984,000. This increase was the result of an increase of approximately \$433,000 in advertising and other allowances to customers during fiscal 1996. The balance of the increase was primarily attributable to increased salaries of the Company's sales force. Advertising allowances accounted for 57.5% of the Company's total selling expenses for fiscal 1996 as compared to 47.3% for fiscal 1995. Despite these increases, selling expenses as a percentage of net sales decreased to 3.1% from 3.8% over the periods reflecting leveraging of these expenses over increased net sales.

General and administrative expenses over the periods increased \$873,000 or 23.6% from \$3,704,000 to \$4,577,000. Approximately 69.2% of the increase was due to costs incurred under the Company's new incentive bonus plan which was implemented in September 1995. The additional increase is primarily attributable to increased insurance coverage, computer expenses and professional fees. As a percentage of net sales, general and administrative expenses decreased from 9.4% to 7.1% over the periods reflecting leveraging of these expenses over increased net sales.

Interest expense net of interest income of \$219,000 for fiscal 1996 was \$833,000, an increase of 54.3% from \$540,000 in fiscal 1995. Interest expense is comprised principally of interest on the Company's revolving credit facility. The significantly increased interest expense over the prior year was due to the Company's increased borrowing under this facility. Interest income is derived from short-term investments principally from the Company's second public offering in November 1995.

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Liquidity and Capital Resources

The Company's recent operations have been financed principally from the net proceeds of the Company's second public offering in November 1995, borrowings under its revolving credit facility and cash flow from operations. As of March 31, 1997, the Company's working capital was \$51,800,000, including \$3,539,000 of cash and cash equivalents.

Net cash used in operating activities during fiscal 1997, 1996 and 1995 was \$5,978,000, \$15,344,000 and \$6,721,000, respectively. The principal use of cash in fiscal 1997 related to an increase in inventory of \$13,311,000 and an increase in accounts receivable of \$5,064,000 offset by an increase in accounts payable and accrued expenses of \$5,134,000. The increase in inventory was due in large part to the addition of inventory in excess of \$10,000,000 in connection with the Company's entrance during fiscal 1997 into the business of remanufacturing alternators and starters for domestic vehicles. The timing of this inventory build-up was based in part upon the Company's belief that the demand for its initial domestic alternator product will be highest in the summer. The increase in accounts receivable was due primarily to the increased net sales in fiscal 1997, although the days outstanding of the accounts receivable remained constant over the periods. As of March 31, 1997, the current portion of capitalized lease obligations was \$743,000.

Net cash provided by investing activities during fiscal 1997 was \$6,770,000 as compared to net cash used in investing activities during fiscal 1996 and 1995 of \$10,770,000 and \$991,000, respectively. During fiscal 1997, the Company used \$8,855,000 of investments to fund its operations and purchased \$2,085,000 of property, plant and equipment. In fiscal 1996, short-term investments of \$10,113,000 were purchased with proceeds from the Company's 1996 public offering, which short-term investments provided the source of the cash used during fiscal 1997.

Net cash provided by financing activities in fiscal 1997, 1996 and 1995 was \$2,583,000, \$25,667,000 and \$4,525,000, respectively. The net cash provided by financing activities in 1997 was primarily attributable to an increase in the Company's revolving line of credit as offset primarily by payments on a capital lease obligation. The increase in fiscal 1996 was primarily attributable to the proceeds from the second public offering and, to a lesser extent, an increase in the Company's revolving line of credit and the exercise of warrants and options. Proceeds from the second public offering totaled \$19,501,000. The balance of cash provided by financing activities in fiscal 1996 was from an increase in the Company's revolving line of credit. The increase in fiscal 1995 was due primarily to an increase in the Company's revolving line of credit. During fiscal 1997, the Company realized \$356,000 from the proceeds of exercised stock options and increased its borrowings under the line of credit by \$2,955,000.

The Company has a credit agreement expiring in 1998 with Wells Fargo Bank, National Association (the "Bank") that provides for a revolving credit facility in an aggregate principal amount not exceeding \$25,000,000, which credit facility is secured by a lien on substantially all of the assets of the Company. The credit facility provides for an interest rate on borrowings at the lower of the

Bank's prime rate less .25% or LIBOR plus 1.65%. Under the terms of the credit facility and included in the maximum amount thereunder, the Bank will issue letters of credit and banker's acceptances for the account of the Company in an aggregate amount not exceeding \$2,500,000. At June 16, 1997, the outstanding balance on the credit facility was approximately \$23,878,000.

The Company's accounts receivable as of March 31, 1997 was \$22,328,000. This represents an increase of \$5,064,000 or 29.3% over accounts receivable on March 31, 1996. This is consistent with the 35.0% increase in net

sales in fiscal 1997 over fiscal 1996. In addition, there are times when the Company extends payment terms with certain customers in order to help them finance an increase in the number of SKUs carried by that customer and for other purposes. The Company partially protects itself from losses due to uncollectible accounts receivable through an insurance policy with an independent credit insurance company at an annual premium of approximately \$70,000. The Company's policy generally has been to issue credit to new customers only after the customers have been included under the coverage of its accounts receivable insurance policy. As of March 31, 1997, the Company's accounts receivable from its largest customer represented approximately 57% of all accounts receivable.

The Company's inventory as of March 31, 1997 was \$41,862,000, which represents an increase of \$13,311,000 or 46.6% over inventory as of March 31, 1996. The increase includes the addition of approximately \$10,800,000 of inventory during the last half of fiscal 1997 for the Company's entrance into the business of remanufacturing alternators and starters for domestic vehicles. The increase generally reflects the Company's anticipated growth in net sales, primarily in connection with respect to domestic vehicles, increased business from existing customers and the need to have sufficient inventory to support shorter lead times for deliveries to customers. Also, the Company continues to increase the number of SKUs sold requiring the Company to carry raw materials for this wider variety of parts.

Disclosure Regarding Private Securities Litigation Reform Act of 1995

This report contains certain forward-looking statements with respect to the future performance of the Company that involve risks and uncertainties. Various factors could cause actual results to differ materially from those projected in such statements. These factors include, but are not limited to, the uncertainty of long-term results from the Company's recent entrance into the business of remanufacturing alternators and starters for domestic vehicles, concentration of sales to certain customers, the potential for changes in consumer spending, consumer preferences and general economic conditions, increased competition in the automotive parts remanufacturing industry, unforeseen increases in operating costs and other factors discussed herein and in the Company's other filings with the Securities and Exchange Commission.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is set forth in the Financial Statements, commencing on page F-1 included herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON

ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item is incorporated by reference

herein in the "Election of Directors" section of the Company's Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference herein in the "Executive Compensation" section of the Company's Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is incorporated by reference herein in the "Security Ownership of Management" section of the Company's Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is incorporated by reference herein in the "Certain Transactions" section of the Company's Proxy Statement to be filed pursuant to Regulation 14A.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

a. Exhibits:

Number	Description of Exhibit	Method of Filing
-----	-----	-----
3.1	Certificate of Incorporation of the Company.	Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form SB-2 (No. 33-74528) declared effective on March 22, 1994 (the "1994 Registration Statement").
3.2	Amendment to Certificate of Incorporation of the Company.	Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (No. 33-97498) declared effective on November 14, 1995 (the "1995 Registration Statement").
3.3	Amendment to Certificate of Incorporation of the Company.	Filed herewith.
3.4	By-Laws of the Company.	Incorporated by reference to Exhibit 3.2 to the 1994 Registration Statement.
4.1	Specimen Certificate of the Company's Common Stock.	Incorporated by reference to Exhibit 4.1 to the 1994 Registration Statement.
4.2	Form of Underwriter's Common	Incorporated by reference to

Stock Purchase Warrant. Exhibit 4.2 to the 1994
Registration Statement.

4.3 1994 Stock Option Plan. Incorporated by reference to
Exhibit 4.3 to the 1994
Registration Statement.

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Number -----	Description of Exhibit -----	Method of Filing -----
4.4	Form of Incentive Stock Option Agreement.	Incorporated by reference to Exhibit 4.4 to the 1994 Registration Statement.
4.5	1994 Non-Employee Director Stock Option Plan.	Incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1995.
4.6	Executive and Key Employee Incentive Bonus Plan.	Incorporated by reference to Exhibit 4.6 to the 1995 Registration Statement.
10.1	Credit Agreement, dated as of June 1, 1996, by and between the Company and Wells Fargo Bank, N.A.	Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996 (the "December 31, 1996 Form 10-Q").
10.2	First Amendment to Credit Agreement, dated as of November 1, 1996, by and between the Company and Wells Fargo Bank, N.A.	Filed herewith.
10.3	Revolving Line of Credit Note, dated as of November 1, 1996, by and between the Company and Wells Fargo Bank, N.A.	Incorporated by reference to Exhibit 10.5 to the December 31, 1996 Form 10-Q.
10.4	Lease Agreement, dated March 9, 1993, by and between the Company and Maricopa Enterprises, Ltd., relating to the Company's initial facility located in Torrance, California.	Incorporated by reference to Exhibit 10.3 to the 1994 Registration Statement.

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Number -----	Description of Exhibit -----	Method of Filing -----
10.5	Second Amendment to Lease, dated October 1, 1996, by and	Filed herewith.

between the Company and Maricopa Enterprises, Ltd., relating to the Company's initial facility located in Torrance, California.

- | | | |
|-------|---|--|
| 10.6 | Amendment to Lease, dated October 3, 1996, by and between the Company and Golkar Enterprises, Ltd. relating to additional property in Torrance, California. | Incorporated by reference to Exhibit 10.17 to the December 31, 1996 Form 10-Q. |
| 10.7 | Amended and Restated Employment Agreement, dated as of September 1, 1995, by and between the Company and Mel Marks. | Incorporated by reference to Exhibit 10.7 to the 1995 Registration Statement. |
| 10.8 | First Amendment to Amended and Restated Employment Agreement, dated as of April 1, 1997, by and between the Company and Mel Marks. | Filed herewith. |
| 10.9 | Amended and Restated Employment Agreement, dated as of September 1, 1995, by and between the Company and Richard Marks. | Incorporated by reference to Exhibit 10.8 to the 1995 Registration Statement. |
| 10.10 | First Amendment to Amended and Restated Employment Agreement, dated as of April 1, 1997, by and between the Company and Richard Marks. | Filed herewith. |
| 10.11 | Employment Agreement, dated as of February 1, 1994, by and between the Company and Steven Kratz. | Incorporated by reference to Exhibit 10.7 to the 1994 Registration Statement. |

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- | Number
----- | Description of Exhibit
----- | Method of Filing
----- |
|-----------------|--|--|
| 10.12 | First Amendment to Employment Agreement, dated as of September 1, 1995, by and between the Company and Steven Kratz. | Exhibit 10.12 to the 1995 Registration Statement. |
| 10.13 | Second Amendment to Employment Agreement, dated as of April 1, 1997, by and between the Company and Steven Kratz. | Filed herewith. |
| 10.14 | Employment Agreement, dated as of March 1, 1994, by and between the Company and Peter Bromberg. | Incorporated by reference to Exhibit 10.12 to the 1994 Registration Statement. |

10.15	First Amendment to Employment Agreement, dated as of September 1, 1995, by and between the Company and Peter Bromberg.	Incorporated by reference to Exhibit 10.12 to the 1995 Registration Statement.
10.16	Second Amendment to Employment Agreement, dated as of April 1, 1997, by and between the Company and Peter Bromberg.	Filed herewith.
10.17	Employment Agreement, dated as of September 1, 1995, by and between the Company and Eli Markowitz.	Incorporated by reference to Exhibit 10.13 to the 1995 Registration Statement.
10.18	Employment Agreement, dated as of April 1, 1997, by and among MVR, Unijoh and Vincent Quek.	Filed herewith.
10.19	Form of Consulting Agreement, dated as of September 1, 1995, by and between the Company and Selwyn Joffe.	Incorporated by reference to Exhibit 10.14 to the 1995 Registration Statement.

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Number -----	Description of Exhibit -----	Method of Filing -----
10.20	Lease Agreement, dated March 28, 1995, by and between the Company and Equitable Life Assurance Society of the United States, relating to the Company's facility located in Nashville, Tennessee.	Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1995.
10.21	Lease Agreement, dated September 19, 1995, by and between Golkar Enterprises, Ltd. and the Company relating to the Company's facility located in Nashville, Tennessee.	Incorporated by reference to Exhibit 10.18 to the 1995 Registration Statement.
10.22	Agreement and Plan of Reorganization, dated as of April 1, 1997, by and among the Company, Mel Marks, Richard Marks and Vincent Quek relating to the acquisition of MVR and Unijoh.	Filed herewith.
22.1	List of Subsidiaries.	Filed herewith.
23.1	Consent of Richard A. Eisner & Company, LLP.	Filed herewith.
27.1	Financial Data Schedule.	Filed herewith.

b. REPORTS ON FORM 8-K:

No reports on Form 8-K were filed by the Company during the fiscal quarter ended March 31, 1997.

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MOTORCAR PARTS & ACCESSORIES, INC.

- I N D E X -

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Motorcar Parts & Accessories, Inc.
Torrance, California

We have audited the accompanying balance sheets of Motorcar Parts & Accessories, Inc. as at March 31, 1997 and March 31, 1996 and the related statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended March 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free

of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of Motorcar Parts & Accessories, Inc. at March 31, 1997 and March 31, 1996 and the results of its operations and its cash flows for each of the three years in the period ended March 31, 1997, in conformity with generally accepted accounting principles.

Richard A. Eisner & Company, LLP

New York, New York
 May 16, 1997

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MOTORCAR PARTS & ACCESSORIES, INC.

BALANCE SHEETS

A S S E T S	March 31,	
-----	-----	-----
(Note F)	1997	1996
-----	-----	-----
Current assets:		
Cash and cash equivalents (Note A[1])	\$ 3,539,000	\$ 164,000
Short-term investments (Notes A[2] and B)		8,336,000
Accounts receivable - net of allowance for doubtful accounts of \$200,000 and \$100,000, respectively (Note J)	22,328,000	17,264,000
Inventory (Notes A[3] and C)	41,862,000	28,551,000
Prepaid expenses and other current assets	593,000	637,000
Deferred income tax asset (Notes A[4] and K)	142,000	226,000
	-----	-----
Total current assets	68,464,000	55,178,000
Long-term investments (Notes A[2] and B)	1,874,000	2,393,000
Plant and equipment - net (Notes A[7] and D)	4,291,000	2,469,000
Other assets	881,000	149,000
	-----	-----
T O T A L	\$75,510,000	\$60,189,000
	=====	=====
L I A B I L I T I E S		

Current liabilities:		
Current portion of capital lease obligations (Note E)	\$ 743,000	\$ 554,000
Accounts payable and accrued expenses	13,777,000	8,855,000
Income taxes payable (Notes A[6] and K)	2,005,000	1,331,000
Due to affiliate (Note G)	139,000	184,000
	-----	-----
Total current liabilities	16,664,000	10,924,000
Long-term debt (Note F)	17,496,000	14,541,000
Capitalized lease obligations - less current portion (Note E)	343,000	594,000
Other liabilities	570,000	
Deferred income tax liability (Notes A[6] and K)	329,000	99,000
	-----	-----
T o t a l	35,402,000	26,158,000

Commitments and other matters (Notes H, I and J)

SHAREHOLDERS' EQUITY

(Note L)

Preferred stock; par value \$.01 per share, 5,000,000 shares authorized; none issued		
Common stock; par value \$.01 per share, 20,000,000 shares authorized; 4,867,500 and 4,819,750 shares issued and outstanding	49,000	48,000
Additional paid-in capital	28,973,000	28,431,000
Retained earnings	11,086,000	5,552,000
	-----	-----
Total shareholders' equity	40,108,000	34,031,000
	-----	-----
T O T A L	\$75,510,000	\$60,189,000
	=====	=====

The accompanying notes to financial statements are an integral part hereof.

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MOTORCAR PARTS & ACCESSORIES, INC.

STATEMENTS OF INCOME

	Year Ended March 31,		
	1997	1996	1995
	-----	-----	-----
Income:			
Net sales (Note A[6])	\$86,872,000	\$64,358,000	\$39,235,000
	-----	-----	-----
Operating expenses:			
Cost of goods sold	69,255,000	50,965,000	30,690,000
Research and development	185,000		
Selling expenses	2,305,000	1,984,000	1,498,000
General and administrative expenses	4,974,000	4,577,000	3,704,000
	-----	-----	-----
Total operating expenses	76,719,000	57,526,000	35,892,000
	-----	-----	-----
Operating income	10,153,000	6,832,000	3,343,000
Interest expense (net of interest income of \$218,000, \$219,000 and \$73,000 for 1997, 1996 and 1995, respectively)	1,090,000	833,000	540,000
	-----	-----	-----
Income before income taxes	9,063,000	5,999,000	2,803,000
Provision for income taxes (Notes A[4] and K)	3,529,000	2,353,000	1,197,000
	-----	-----	-----

NET INCOME	\$ 5,534,000	\$ 3,646,000	\$ 1,606,000
	=====	=====	=====
Weighted average common shares outstanding (Note A[7]) . .	5,007,000	3,939,000	3,295,000
	=====	=====	=====
Net income per common share .	\$ 1.11	\$.93	\$.49
	=====	=====	=====

The accompanying notes to financial statements are an integral part hereof.

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MOTORCAR PARTS & ACCESSORIES, INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Note L)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Number of Shares	Amount			
Balance - March 31, 1994	3,207,500	\$ 32,000	\$ 8,078,000	\$ 300,000	\$ 8,410,000
Net income				1,606,000	1,606,000
Balance - March 31, 1995	3,207,500	32,000	8,078,000	1,906,000	10,016,000
Proceeds from exercise of warrants and options	112,250	1,000	867,000		868,000
Proceeds from public offering (net of costs of \$1,874,000)	1,500,000	15,000	19,486,000		19,501,000
Net income				3,646,000	3,646,000
Balance - March 31, 1996	4,819,750	48,000	28,431,000	5,552,000	34,031,000
Proceeds from exercise of options	47,750	1,000	355,000		356,000
Tax benefit from exercise of options			187,000		187,000
Net income				5,534,000	5,534,000
BALANCE - MARCH 31, 1997	4,867,500	\$ 49,000	\$28,973,000	\$11,086,000	\$40,108,000
	=====	=====	=====	=====	=====

The accompanying notes to financial statements are an integral part hereof.

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MOTORCAR PARTS & ACCESSORIES, INC.

STATEMENTS OF CASH FLOWS

	Year Ended March 31,		
	1997	1996	1995
Cash flows from operating activities:			
Net income	\$ 5,534,000	\$ 3,646,000	\$ 1,606,000
Adjustments to reconcile net income to net cash (used in) operating activities:			
Depreciation and amortization	717,000	429,000	306,000
(Increase) decrease in:			
Accounts receivable	(5,064,000)	(6,589,000)	(6,409,000)
Inventory	(13,311,000)	(16,434,000)	(4,886,000)
Prepaid expenses and other current assets	44,000	(300,000)	(115,000)
Other assets	(732,000)	(50,000)	29,000
Deferred income taxes	314,000	(82,000)	20,000
Increase (decrease) in:			
Accounts payable and accrued expenses	5,134,000	3,094,000	2,486,000
Income taxes payable	861,000	785,000	290,000
Due to affiliate	(45,000)	157,000	(48,000)
Other liabilities	570,000		
Net cash (used in) operating activities	(5,978,000)	(15,344,000)	(6,721,000)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(2,085,000)	(657,000)	(375,000)
Change in investments	8,855,000	(10,113,000)	(616,000)
Net cash provided by (used in) investing activities	6,770,000	(10,770,000)	(991,000)
Cash flows from financing activities:			
Net increase in line of credit	2,955,000	5,552,000	4,683,000
Payments on capital lease obligation	(728,000)	(254,000)	(158,000)
Proceeds from public offerings		19,501,000	
Proceeds from exercise of warrants and options	356,000	868,000	
Net cash provided by financing activities	2,583,000	25,667,000	4,525,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,375,000	(447,000)	(3,187,000)
Cash and cash equivalents - beginning of year	164,000	611,000	3,798,000
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,539,000	\$ 164,000	\$ 611,000
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 1,262,000	\$ 1,035,000	\$ 572,000
Income taxes	2,354,000	1,590,000	862,000
Noncash investing and financing activities:			
Property acquired under capital lease	454,000	707,000	93,000
Property acquired included in accounts payable and accrued expenses at March 31, 1996 and financed through a capitalizable lease during fiscal 1997	212,000	212,000	

The accompanying notes to financial statements are an integral part hereof.

(NOTE A) - The Company and its Significant Accounting Policies:

Motorcar Parts & Accessories, Inc. (the "Company"), remanufactures and distributes alternators and starters and assembles and distributes spark plug wire sets for the automotive after-market industry (replacement parts sold for use on vehicles after initial purchase). These automotive parts are sold to automotive retail chains and warehouse distributors throughout the United States.

[1] Cash equivalents:

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

[2] Investments:

The Company's marketable securities are classified as available for sale and reported at fair value which approximates amortized cost. Any unrealized gains or losses are classified as a separate component of shareholders' equity.

[3] Inventory:

Inventory is stated at the lower of cost or market; cost being determined by the average cost method.

[4] Income taxes:

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes" which requires the use of the liability method of accounting for income taxes. The liability method measures deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to the differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. The resulting asset or liability is adjusted to reflect changes in the tax laws as they occur.

[5] Depreciation and amortization:

Property and equipment are depreciated on the straight-line method over their estimated useful lives. Leasehold improvements are amortized by the straight-line method over the shorter of their estimated useful life or the term of the lease.

(continued)

MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE A) - The Company and its Significant Accounting Policies:

(continued)

[6] Revenue recognition:

The Company recognizes sales when products are shipped. The Company obtains used alternator and starter units, commonly known as cores, from its customers as trade-ins and by purchasing them from vendors. Cores are an essential material needed for remanufacturing operations. During the year ended March 31, 1997, the Company implemented a new accounting presentation with respect to its reporting of sales. In the past, net sales were reduced by the core inventory value to reflect deductions for cores returned for credit from customers ("core trade-ins") and by the value of the credits issued in excess of core inventory value ("product trade-ins"). Cost of goods sold was reduced for core trade-ins only. As reclassified, net sales are reduced by product

trade-ins and other deductions and allowances only and core trade-ins are included in cost of goods sold. Net sales and cost of goods sold for the years ended March 31, 1996 and March 31, 1995 were reclassified to reflect this change.

Trade-ins are recorded upon receipt of cores from customers. Credits for core and product trade-ins are allowed only against future purchases of similar remanufactured products and are generally used by the customer within sixty days of issuance. Due to this unique trade-in policy, the Company does not provide a reserve for trade-ins. In addition, since it is remote that a customer will not utilize its trade-in credits, the credit is recorded when the core is returned as opposed to when the customer purchases new products. This policy is consistent throughout the remanufacturing and rebuilding industry.

The effect of this policy is as follows:

	March 31,		
	1997	1996	1995
Sales	\$ 97,677,000	\$ 73,826,000	\$ 45,272,000
Product trade-ins	(10,805,000)	(9,468,000)	(6,037,000)
Net sales	86,872,000	64,358,000	39,235,000
Core trade-ins	(29,179,000)	(19,445,000)	(10,978,000)
Net sales as previously classified	\$ 57,693,000	\$ 44,913,000	\$ 28,257,000
Cost of goods sold	\$ 69,255,000	\$ 50,965,000	\$ 30,690,000
Core trade-ins	(29,179,000)	(19,445,000)	(10,978,000)
Cost of goods sold as previously classified	\$ 40,076,000	\$ 31,520,000	\$ 19,712,000

(continued)

MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE A) - The Company and its Significant Accounting Policies:
(continued)

[7] Earnings per share:

Earnings per share is computed using the weighted average number of shares outstanding during each year, which include the incremental effect of common stock equivalents consisting of stock options.

[8] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[9] Impairment of long-lived assets:

The Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" during the year. SFAS 121 establishes accounting standards for the impairment of long-lived assets, certain identifiable assets, and goodwill related to those assets. There was no effect of adoption of SFAS 121 on the financial statements.

[10] Financial instruments:

The carrying amounts of accounts receivable, accounts payable, accrued expenses, capitalized lease obligations and long-term debt approximate their fair value.

Estimated fair value of these financial instruments, some of which are for short durations, has been determined using available market information. In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

(continued)

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MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE A) - The Company and its Significant Accounting Policies:
(continued)

[11] Stock-based compensation:

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation". SFAS 123 encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has elected to continue to account for its stock-based compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25"), Accounting for Stock Issued to Employees" and disclose the pro forma effects on net income and earnings per share had the fair value of options been expensed. Under the provisions of APB No. 25, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's common stock at the date of the grant over the amount an employee must pay to acquire the stock. (See Note L[2]).

[12] Recently issued accounting pronouncements:

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share". This new standard requires dual presentation of basic and diluted earnings per share ("EPS") on the face of the statement of income and requires reconciliation of the numerators and the denominators of the basic and diluted EPS calculations. This statement will be effective for the third quarter of the Company's 1998 fiscal year. The Company has not yet quantified what effect the adoption of SFAS 128 will have on its earnings per share of common stock.

(NOTE B) - Investments:

The estimated fair value of available for sale investments at March

31 is as follows:

	1997	1996
	-----	-----
U.S. Treasury bills due in one year or less	\$ - 0 -	\$ 2,272,000
Municipal bonds due in one year or less	- 0 -	4,492,000
U.S. Treasury notes due in one year or less	- 0 -	1,572,000
	-----	-----
	- 0 -	8,336,000
Mortgage-backed securities and municipal bonds due after one year	1,874,000	2,393,000
	-----	-----
T o t a l	\$ 1,874,000	\$10,729,000
	=====	=====

(continued)

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MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE B) - Investments: (continued)

The estimated fair value of each investment approximates the amortized cost and, therefore, there are no unrealized gains or losses as of March 31, 1997.

(NOTE C) - Inventory:

Inventory is comprised of the following:

	March 31,	
	-----	-----
	1997	1996
	-----	-----
Raw materials.	\$24,046,000	\$17,568,000
Work-in-process.	4,270,000	3,466,000
Finished goods	13,546,000	7,517,000
	-----	-----
T o t a l	\$41,862,000	\$28,551,000
	=====	=====

(NOTE D) - Plant and Equipment:

Plant and equipment, at cost, are summarized as follows:

	March 31,	
	-----	-----
	1997	1996
	-----	-----
Machinery and equipment.	\$ 4,362,000	\$ 2,311,000
Office equipment and fixtures.	1,272,000	891,000
Leasehold improvements	472,000	365,000
	-----	-----
	6,106,000	3,567,000

Less accumulated depreciation and amortization (including assets held under capital lease)	(1,815,000)	(1,098,000)
	-----	-----
T o t a l	\$ 4,291,000	\$ 2,469,000
	=====	=====

(NOTE E) - Obligations Under Capital Leases:

The Company has various capital leases for machinery and computer equipment. Assets aggregating approximately \$2,338,000 have been capitalized.

(continued)

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MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE E) - Obligations Under Capital Leases: (continued)

Future minimum lease payments at March 31, 1997 for the capitalized leases are as follows:

1998.....	\$ 829,000
1999.....	306,000
2000.....	61,000

	1,196,000
Amount representing imputed interest .	110,000
Present value of future minimum lease payments.....	1,086,000
Less current maturities.....	743,000
Long-term obligation at March 31, 1997.....	\$ 343,000
	=====

(NOTE F) - Long-Term Debt:

In November 1996, the Company amended its revolving line of credit agreement. The agreement provides for a credit facility in an aggregate principal amount not exceeding \$25,000,000 and is collateralized by a lien on substantially all of the assets of the Company. The agreement expires on June 1, 1998 and provides for interest on borrowings at a fluctuating rate per annum .25% below the bank's prime rate or at a fixed rate at 1.65% above LIBOR. The agreement allows the Company to obtain from the bank letters of credit, and banker's acceptances in an aggregate amount not exceeding \$2,500,000 and requires the Company to maintain certain financial ratios. As of March 31, 1997 balances due under this agreement amounted to \$17,496,000.

The Company previously had a \$15,000,000 revolving line of credit agreement with the same bank. Balances due under this agreement amounted to \$14,541,000 as of March 31, 1996.

(continued)

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MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE G) - Related Parties:

The Company conducts business with MVR Products Co. PTE, Ltd. ("MVR"). MVR operates a shipping warehouse which conducts business with Unijoh Sdn, Bhd ("Unijoh"). Unijoh operates a remanufacturing facility similar to the Company. MVR's warehouse is located in Singapore and Unijoh's factory is located in Malaysia. Two shareholders/officers/directors of the Company own 70% of both MVR and Unijoh, with the remaining 30% owned by an unrelated third party. All of the cores processed by Unijoh are produced for the Company on a contract remanufacturing basis. The cores and other raw materials used in production by Unijoh are supplied by the Company and are included in the Company's inventory. Inventory owned by the Company and held by MVR and Unijoh was \$762,000 and \$920,000 as at March 31, 1997 and March 31, 1996, respectively. The Company incurred costs of approximately \$1,574,000, \$1,432,000 and \$1,349,000 from the affiliates for the years ended March 31, 1997, March 31, 1996 and March 31, 1995, respectively. The amount due to affiliate as at March 31, 1997 and March 31, 1996 was due to MVR.

In April 1997, MVR and Unijoh became wholly owned subsidiaries of the Company in a stock-for-stock merger which will be accounted for in a manner similar to a pooling of interests. Under the terms of the merger agreement, the Company issued 145,455 shares of common stock. The financial statements prior to the date of combination have not been restated as the effect is not material to the Company's financial condition and results of operations. The combined assets and combined liabilities of MVR and Unijoh aggregated approximately \$632,000 and \$398,000, respectively, at the date of combination.

(NOTE H) - Employment Agreement and Bonus Plan:

The Company has employment agreements with six officers, expiring from September 1, 1997 through September 1, 2000, which provide for annual base salaries aggregating \$1,295,000. In addition, four of the officers were granted options pursuant to the Company's Stock Option Plan (Note L[2]) for the purchase of 317,500 shares of common stock (92,500, 90,000 and 135,000 granted in fiscal years 1997, 1996 and 1995, respectively). Of these options, 25,000 and 10,000 were exercised during the years ended March 31, 1997 and March 31, 1996, respectively.

The Company has established a bonus plan for the benefit of executives and certain key employees. The bonus is calculated as a percentage of the base salary ranging from 18% to 50%. The bonus percentage varies according to the percentage increase in earnings before income taxes and other predetermined parameters.

(continued)

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MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE I) - Commitments:

The Company leases offices and warehouse facilities in New York, California and Tennessee under operating leases expiring through 2002. The aggregate rentals under these leases and leases which have been terminated was \$819,000, \$609,000 and \$435,000 for the years ended March 31, 1997, March 31,

1996 and March 31, 1995, respectively. Certain leases contain escalation clauses for real estate taxes and operating expenses.

The Company also leases office equipment and machinery under noncancellable operating leases having remaining terms in excess of one year.

At March 31, 1997, the future minimum rental payments under the above operating leases are as follows:

	Total	Real Estate	Machinery
1998.	\$1,493,000	\$1,366,000	\$127,000
1999.	1,401,000	1,319,000	82,000
2000.	1,334,000	1,301,000	33,000
2001.	1,353,000	1,348,000	5,000
2002.	1,348,000	1,348,000	-----
	-----	-----	-----
T o t a l .	\$6,929,000	\$6,682,000	\$247,000
	=====	=====	=====

(NOTE J) - Major Customers and Credit Concentration:

The Company partially protects itself from losses due to uncollectible accounts receivable through the purchase of credit insurance. Accounts receivable balances not covered by credit insurance are primarily due from leading automotive parts retailers.

The Company's four largest customers accounted for the following percentage of net sales:

Customer	Year Ended		
	March 31,		
-----	1997	1996	1995
	-----	-----	-----
A.	18%	21%	27%
B.	18	11	14
C.	29	20	12
D.	8	18	

(continued)

MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE J) - Major Customers and Credit Concentration: (continued)

Customer A accounted for approximately 13%, 25% and 50% of the accounts receivable at March 31, 1997, March 31, 1996 and March 31, 1995. In addition, Customer C accounted for approximately 57% and 35% of the accounts receivable at March 31, 1997 and March 31, 1996.

(NOTE K) - Income Taxes:

The provision for income taxes consists of the following:

Year Ended March 31,

	1997	1996	1995
	----	----	----
Current:			
Federal.	\$2,750,000	\$1,913,000	\$ 900,000
State.	465,000	522,000	277,000
Deferred	314,000	(82,000)	20,000
	-----	-----	-----
T o t a l	\$ 3,529,000	\$ 2,353,000	\$ 1,197,000
	=====	=====	=====

The difference between the tax provision and the amount that would be computed by applying the statutory federal income tax rate to income before taxes is attributable to the following:

	Year Ended March 31,		
	1997	1996	1995
	----	----	----
Income tax provision			
at 34%	\$ 3,081,000	\$ 2,040,000	\$ 953,000
State and local taxes, net of federal benefit.	307,000	345,000	183,000
Permanent differences .	(20,000)	18,000	11,000
Other	161,000	(50,000)	50,000
	-----	-----	-----
T o t a l	\$ 3,529,000	\$ 2,353,000	\$ 1,197,000
	=====	=====	=====

Deferred income tax asset of \$142,000 and \$226,000 at March 31, 1997 and March 31, 1996, respectively, is comprised of temporary differences in tax and financial reporting resulting primarily from capitalization of certain inventory costs for tax purposes. Deferred tax liability of \$329,000 and \$99,000 at March 31, 1997 and March 31, 1996, respectively, is comprised of differences resulting from using accelerated depreciation rates for tax purposes.

(continued)

MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE L) - Shareholders' Equity:

[1] Capital Stock:

In November 1995, the Company effected a public offering of its securities. The Company issued 1,500,000 shares for \$14.25 a share, yielding net proceeds of approximately \$19,501,000 after underwriting commissions and expenses totalling approximately \$1,874,000. Also, two principal shareholders sold an aggregate of 344,500 shares in connection with this offering.

[2] Stock option plan:

In December 1993, the shareholders approved a Stock Option Plan (the "Plan") which was amended in October 1996 to provide for the granting of options

to purchase 720,000 common shares to employees and directors. Options granted may be either "incentive stock options" within the meaning of Section 422A of the Internal Revenue Code or nonqualified options. The Plan is administered by the Board of Directors, which determines the terms of options exercised, including the exercise price, the number of shares subject to the option and the terms and conditions of exercise.

In August of 1995, the shareholders approved a Nonemployee Director Stock Option Plan (the "Directors Plan") which provides for the granting of options to purchase 15,000 common shares to directors. The Directors Plan is administered by the Board of Directors.

The following table summarizes the activity under these Plans:

	Year Ended March 31,					
	1997		1996		1995	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	335,000	\$ 9.23	250,000	\$ 7.40	85,000	\$ 6.00
Granted	381,500	12.98	109,000	12.96	165,000	8.13
Exercised	(47,750)	7.46	(23,000)	7.19		
Cancelled	(180,250)	14.69	(1,000)	8.13		
Options outstanding at end of year	488,500	10.31	335,000	9.23	250,000	7.40
Options exercisable at end of year	290,417	9.34	278,000	8.83	173,000	7.47

(continued)

MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE L) - Shareholders' Equity: (continued)

[2] Stock option plan: (continued)

The following table presents information relating to stock options outstanding at March 31, 1997:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Shares	Weighted Average Exercise Price
\$ 6.00 - \$ 8.125	178,000	\$ 7.41	7.06	178,000	\$ 7.41

\$ 9.00 - \$10.625	184,500	10.59	8.72	61,250	10.51
\$11.875 - \$12.250	51,500	12.31	9.13	15,000	13.13
\$14.69 - \$17.313	74,500	15.20	9.68	36,167	15.26
	-----			-----	
T o t a l . .	488,500	10.31	8.30	290,417	9.34
	=====			=====	

As of March 31, 1997, 165,000 options are available for future grant under the Plan and 10,500 options are available for future grant under the Directors Plan.

The weighted-average fair value at date of grant for options granted during the year ended March 31, 1997 and March 31, 1996 was \$5.50 and \$5.63 per option, respectively. The fair value of options at date of grant was estimated using the Black-Scholes option pricing model utilizing the following assumptions:

	March 31,	
	1997	1996
	-----	-----
Risk-free interest rates	5.8% - 6.5%	6.1% - 6.9%
Expected option life in years . .	5	5
Expected stock price volatility .	36%	38%
Expected dividend yield	0%	0%

Had the Company elected to recognize compensation cost based on the fair value of the options at the date of grant as prescribed by SFAS 123, net income for the years ended March 31, 1997 and March 31, 1996 would have been \$5,180,000 and \$3,425,000 or \$1.03 per share and \$.87 per share, respectively.

(continued)

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MOTORCAR PARTS & ACCESSORIES, INC.

NOTES TO FINANCIAL STATEMENTS

(NOTE L) - Shareholders' Equity: (continued)

[3] Warrants:

 In connection with the Company's initial public offering the Company issued to the underwriter 105,000 warrants to purchase common stock at an exercise price of \$7.20. In connection with a public offering in November 1995, 90,000 warrants were exercised.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 26, 1997

MOTORCAR PARTS & ACCESSORIES, INC.

By: /s/ Mel Marks

Mel Marks,
Chairman of the Board and
Chief Executive Officer

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

Signature	Title	Date
/s/ Mel Marks ----- Mel Marks	Chairman of the Board, Chief Executive Officer and Director (principal executive officer)	June 26, 1997
/s/ Richard Marks ----- Richard Marks	President, Chief Operating Officer and Director	June 26, 1997
/s/ Murray Rosenzweig ----- Murray Rosenzweig	Director	June 26, 1997
/s/ Mel Moskowitz ----- Mel Moskowitz	Director	June 26, 1997
----- Selwyn Joffe	Director	June 26, 1997
/s/ Peter Bromberg ----- Peter Bromberg	Chief Financial Officer (principal financial officer and principal accounting officer)	June 26, 1997

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EXHIBIT INDEX

Exhibit Number -----	Description -----	Page Number -----
3.3	Amendment to Certificate of Incorporation of the Company	
10.2	First Amendment to Credit Agreement, dated as of November 1, 1996, by and between the Company and Wells Fargo Bank, N.A.	
10.5	Second Amendment to Lease, dated October 1, 1996, by and between the Company and Maricopa Enterprises, Ltd., relating to the Company's initial facility located in Torrance, California	
10.8	First Amendment to Amended and Restated Employment Agreement, dated as of April 1, 1997, by and between the Company and Mel Marks	
10.10	First Amendment to Amended and Restated Employment Agreement,	

dated as of April 1, 1997, by and between the Company and Richard Marks

10.13 Second Amendment to Employment Agreement, dated as of April 1, 1997, by and between the Company and Steven Kratz

10.16 Second Amendment to Employment Agreement, dated as of April 1, 1997, by and between the Company and Peter Bromberg

10.18 Employment Agreement, dated as of April 1, 1997, by and among MVR, Unijoh and Vincent Quek.

10.22 Agreement and Plan of Reorganization, dated as of April 1, 1997, by and among the Company, Mel Marks, Richard Marks and Vincent Quek relating to the acquisition of MVR and Unijoh

21.1 List of Subsidiaries

23.1 Consent of Richard A. Eisner & Company, LLP

27.1 Financial Data Schedule

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COMMISSION FILE NO. 0-23538

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

EXHIBITS

to

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED MARCH 31, 1997

MOTORCAR PARTS & ACCESSORIES, INC.

CERTIFICATE OF AMENDMENT TO THE CERTIFICATE OF INCORPORATION

OF

MOTORCAR PARTS & ACCESSORIES, INC.

Under Section 805 of the Business Corporation Law

It is hereby certified that:

FIRST: The name of the Corporation is MOTORCAR PARTS & ACCESSORIES, INC. The name under which the Corporation was formed was MOTORCAR PARTS ASSOCIATES, INC.

SECOND: The Certificate of Incorporation of the Corporation was filed by the Department of State of the State of New York on the 2nd day of April, 1968.

THIRD: The Amendment to the Certificate of Incorporation, as heretofore amended and restated, effected by this Certificate of Amendment is as follows:

(a) to increase the aggregate number of shares which the Corporation shall have authority to issue by authorizing 10,000,000 additional shares of ii Common Stock, with a par value of \$.01 per share, and of the same class of Common Stock as the presently authorized shares.

FOURTH: To accomplish the foregoing amendment, Article FOURTH of the Certificate of Incorporation relating to the aggregate number of shares which the Corporation is authorized to issue, is hereby amended to read as follows:

"FOURTH: The aggregate number of shares which the Corporation is authorized to issue is 25,000,000 shares, consisting of 20,000,000 shares of Common Stock of the par value of \$.01 per share and 5,000,000 shares of Preferred Stock of the par value of \$.01 per share.

The relative rights, preferences and limitations of the shares of each class of capital stock are as follows:

(a) Common Stock.

(1) Subject to the rights of any other class or series of stock, the holders of shares of Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of the assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

(2) Subject to such rights of any other class or series of securities as may be granted from time to time, the holders of shares of Common Stock shall be entitled to receive all the assets of the Corporation available for distribution to shareholders in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, ratably, in proportion to the number of shares of Common Stock held by them. Neither the merger or consolidation of the Corporation into or with any other corporation nor the merger or consolidation of any other corporation into or with the Corporation nor the sale, lease, exchange or other disposition (for cash, shares of stock, securities or other consideration) of all or substantially all the assets of the Corporation shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, of the Corporation.

(3) Common Stock shall not be subject to redemption.

(4) Subject to such voting rights of any other class or series of securities as may be granted from time to time pursuant to this Certificate of Incorporation, any amendment thereto, or the provisions of the laws of the State of New York governing business corporations,

voting rights shall be vested exclusively in the holders of Common Stock. Each holder of Common Stock shall have one vote in respect of each share of such stock held.

(b) Preferred Stock. The Board of Directors of the Corporation is authorized, subject to limitations prescribed by law and the provisions of this Certificate of Incorporation, to provide for the issuance of the Preferred Stock in series, and by filing a certificate pursuant to the New York Business Corporation Law, to establish the number of shares to be included in each such series, and to fix the designation, relative rights, preferences and limitations of the shares of each such series. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(1) the number of shares constituting that series and the distinctive designation of that series;

(2) whether the holders of shares of that series shall be entitled to receive dividends and, if so, the rates of such dividends, conditions under which and times such dividends may be declared or paid, any preference of any such dividends to, and the relation to, the dividends payable on any other class or classes of stock or any other series of the same class and whether dividends shall be cumulative or non-cumulative and, if cumulative, from which date or dates;

(3) whether the holders of shares of that series have voting rights in addition to the voting rights provided by law and, if so, the terms and conditions of exercise of such voting rights;

(4) whether shares of that series shall be convertible into or exchangeable for shares of any other class, or any series of the same or any other class, and, if so, the terms and

conditions thereof, including the date or dates when such shares shall be convertible into or exchangeable for shares of any other class, or any series of the same or any other class, the price or prices of or the rate or rates at which shares of such series shall be so convertible or exchangeable, and any adjustments which shall be made, and the circumstances in which any such adjustments shall be made, in such conversion or exchange prices or rates;

(5) whether the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(6) whether the shares of that series shall be subject to the operation of a retirement or sinking fund and, if so subject, the extent and the manner in which it shall be applied to the purchase or redemption of the shares of that series, and the terms and provisions relative to the operation thereof;

(7) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation and any presence of any such rights to, and the relation to, the rights in respect thereto of any class or classes of stock or any other series of the same class; and

(8) any other relative rights, preferences and limitations of that series; provided, however, that if the stated dividends and amounts payable on liquidation with respect to shares of any series of the Preferred Stock are not paid in full, the shares of all series of the Preferred Stocks shall share ratably in the payment of dividends including accumulations, if any, in

accordance with the sums which would be payable on such shares if all dividends were declared

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and paid in full, and in any distribution of assets (other than by way of dividends) in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full."

FIFTH: The foregoing Amendment of the Certificate of Incorporation of the Corporation was authorized by the consent in writing of all the members of the Board of Directors of the Corporation, followed by the vote of the holders of more than 50% of all outstanding shares of the Corporation entitled to vote on the said Amendment of the Certificate of Incorporation.

IN WITNESS WHEREOF, we have subscribed this document this 22nd day of August, 1996, and do hereby affirm, under penalty of perjury, that the statements contained therein have been examined by us and are true and correct.

/s/ Mel Marks

MEL MARKS, Chairman of the Board of
Directors and Chief Executive Officer

/s/ Peter Bromberg

PETER BROMBERG, Assistant Secretary

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STATE OF New York)
) SS.:
COUNTY OF New York)

Peter Bromberg, being duly sworn deposes and says that he is one of the persons who signed the foregoing certificate of amendment; that he signed said certificate in the capacity set opposite or beneath his signature thereon; that he has read the said certificate and knows the contents thereof; and that the statements contained therein are true to his own knowledge.

/s/ Peter Bromberg

Peter Bromberg, Assistant Secretary

Subscribed and sworn to before
me on August 22 , 1996.

/s/ Brooke Spiegel

Notary Public

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FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is entered into as of November 1, 1996, by and between MOTORCAR PARTS & ACCESSORIES, INC., a New York corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of June 1, 1996, as amended from time to time ("Credit Agreement");

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Credit Agreement and have agreed to amend the Credit Agreement to reflect said changes;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Credit Agreement shall be amended as follows:

1. Section 1.1(a) is hereby amended by deleting "Fifteen Million Dollars (\$15,000,000.00)" as the maximum principal amount available under the Line of Credit, and by substituting for said amount "Twenty-five Million Dollars (\$25,000,000.00)," with such change to be effective upon the execution and delivery to Bank of a promissory note substantially in the form of Exhibit A attached hereto (which promissory note shall replace and be deemed the Line of Credit Note defined in and made pursuant to the Credit Agreement) and all other contracts, instruments and documents required by Bank to evidence such change.

2. Section 1.2(c) is hereby deleted in its entirety and the following substituted therefor:

"Borrower shall pay to Bank a non-refundable annual commitment fee for the Line of Credit equal to Twenty-five Thousand Dollars (\$25,000.00), which fee shall be due and payable in full upon execution of this Amendment, and in June of each following year if and only if the Line of Credit is renewed by Bank for an additional year."

3. Section 4.9(e) is hereby deleted in its entirety and the following substituted therefor:

"(e) Ratio of Funded Debt to EBITDA not greater than 30 to 1.0, with "Funded Debt" defined as the principal balance outstanding under the Line of Credit as of any given calculation date, and with "EBITDA" defined as net profit before tax plus interest expense (net of capitalization interest expense), depreciation expense and amortization expense, calculated on a rolling four-quarter basis as of any given calculation date;"

4. The following is hereby added to the Credit Agreement as Sections 4.9(f) and (g):

"(f) EBITDA Coverage Ratio not less than 5.0 to 1.0 to be calculated on a rolling four quarter basis, with "EBITDA" as defined above and "EBITDA Coverage Ratio" defined as EBITDA divided by the aggregate of total interest expense plus the prior period current maturity of long-term debt and the prior period current maturity of subordinated debt;

(g) from time to time such other information as Bank may reasonably request."

5. The following is hereby added to the Credit Agreement as Section 7.10:

"SECTION 7.10. ARBITRATION.

(a) Arbitration. Upon the demand of any party, any Dispute shall be resolved by binding arbitration (except as set forth in (e) below) in accordance with the terms of this Agreement. A "Dispute" shall mean any action, dispute, claim or controversy of any kind, whether in contract or tort, statutory or common law, legal or equitable, now existing or hereafter arising under or in connection with, or in any way pertaining to, any of the Loan Documents, or any past, present or future extensions of credit and other activities, transactions or obligations of any kind related directly or indirectly to any of the Loan Documents, including without limitation, any of the foregoing arising in connection with the exercise of any self-help, ancillary or other remedies pursuant to any of the Loan Documents. Any party may by summary proceedings bring an action in court to compel arbitration of a Dispute. Any party who fails or refuses to submit to arbitration following a lawful demand by any other party shall bear all costs

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and expenses incurred by such other party in compelling arbitration of any Dispute.

(b) Governing Rules. Arbitration proceedings shall be administered by the American Arbitration Association ("AAA") or such other administrator as the parties shall mutually agree upon in accordance with the AAA Commercial Arbitration Rules. All Disputes submitted to arbitration shall be resolved in accordance with the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the Loan Documents. The arbitration shall be conducted at a location in California selected by the AAA or other administrator. If there is any inconsistency between the terms hereof and any such rules, the terms and procedures set forth herein shall control. All statutes of limitation applicable to any Dispute shall apply to any arbitration proceeding. All discovery activities shall be expressly limited to matters directly relevant to the Dispute being arbitrated. Judgment upon any award rendered in an arbitration may be entered in any court having jurisdiction; provided however, that nothing contained herein shall be deemed to be a waiver by any party that is bank of the protections afforded to it under 12 U.S.C. ss.91 or any similar applicable state law.

(c) No Waiver; Provisional Remedies, Self-Help and Foreclosure. No provision hereof shall limit the right of any party to exercise self-help remedies such as setoff, foreclosure against or sale of any real or personal property collateral or security, or to obtain provisional or ancillary remedies, including without limitation injunctive relief, sequestration, attachment, garnishment or the appointment of a receiver, from a court of competent jurisdiction before, after or during the pendency of any arbitration or other proceeding. The exercise of any such remedy shall not waive the right of any party to compel arbitration or reference hereunder.

(d) Arbitrator Qualifications and Powers; Awards. Arbitrators must be active members of the California State Bar or retired judges of the state or federal judiciary of California, with expertise in the substantive laws applicable to the subject matter of the Dispute. Arbitrators are empowered to resolve Disputes by summary rulings in response to motions filed prior to the final arbitration hearing. Arbitrators (i) shall resolve all Disputes in accordance with the substantive law of the state of California, (ii)

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may grant any remedy or relief that a court of the state of California could order or grant within the scope hereof and such ancillary relief

as is necessary to make effective any award, and (iii) shall have the power to award recovery of all costs and fees, to impose sanctions and to take such other actions as they deem necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the California Rules of Civil Procedure or other applicable law. Any Dispute in which the amount in controversy is \$5,000,000 or less shall be decided by a single arbitrator who shall not render an award of greater than \$5,000,000 (including damages, costs, fees and expenses). By submission to a single arbitrator, each party expressly waives any right or claim to recover more than \$5,000,000. Any Dispute in which the amount in controversy exceeds \$5,000,000 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations.

(e) Judicial Review. Notwithstanding anything herein to the contrary, in any arbitration in which the amount in controversy exceeds \$25,000,000, the arbitrators shall be required to make specific, written findings of fact and conclusions of law. In such arbitrations (i) the arbitrators shall not have the power to make any award which is not supported by substantial evidence or which is based on legal error, (ii) an award shall not be binding upon the parties unless the findings of fact are supported by substantial evidence and the conclusions of law are not erroneous under the substantive law of the state of California, and (iii) the parties shall have in addition to the grounds referred to in the Federal Arbitration Act for vacating, modifying or correcting an award the right to judicial review of (A) whether the findings of fact rendered by the arbitrators are supported by substantial evidence, and (B) whether the conclusions of law are erroneous under the substantive law of the state of California. Judgment confirming an award in such a proceeding may be entered only if a court determines the award is supported by substantial evidence and not based on legal error under the substantive law of the state of California.

(f) Real Property Collateral; Judicial Reference. Notwithstanding anything herein to the contrary, no Dispute shall be submitted to arbitration if the Dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration,

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or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of California, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable. If any such Dispute is not submitted to arbitration, the Dispute shall be referred to a referee in accordance with California Code of Civil Procedure Section 638 et seq., and this general reference agreement is intended to be specifically enforceable in accordance with said Section 638. A referee with the qualifications required herein for arbitrators shall be selected pursuant to the AAA's selection procedures. Judgment upon the decision rendered by a referee shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

(g) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the Dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business, by applicable law or regulation, or to the extent necessary to exercise any judicial review rights set forth herein. If more than one agreement for arbitration by or between the parties potentially applies to a Dispute, the arbitration provision most directly related to the Loan Documents or the subject

matter of the Dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties."

6. Except as specifically provided herein, all terms and conditions of the Credit Agreement remain in full force and effect, without waiver or modification. All terms defined in the Credit Agreement shall have the same meaning when used in this Amendment. This Amendment and the Credit Agreement shall be read together, as one document.

7. Borrower hereby remakes all representations and warranties contained in the Credit Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of this Amendment there exists no Event of Default as defined in the Credit Agreement, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first written above.

MOTORCAR PARTS &
ACCESSORIES, INC.

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Richard Marks

By: /s/ John P. Manning

John P. Manning
Vice President

Title: President

By: /s/ Peter Bromberg

Title: CFO

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SECOND AMENDMENT TO LEASE

This Second Amendment to Lease, dated for reference purposes only, October 1, 1996, between Maricopa Enterprises, Ltd., (Lessor), and Motorcar Parts & Accessories, Inc., (Lessee), who agree as follows:

1. RECITALS: This Second Amendment to Lease is made with reference to the following facts and objectives:

- a. Lessor and Lessee entered into a written Lease dated March 8, 1993, whereby Lessor leased to Lessee the Premises commonly known as 2727 Maricopa Street, Torrance, California 90503;
- b. The parties desire to amend the Term of the Lease on the terms and conditions hereinafter set forth.

2. AMENDMENT OF TERM: The Term of the Lease shall be amended so that the Term of the Lease shall extend to and including March 31, 2002.

3. RENT: Base Rent for the period from April 1, 1997 through September 30, 1999 shall be \$44,280.00 per month. From October 1, 1999 through March 31, 2002, Base Rent shall be \$47,601.00 per month.

4. EFFECTIVENESS OF LEASE: Except as set forth in this Second Amendment to Lease, all of the provisions of the Lease shall remain in full force and effect and unchanged.

5. OPTIONS TO EXTEND TERM: If this Lease has not been cancelled or terminated prior to March 31, 2002, and if the Lessee is at the time of exercise and through March 31, 2002, in possession of the Premises and is not at the time of exercise and through March 31, 2002 in default of any of the terms, covenants or conditions of this Lease, Lessee is hereby granted two (2) options to extend the Term of this Lease for two (2) additional terms of five (5) years each from and after March 31, 2002; provided that Lessee gives written notice to Lessor of the exercise of each option of extension at least one hundred twenty (120) days prior to the expiration of the preceding Term. The terms and conditions of the Lease during the extended five (5) year option periods shall be the same as herein contained, except that the monthly Base Rent shall be increased to ninety-five percent (95%) of the then prevailing fair rental value as of the commencement date of each option period, which shall be mutually agreed upon by Lessor and Lessee, if possible. However, no reevaluation shall result in a rental rate less than that established for the prior rental period. In the event that Lessor and Lessee cannot mutually agree upon the then prevailing fair rental value of the Premises, the determination of the fair rental value as of the commencement date of each option period shall be based upon an appraisal by an S.I.R. broker or an M.A.I. appraiser acceptable to both Lessor and Lessee to the Los Angeles Chapter of the American Arbitration Association. All costs and fees of said broker or of the American

Arbitration Association shall be borne equally by Lessor and Lessee. The fair rental value shall be increased during the second thirty (30) months of each five (5) year extended term, the amount of such increases to be agreed upon at the time the fair rental value is established.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Lease.

MARICOPA ENTERPRISES, LTD.

Dated: 11/14/96

/s/ David V. Karney

DAVID V. KARNEY, General Partner

MOTORCAR PARTS & ACCESSORIES, INC.

Dated: 11/14/96

/s/ Richard Marks

FIRST AMENDMENT

TO

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This First Amendment to Amended and Restated Employment Agreement, dated as of April 1, 1997 (the "Amendment"), is by and between MOTORCAR PARTS & ACCESSORIES, INC, a New York corporation having an address at 2727 Maricopa Street, Torrance, California 90503 (the "Company") and MEL MARKS, an individual residing at 269 Gramercy Drive, Jericho, New York 11753 (the "Employee").

WHEREAS, the Company and the Employee are parties to an Amended and Restated Employment Agreement dated as of September 1, 1995 (the "Agreement"); and

WHEREAS, the Company and the Employee desire to amend the Agreement in certain respects.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions hereinafter set forth, the parties hereby agree as follows:

1. Amendment to the Agreement. The Agreement is hereby amended as of April 1, 1997, as follows:

Paragraph 5(a) of the Agreement is hereby amended in its entirety as follows:

"(a). Base Salary. The Company shall pay Employee a minimum base salary ("Salary") of Three Hundred Thousand Dollars (\$300,000) per year. The Salary shall be subject to review and adjustment on an annual basis, or, at the Company's discretion, on such date as the Company may designate; provided, however, that in no event shall Employee's Salary be adjusted below the Salary designated herein."

2. Counterparts. This Amendment may be signed in one or more counterpart copies, each of which constitutes an original, but all of which, when taken together, shall constitute one agreement binding upon all of the parties hereto.

3. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules thereof.

4. Agreement to Continue as Amended. Except as modified and amended by this Amendment, the Agreement shall remain and continue in full force and effect after the date hereof.

IN WITNESS WHEREOF, the parties hereunto have executed and delivered this Amendment as of the date first written above.

MOTORCAR PARTS & ACCESSORIES

By:

Name:
Title:

Mel Marks

FIRST AMENDMENT

TO

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This First Amendment to Amended and Restated Employment Agreement, dated as of April 1, 1997 (the "Amendment"), is by and between MOTORCAR PARTS & ACCESSORIES, INC, a New York corporation having an address at 2727 Maricopa Street, Torrance, California 90503 (the "Company") and RICHARD MARKS, an individual with an address c/o Motorcar Parts & Accessories, Inc., 2727 Maricopa Street, Torrance, California 90503 (the "Employee").

WHEREAS, the Company and the Employee are parties to an Amended and Restated Employment Agreement dated as of September 1, 1995 (the "Agreement"); and

WHEREAS, the Company and the Employee desire to amend the Agreement in certain respects.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions hereinafter set forth, the parties hereby agree as follows:

1. Amendment to the Agreement. The Agreement is hereby amended as of April 1, 1997, as follows:

Paragraph 5(a) of the Agreement is hereby amended in its entirety as follows:

"(a). Base Salary. The Company shall pay Employee a minimum base salary ("Salary") of Four Hundred Thousand Dollars (\$400,000) per year. The Salary shall be subject to review and adjustment on an annual basis, or, at the Company's discretion, on such date as the Company may designate; provided, however, that in no event shall Employee's Salary be adjusted below the Salary designated herein."

2. Counterparts. This Amendment may be signed in one or more counterpart copies, each of which constitutes an original, but all of which, when taken together, shall constitute one agreement binding upon all of the parties hereto.

3. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules thereof.

4. Agreement to Continue as Amended. Except as modified and amended by this Amendment, the Agreement shall remain and continue in full force and effect after the date hereof.

IN WITNESS WHEREOF, the parties hereunto have executed and delivered this Amendment as of the date first written above.

MOTORCAR PARTS & ACCESSORIES

By:

Name:
Title:

Richard Marks

SECOND AMENDMENT
TO
EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement, dated as of April 1, 1997 (the "Amendment"), is by and between MOTORCAR PARTS & ACCESSORIES, INC, a New York corporation having an address at 2727 Maricopa Street, Torrance, California 90503 (the "Company") and STEVEN KRATZ, an individual with an address c/o Motorcar Parts & Accessories, Inc., 2727 Maricopa Street, Torrance, California 90503 (the "Employee").

WHEREAS, the Company and the Employee are parties to an Employment Agreement dated as of February 1, 1994 (the "Agreement"); and

WHEREAS, the Company and the Employee desire to amend the Agreement in certain respects.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions hereinafter set forth, the parties hereby agree as follows:

1. Amendment to the Agreement. The Agreement is hereby amended as of April 1, 1997, as follows:

The first paragraph of Paragraph 5 of the Agreement is hereby amended in its entirety as follows:

"5. Compensation. As compensation for his services and covenants hereunder, the Company shall pay Employee a minimum base salary ("Salary") of Two Hundred Twenty-Five Thousand Dollars (\$225,000) per year. The Salary shall be subject to review and adjustment on an annual basis, or, at the Company's discretion, on such date as the Company may designate; provided, however, that in no event shall Employee's Salary be adjusted below the Salary designated herein."

2. Counterparts. This Amendment may be signed in one or more counterpart copies, each of which constitutes an original, but all of which, when taken together, shall constitute one agreement binding upon all of the parties hereto.

3. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules thereof.

4. Agreement to Continue as Amended. Except as modified and amended by this Amendment, the Agreement shall remain and continue in full force and effect after the date hereof.

IN WITNESS WHEREOF, the parties hereunto have executed and delivered this Amendment as of the date first written above.

MOTORCAR PARTS & ACCESSORIES

By: _____
Name:
Title:

SECOND AMENDMENT
TO
EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement, dated as of April 1, 1997 (the "Amendment"), is by and between MOTORCAR PARTS & ACCESSORIES, INC, a New York corporation having an address at 2727 Maricopa Street, Torrance, California 90503 (the "Company") and PETER S. BROMBERG, an individual with an address c/o Motorcar Parts & Accessories, Inc., 2727 Maricopa Street, Torrance, California 90503 (the "Employee").

WHEREAS, the Company and the Employee are parties to an Employment Agreement dated as of March 14, 1994 (the "Agreement"); and

WHEREAS, the Company and the Employee desire to amend the Agreement in certain respects.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions hereinafter set forth, the parties hereby agree as follows:

1. Amendment to the Agreement. The Agreement is hereby amended as of April 1, 1997, as follows:

The first paragraph of Paragraph 5 of the Agreement is hereby amended in its entirety as follows:

"5. Compensation. (a) As compensation for his services and covenants hereunder, the Company shall pay Employee a minimum base salary ("Salary") of One Hundred Forty-Five Thousand Dollars (\$145,000) per year. The Salary shall be subject to review and adjustment on an annual basis, or, at the Company's discretion, on such date as the Company may designate; provided, however, that in no event shall Employee's Salary be adjusted below the Salary designated herein."

2. Counterparts. This Amendment may be signed in one or more counterpart copies, each of which constitutes an original, but all of which, when taken together, shall constitute one agreement binding upon all of the parties hereto.

3. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules thereof.

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4. Agreement to Continue as Amended. Except as modified and amended by this Amendment, the Agreement shall remain and continue in full force and effect after the date hereof.

IN WITNESS WHEREOF, the parties hereunto have executed and delivered this Amendment as of the date first written above.

MOTORCAR PARTS & ACCESSORIES

By:

Name:
Title:

Peter S. Bromberg

EMPLOYMENT AGREEMENT

Employment Agreement dated as of April 1, 1997, between MVR Products Pte Limited, a Singapore corporation, and Unijoh Sdn, Bhd, a Malaysian corporation (collectively, the "Companies"), and Vincent Quek, also known as Quek Kok Hoe, an individual residing in Singapore (the "Employee"), each of the foregoing having an address at 18, Penjuru Road, Singapore 609126.

W I T N E S S E T H :

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WHEREAS, the Companies desire that Employee be employed by them and render services to them, and Employee is willing to be so employed and to render such services to the Companies, all upon the terms and subject to the conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Employment. Subject to and upon the terms and conditions contained in this Agreement, the Companies hereby agree to employ Employee and Employee agrees to enter the employ of the Companies, for the period set forth in Paragraph 2 hereof, to render the services to the Companies, their affiliates and subsidiaries described in Paragraph 3 hereof.

2. Term. Employee's term of employment under this Agreement shall commence on the date hereof (the "Commencement Date") and shall continue for a period through and including the second anniversary of the date hereof (the "Employment Term") unless extended in writing by both parties or earlier terminated pursuant to the terms and conditions set forth herein.

3. Duties. (a) Employee shall be employed as President of MVR and Unijoh and responsible for management of the operations thereof.

(b) Employee agrees to abide by all by-laws, policies and other general employment conditions of each of the Companies' parent, Motorcar Parts & Accessories, Inc. ("MPA") and the Companies.

4. Exclusive Services and Best Efforts. Employee shall devote his entire working time, attention, best efforts and ability during regular business hours exclusively to the service of the Companies, their affiliates and subsidiaries during the term of this Agreement.

5. Compensation. As compensation for his services, covenants and agreements hereunder, the Companies collectively shall pay Employee an aggregate salary ("Salary") of One Hundred and Ten Thousand United States Dollars (US\$110,000) per year.

6. Business Expenses. Employee shall be reimbursed for, and entitled to advances (subject to repayment to the Companies if not actually incurred by Employee) with respect to, only those business expenses incurred by him which are authorized by MPA and the Companies and for which Employee has submitted receipts.

7. Employee Benefits. During the Employment Term, Employee shall be entitled to such insurance, disability, health, medical and automobile benefits from the Companies as he was entitled to from the Companies during the preceding fiscal year; provided that Employee shall be required to comply with the conditions attendant to coverage by such plans and shall comply with and be entitled to benefits only in accordance with the terms and conditions of such plans. Employee shall be entitled to such paid vacation each year during the Employment Term as he was entitled to from the Companies during the preceding

fiscal year and of such duration and at such times as does not, in the opinion of MPA and the Companies, interfere with Employee's performance of his duties hereunder. The Companies may withhold from any benefits payable to Employee all taxes and amounts as shall be permitted or required pursuant to law, rule or regulation. All of the benefits to which Employee may be entitled may be changed from time to time or withdrawn at any time in the discretion of MPA or the Companies.

8. Death and Disability. (a) The Employment Term shall terminate on the date of Employee's death, in which event Employee's Salary, reimbursable expenses and benefits owing to Employee through the date of Employee's death shall be paid to his estate. Other than a death benefit equal to one-fourth of Employee's Salary on the date of Employee's death, which shall be paid to his estate within 120 days following such date, Employee's estate will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 8(a).

(b) If, during the Employment Term, in the opinion of a duly licensed physician selected by MPA and the Companies, Employee, because of physical or mental illness or incapacity, shall become substantially unable to perform the duties and services required of him under this Agreement for a period of 60 consecutive days or 120 days in the aggregate during any six-month period MPA and the Companies may, upon at least twenty (20) days' prior written notice given at any time after the expiration of such 60 or 120 day period, as the case may be, to Employee of their intention to do so, terminate this Agreement as of such date as may be set forth in the notice. In case of such termination, Employee shall be entitled to receive his Salary, reimbursable expenses and benefits owing to Employee through the date of termination. Employee will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 8(b).

9. Termination. (a) MPA or the Companies may terminate the employment of Employee for Cause (as herein defined). Upon such termination, the Companies and its affiliates shall be released from any and all further obligations under this Agreement (it being agreed that MPA shall have no obligations hereunder), except that the Companies shall be obligated to pay Employee his Salary, reimbursable expenses and benefits owing to Employee through the day on which Employee is terminated. Employee will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 9(a).

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(b) As used herein, the term "Cause" shall mean: (i) the willful failure of Employee to perform his duties pursuant to Paragraph 3 hereof, which failure is not cured by Employee within twenty (20) days following notice thereof from MPA or the Companies; (ii) any other material breach of this Agreement by Employee, including any of the material representations or warranties made by Employee; (iii) any act, or failure to act, by Employee in bad faith or to the detriment of MPA or the Companies; (iv) the commission by Employee of an act involving moral turpitude, dishonesty, theft, unethical business conduct, or any other conduct which significantly impairs the reputation of, or harms, MPA or the Companies, their subsidiaries or affiliates; (v) any misrepresentation, concealment or omission by Employee of any material fact in seeking employment hereunder; or (vi) any other occurrence or circumstance generally recognized as "cause" for employment termination under applicable law.

(c) In the event that during the 90-day period ending on the last day of the Employment Term the employment of Employee is terminated by the Companies other than for Cause or the Companies notify Employee of their election not to renew or extend this Agreement for a period of at least one year, then Employee, in addition to any and all other amounts to which he expressly may be entitled hereunder, shall be entitled to a severance benefit in an amount equal to his Salary multiplied by a fraction the numerator of which shall be the number of days elapsed in such period up to the date of such termination or election and the denominator of which shall be 360; provided that in the event that no notice of such election is given prior to the end of the Employment Term, then such severance benefit shall be in an amount equal to one-fourth of such Salary.

10. Disclosure of Information and Restrictive Covenant. Employee acknowledges that, by his employment, he has been and will be in a confidential relationship with MPA and the Companies and their affiliates (which term, whenever used in this Agreement, includes without limitation the Companies' parent(s)) and will have access to confidential information and trade secrets of MPA and the Companies, their subsidiaries and affiliates. Confidential information and trade secrets include, but are not limited to, customer, supplier and client lists, price lists, marketing, distribution and sales strategies and procedures, operational and equipment techniques, business plans and systems, quality control procedures and systems, special projects and technological research, including projects, research and reports for any entity or client or any project, research, report or the like concerning sales or manufacturing or new technology, employee compensation plans and any other information relating thereto, and any other records, files, drawings, inventions, discoveries, applications, processes, data and information concerning the business of MPA or the Companies, their subsidiaries and affiliates which are not in the public domain. Employee agrees that in consideration of the execution of this Agreement by the Companies:

(a) Employee will not, during the term of this Agreement or at any time thereafter, use, or disclose to any third party, trade secrets or confidential information of MPA or the Companies including, but not limited to, confidential information or trade secrets belonging or relating to MPA or the Companies, their subsidiaries, affiliates, customers and clients or proprietary processes or procedures of MPA or the Companies, their subsidiaries, affiliates, customers and clients. Proprietary processes and procedures shall include, but shall not be limited to, all information

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which is known or intended to be known only to employees of MPA or the Companies, their subsidiaries and affiliates or others in a confidential relationship with MPA or the Companies or their subsidiaries and affiliates which relates to business matters.

(b) Employee will not, during the term of this Agreement and for a period of two (2) years thereafter, directly or indirectly, under any circumstance other than at the direction and for the benefit of MPA and the Companies, engage in or participate in any business activity, including, but not limited to, acting as a director, officer, employee, agent, independent contractor, partner, consultant, licensor or licensee, franchisor or franchisee, proprietor, syndicate member, shareholder or creditor or with a person having any other relationship with any other business, company, firm occupation or business activity, in any geographic area within Singapore, Malaysia or southeastern Asia that is, directly or indirectly, competitive with any business conducted by the Companies or any of their subsidiaries or affiliates during the term of this Agreement or thereafter. Should Employee own 5% or less of the issued and outstanding shares of a class of securities of a corporation the securities of which are traded on a national securities exchange or in the over-the-counter market, such ownership shall not cause Employee to be deemed a shareholder under this Paragraph 10(b).

(c) Employee will not, during the term of this Agreement and for a period of two (2) years thereafter, on his behalf or on behalf of any other business enterprise, directly or indirectly, under any circumstance other than at the direction and for the benefit of MPA and the Companies, solicit or induce any creditor, customer, supplier, officer, employee or agent of MPA or the Companies or any of their subsidiaries or affiliates to sever its relationship with or leave the employ of any such entities.

(d) This Paragraph 10 and Paragraphs 11, 12 and 13 hereof shall survive the expiration or termination of this Agreement for any reason.

(e) It is expressly agreed by Employee that the nature and scope of each of the provisions set forth above in this Paragraph 10 are reasonable and necessary. If, for any reason, any aspect of the above provisions as it applies to Employee is determined by a court of competent jurisdiction to be unreasonable or unenforceable, the provisions shall only be modified to the minimum extent required to make the provisions reasonable and/or enforceable, as the case may be. Employee acknowledges and agrees that his services are of a unique character and expressly grants to MPA and the Companies or any of their

subsidiaries, affiliates, successors or assignees, the right to enforce the provisions above through the use of all remedies available at law or in equity, including, but not limited to, injunctive relief.

(f) It is expressly agreed by Employee that the provisions set forth above in this Paragraph 10 are separate from and independent of any similar such provisions entered into under the agreement relating to the acquisition by MPA of the Companies.

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11. Companies' Property. (a) Any patents, inventions, discoveries, applications or processes, designed, devised, planned, applied, created, discovered or invented by Employee in the course of Employee's employment under this Agreement and which pertain to any aspect of the Companies' or their respective subsidiaries' or affiliates' business shall be the sole and absolute property of the Companies, and Employee shall make prompt report thereof to the Companies and promptly execute any and all documents reasonably requested to assure the Companies the full and complete ownership thereof.

(b) All records, files, lists, including computer generated lists, drawings, documents, equipment and similar items relating to the Companies' business which Employee shall prepare or receive from the Companies shall remain the Companies' sole and exclusive property. Upon termination of this Agreement, Employee shall promptly return to the Companies all property of the Companies in his possession. Employee further represents that he will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Companies. Employee additionally represents that, upon termination of his employment with the Companies, he will not retain in his possession any such software, documents or other materials.

12. Remedy. It is mutually understood and agreed that Employee's services are special, unique, unusual, extraordinary and of an intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in the event of any breach of this Agreement by Employee, including, but not limited to, the breach of the non-disclosure, non-solicitation and non-compete clauses under Paragraph 10 hereof, MPA and the Companies shall be entitled to equitable relief by way of injunction or otherwise in addition to damages MPA and the Companies may be entitled to recover. In addition, MPA and the Companies shall be entitled to reimbursement from Employee, upon request, of any and all reasonable attorneys' fees and expenses incurred by it in enforcing any term or provision of this Agreement.

13. Representations and Warranties of Employee. (a) In order to induce the Companies to enter into this Agreement, Employee hereby represents and warrants to MPA and the Companies as follows: (i) Employee has the legal capacity and unrestricted right to execute and deliver this Agreement and to perform all of his obligations hereunder; (ii) the execution and delivery of this Agreement by Employee and the performance of his obligations hereunder will not violate or be in conflict with any fiduciary or other duty, instrument, agreement, document, arrangement or other understanding to which Employee is a party or by which he is or may be bound or subject; and (iii) Employee is not a party to any instrument, agreement, document, arrangement or other understanding with any person (other than MPA or the Companies) requiring or restricting the use or disclosure of any confidential information or the provision of any employment, consulting or other services.

(b) Employee hereby agrees to indemnify and hold harmless MPA and the Companies from and against any and all losses, costs, damages and expenses (including, without

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limitation, its reasonable attorneys' fees) incurred or suffered MPA or by the

Companies resulting from any breach by Employee of any of his representations or warranties set forth in Paragraph 13(a) hereof.

14. Notices. All notices given hereunder shall be in writing and shall be deemed effectively given when mailed, if sent by registered or certified mail, return receipt requested, addressed to Employee at his address set forth on the first page of this Agreement and to the Companies at the address set forth on the first page of this Agreement, with a copy to MPA, 2727 Maricopa Street, Torrance, California 90503, Attention: Mr. Richard Marks, President, and with a copy to Parker Chapin Flattau & Klimpl, LLP, 1211 Avenue of the Americas, New York, New York 10036, Attention: Gary J. Simon, Esq., or at such address as such party shall have designated by a notice given in accordance with this Paragraph 14, or when actually received by the party for whom intended, if sent by any other means.

15. Entire Agreement. This Agreement constitutes the entire understanding of the parties with respect to its subject matter and no change, alteration or modification hereof may be made except in writing signed by the parties hereto. Any prior or other agreements, promises, negotiations or representations not expressly set forth in this Agreement are of no force or effect.

16. MPA Ownership. Employee acknowledges and agrees that the Companies are controlled by its parent, MPA, and that any reference in this Agreement to the judgment, discretion, opinion or other determination of any kind (including as contemplated by Paragraph 9) to be made by the Companies may be made on behalf of the Companies by MPA.

17. Severability. If any provision of this Agreement shall be unenforceable under any applicable law, then notwithstanding such unenforceability, the remainder of this Agreement shall continue in full force and effect.

18. Waivers, Modifications, Etc. No amendment, modification or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by each of the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

19. Assignment. Neither this Agreement, nor any of Employee's rights, powers, duties or obligations hereunder, may be assigned by Employee. This Agreement shall be binding upon and inure to the benefit of Employee and his heirs and legal representatives and the Companies and their successors and assigns. Successors of the Companies shall include, without limitation, any corporation or corporations acquiring, directly or indirectly, all or substantially all of the assets of the Companies, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "the Companies" for the purposes hereof.

20. Applicable Law. This Agreement shall be deemed to have been made, drafted, negotiated and a portion of the transactions contemplated hereby consummated and performed in the

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State of New York and shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules thereof. Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law, and whenever there is any conflict between any provision of this Agreement and any statute, law, ordinance, order or regulation, contrary to which the parties hereto have no legal right to contract, the latter shall prevail, but in such event any provision of this Agreement so affected shall be curtailed and limited only to the extent necessary to bring it within the legal requirements.

21. Jurisdiction and Venue. It is hereby irrevocably agreed that all disputes or controversies between the Companies and Employee arising out of, in connection with or relating to this Agreement shall be exclusively heard, settled and determined by arbitration to be held in the City of New York, County of New York, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The parties also agree that judgment may

be entered on the arbitrator's award by any court having jurisdiction thereof and the parties consent to the jurisdiction of any court located in the City of New York, County of New York, for this purpose.

22. Full Understanding. Employee represents and agrees that he fully understands his right to discuss all aspects of this Agreement with his private attorney, that to the extent, if any that he desired, he availed himself of this right, that he has carefully read and fully understands all of the provisions of this Agreement, that he is competent to execute this Agreement, that his agreement to execute this Agreement has not been obtained by any duress and that he freely and voluntarily enters into it, and that he has read this document in its entirety and fully understands the meaning, intent and consequences of this document which is that it constitutes an agreement of employment.

23. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same agreement.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

MVR PRODUCTS PTE LIMITED

By: _____
Name:
Title:

UNIJOH SDN, BHD

By: _____
Name:
Title:

Vincent Quek

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AGREEMENT AND PLAN OF REORGANIZATION

AGREEMENT AND PLAN OF REORGANIZATION dated as of March 31, 1997, among MOTORCAR PARTS & ACCESSORIES, INC., a New York corporation having its principal place of business at 2727 Maricopa Street, Torrance, California 90503 ("Transferee"), MEL MARKS, an individual having a residence at 17906 Aberdeen Way, Boca Raton, Florida 33496 ("M. MARKS"), RICHARD MARKS, an individual having a residence at 13484 Bayliss Road, Los Angeles, California 90049 ("R. MARKS") and VINCENT QUEK, also known as Quek Kok Hoe, an individual having a residence in Singapore and having an office at 2727 Maricopa Street, Torrance, California 90503 ("QUEK"). M. Marks, R. Marks and Quek are hereinafter sometimes collectively referred to as "Transferors".

W I T N E S S E T H :

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WHEREAS, each of the Transferors owns 133,333 (133,334 in the case of Quek) ordinary shares of S\$1.00 per share of MVR Products Pte Limited, a corporation organized under the laws of Singapore ("MVR") and 333,333 (333,334 in the case of Quek) ordinary shares RML per share of Unijoh Sdn, Bhd, a corporation organized under the laws of Malaysia ("Unijoh") all such ordinary shares of MVR (the "MVR Shares") and all such ordinary shares of Unijoh (the "Unijoh Shares") (the MVR Shares and the Unijoh Shares, collectively, the "Shares") being all of the issued and outstanding ordinary shares of MVR and Unijoh, respectively; and

WHEREAS, MVR and Unijoh are affiliated with the Transferee and conduct, on a contract basis, remanufacturing operations similar to those conducted by the Transferee at its Los Angeles remanufacturing facility; and

WHEREAS, the Transferors desire to exchange the Shares for shares of common stock, par value \$.01 per share, of the Transferee ("MPA Common Stock"), and the Transferee is willing to issue and deliver shares of MPA Common Stock to the Transferors solely in exchange for the Shares, upon the terms and subject to the conditions hereinafter set forth pursuant to a plan of reorganization designed to qualify as a tax-free reorganization under Section 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Transferee has obtained an independent analysis from Houlihan Lokey Howard & Zukin, a speciality investment banking firm ("Houlihan Lokey"), as to the value of Unijoh and MVR; and

WHEREAS, based in part upon the valuation analysis provided by Houlihan Lokey and following such negotiations, the Special Committee of the Board of Directors of the Transferee deems advisable and in the best interests of the shareholders of the Transferee the acquisition of all of the issued and outstanding Shares in exchange for 145,455 shares (the "MPA Shares") of MPA Common Stock.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

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ARTICLE I

EXCHANGE OF SHARES
FOR MPA SHARES

Section 1.1. Exchange Transaction. Upon the terms and subject to the conditions set forth in this Agreement, the Transferors shall, at the Closing (as defined in Section 2.1 hereof), convey, transfer, assign and deliver to the

Transferee transfer forms representing all of the Shares, which transfer forms duly executed shall convey title to and ownership of the Transferors' interest in MVR and Unijoh to the Transferee. In exchange therefor, the Transferee shall, at the Closing, issue and deliver to each Transferor certificates representing an aggregate of 145,455 authorized but previously-unissued shares of MPA Common Stock registered in the name each such Transferor. Any transfer tax or registration duty up to an aggregate amount of \$10,000 which may be payable in Singapore and/or Malaysia in connection with such exchange transaction will be the responsibility of the Transferee.

ARTICLE II

CLOSING

Section 2.1. Date of Closing. The closing under this Agreement (the "Closing") shall take place at the offices of Parker Chapin Flattau & Klimpl, LLP, 1211 Avenue of the Americas, New York, New York 10036, or at such other place as shall be mutually agreed upon in writing by the Transferee and the Transferors, at 2:00 P.M., local time, on March 31, 1997. If the Closing is not held by the close of business on such date, the Closing may be postponed, at the sole option of the Transferee, to a date not later than April 30, 1997. However, if the Closing is not held by the close

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of business on April 30, 1997, this Agreement shall terminate without any further obligation or liability on the part of any party hereto.

Section 2.2. Action at Closing. At the Closing, the Transferee and the Transferors shall take such actions and execute and deliver such documents, instruments, certificates and opinions as are provided for in this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE TRANSFERORS

Each Transferor, jointly and severally, hereby represents and warrants to the Transferee as follows:

Section 3.1. Authority and Capacity of the Transferors. Each Transferor has all requisite power, authority and capacity to perform the obligations required of him under this Agreement.

Section 3.2. Title to the Shares. Each Transferor is the lawful record and beneficial owner of 133,333 (133,334 in the case of Quek) MVR Shares and 333,333 (333,334 in the case of Quek) Unijoh Shares, which, together with the MVR Shares and Unijoh Shares so owned by the other Transferors, constitute 100% of the issued and outstanding shares of common stock of MVR and Unijoh; and the conveyance, transfer, assignment and delivery of the Shares by the Transferors to the Transferee pursuant to Section 1.1 hereof will transfer to, and vest in, Transferee legal and valid title thereto, free and clear of all claims, liens, charges and encumbrances of any kind whatsoever.

Section 3.3. Organization, Good Standing and Corporate Power and Authority of MVR and Unijoh. Each of MVR and Unijoh is a corporation duly organized, validly existing and in

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good standing under the laws of Singapore and Malaysia, respectively, and each is duly qualified and authorized to transact business as a foreign corporation in each jurisdiction in which it owns properties or is otherwise conducting its business, except where the failure to be so qualified or authorized would not

have a material adverse effect on the financial condition of MVR and Unijoh, taken as a whole. Each of MVR and Unijoh has the corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

Section 3.4. Capitalization. The authorized capital stock of MVR consists of 400,000 ordinary shares of \$1.00 per share, all of which shares are issued and outstanding, of which 133,333 shares are held of record and beneficially by M. Marks, 133,333 shares are held of record and beneficially by R. Marks and 133,334 shares are held of record and beneficially by Quek. The authorized capital stock of Unijoh consists of 1,000,000 ordinary shares R1 per share, all of which shares are issued and outstanding, of which 333,333 shares are held of record and beneficially by M. Marks, 333,333 shares are held of record and beneficially by R. Marks and 333,334 shares are held of record and beneficially by Quek. All of the issued and outstanding shares of common stock of MVR and Unijoh are duly authorized, validly issued, fully paid and non-assessable, with no personal liability attaching to the ownership thereof. There are no existing options, calls, agreements or commitments of any character obligating either MVR or Unijoh to authorize, issue or acquire any of its respective shares of capital stock and there are no options, calls or similar agreements or commitments relating to the issued and outstanding shares of common stock of MVR and Unijoh.

Section 3.5. Subsidiaries and Affiliates. Neither MVR nor Unijoh, directly or indirectly, owns any material interest in or controls any other corporation, association or other form of business organization.

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Section 3.6. No Violation. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (a) violate any provision of the corporate charter or by-laws of either MVR or Unijoh, as amended to date, (b) with or without the giving of notice and/or the passage of time, materially violate, conflict with, result in the breach or termination of, constitute a material default under, or result in the creation of any material lien, charge or encumbrance upon any of the assets of either MVR or Unijoh pursuant to, any material contract, agreement, indenture, lease or commitment to which either MVR or Unijoh is a party or by which it or any of its assets may be bound, except as may be set forth in Schedules 3.6(a) or 3.6(b) or as would not have a material adverse effect on the financial condition of MVR and Unijoh, taken as a whole, or (c) materially violate any judgment, decree, order, statute, rule or governmental regulation applicable to either MVR or Unijoh.

Section 3.7. Financial Statements. There have been furnished to the Transferee the audited balance sheets of MVR as at March 31, 1995 and 1996 (the latter balance sheet of MVR being hereinafter referred to as the "MVR Balance Sheet") and the audited statements of income for each of the years then ended, in each case including the respective notes thereto and accompanied by the report of Ernst & Young, independent certified public accountants. Such 1995 and 1996 financial statements fairly present the financial position of MVR as at the respective dates specified and the results of operations of MVR for the respective periods specified, in conformity with Statements of Auditing Guideline and Statements of Auditing Practice and applicable accounting standards. Except for liabilities and obligations incurred in the ordinary course of business since the date of the MVR Balance Sheet or referred to in Schedules 3.7(a) or 3.7(b), MVR does not have any material liabilities or obligations, other than liabilities and obligations reflected in the MVR Balance Sheet or the respective notes thereto and liabilities and obligations which, in accordance with the foregoing

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accounting standards, were not required to have been so reflected as of such date. In addition, there have been furnished to the Transferee the audited balance sheets of Unijoh as at March 31, 1995 and 1996 (the latter balance sheet of Unijoh being hereinafter referred to as the "Unijoh Balance Sheet") and the

audited statements of income for each of the years then ended, in each case including the respective notes thereto and accompanied by the report of Ernst & Young, independent certified public accountants. Such 1995 and 1996 financial statements fairly present the financial position of Unijoh as at the respective dates specified and the results of operations of Unijoh for the respective periods specified, in conformity with approved auditing standards. Except for liabilities and obligations incurred in the ordinary course of business since the date of the Unijoh Balance Sheet or referred to in Schedules 3.7(a) or 3.7(b), Unijoh does not have any material liabilities or obligations, other than liabilities and obligations reflected in the Unijoh Balance Sheet or the respective notes thereto and liabilities and obligations which, in accordance with approved auditing standards, were not required to have been so reflected as of such date.

Section 3.8. Title to Assets. Except as set forth in Schedules 3.8(a) and 3.8(b), MVR owns the assets reflected on the MVR Balance Sheet as owned by it and Unijoh owns the assets reflected on the Unijoh Balance Sheet as owned by it, in each case free and clear of all material claims, liens, charges and encumbrances. All of such assets generally are in good condition and repair, reasonable wear and tear excepted, and are suitable for the uses for which they are intended.

Section 3.9. Contracts, Etc. Schedules 3.9(a) and 3.9(b) set forth all material written contracts, agreements, indentures, leases, licenses and commitments (collectively, the "Contracts") to which MVR or Unijoh is a party or by which either of them or any of their respective assets may be bound, other than (a) sales orders and purchase orders entered into in the ordinary course of business, (b) contracts, agreements, indentures, leases and commitments which may be terminated

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at the option of MVR or Unijoh, as the case may be, on not more than 60 days, prior notice and do not involve, in the aggregate, more than \$50,000 and (c) contracts with the Transferee. All of the Contracts are in full force and effect, without material amendment.

Section 3.10. Insurance. The assets of MVR and Unijoh are covered by insurance policies which are in full force and effect with all premiums due thereon paid in full and which are reasonably adequate in amount, scope and coverage to protect MVR and Unijoh against any material loss of its properties or any material interruption in its operations.

Section 3.11. Books and Records. The books and records of each of MVR and Unijoh are in all material respects complete and correct, have been maintained in accordance with sound business practices and reflect all material transactions to which either MVR or Unijoh was a party since January 1, 1995.

Section 3.12. Bank Accounts. The Transferors have advised, and will continue to advise, the Transferee as to the name and address of each bank or other financial institution which is a depository of MVR or Unijoh or in which either has a safe deposit box, the name and account number under which such account is maintained and the name and title or capacity of each person authorized to draw thereon or have access thereto.

Section 3.13. Taxes. Each of MVR and Unijoh has filed with the appropriate governmental agencies all tax returns required to be filed and has paid all assessments shown to be due on such tax returns and all assessments claimed to be due by a governmental authority with respect thereto. To the best knowledge of the Transferors, there are no pending examinations by any governmental authority of the income tax returns of either MVR or Unijoh, and all prior additional assessments for taxes (or interest or penalties thereon), if any, have been paid or provided for. Neither MVR nor Unijoh has executed or filed with any taxing authority any agreement extending

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the period for assessment or collection of any tax and neither MVR nor Unijoh is a party to any action or proceeding by any governmental authority for assessment or collection of taxes.

Section 3.14. Litigation. Except as set forth in Schedule 3.14, there are no actions, suits, proceedings, judgments or decrees existing or, to the knowledge of the Transferors, threatened or proposed against or affecting MVR or Unijoh or any of the properties of either which have resulted or would result in any material adverse change in the business, properties or financial condition of MVR or Unijoh, and neither MVR nor Unijoh nor any of the assets of either is subject to any outstanding judgment issued by any court involving in excess of \$25,000 in the aggregate. To the best knowledge of the Transferors, there are no pending orders known to the Transferors of any governmental authority which may materially adversely affect the operations of MVR or Unijoh as now conducted.

Section 3.15. Trademarks, Trade Names, Patents, Etc. Schedules 3.15(a) and 3.15(b) set forth complete and correct lists and descriptions of all patents, copyrights, trade names, trademarks, logos, service names and service marks which are used or held for use in the business or operations of MVR or Unijoh, respectively (the "Intangible Property"). Each of MVR and Unijoh is the registered and beneficial owner, or registered user, as the case may be, of all such Intangible Property set forth on Schedule 3.15(a) or 3.15(b). All of MVR's and Unijoh's rights in said Intangible Property are in full force and effect and the Transferors have no knowledge of any claims that any such right is not valid or enforceable by MVR or Unijoh, as the case may be, or of any infringement upon or conflict with any Intangible Property rights, or of any infringement upon or conflict with any trademark, trade name, copyright, patent or proprietary right, or any application relating to the foregoing, or of any third party claim alleging such infringement or conflict. Each of MVR and Unijoh has the right to use all patents, trademarks, trade names, copyrights, inventions, designs,

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formulae, trade secrets, manufacturing processes, know-how and other industrial property rights necessary to manufacture and market the products presently manufactured or marketed by it, including any product licensed from others.

Section 3.16. Absence of Defaults, Etc. Neither MVR nor Unijoh is in default, and neither has received any notice of any alleged material default, under any contract, agreement, indenture, lease or other commitment to which it is a party or by which it or any of its assets is bound and, to the best knowledge of the Transferors, no other party to any such contract, agreement, indenture, lease or other commitment is in material default thereunder. To the best knowledge of the Transferors, neither MVR nor Unijoh has violated, in any material respect, or received notice of any alleged material violation of, any applicable law, regulation or ordinance relating to its operations or assets. All material licenses and permits required in connection with the operation of MVR's business and Unijoh's business have been issued and are in full force and effect.

Section 3.17. Absence of Certain Changes. Since the date of the MVR Balance Sheet and the Unijoh Balance Sheet neither MVR nor Unijoh has:

(a) operated its business and dealt with its assets other than in the ordinary course;

(b) cancelled or compromised any material debt or claim;

(c) released, transferred or granted any material rights;

(d) suffered any material adverse change in its financial condition, properties or business or obtained actual knowledge of any present or future business condition which would materially adversely affect the assets, properties or business of MVR or Unijoh or which would prevent either of them from carrying on its business in substantially the same manner as that in which it is being conducted;

(e) made, amended or cancelled any material contract,

agreement, indenture, lease or other commitment or failed to keep any of them in full force and effect or to perform any of its obligations thereunder;

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(f) paid any material bonus or extraordinary compensation to any director, officer or employee inconsistent with past practice;

(g) entered into any transaction which would result in any representation or warranty of the Transferors contained in this Agreement becoming untrue in any material respect immediately after the consummation of such transaction; or

(h) declared any dividend or made any distribution to its shareholders.

Section 3.18. Consideration. For purposes of Section 505 of the New York Business Corporation Law, notwithstanding any other representations or warranties hereunder, the right to receive any MPA Shares under this Agreement or pursuant to the transactions contemplated hereby has not been agreed to as an incentive to service or continued service with MPA or any subsidiary or affiliate of MPA.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE TRANSFEREE

The Transferee hereby represents and warrants to each of the Transferors as follows:

Section 4.1. Organization, Good Standing and Corporate Power and Authority. The Transferee is a corporation duly organized, validly existing and in good standing under the laws of the State of New York. The Transferee has the corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

Section 4.2. Capitalization. The authorized capital stock of the Transferee consists of 10,000,000 shares of common stock, par value \$.01 per share, of which 4,866,000 shares are issued and outstanding and 5,000,000 shares of preferred stock, none of which is issued or outstanding. Upon the delivery at the Closing of the MPA Shares to the Transferors in exchange for

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the MVR Shares, the MPA Shares delivered to the Transferors will be duly authorized, validly issued, fully paid and non-assessable, with no personal liability attaching to the ownership thereof.

Section 4.3. Financial Statements and Other Corporate Information. The Transferee has furnished to each of the Transferors copies of the Annual Report to Shareholders of the Transferee for the fiscal year ended March 31, 1996, the Annual Report on Form 10-K of the Transferee for the fiscal year ended March 31, 1996 filed with the Securities and Exchange Commission ("SEC") and the Quarterly Reports on Form 10-Q of the Transferee for each of the fiscal quarters ended June 30, September 30 and December 31, 1996 filed with the SEC. The financial statements of the Transferee contained in the aforesaid reports fairly present the financial position of the Transferee as at the respective dates specified and the consolidated results of operations and cash flows of the Transferee for the respective periods specified, in conformity with United States generally accepted accounting principles consistently applied, subject, in the case of unaudited financial statements, to changes resulting from year-end audit adjustments. None of such reports, as of the respective dates on

which they were filed with the SEC, contained any untrue statement of a material fact or failed to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 4.4. Effective Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action of the Transferee and this Agreement constitutes the legal, valid and binding obligation of the Transferee enforceable against the Transferee in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (a) violate any provision of the certificate of incorporation or by-laws of the Transferee,

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as amended to date, (b) with or without the giving of notice and/or the passage of time, materially violate, conflict with, result in the breach or termination of, constitute a material default under, or result in the creation of any material lien, charge or encumbrance upon any of the assets of the Transferee or its subsidiary pursuant to, any material contract, agreement, indenture, lease or commitment to which the Transferee is a party or by which the Transferee or any of its properties may be bound or (c) materially violate any judgment, decree, order, statute, rule or governmental regulation applicable to the Transferee, except such individual violations, conflicts, breaches, terminations, defaults or liens as would not have a material adverse effect on the financial condition of the Transferee.

Section 4.5. Litigation. There are no actions, suits, proceedings, judgments or decrees existing or, to the knowledge of the Transferee, threatened or proposed against or affecting the Transferee or any of its properties which would result in any material adverse change in the consolidated business, properties or financial condition of the Transferee.

Section 4.6. Absence of Certain Changes. Since March 31, 1996, the Transferee has not suffered any material adverse change in its financial condition, properties or business.

ARTICLE V

COVENANTS OF THE TRANSFERORS

Section 5.1. Access to Properties and Records. From and after the date hereof, the Transferors will cause MVR and Unijoh to afford to the officers, attorneys, accountants and other representatives of the Transferee full and free access to such of the premises, properties, personnel, books and records of MVR and Unijoh as the Transferee may reasonably request.

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Section 5.2. Certain Restrictions. Each Transferor acknowledges that by his employment with or stock ownership of MVR and Unijoh and prospective stock ownership of MPA that he may have access to confidential information and trade secrets of such entities. Confidential information and trade secrets include, but are not limited to, customer, supplier and client lists, price lists, marketing, distribution and sales strategies and procedures, operational and equipment techniques, business plans and systems, quality control procedures and systems, special projects and technological research, including projects, research and reports for any entity or client or any project, research, report or the like concerning sales or manufacturing or new technology, employee compensation plans and any other information relating thereto, and any other records, files, drawings, inventions, discoveries, applications, processes, data and information concerning the business of such entities which are not in the public domain. Each Transferor agrees that he will not at any time following the date hereof use or disclose to any third party, trade secrets or confidential

information of any such entities, including, but not limited to, confidential information or trade secrets belonging to such entities or their customers and clients or proprietary processes or procedures thereof. Each Transferor agrees that for two years (four years in the case of Mr. Quek) following the date hereof he will not, directly or indirectly, under any circumstances other than at the direction and for the benefit of such entities, engage in or participate in any business activity, including, but not limited to, acting as a director, officer, employee, agent, independent contractor, partner, consultant, licensor or licensee, franchisor or franchisee, proprietor, syndicate member, shareholder or creditor or with a person having any other relationship with any other business, company, firm occupation or business activity, in any geographic area within the United States or southeastern Asia (including Singapore and Malaysia) that is, directly or indirectly, competitive with any business conducted by such entities. Should Mr. Quek own 5% or less of the issued and outstanding shares of a class of securities of a

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corporation the securities of which are traded on a United States national securities exchange or in the over-the-counter market, such ownership shall not cause Mr. Quek to be deemed a shareholder under the immediately preceding sentence. Each Transferor agrees that for two years (four years in the case of Mr. Quek) following the date hereof he will not, on his behalf or on behalf of any other business enterprise, directly or indirectly, under any circumstance other than at the direction and for the benefit of such entities, solicit or induce any creditor, customer, supplier, officer, employee or agent of any such entity to sever its relationship with or leave the employ of any such entity. Each Transferor agrees that the nature and scope of the provisions of this Section 5.2 are reasonable and necessary. If, for any reason, any aspect of the above provisions as it applies to a Transferor is determined by a court of competent jurisdiction to be unreasonable or unenforceable, the provisions shall only be modified to the minimum extent required to make the provisions reasonable and/or enforceable, as the case may be.

ARTICLE VI

CONDITIONS PRECEDENT TO OBLIGATIONS OF THE TRANSFEREE

The obligations of the Transferee under this Agreement are subject to the satisfaction at or prior to the Closing of each of the following conditions (any of which may be waived by the Transferee in its sole discretion):

Section 6.1. Correctness of Representations and Warranties. All of the representations and warranties of the Transferors contained in this Agreement or otherwise made in writing pursuant to this Agreement shall have been true and correct in all material respects when made and shall be true and correct in all material respects at the date of the Closing as though restated and made at such time; all of the terms, covenants and conditions of this Agreement required to be complied with and performed by the Transferors shall have been duly complied with and performed

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in all material respects; and the Transferors shall have delivered to the Transferee a certificate signed by M. Marks, R. Marks and Quek, dated the date of the Closing, to the foregoing effect.

Section 6.2. Fairness Opinion. The Transferee shall have received an opinion of Houlihan Lokey, in form and substance satisfactory to the Transferee, to the effect that the terms of the transaction contemplated by this Agreement are fair, from a financial viewpoint, to the shareholders of the Transferee.

Section 6.3. Absence of Litigation. There shall be no action, suit, proceeding, judgment or decree pending before or threatened by any court or

governmental agency which would result in any material adverse change in the business, properties or financial condition of either MVR or Unijoh or in which it is sought or threatened to restrain, enjoin or prohibit (or to obtain damages in a material amount in connection with) the consummation of the transaction contemplated hereby.

Section 6.4. Absence of Certain Changes. There shall not have occurred since the date of the MVR Balance Sheet any material casualty (irrespective of any insurance relating thereto) to any of the assets of either MVR or Unijoh or any other material adverse change in the financial condition, properties or business of either MVR or Unijoh.

Section 6.5. Corporate Books; Corporate Approvals. The Transferee shall have received (a) all of the corporate minute books, stock books, stock transfer ledgers, corporate seals and other corporate records of MVR and Unijoh; and (b) such other items and documents as the Transferee may reasonably request and as may be consistent with the purposes of this Agreement.

Section 6.6. Opinions of Counsel. The Transferee shall have received an opinion of counsel to each of MVR and Unijoh substantially in the form attached hereto as Annex A.

Section 6.7. Employment Agreement. MVR, Unijoh and Quek shall have entered into an employment agreement between them substantially in the form attached hereto as Annex B.

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ARTICLE VII

CONDITIONS PRECEDENT TO OBLIGATIONS OF THE TRANSFERORS

The obligations of the Transferors under this Agreement are subject to the satisfaction at or prior to the date of Closing of each of the following conditions (any of which may be waived by the Transferors jointly) in their sole discretion:

Section 7.1. Correctness of Representations and Warranties. All of the representations and warranties of the Transferee contained in this Agreement or otherwise made in writing pursuant to this Agreement shall have been true and correct in all material respects when made and shall be true and correct in all material respects at the date of the Closing as though restated and made at such time; all of the terms, covenants and conditions of this Agreement required to be complied with and performed by the Transferee at or prior to the date of the Closing shall have been duly complied with and performed in all material respects; and the Transferee shall have delivered to the Transferors a certificate signed by the Chief Financial Officer of the Transferee, dated the date of the Closing, to the foregoing effect.

Section 7.2. Absence of Litigation. There shall be no action, suit, proceeding, judgment or decree pending before or threatened by any court or governmental agency which could result in any material adverse change in the business, properties or financial condition of the Transferee or in which it is sought or threatened to restrain, enjoin or prohibit (or to obtain damages in a material amount in connection with) the consummation of the transactions contemplated hereby.

Section 7.3. Fairness Opinion. The Transferee shall have received the opinion of Houlihan Lokey described in Section 6.2 hereof.

Section 7.4. Employment Agreement. MVR, Unijoh and Quek shall have entered into an employment agreement between them substantially in the form attached hereto as Annex B.

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ARTICLE VIII

INVESTMENT UNDERTAKING; REGISTRATION RIGHTS

Section 8.1. Investment Undertaking and Lock-Up. Each of M. Marks, R. Marks and Quek confirms his understanding that the shares of MPA Shares to be issued to him pursuant to this Agreement will be "restricted securities" within the meaning of Rule 144 of the General Rules and Regulations under the Securities Act of 1933, as amended (the "Act"), and acknowledges that he will acquire such shares for his own account for investment and not with a view to the distribution thereof. Each of M. Marks, R. Marks and Quek severally agrees that he will not sell, transfer or otherwise dispose of any of such shares unless (a) a registration statement under the Act with respect to such shares has become, and is at the time of disposition, effective or (b) in the opinion of counsel for the Transferee, the proposed disposition may be made in accordance with the provisions of such Rule 144 or another exemption from registration without constituting a violation of the Act or of any other applicable federal or state securities laws. Each of M. Marks, R. Marks and Quek further agrees that he may sell one-fourth of the MPA Shares received by him hereunder commencing on the first anniversary of the date hereof and may sell an additional one-fourth of the MPA Shares received by him hereunder commencing on each of the next succeeding three anniversaries of the date of this Agreement (notwithstanding earlier saleability under any applicable securities laws) (the "Lock-Up") and further agrees that the Transferee may place on all certificates representing MPA Shares delivered to them pursuant to this Agreement (or shares issued in replacement thereof) (a) a legend to the effect that the shares represented by such certificates have not been registered under the Act and that the sale, transfer or other disposition of such shares is subject to the provisions of the Act and of this Agreement, a copy of which shall be available for inspection at the office of the Transferee in

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Torrance, California, and (b) a legend to the effect that the shares represented by such certificates are subject to the Lock-Up.

Section 8.2. Additional Investment Representations. Each Transferor represents that he is an accredited investor as that term is defined under Regulation D promulgated by the SEC under the Act (or is not a United States person for purposes of applicability of the Act and any rules and regulations thereunder), is financially able to bear the economic risk of this investment, including the ability to afford holding the MPA Shares for an indefinite period or to afford a complete loss of the investment therein, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the MPA Shares, has received and read the financial and other information regarding MPA referred to herein, has been employed by and/or conducted extensive business with MPA for an extended period of time prior to the date hereof, has been given the opportunity to ask questions of, and receive answers from, MPA concerning this transaction and the business and financial condition of MPA, and has made an independent evaluation of the merits of this transaction.

Section 8.3. No Registration Rights. Each Transferor acknowledges and agrees that the Transferee does not grant any registration rights of any kind with respect to the MVR Shares.

ARTICLE IX

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

Section 9.1. Survival of Representations and Warranties. All representations, warranties and agreements made by the Transferors or the Transferee in this Agreement or in any instrument pursuant hereto shall survive the Closing and any investigation at any time made by or on behalf of such party, provided, however, that no claim shall be asserted by the Transferee against

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either of the Transferors or by either of the Transferors against the Transferee for breach of any such representation, warranty or agreement unless the party asserting such claim shall have given written notice of such claim to the party or parties against whom it is asserted on or before the date which is one year after the date of the Closing (except that the foregoing proviso shall not apply to the obligations of the Transferors set forth in Section 5.2 of this Agreement or those of the Transferors and the Transferee set forth in Article VIII of this Agreement).

Section 9.2. Indemnification. (a) Each of the Transferors jointly and severally, shall, on demand, indemnify and hold harmless the Transferee from, and reimburse the Transferee for, any losses, damages, liabilities, deficiencies and expenses (including reasonable attorneys' fees) incurred by the Transferee after the date hereof by reason of, or arising out of, (i) any material misrepresentation, omission of fact or material breach of any representation or warranty contained in this Agreement or in any instrument delivered to the Transferee hereunder on behalf of any Transferor, or (ii) any failure by any Transferor to perform any obligation or duty required to be performed by any of them under any provision of this Agreement. In the event that any claim shall be asserted against the Transferee, MVR or Unijoh by anyone other than a party to this Agreement, which may result in the assertion by the Transferee of a claim under this Section 9.2(a) or otherwise against the Transferors, the Transferee shall notify the Transferors of such claim promptly, and the Transferors shall be given a reasonable opportunity, at their sole expense, to control or, at their option, to participate in, the original defense against or the compromise of such claim. In connection therewith, the Transferee shall cooperate fully with the Transferors and shall make available to the Transferors all pertinent information under the Transferee's control relating thereto. Notwithstanding anything in this Agreement to the contrary, (x) the Transferors shall in no event be liable to the Transferee under this Section 9.2(a) or otherwise under this Agreement until the aggregate damages

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sustained by the Transferee shall exceed \$50,000 and then only for the damages above \$50,000 and (y) in no event shall such liability of any Transferor exceed the value, at Closing, of the MPA Shares received by him pursuant to this Agreement.

(b) The Transferee shall, on demand, indemnify and hold harmless each Transferor from, and reimburse each Transferor for, any losses, damages, liabilities, deficiencies and expenses (including reasonable attorneys' fees) incurred by him after the date hereof by reason of, or arising out of (i) any material misrepresentation, omission of fact or material breach of any representation or warranty contained in this Agreement or in any instrument delivered to him hereunder by the Transferee or (ii) any failure by the Transferee to perform any obligation or duty required to be performed by the Transferee under any provision of this Agreement. In the event that any claim shall be asserted against any Transferor by anyone other than a party to this Agreement which may result in the assertion by any Transferor of a claim under this Section 9.2(b) or otherwise against the Transferee, the Transferors shall notify the Transferee of such claim promptly, and the Transferee shall be given a reasonable opportunity, at its sole expense, to control or, at its option, to participate in the original defense against or the compromise of such claim. In connection therewith, the Transferors shall cooperate fully with the Transferee and shall make available to the Transferee all pertinent information under the Transferors' control relating thereto. Notwithstanding anything in this Agreement to the contrary, (x) the Transferee shall in no event be liable to the Transferors under this Section 9.2(b) or otherwise under this Agreement until the aggregate damages sustained by the Transferors shall exceed \$50,000 and (y) in no event shall such liability of the Transferee exceed the value, at Closing, of the MPA Shares transferred to the Transferors at the Closing.

ARTICLE X

MISCELLANEOUS

Section 10.1. Expenses. Whether or not the transactions contemplated by this Agreement shall be consummated and except as otherwise expressly provided in this Agreement, each of the parties hereto shall pay the fees and expenses of its counsel, accountants and other experts (including Houlihan Lokey in the case of the Transferee) and all other expenses incurred by it in connection with the preparation for, entering into and consummation of the transactions contemplated by this Agreement and all other matters incident thereto.

Section 10.2. Notices. All notices, requests, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given upon the delivery or mailing thereof, as the case may be, if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, as follows:

(a) if to any or all of the Transferors, to such parties at any of their respective addresses set forth above, with a copy thereof to William Pollak, Esq., Putney, Twombly, Hall & Hirson, 521 Fifth Avenue, New York, New York 10175; and

(b) if to the Transferee, to Peter Bromberg, Chief Financial Officer, Motorcar Parts & Accessories, Inc., 2727 Maricopa Street, Torrance, California 90503, with a copy thereof to Gary J. Simon, Esq., Parker Chapin Flattau & Klimpl, LLP, 1211 Avenue of the Americas, New York, New York 10036;

or to such other person or address as any of the parties hereto shall have specified by notice in writing to all other parties hereto.

Section 10.3. Entire Agreement. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the transactions contemplated hereby and supersedes any and all prior agreements and understandings relating to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any party hereto

which is not embodied in this Agreement or the written statements, certificates, schedules or other documents delivered pursuant hereto or in connection with the transactions contemplated hereby, and no party hereto shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not set forth herein or therein.

Section 10.4. Amendment., Waiver. This Agreement may be amended, modified, superseded or cancelled, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the parties hereto or, in the case of a waiver, by the party waiving compliance.

Section 10.5. Parties in Interest. All of the terms, covenants, representations, warranties and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the parties hereto and their respective heirs, successors and assigns, but this Agreement and the rights and obligations contained herein shall not be assignable by any of the parties hereto prior to the Closing without the prior written consent of each other party hereto.

Section 10.6. Severability. If any provision of this Agreement or the application of any such provision to any person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect

any other provision hereof.

Section 10.7. Delivery of Schedules and Documents. The schedules and documents referred to herein have been delivered and initialed on behalf of the respective parties hereto for identification purposes.

Section 10.8. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without regard to the application of the conflicts of law rules thereof.

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Section 10.9. Captions. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

Section 10.10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original instrument and all of which together shall constitute a single agreement.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first above written.

/s/ Mel Marks

MEL MARKS

/s/ Richard Marks

RICHARD MARKS

/s/ Vincent Quek

VINCENT QUEK

MOTORCAR PARTS & ACCESSORIES, INC.

By: /s/ Peter Bromberg

Peter Bromberg,
Chief Financial Officer

SUBSIDIARIES

Name	Jurisdiction of Organization
MVR Products Pte Limited	Singapore
Unijoh Sdn, Bhd	Malaysia

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statement pertaining to the 1994 stock option plan of Motorcar Parts & Accessories, Inc. on Form S-8 of our report dated May 16, 1997 which is included in the annual report on Form 10-K for the year ended March 31, 1997.

/s/ Richard A. Eisner & Company, LLP

New York, New York
June 23, 1997

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